Go-Ahead

Annual Report and Accounts
for the year ended 30 June 2018

Focused on delivering sustainable long term value for our stakeholders

We aim to work collaboratively with our partners to deliver customer focused transport services in an efficient way that produces attractive returns for our shareholders and generates value for all our stakeholders. We will do this by leveraging the following drivers:

Devolved customer focused management

- Autonomous local management teams best placed to optimise performance
- Multiple awards won for customer service with the highest ever regional bus customer satisfaction score
- Playing a key role in the communities we serve by supporting local economies enabling access to work, education, leisure and retail

Stable cash-generative bus business

- Well established regional bus operator with a focus on urban areas in the south of England
- Largest bus operator in London with strategically located depots providing competitive advantages
- Efficient operations resulting in delivery of near industry leading margins

UK rail experience

- Leading change and transformation as the operator of the UK's busiest rail franchises
- Track record of UK rail franchises contributing to Group profits and cash flows
- Low levels of capital deployment

Growing international pipeline

- Clear and disciplined strategy for low risk international diversification
- Seven international contracts won to date in three countries
- Strong pipeline of opportunities in targeted markets
- Target to deliver 15-20% of Group operating profits from international activities

Future scaling and proofing

- Addressing changing socio-economic dynamics impacting public passenger transportation
- Continued innovation and deployment of technology to make passenger transport easier and more efficient
- Committed to improving the environment and air quality
- Focus on remaining a sustainable and responsible business

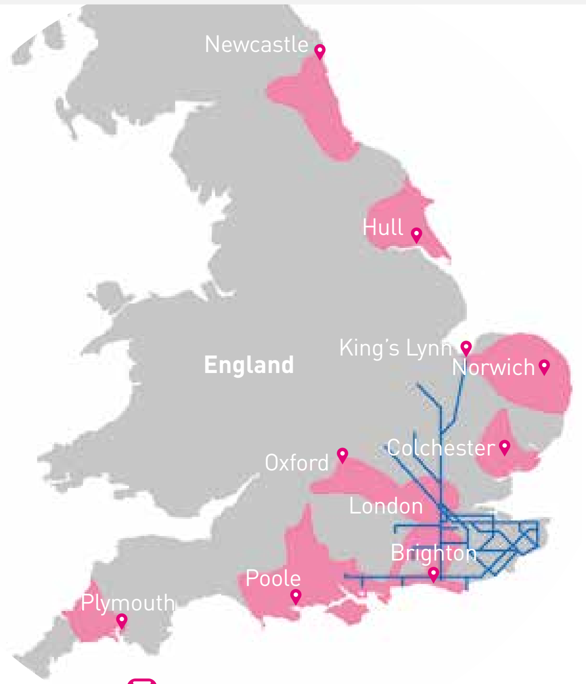
Strong financial profile

- Robust balance sheet with low levels of net debt
- Disciplined approach to capital allocation and risk management
- Strong free cashflow generation expected in coming years
- Committed to paying an attractive dividend

ABOUT US

Our business is based on strong fundamentals...

Go-Ahead is one of the UK's leading public transport providers, responsible for more than a billion journeys each year on our bus and rail services.



Regional bus

We run fully owned commercial bus businesses through our seven bus operators predominantly in the south of England. We employ over 7,500 people and run around 2,800 buses within these businesses. We have operations in Brighton, Oxford, East Yorkshire, Plymouth, East Anglia and on the south coast as well as in north east England.

London bus

We operate tendered contracts for Transport for London (TfL). This comprises of 164 routes from 17 depots in the capital. Around 85% of these depots are freehold. We are the biggest bus operator in London with a 23% share of the market, running over 2,100 buses and employing more than 7,000 people.

Rail

Through Govia, a 65% owned joint venture with Keolis, Go-Ahead currently operates two UK rail franchises for the Department for Transport (DfT), GTR and Southeastern and operate over 4,800 daily services. Until December 2017, Go-Ahead ran the London Midland franchise. Our rail operations employ over 11,500 people.

...because of these we are expanding our footprint, reaching more passengers.

Singapore

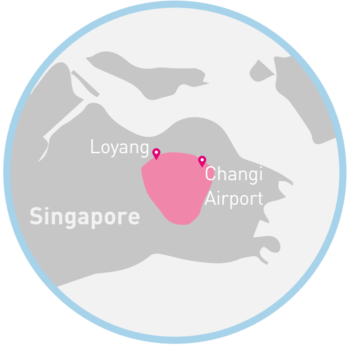
In September 2016, we began operating a bus contract in the Loyang district of Singapore, which has a similar contract structure to that in London. Employing over 1,000 employees, we now run more than 400 buses on 27 routes from our local depot.

Ireland

We won our first Irish bus contract in August 2017 to operate 125 buses across 24 routes in Dublin. In March 2018, we won our second bus contract, taking the total number of routes to 30. Go-Ahead Ireland will commence operating its first route from September 2018.

Germany

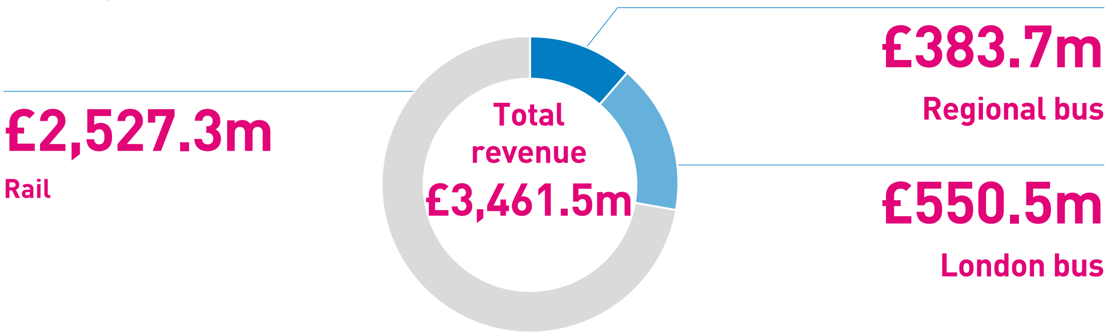
Go-Ahead Bahn and Bus is currently preparing for the start of three German rail contracts in 2019, in Baden-Wurttemburg and Bavaria. In June 2018, the Group was awarded a fourth German rail contract, for the E-Netz Allgäu routes which will commence in 2021.



Bus regions — Rail networks

HIGHLIGHTS

Performance in the year



£135.9m Total operating profit (pre-exceptional items) (2017: £150.6m)	**£161.0m** Total operating profit (post-exceptional items) (2017: £150.6m)	**102.08p** Dividend per share (2017: 102.08p)	**181.6p** Earnings per share (pre-exceptional items) (2017: 207.7p)
£232.8m Cash generated from operations (2017: £224.4m)	**91%** Regional bus customer satisfaction (2017: 90%)	**75%** Rail customer satisfaction (2017: 82%)	**0.70kg** Carbon emissions per passenger journey (2017: 0.75kg)

Business overview

- Results ahead of expectations
- Bus and rail operating profit pre-exceptional items at £91.4m (2017: £90.7m) and £44.5m (2017: £59.9m) respectively
- Stable final dividend proposed resulting in a maintained full year dividend of 102.08p
- Solid financial profile with net debt to EBITDA of 1.3x below our target range of 1.5x to 2.5x and well below the covenant ceiling of 3.5x
- Highest ever passenger satisfaction score (91%) received in regional bus
- GTR impacted by industry implementation of May timetable change; reliability significantly improved since subsequent July timetable amendment
- Southeastern rail franchise extended to 1 April 2019 and shortlisted for the next South Eastern franchise

International development

- Progressing towards our target for international operations to contribute 15% to 20% of Group operating profit by 2022
- Bus contract in Singapore delivering high performance levels, and mobilisation of new contracts in Dublin and Germany progressing well
- Confirmed as the preferred bidder for a second bus contract in Dublin and won a fourth rail contract in Germany during the year
- Building our brand with activities in targeted markets to increase client awareness of Go-Ahead
- Development team continues to pursue value adding opportunities in targeted international markets, where there is a strong pipeline of opportunities in both bus and rail

Future proofing

- Launched the UK's largest demand responsive trial of high quality minibuses which enables passengers to use an app to route journeys according to their needs
- Working with logistics partners on managing local deliveries, including a pilot at our Crawley depot
- Two initial contracts secured through our IT consultancy venture, Hammock, which commercialises our expertise in smart ticketing and payment solutions
- Established the Billion Journey Project, the UK's largest and only multi-model transport accelerator programme
- Operating over 140 environmentally friendly car shares through our stake in Frankfurt based company, Mobileeee

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Our stakeholders

We engage and work in partnership with all of our stakeholders to create and deliver the best service

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Read about our strategy in action

Our strategic objectives

Protect and grow the core

Win new bus and rail contracts

Develop for the future of transport

Our strategic report for the year ended 30 June 2018, as set out on pages 4 to 49, and the directors' report on pages 106 to 107, have been reviewed and approved by the Board of directors.

Andrew Allner,
Chairman

5 September 2018


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Strategic Report

In this section

Building a sustainable business

Dear Shareholder,

The provision of an effective, safe and efficient public transport system is crucial to the lives of the people and communities we serve. As a leading provider of public transport services, we play a vital role in getting people to their work, leisure, shopping and other destinations, and in connecting communities.

As well as being focused on delivering good shareholder returns, including an attractive dividend, we believe in delivering value to a wide range of stakeholders. It is our strong belief that the delivery of shareholder value is totally consistent with, and dependent upon, delivering for our customers, our colleagues and our partners in an environmentally responsible and sustainable way.

Shifts in the socio-economic and technological landscapes are changing the way in which we all go about our lives. This includes changes in the way we work, the way we shop, and the consequent impact on our transportation needs and preferences. These changes create both challenges and opportunities. At Go-Ahead, we have adopted a forward thinking approach, by adapting our business to these changes to deliver improvements that will create long term benefits for all our stakeholders.

Our strategy

We have a clear and defined strategy with three core pillars: to protect and grow our core businesses; to win new bus and rail contracts; and to develop for the future of transport. We have been embedding these strategic priorities into everything we do and measuring our performance on the progress we have made.

Read more on page 8-18.

The purpose of our strategy is to deliver value to our stakeholders and is supported by financial discipline, a rigorous approach to cost efficiency and capital allocation, a strong balance sheet and resilient profits in our bus division, which lay the foundation to our ability to pay an attractive dividend for our shareholders.

Our customers

Go-Ahead takes care of over a billion passenger journeys a year. We are the largest bus operator in London, have a well established, high quality regional bus business, and are the UK's busiest train operator. Our vision is a world where every journey is taken care of.

As customer habits change and we strive to be at the forefront of using technology to make transport ever easier, our innovation continues at pace. Contactless has been further rolled out with increasing customer adoption, and we are trialling and developing various other initiatives to benefit our customers.

GTR

In partnership with the industry, we embarked upon the introduction of the largest timetable change in decades for rail customers in May. This was a complex and ambitious project which will deliver new routes, greater connectivity and increased peak frequency through central London with the new automatic train operation technology. However, the implementation of these changes let down some of our customers and, alongside our industry partners, we take collective responsibility for the shortfall against expected service levels. We deeply regret and are sorry for the inconvenience caused to our customers. We are working hard in collaboration with our industry partners to improve the situation for our customers and are co-operating fully with the Office of Rail and Road (ORR) in its independent inquiry.

We also remain committed to working with the Department for Transport (DfT) to resolve the long outstanding contract variations which support the delivery of new services and will address remaining contractual performance issues, as explained in more detail on page 41.

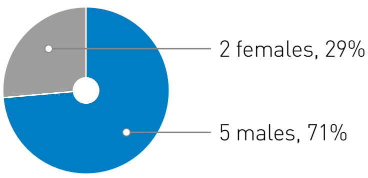
Our people

The Board would like to thank all of our 28,000 colleagues who work diligently every day in pursuit of our vision. Without the commitment, professionalism and dedication of our people, we would not be able to provide the services we do. Our vision and strategy are supported by a set of beliefs and attitudes which we live and breathe.

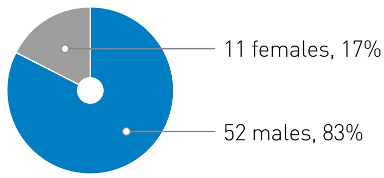
Read more on page 23.

At Go-Ahead, we are committed to taking care of our people, providing good working conditions and fair pay, and supporting them in their development. We are proud to be the first provider of bus and rail services to become an Employer Provider of Apprenticeships, gaining certification from the Education and Skills Funding Agency (ESFA) which operates under the Department for Education. We are also pleased to have been awarded two Investors in People Gold accreditations during the year, an internationally recognised standard which defines what it takes to lead, support and manage people effectively to promote a culture of high performance.

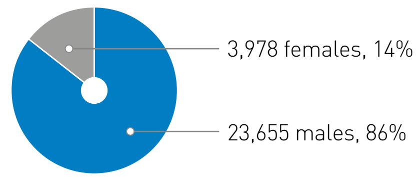
Board gender diversity



Senior management gender diversity



Overall Group gender diversity



As an organisation dedicated to equality, inclusion and diversity, we have fairness enshrined in our pay practices and are determined to address the pay gap between men and women working across our businesses. The industry in which Go-Ahead operates has historically had a high proportion of male employees but, as reported in our Gender Pay Gap Report, the number of women in leadership and management roles in our UK bus workforce has increased from 13% to 15.4% over the past three years. The number of women in our UK rail workforce has increased to 17.3%, which is higher than the industry wide average. The Group is implementing an action plan to improve gender balance at all levels, including a pledge to attract 40% of train driver applications from females by 2021.

The environment

We have a commitment to help cities tackle key issues around congestion, air pollution and transport accessibility. Our business model is built on sustainability as we take cars off the road. A Euro 6 bus, for example, produces less nitrogen dioxide emissions than a Euro 6 car and can carry many more passengers to reduce pollution. We have been reducing our carbon footprint significantly, with a reduction in emissions per vehicle mile by over 30% over the past three years.

Traffic congestion in the UK is 11% worse than it was three years ago and a recent analysis by INRIX put the cost of congestion in the UK at over £37.7 billion in 2017 alone. A fully loaded double decker bus can take 75 cars off the road and we continue to promote solutions to reduce congestion. We also support the London Mayor's Transport Strategy which seeks to increase the proportion of journeys made on foot, by cycling or by public transport where travel by bus and rail has a crucial role to play.

Go-Ahead is the largest operator of electric buses in the UK, and the operator of the UK's only all-electric bus garage. We are working on further environmental initiatives including how we can make a positive impact in actioning the United Nations Sustainable Development Goals and incorporating the financial implications of climate change in our reporting going forward, in compliance with the Taskforce on Climate-Related Financial Disclosures (TCFD).

Read more on page 27.

Our investors

Despite the challenging market backdrop that we have seen in our bus businesses this year, operational challenges in our GTR franchise, and the expiry of the London Midland franchise mid-way through the year, we have delivered results ahead of our expectations at the beginning of the year. As a result, the Board has recommended a final dividend of 71.91p which brings the full year dividend to 102.08p. Subject to shareholder approval, this will be paid on 23 November 2018 to shareholders on the register on 9 November 2018.

The Board continues to recognise the importance of dividends to shareholders and accordingly has updated its dividend policy. The Group will target a dividend payout ratio of 50% to 75% of net income. This better reflects the historic and expected future payout ratio and provides shareholders with more clarity and the Group with the appropriate flexibility to continue to pay an attractive dividend.

Your Board

The Board's focus this year has been on ensuring that good governance supports the delivery of our strategic objectives, particularly in respect of ensuring that we address the needs of all our stakeholders. The way in which we develop and monitor strategy has improved through the Board's Strategy Day, routine reporting to the Board and a clear forward looking agenda which enables us to discuss key priorities. An increased focus on innovation and building resilience has also enabled the Board to remain forward thinking with the Group's culture, reputation and stakeholder engagement now all an integral part of Board deliberations.

Read more on page 58.

We have continued to build upon last year's Board development programme to improve the effectiveness of the Board. During the year, we were delighted to welcome Harry Holt and Leanne Wood as independent non-executive directors in October 2017. Together they have brought with them a diversity of experience and perspective which is already enhancing Board debate.

Patrick Butcher will be leaving the Group towards the end of the year. On behalf of the Board, I would like to thank Patrick for the valuable contribution he has made to the Group and the strong financial position that he has safeguarded. The Board has begun a process to appoint a successor.

The future

Our business has a clear strategy which I am confident positions us to address the industry challenges and opportunities we face and for the Group's future development. With the continued dedication of our colleagues and our ongoing focus on our customers, I believe that we are taking the necessary actions to deliver value to all our stakeholders whilst appropriately balancing short, medium and long term considerations.

Andrew Allner,
Chairman

5 September 2018

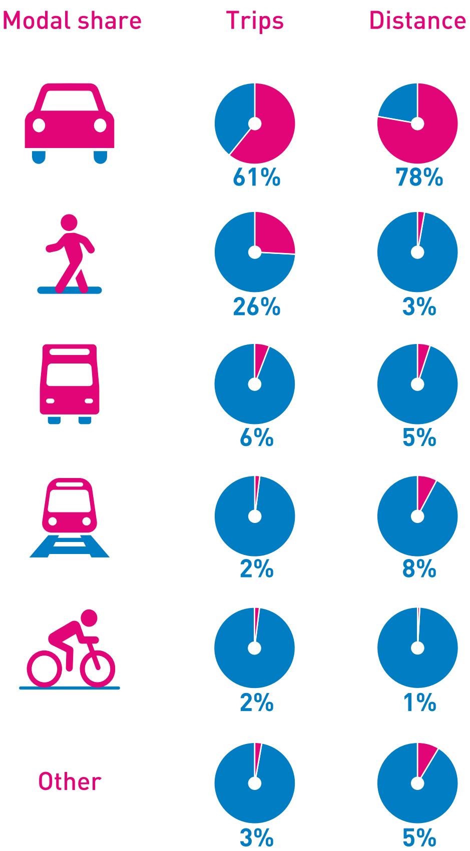
Well positioned in dynamic markets

UK transport

Transport in the United Kingdom is facilitated with road, air, rail and water networks. Our operations of passenger transport is spread across three divisions: regional bus, London bus and rail.

Passenger transport has grown in recent years with the latest figures from the DfT showing that total passenger travel inside the United Kingdom was 801 billion kilometres in 2017, the highest volume ever recorded. With people travelling over 6,500 miles per year on average, transport is a fundamental part of daily living and, therefore, plays an important role in our economy.

How the UK travelled in 2017*:



* Source: DfT

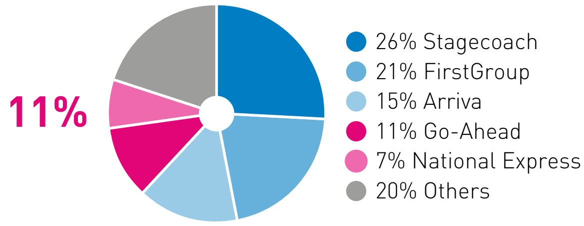
We have expertise and skills from our UK bus and rail operations and have leveraged this expertise in new international markets, offering considerable value to passengers and tendering authorities, which has been proven successful through our Singapore bus contract in the last year.

Regional bus

Overview

This market comprises of all our UK bus operations outside London. While most services are operated on a commercial basis, some contract services are operated on behalf of local authorities and educational institutions. Operators are responsible for their own vehicles and depots, as well as setting routes, fares and service frequency. Full revenue risk is taken by the operator.

Regional bus market share



Trends

Passenger journeys outside London have either remained static or have slightly declined. With over 31% of British workers now working from home at least one day per week, increased car usage, as well as other changing customers' habits such as online shopping, and competition from the growth in ride hailing car services all contributing to this decline in bus passenger numbers. These factors have led to a rise in congestion as well raising pressure on the issue of improving air quality.

Our approach

We have been promoting bus travel as the way forward by working with local companies, councils and developers to make bus central to their thinking and alleviate the impact on air quality. We have also conducted a pilot with logistic partners to help manage deliveries in local area and help reduce congestion. To attract customers, we continue to invest in our bus networks with comfortable high specification vehicles, advanced retail systems and cutting-edge information systems making travelling with us easy and helped maintain our high customer satisfaction score. We recently launched demand responsive transport services in Oxford and have rolled out simpler under 18 fares to attract younger passengers, as well as 'kids for a quid' and continue to look for growth opportunities through bolt-on acquisitions, focusing predominantly on urban areas with growth potential.

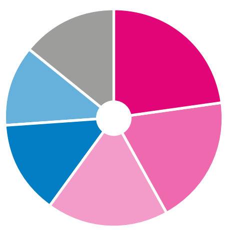
London bus

Overview

Transport for London (TfL) tenders individual bus contracts which run for five to seven years. Operators are responsible for their own vehicles and depots and are paid through gross cost contracts on a revenue per mile basis. TfL sets routes and service frequency, while the Mayor of London is responsible for setting fares.

London bus market share

23%



Trends

Congestion in London remains challenging, both in terms of service reliability and its impact on the environment, leading to a corresponding decrease in bus passenger numbers. Recent budgetary constraints on TfL has resulted in reduced service frequency, mileage and vehicle requirement, despite continued population growth in the capital, and has intensified the level of competition amongst operators. This was followed by the Mayor's Transport Strategy 2018, setting out the policies and proposals to reshape transport.

Our approach

Buses are the most popular means of public transport in London and are the best solution to serve the growing population. We continue to focus on operational delivery, negating the impact of congestion and declining passenger numbers, by running our operations to ensure the delivery of punctual services. This has led to a recent increase in our QIC bonuses from TfL for targets achieved. Our network of depots are strategically located, enabling us to bid cost effectively in the competitive market for TfL contracts. We formally responded to the Mayor's Transport Strategy, highlighting what works well, while calling for greater bus priority and sustained network funding. We have held discussions with representatives from the government and TfL to generate thought leadership on air quality and continue to roll out low emission and electric buses to reduce our environmental impact. We remain the largest operator of electric buses in the UK.

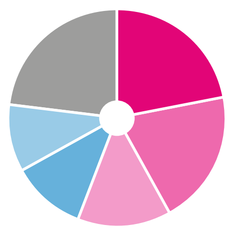
UK Rail

Overview

UK train operators run rail services through contracts tendered by the DfT. The track and other infrastructure is largely owned and managed by Network Rail. The extent to which an operator is able to vary fares, routes and service frequencies depends on the contract. Trains are usually owned by leasing companies and rented to operators.

Rail market share

22%



Trends

In recent years, the competitive UK rail industry has seen well publicised challenges faced by operators. This has led to recent changes taken by the DfT which motivate all bidders to rigorously identify and address operational and financial risks during the tendering process. With ongoing significant infrastructure improvements and modernisation of the railway, governmental initiatives have been introduced which encourage closer working with Network Rail, greater involvement of local stakeholders and more convenient and flexible ticketing products that better fit with passenger needs.

Our approach

In the UK, we are prioritising service improvement at GTR and have submitted a sensible and deliverable bid for the next South Eastern franchise. We have contributed our views to the DfT on how rail franchising could be improved and are proactively working with all major industry stakeholders. We consider that contracting rail services provides best value for customers and taxpayers and continue to focus on urban and inter-urban franchises where our expertise lies and where we can add value. We are also using our rail expertise to selectively bid for rail contracts in attractive international markets. To date, we have won four rail contracts in Germany and are actively pursuing other opportunities.

The route ahead

We have a clear and simple strategy: to protect and grow our core business; win new bus and rail contracts; and develop for future transport needs. The Go-Ahead strategy feeds into our vision and is underpinned by our beliefs and attitudes and helps us understand where we are going, why we are going there and what we have to do to get there.

Through this strategy, we aim to deliver an excellent service for our customers, returns for our shareholders and value for all Go-Ahead stakeholders.

Our evolving strategy

Over the last year, we have made progress in evolving our strategy, to reflect some of the wider areas that we focus on as a business.

The key change themes from last year's strategy, Lean processes, Technology, Customer experience, Culture change and Leadership, have been embedded into the Group and now form part of our everyday activities. As these themes naturally evolved throughout the year, we identified additional key areas for which Go-Ahead has a responsibility for and have sharpened our strategy to focus our direction going forward.

By proactively engaging with our stakeholders, their feedback enabled us to formulate our updated strategy and therefore improve our operations, products and services going forward.

Through the areas of Better teams, Happier customers, Stronger communities, Smarter technology and a Cleaner environment, we aim to deliver change, shape our culture and prepare for the future challenges and opportunities facing us and our wider industry.

By working collaboratively and in partnership with all of our stakeholders and ensuring we operate in an open and sustainable way, we are able to deliver our vision: a world where every journey is taken care of.

To assess the effectiveness of the different pillars of our strategy, we measure a broad range of financial and non-financial key performance indicators.

Read more on page 28.

There is a clear link from our strategy to the remuneration structure of senior management.

Read how remuneration is influenced by strategy on page 82.

Read how risks may impact strategy on page 44.

Our vision

A world where every journey is taken care of

We generate value for our investors, by building a sustainable business which meets the needs of our customers and communities

Our vision will be delivered by our three strategic objectives

Protect and grow the core

Safeguarding and developing our core bus and rail businesses through our three operating divisions

Win new bus and rail contracts

Securing contracts in the UK and using our core experience to expand into international markets

Develop for the future of transport

Using our skills, knowledge and assets to explore new growth opportunities for the future of our business

With responsibility as a business for safer and

Better teams
We are committed to attracting, developing and retaining the best talent and driving high levels of motivated and engaged colleagues.

Happier customers
Our customers are at the heart of what we do. We aim to provide high levels of customer service across all our operations.

Stronger communities
We enable communities to flourish by providing access to education, retail and employment, allowing people to stay connected.

Smarter technology
We invest in technological solutions and utilise our market leading retail capabilities to drive growth and innovation.

Cleaner environment
We promote the benefit that public transport has over private in improving air quality and strive to reduce any negative impact we may have on the environment.

Our approach is underpinned by our core beliefs and attitudes

Our beliefs

We believe in
- Trusting people
- Being can do people
- Building relationships
- Being one step ahead

Our attitudes

We are
- Accountable
- Down to earth
- Collaborative
- Agile

Facing the future with confidence

In a challenging market environment, our businesses have demonstrated a resilient financial performance and delivered an operating profit which is higher than our initial expectations. We are firmly of the view that this is a result of our clear and simple strategy, supported by our devolved business model and an ethos which seeks to deliver for all of our stakeholders.

Protect and grow the core

Go-Ahead has been a leading provider of bus and rail services to passengers across the UK for over 30 years. Our core bus operations in London and the UK regions provide us with stable profits and cash flows, and our UK rail operations generate additional cashflows and high returns on capital. The first pillar of our strategy is to protect and grow these activities through a strong, local customer focus, efficient operations and with appropriate investment in the future.

Bus

Operating profit, pre-exceptional items, in our bus division at £91.4m (2017: £90.7m) was slightly higher than last year, with a lower result in our regional bus business offset by an increased performance in London.

In regional bus, the industry backdrop for passenger volumes remains challenging with journeys across regional markets in England reducing by over 2%, driven largely by local authority cuts, congestion and changes in consumer behaviour. Our regional business, with its weighting towards urban areas in the south of the country, and with devolved management teams that have the flexibility and agility to respond effectively to local market conditions, saw a slightly better performance with a decline in like for like passenger volumes of 1.6%. Within this overall performance, trends remained mixed across our various markets with growth in some areas offset by declines in others. Our like for like passenger revenues grew by 0.4% and with a continued focus on cost efficiencies, our pre-exceptional operating profit of £45.8m (2017: £47.1m) was only slightly below last year's level with an operating margin of 11.9% remaining close to industry leading levels.

More information on page 38.

Air quality and congestion are high on the agenda and we remain resolute in our efforts to demonstrate that buses are the solution to these issues. The potential impact of the Bus Services Act remains unclear and we continue to monitor developments in Manchester, the first area where there could be changes to the current model. We believe that working with local authorities in a collaborative, mutually beneficial way is the best solution to deliver desired outcomes for passengers and taxpayers alike.

Our approach in regional bus is to focus on urban areas with growth potential. We retain our strong customer focus and are proud to have achieved the highest ever passenger satisfaction score of 91% from Transport Focus, including the highest scores for punctuality and journey time. We continue to use technology to promote bus use by making services simpler and more comfortable to use. The roll out of contactless continues across our regional bus business, accounting for up to 30% of transactions at some of our operators. Over 2,000 buses have been enabled, with Brighton and Go East Anglia also on track to provide contactless by the end of the year.

The market environment is presenting us with further consolidation and bolt-on acquisition opportunities. We remain very selective about those which we pursue and are pleased to have acquired Tom Tappin Limited, a small sightseeing operation in Oxford, and East Yorkshire Motor Services (EYMS), a larger, well established operator of over 300 buses and coaches. We are confident that these businesses will contribute positively to our results in the future.

In London, buses are still the most popular means of public transport, carrying 200 million more passenger journeys than all other Transport for London (TfL) services combined. We are the largest bus operator in the UK capital with just under a quarter of the market. Passenger demand in London is decreasing as it is in the rest of the country, with more people working from home and increasing online shopping. Budgetary pressure at TfL is resulting in a reduction in mileage for operators in London, with TfL's business plan suggesting a reduction of around 7.5% in mileage over the coming three years.

Our operating companies

Go North East, go southcoast, Metrobus, Plymouth citybus, oxford bus company, Brighton & Hove, go east anglia

Go-Ahead London, Go-Ahead Ireland, Go-Ahead Singapore

Go-Ahead Bahn & Bus, GTR, southeastern

As anticipated, our mileage in London for the year was down by 1% reflecting contract tenders. In this environment, we have focused our efforts on quality, which has helped us to achieve strong Quality Incentive Contract income (QICs), and on tight cost control with the development of lean engineering. This has enabled our London bus division to deliver an increased operating profit of £45.6m (2017: £43.6m) with a stable operating margin of 8.3%.

Looking forward, we support the Mayor of London's aspiration to increase the number of trips made on foot, by cycle and by public transport and believe that buses have a key role to play in delivering that vision. London is still an attractive place to run buses, and we believe that as London heads towards a population of nine million people, population growth in the suburbs will continue to stimulate demand.

"Doing the right thing for our customers has always been a core part of who we are and drives our thinking as we make improvements across the business."

David Brown,
Group Chief Executive

Protect and grow the core

Win new bus and rail contracts

Develop for the future of transport

Rail

Operating profit in our rail division at £44.5m (2017: £59.9m) declined by 25.7% compared to last year.

London Midland performed very well during the first six months of the year prior to the expiry of the franchise and we were very disappointed that we were unsuccessful in our bid to retain the routes under the new West Midlands franchise.

Southeastern experienced a year on year reduction in passengers during the first half of the year, impacted by a shift in working patterns. This led us to accelerate our efforts to deliver business efficiencies which have borne fruit and supported profitability. During the second half of the year, passenger journeys and revenue growth showed an improvement, boosted by the resumption of full services through London Bridge station.

At GTR, prior to the introduction of the May timetable changes, operational performance was steadily improving with higher passenger satisfaction levels on our Thameslink service than at any point since 1999 according to the Spring 2018 National Rail Passenger Satisfaction (NRPS) survey. This showed an 86% overall satisfaction rate, an increase of 11 percentage points over the previous year.

In May, in partnership with the industry, we began the introduction of the largest timetable change in decades to provide new routes, greater connectivity and increased peak frequency through central London. Due mainly to the sheer number of changes required, approvals for service alterations being delayed and some timetable requests being amended, there was much less time than originally planned to prepare adequately for the new timetable. We are very sorry for the severe disruption this caused some of our passengers and we are working very hard with our industry partners to restore service to levels that we expect to deliver and our customers rightfully expect from us.

In July, we implemented a new timetable which focuses on running as many peak services as possible. I am pleased that this has stabilised the service and is now providing a schedule on which passengers can better rely and plan around. We continue to work hard to progressively implement the full benefits of the changes that had been planned for May by the next timetable change.

Read more on page 40.

Win new bus and rail contracts

Our international expansion is a significant part of the second pillar of our strategy. Our extensive experience in the UK positions us well in international markets. Our bus contract in Singapore, which began operating in September 2016, has continued to perform well.

In Ireland, mobilisation of our first contract to operate bus services in the outer Dublin area is progressing apace and operations will commence in September 2018. Similar to the structure of bus contracts in London and Singapore, this contract will run for five years with a possible extension of two years. During the financial year, we were pleased to have been awarded a second bus contract in Ireland for services linking Dublin to commuter towns in Offaly, Laois, Kildare and Meath. These routes will begin operating in early 2019, also on a five-year contract with a possible two-year extension, and will bring the total number of routes in Ireland up to 30.

Mobilisation in Germany for the start of three rail contracts in 2019 is progressing according to plan and we were pleased to have been awarded a fourth contract to operate the E-Netz Allgäu routes. This new contract will provide regional services and important links between Munich and Lindau, within the German federal states of Bavaria and Baden-Württemberg, on a 12 year franchise which is due to start in 2021.

In total, we have now secured seven contract wins outside the UK which are expected to have an annualised turnover of around £250m once they are all operating. We are actively pursuing other opportunities in our existing and other targeted markets within a clear framework. International work enriches our market knowledge and expertise, and provides further opportunities for sharing of experiences and best practices across the Group. The goal of generating 15% to 20% of Group profit from international operations by 2022 remains unchanged and we are on a good trajectory to achieve this.

Develop for the future of transport

The third pillar of our strategy revolves around adapting to changes in the way people live their lives and how this impacts their mobility needs. We constantly strive to be more relevant to customers tomorrow than we are today so that we can continue to fulfil their evolving travel preferences. A forward thinking approach is key to future proofing the business as we seek new ways to apply skills, knowledge and assets to enable sustainable performance over the long term. We are focused on ensuring that we invest sufficiently to understand changing trends and are able to capture opportunities through a process of researching, testing and trialling.

In June, we launched the UK's largest on-demand bus service in Oxford, called PickMeUp. Passengers can summon buses via a mobile app to virtual bus stops nearby. There has been a positive initial response and we look forward to seeing how this develops with a possible roll out to other areas in the future.

During the financial year, we began working with logistics partners including the commencement of a pilot at our Crawley depot to manage deliveries in the area. Elsewhere, our Hammock IT consulting business uses existing retail and IT knowledge to provide technology solutions to local authorities and other customers and has been making good progress, winning two contracts this year. We also invested in a 12% stake in Mobileeee, a Frankfurt based, award winning start up to forge environmentally friendly car sharing schemes.

We are developing Mobility as a Service (MaaS) in Brighton to make public transport and not owning a car an easy, clear and transparent choice for end-to-end journeys. We also piloted the UK's first bus ticket system using iBeacons in Southampton earlier in the year.

In July, we launched the Billion Journey Project, a business accelerator programme to partner with scale-up businesses looking to innovate and improve the experience of travel. The programme, which will initially nurture 10 companies, offers technical assistance and mentorship from our team of transport experts and aims to support new businesses looking to change and shape the future of transport by focusing on improving passenger experiences.

Outlook

Whilst these are challenging times, we are convinced that such an environment can provide opportunities for agile, forward looking businesses. The provision of customer focused and efficient public transport services has an important role to play in local communities as an enabler of social and economic activity and it is also an answer to congestion and air quality issues. We are confident that our clear and focused strategy positions us well to address the challenges and capture the opportunities over the long term.

The business ethics and values which have always been important to us are becoming increasingly relevant. The people we have in our businesses, with our commitment to help them develop, along with our devolved management structure and forward thinking ethos, help us to keep one step ahead and our strong balance sheet provides us with the financial resources to capture opportunities and weather short term turbulence.

Looking to 2018/19, in our regional bus business, we remain focused on maintaining our leading passenger satisfaction scores, on the continued adoption of smart technology, and on capturing more benefits from the roll out of our Lean framework. Market conditions are expected to remain challenging, but we expect operating profit to show a slight improvement on the level achieved in 2017/18.

1.2bn	£250m	9,500
Number of annual passenger journeys	Annualised international revenue secured	PickMeUp registered users

Our London bus business will see a reduction in mileage for 2018/19 resulting from TfL budget pressures and some contract losses towards the end of 2017/18. The value of our own contracts available for tender in 2018/19 is markedly lower than has been the case in the preceding two years and there are good opportunities to win work from competitors during the year.

In rail, our focus is on working with our industry partners to deliver an improved service for passengers, particularly for those travelling on services operated by our GTR franchise who experienced severe disruption after the timetable change in May. We remain hopeful of winning the new South Eastern franchise and have submitted a deliverable and economically sensible bid.

We will continue to execute our international strategy with the start of operations in Dublin and continued mobilisation in Germany, and we also expect to submit bids for additional international contracts in our targeted markets. Further progress will also be made on our various initiatives around developing for the future of transport.

For the Group overall, we expect to deliver a robust performance in 2018/19, taking into account the expiry of the London Midland franchise last year which contributed positively to the first six months of 2017/18. We expect free cashflow generation to be strong, resulting in a further reduction in net debt excluding restricted rail cash.

Looking forward, we remain confident that we are in a good position to deliver long term value for all our stakeholders and deliver our vision of a world where every journey is taken care of.

David Brown,
Group Chief Executive

5 September 2018

STRATEGY IN ACTION

Protect and grow the core

We're focused on protecting and growing our core business. In bus we've got a resilient business model equipped for economic uncertainty and in rail we're bidding with financial discipline, considering each potential franchise bid on its own specific merits.

Regional bus

Throughout the year we invested £41.1m on new buses and a further £6.8m making improvements to our bus services. This included new technology, improving passenger information and multi payment options, to make our services easier and more convenient to use.

We have also improved accessibility across all our services by rolling out the Helping Hand card. The introduction of lean thinking also enabled us to be more efficient with Go North East furthest advanced in implementing this in its engineering activities.

70%

buses with contactless technology

London bus

Working in partnership with TfL and strengthening our service control capabilities, we have continued to improve our operational procedures and performance for our customers, resulting in higher QIC bonuses for service quality.

We run the UK's only all electric bus depot and will shortly be trialling the first tri-axle double decker bus in London, providing capacity for 130 passengers.

12.5%

punctuality improvement

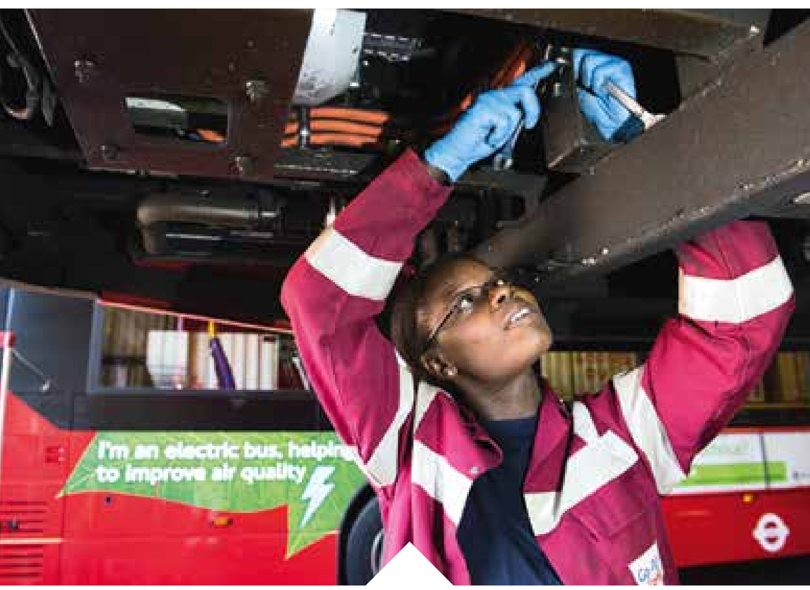
Rail

This year, we have remained focused on developing and improving our customer offering, with the introduction of new trains, additional capacity and real time information. We introduced a new smartcard, KeyGo, and DelayRepay15 passenger compensation scheme.

We also accelerated our business efficiency programme at Southeastern to improve financial performance whilst retaining our customer focus.

534 million

annual rail passenger journeys



Sustainable business

Not only do we strive to be a good transport operator, we also aim to be a responsible business, by supporting the UK economy, embracing local and national environmental initiatives, being a fair employer and being open and transparent about our business activities and finances.

Our credentials include:

Carbon Trust Standard – Reducing CO2 year on year

Fair Tax

FTSE4Good

Business in the Community

Investors in People

Acquisitions

We continue to look for opportunities to grow our business organically and through bolt-on acquisitions.

During the year we acquired two regional bus businesses, a sightseeing company in Oxford and East Yorkshire Motor Services, headquartered in Hull, which will deliver cost synergies and drive revenue in the long term through the expertise of our local teams.

UK bus operator of the year

Our continual efforts to be the UK's leading transport provider have not gone unrecognised.

Go-Ahead bus company Go South Coast was awarded the UK Bus Operator of the Year at the UK Bus Awards 2017 with Brighton & Hove Buses, another of Go-Ahead's businesses, taking second place.

In March, Go-Ahead London was named Bus Operator of the Year at the London Transport Awards.

STRATEGY IN ACTION

Win new bus and rail contracts

We continue to pursue value adding opportunities in current and new international markets, where there is a strong pipeline of bid opportunities in both bus and rail. We are currently exploring opportunities in a number of markets in line with our strategy, risk appetite and financial discipline.

International development

In September 2016, we began operating a bus contract in the Loyang district of Singapore and we now run over 400 buses on 27 routes.

In August 2017, the Group was awarded its first Irish bus contract in the outer Dublin metropolitan area and won our second bus contract in March 2018, taking the total number of routes operated by Go-Ahead in Dublin to 30.

Go-Ahead is currently preparing for the start of three German rail contracts in 2019, in Baden-Württemberg and Bavaria. In June 2018, the Group was awarded a fourth German rail contract, E-Netz Allgäu, which will commence in 2021.

seven

international contracts won to date

South Eastern

We are shortlisted for the next South Eastern franchise to be awarded by the Department for Transport (DfT), which is expected to commence on 1 April 2019. Our rail bid team has submitted a strong bid for the franchise that will deliver value for passengers, taxpayers and shareholders alike.

Future growth

We have a clear international strategy and a robust framework through which this strategy will be delivered. We have three decades of experience operating complex transport networks in the UK. We're in an excellent position to leverage that expertise in new international markets, offering considerable value to passengers and tendering authorities. We are focused on markets with stable political and legal systems, where there's appetite for public transport use, and the tendering authorities are committed to introducing international expertise. Our target markets have visible pipelines of contracts and present opportunities to develop in other areas once a local platform has been established.

We have a target of developing international operations to deliver 15%-20% of Group operating profit by 2022.

Go-Ahead international strategy

Why
Opportunities in the UK are well defined in a mature market. We have expertise and skills from our UK bus and rail operations that other countries recognise and want to benefit from

How
Our strategy is to proactively target new bus and rail contracts and develop for the future of transport

What

Plays to our strengths:
- Land transport
- Urban environment
- High quality operations
- Strong employee recruitment and engagement
- Focus on customer experience
- Devolved local management

Good return on capital

Visible pipeline of work

Preferred market entry via contract with regulatory authority

Low capital requirements

Where

Stable political & legal systems

Consistent with our values

Transport authority which wants international expertise

Current pipeline

Today
Singapore
Ireland
Germany

Tomorrow
Germany | Ireland
Australia | Nordics
Singapore

Success — **Our target is 15-20% Group operating profit by 2022**

Operational excellence in Singapore

Our operational excellence is also being recognised in our new markets. In 2017, the Transport Gold Award was awarded to eight of the Go-Ahead Singapore bus drivers, for displaying exemplary service and gracious behaviour to customers, further displaying our vision of a world where every journey is taken care of.

STRATEGY IN ACTION

Develop for the future of transport

Passenger and customer needs are changing and so are we. To remain relevant to our customers and to stay in tune with the changing expectations in the transport sector, we are seeking new ways to use our skills, knowledge and assets to create growth and set us apart from the competition.

Mobileeee

Earlier this year, Go-Ahead acquired a 12% stake in Mobileeee, a Frankfurt based award winning car sharing company.

The company offers electric car sharing, carpool management, fleet solutions and fleet management, bringing together modern, affordable and sustainable solutions that allow users to participate in a new world of mobility.

Now in its seventh month, Mobileeee has over

140

cars in operation

Oxford PickMeUp

This year, Go-Ahead launched the UK's most ambitious demand responsive bus service, allowing passengers to summon a bus pick-up within minutes at a virtual bus stop at their convenience using a new mobile app.

The PickMeUp service, which is being piloted by the Oxford Bus Company, aims to meet the changing needs of people in the city and to reduce congestion.

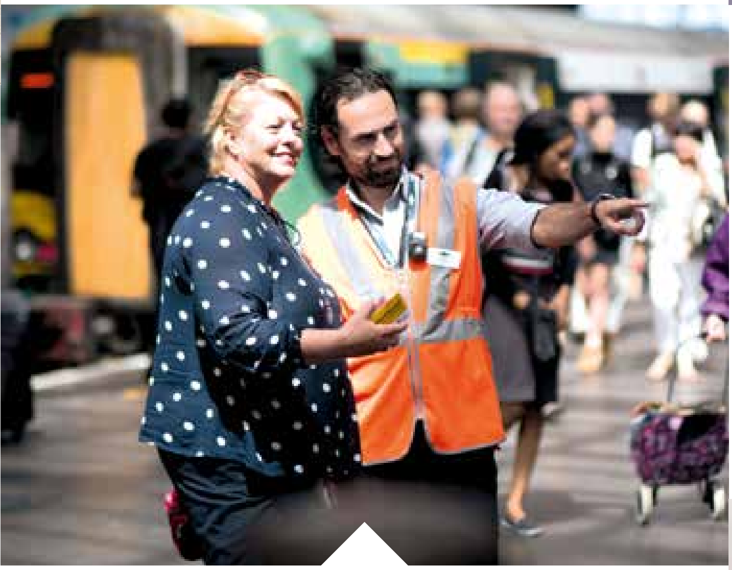
Now in its second month of operation, PickMeUp has over

2,000

weekly riders

Hammock

At the end of 2017, Hammock, a new Go-Ahead company, was established to deliver consultancy, retail and digital solutions for public transport. It seeks to leverage Go-Ahead's strong expertise in delivering innovative retailing and digital solutions across public transport, making travel easier for customers and local authorities. To date, we have won two contracts with a local authority, commercialising our expertise in smart ticketing and payment solutions.



Continued innovation

Our project team is currently exploring a range of solutions to make public transport a clear and simple choice for end-to-end journeys.

One such solution is Mobility as a Service (Maas), the integration of various forms of transport services into a single mobility service which is accessible on demand. This is enabled by combining transportation services from public and private transportation providers through a unified gateway that creates and manages the trip, which users can pay for with a single account.

With the continued growth of global eCommerce and increasing demand for product personalisation, there is an opportunity to leverage our assets through innovation. We have been exploring if Go-Ahead facilities such as spare capacity in depots, on buses and supporting services can be made to work for logistics partners and conducted a pilot at our Crawley depot during the year.

The Billion Journey Project

In July this year, Go-Ahead launched the Billion Journey Project, a new accelerator lab programme. The largest of its kind in the UK, the programme was developed with the ambition of helping start-ups and scale-ups implement their product across the rail and bus industry. The programme, which will initially nurture 10 companies, offers technical assistance and mentorship from our team of transport experts and will support new businesses looking to change and shape the future of transport by focusing on improving passenger experiences.

Go-Ahead Group awarded the Smart Cities UK Transport Award for 2018

Go-Ahead teamed up with technology experts at iBlocks to pioneer a cutting edge system offering customers a new form of contactless ticketing, called Hopsta. The app allows passengers to pay for their bus travel solely using mobile signals on their smartphone via iBeacons, when they board our buses.

Following a successful trial by students on our Unilink buses, operated by Go South Coast, a new and more sophisticated system is currently being piloted in the North East.

It marks the latest technological innovative success from Go-Ahead.

Creating sustainable value

We create value for all our stakeholders through our sustainable business model

Our resources and strengths...

Our success is dependent on effectively using our key resources and strengths

Stakeholder relationships

We work closely with our stakeholders which include customers, communities, strategic partners and suppliers, government and investors. These relationships are built on mutual understanding and trust, and on our commitment to engage with all our stakeholders to provide a high quality service.

Dedicated people

We employ around 28,000 people whose work and dedication are key to the success of Go-Ahead. High levels of colleague engagement, job satisfaction and providing a safe, supportive working environment contribute to our performance. By creating a culture of excellence, we ensure we maintain a skilled and motivated workforce.

Financial platform

Our cash generative capabilities and a conservative level of net debt enables us to ensure that our business remains well funded and that we can continue to reinvest cash into operations, deliver returns to our providers of capital and take advantage of growth opportunities that emerge.

Fleet and depots

We operate over 5,000 buses and run 952 trains through a combination of outright ownership and leasing assets to take our customers to where they need to go in a safe and reliable manner. We continue to invest in our asset base and, in the last year, our capital expenditure amounted to £126.7m.

Thought leadership

We have built our experience and reputation over 30 years of operating in transport markets. As a leader in the industry, we have substantial know how which includes our innovative technology and our forward thinking approach to developing solutions for the future of transport to enhance customer experiences.

...enable our business

Our key resources and strengths enable us to generate revenue through our three operating divisions: regional bus, London bus and rail

Revenue and profit are generated through our three operating divisions in two main ways:

1. The provision of transport services to fare-paying passengers, whose revenue covers the cost of service and a profit margin. Most bus operations in the UK outside London operate on this commercial basis.
2. The provision of passenger transport services on behalf of public sector transport authorities. We tender for and operate contracts in two main sub-categories:
   - *Gross cost contracts* where our entire revenue comprises payments made by the transport authority to us with the authority retaining all fare revenue raised and therefore revenue risk. This includes the UK London bus market and the GTR rail franchise.
   - *Net cost contracts* where our revenue is a combination of income from fares and payments from transport authorities. Most UK rail franchises are run on this basis.

Good cost controls are vital in areas such as staff utilisation, fuel efficiency and negotiating and managing contractual relationships. Part of the Group's core skill set is managing all of these areas without compromising safety or quality.

Driving performance against our three strategic priorities:

Protect and grow the core

Win new bus and rail contracts

Develop for the future of transport

The three pillars of our strategy help us build these relationships, providing great customer experience, controlling our costs and enabling us to invest for growth in the process. Through this strategy we aim to deliver excellent service to our customers, returns to our shareholders and value to all of Go-Ahead stakeholders.

...to create value and outputs for our stakeholders

By running a profitable, sustainable and responsible business, we create value and deliver long term benefits to shareholders, passengers and communities

Meeting customer needs

We deliver high quality, locally focused services, enabled by our devolved structure, which ensures a better understanding of our customers and ability to respond to their needs. Through this, we have maintained our sector leading position on our regional bus customer satisfaction score.

Customers

91%
regional bus customer satisfaction score
(2017: 90%)

Securing a skilled workforce

We strive to be a best in class employer by providing a rewarding work environment, offering market related compensation and rewarding performance. As a responsible employer, we are focused on colleague wellbeing, retention, training and development.

Our people

66%
colleague engagement score
(2017: 59%)

Creating profits

By effectively managing the inputs to our business and executing our strategy, we create profits and cash returns which enable us to pay interest on our debt and to provide an attractive dividend to our shareholders.

Investors

102.08p
full year dividend payment
(2017: 102.8p)

Prioritising sustainability

The transport we provide helps to support economic growth. As a significant purchaser of products and services, our operations provide funds to suppliers. We manage this value chain to minimise risks and contribute to the efficient delivery of our services.

Strategic partners and suppliers

£1.9bn
payment to suppliers
(2017: £1.9bn)

Shaping policy and change

We work closely with central and local government to shape policy and regulatory changes which enhance the future of transport and contribute to fiscal revenue through our tax payments.

Government

£28.7m
corporation tax payments to government
(2017: £34.1m)

Enhancing communities

We make a significant and positive contribution to the communities in which we operate, enabling communities to remain connected, and do so in a responsible way. We strive to reduce any negative impact our operations may have on the environment.

Communities

0.70kg
carbon emissions per passenger journey
(2017: 0.75kg)

Read how the voice of our stakeholders are heard by the Board on page 68.

Working in partnership

We play an important role providing a vital service for our communities through the people we employ and the taxes we pay. We place great importance on partnership, adopting a collaborative approach with governments, local communities and strategic partners; developing and running services that create long term value for all of us.

Our stakeholders are the groups of people and individuals who have an interest in what we do, how we do it, and the impact that we have as a business. By engaging our key stakeholders meaningfully, we gain insights into their expectations, needs and identify the material issues that are of high concern. This feedback forms part of our decision making process and helps us continuously improve, and progress towards our vision and long term ambitions.

Customers

Customers are at the heart of Go-Ahead and it is our mission to provide them with a consistent and reliable service.

We build relationships with our customers through our front line staff, customer ambassadors and social media. These interactions allow us to better understand the needs of our passengers and where to focus improvements, which allows us to provide a better all-round service.

Making travelling with us the simple and easy choice

During the year, we invested £87.3m on new buses and refurbishments, £12.3m improving our bus services and a further £27.1m making improvements to our rail services including upgrading station facilities and improving our technology to enhance customers experiences.

The United Nations vision for a more sustainable planet has 17 Sustainable Development Goals (SDGs). We recognise that we play an important role in society and can contribute positively to this vision. Of these goals, we have identified five where we believe we can make a positive social impact; these will be delivered through our continual improvements, delivered for all our stakeholders.

We offer our customers a range of flexible and easy payment options to make travelling with us simple. Our bus smartcard scheme, 'the key', is now the largest commercial scheme outside London with over one million users. We were also one of the first in the sector to introduce mobile ticketing and have invested in a new mobile ticketing app enabling our bus passengers to plan and buy their tickets more quickly and easily and track the exact location of their bus.

In rail, we have introduced a new smartcard, KeyGo, across GTR services enabling fare capping and Pay As You Go. Customers using KeyGo can continue their journey with the same smartcard, on all Go-Ahead local bus operations, giving customers one easy solution for multiple modes of travel. During the year, we introduced delay repay across the network and we were the first train operator to introduce DelayRepay15, compensating any passenger using the KeyGo smartcard who is delayed by 15 minutes or more. Our effort to improve our customer service offering was recognised through winning the Passenger Innovation of the Year Award at SmartRail Awards 2018. We also launched our Gatwick Express app to provide specific information for those travelling to and from the airport, including flight updates and even gate information, making it easier for our passengers to plan their onward journeys.

With value for money being an important customer consideration when travelling, we are always looking to develop attractive ticketing options. Examples include Go North East's £10 family ticket, providing unlimited daily travel on our network for a family of five. Plymouth Citybus offers a £5 Weekend Wonder ticket for unlimited travel from Friday evening to Sunday night. Both of these operators have also overhauled child and student fares with the introduction of an anytime, any zone £1 fare for customers under the age of 19.

Transport for everyone

We are also committed to providing an inclusive service. All our bus and rail operators strive to make their services as accessible as possible to everyone. This year, we launched our Helping Hand card across our UK bus network which helps passengers with accessibility needs, specifically hidden disabilities, communicate with bus drivers. All of our customer facing colleagues have training 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.

Being mindful that the majority of passenger journeys don't start and end with a bus or train journey, we are committed to investing in innovative solutions to drive the future of transport growth and provide the best customer experience from door to door.

Read more on how we are developing for the future of transport on page 18.

Our people

Our business is built by colleagues whose dedication, innovation and ambition help deliver the best transport service to our customers.

We are committed to creating an environment which is safe and where colleagues feel they belong, that is inclusive and diverse, focuses on learning and development and promotes high levels of engagement.

The best talent

We continuously aim to attract and retain the best talent with the knowledge, skills, values and behaviours required to deliver Go-Ahead objectives and establish a culture which gives all colleagues the opportunity and support to reach their full potential.

Our Graduate Programme, now in its seventh year, has a higher level of success in retaining graduates during the programme compared with the industry average, with 93% of graduate entrants choosing to stay with the Group. Every graduate within the bus division, regardless of future career options, learns to drive a bus and works as a driver for several weeks. In rail, graduates will spend a period as an on-board supervisor. This experience is seen as critically important to Go-Ahead, understanding the responsibility of the workforce that they will be managing and acquiring the knowledge to improve the customer experience is imperative.

30%

of all graduates hired at Go-Ahead are female and in 2017, 30% of graduates hired were from ethnically diverse backgrounds

We undertake a number of initiatives to attract talent. GTR and the Prince's Trust have a seven-year partnership, which is underpinned by the 'Get into Railways' programme. It aims at supporting young people who are facing barriers to move into employment. Through the successful programme 115 young people have secured permanent employment in GTR. This year we also became the first bus and rail provider to be accredited with the Employer Provider of Apprenticeships and we plan to further develop talent in engineering, maintenance and driver positions. We are also on target to attain the DfT's industry requirement to have 2.5% of the rail workforce in apprenticeships, which means 286 apprentices across our rail businesses. So far, we have achieved 82% of this target.

Strengthening capabilities and building a learning organisation

In order to be seen as an employer of choice and maintain a high level of employee retention, we aim to provide market competitive remuneration and a comprehensive benefits package. We ensure that all colleagues are recognised and rewarded for their contribution and commitment. We recognise the importance of learning and development and have a policy of continuous improvement to support ongoing development. We invested £21.1m in training and professional development this year. We hold reviews twice a year and encourage regular discussions with line managers to highlight any training requirements, future objectives, career aspirations or challenges. Our High Potential Programme provides the tools to enable participating colleagues to become the future leaders of our business. We have further improved our online platform, the Learning Hub, which provides a wealth of information and training. We have also introduced Personal Development Hours to support our colleagues to invest more time into their personal and professional development. We were pleased to receive two Investors in People Gold accreditations during the year as recognition for the way we lead, support and manage our colleagues to promote a culture of high performance.

Colleague engagement

We use a range of channels across the Group to ensure that the voice of our colleagues is heard. We keep our people informed about company results, major business decisions and the things that really matter to them through internal media, newsletters and functional and business updates. We hold an annual survey across our whole organisation, conducted independently by ORC. The results provide a measure of colleague engagement and help us identify areas where we can improve as an employer. A considerable proportion of our workforce is represented by trade unions and employee representatives, and we strive to foster positive working relationships with them. We also have a responsibility to ensure no physical harm comes to our people while they are at work and safety is a fundamental part of our strategy. We take preventive actions and invest in training and awareness activities to ensure the safety of our colleagues.

Inclusive and equal employer

Go-Ahead is a progressive organisation and our commitment to inclusion and diversity starts at the top of our organisation. Our desire is to have a workforce that reflects the diversity of the communities in which we operate. This year we developed an Inclusion and Diversity Steering Group to improve our policies and procedures to reflect our commitment to this. We believe in equal opportunities regardless of gender, age, religion or belief, sexual orientation, race and, where practicable, disability. We give full and fair consideration to job applications from people with disabilities, considering their 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.

Go-Ahead has set a target to **encourage more women** to become train drivers

We are also on a journey to improve our gender balance, in an inherently male dominated sector. This year, we published our first Gender Pay Gap Report in April 2018 (see www.go-ahead.com), which promoted our desire to encourage more women into the transport sector. As a result, we have launched a variety of initiatives designed to inspire women to consider careers in transport. These include organising special bus events at depots, encouraging women to visit and get behind the wheel of a bus. Alongside other industry partners, we support women to become train drivers through the 'Women with Drive' project. We also held our first Inclusion and Diversity Conference in June where subject matter experts offered valuable insight into areas of gender intelligence, cultural awareness and becoming a disability confident employer.

Read more on page 75.

Investors

We run our business with strong financial discipline and aim to provide attractive returns to our investors.

We place great importance on our relationships with our shareholders and have a long tradition of engaging with our investors to maintain high levels of transparency and to build trust. We are pleased to have received recognition for our commitment to openness and effective communication by winning the Best Financial Reporting award at this year's IR Magazine Awards.

FTSE4Good

Go-Ahead was the first FTSE250 company to be certified with FTSE4Good accreditation and have been recertified for seven consecutive years

Maintaining high levels of engagement

Feedback from the investment community forms part of strategic Board discussions. The Investor Relations team advises the Board on communications with the financial market. This includes a monthly Board report on market views and expectations, sector updates and changes in our shareholder register. In addition, we engage in a programme of investor and analyst meetings and roadshows through the year.

In January, we conducted an investor perception survey. Participants comprised of investment institutions, both current shareholders and non-holders, as well as sell-side analysts. Our aim was to gain a greater insight into market views on the Group and sector, to seek further perspectives on our performance and strategy, and to help ensure our investment proposition was understood. Being aware of these opinions, views and expectations has supported us in clarifying and reinforcing our message and has enabled management to respond to any concerns in the investment community.

This year we also held our first Institutional Investor and Analyst networking event in London. Set up as a knowledge sharing event, it gave attendees the opportunity to speak directly with both executive and divisional management of the Go-Ahead team. This opportunity to speak face-to-face with so many of our key personnel in an open and engaging way proved to be a success and we plan to build on this with similar events in the future.

Read more on page 113.

Strategic partners and suppliers

Our strategic partners include local authorities, TfL, Keolis and Network Rail, as well as a broad range of other suppliers.

They provide the public sector infrastructure such as railway tracks and local authority bus stations and lease trains and buses, all of which we rely upon to deliver an efficient service.

Working in partnership

Both of our rail franchises have either a partnership plan or a BS11000 Collaborative Business Relationship accreditation with Network Rail and TfL. We also participate in a number of technical committees with the Confederation of Passenger Transport such as the Engineering Committee, Road Operations Committee, Skills and Training Committee, Insurance and Risk Committee to name a few.

When working with suppliers, we engage with them regularly to effectively monitor, manage and mitigate risks in our supply chain. We also conduct periodic surveys of our current suppliers to monitor how we are perceived and use that feedback to enhance our working relationships. For significant suppliers, contract managers are assigned to manage the relationship with meetings taking place on a monthly basis. We also hold regular meetings to discuss contract performance and opportunities for improvement.

Working sustainably

Earlier this year Lloyd's Register Quality Assurance (LRQA) conducted an in-depth study and produced an executive report which confirmed that we operate in accordance with the ISO 20400:2017 standard on sustainable procurement including accountability, transparency, respect for human rights and ethical behaviour.

We also ran our first ever Sustainable Supplier Awards which highlighted the best practice amongst our suppliers with a focus on the ISO 20400:2017 principles. The event, which we will hold annually, aims to encourage our suppliers to develop and improve their sustainability impact.

Go-Ahead are signed up to the **Prompt Payment Code**

Government

Policy and regulatory change affect our bus and rail businesses and create the framework in which we operate.

Working closely with both central and local governments enables us to add our private sector experience and expertise to the public agenda and produce better policy outcomes and service delivery.

Active approach

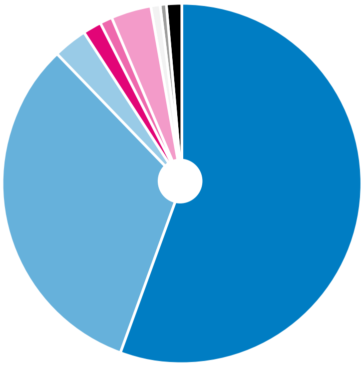
We respond to DfT's consultations on various issues, both informally through contacts with civil servants and formally through the official consultation processes. We have an active role in the DfT's Open Data Initiative for the bus industry and are currently responding to a consultation on audio visual equipment on buses.

In rail, we are part of the DfT's Strategic Industry Vision. Our Head of Rail Development acts as a representative for the operators within this steering group, and also chairs the Passenger Services and Strategy working group within the Rail Delivery Group.

Being part of the local community underpins Go-Ahead's devolved management approach and we adopt a collaborative approach with local authorities. We have developed a consultation and engagement approach with councils to develop better partnerships and improve outcomes, and three of our regional bus managing directors sit on the boards of their Local Economic Partnerships.

Economic Contribution
Total Revenue £3,461.5m

In addition to our commitment to generating shareholder value, we also create wider economic value. Around 90% of Group revenue is spent paying our people and suppliers, enabling further economic activity. Over 3% is paid directly to the Government.



- Payments to suppliers: £1,927.6m
- Staff costs inclusive of PAYE: £1,119.3m
- National insurance costs: £105.1m
- Net rail contributions to DfT: £50.9m
- Dividends paid to shareholders: £43.8m
- Capital expenditure: £126.7m
- Corporation tax payments to government: £28.7m
- Finance costs: £14.2m
- Retained in equity: £45.2m

Go-Ahead was the **first FTSE 350 company** to be awarded the Fair Tax Mark

Fair Tax

Communities

As an operator of public transport, we provide a vital service to communities.

Our services have continued to ensure that millions of people are able to get to work, education and access services. Over the past year, we have made a significant contribution to the local economy through the 28,000 people we employ, the £1.9b payments to suppliers, £50.9m generated by our rail operations for the government, and £28.7m paid in corporation tax.

Our local approach

Being part of the local community underpins Go-Ahead's devolved management approach and enables our bus and rail companies to be more responsive to the different needs that different passengers have. Our operating companies make a big contribution to their local communities. Our businesses regularly join in national fundraising events and work to raise awareness of important causes. Many of our colleagues also carry out their own fundraising activities in their spare time, and we aim to match those fund raising efforts wherever possible. We have implemented the London Benchmarking Group model to measure and evaluate our community investment. Since incorporating this measurement in 2015, our community investment has more than doubled to over £1m. At a corporate level, Go-Ahead supports two UK-based charities which have a transport focus, Railway Children and Transaid.

Go-Ahead London, TfL and manufacturer BYD jointly won the Grand Prix award at this year's Low Carbon Champions gala dinner for their effective partnership in delivering the vehicles, operational capacity and infrastructure to begin running London's first two all-electric bus routes.

Responsible operations

By managing our businesses in a responsible and sustainable way, we help create a thriving economy whilst limiting our impact on the environment. We are a founding member of Greener Journeys, a national alliance of bus companies encouraging the modal shift from car to bus and coach to reduce emissions. In the UK, we are the largest operator of electric buses, with the first fully dedicated electric depot in Waterloo, and almost a quarter of our entire fleet conforms to Euro 6 standard, meaning the engines are some of the cleanest in the industry. Further

afield, Go-Ahead Singapore has introduced a system called SwitchOff to its buses which automatically turns off an engine which has been idle for more than 10 minutes, helping reduce exhaust fumes and fuel wastage.

Improving on our environmental impact

Go-Ahead was the first passenger transport company to be awarded triple accreditation by the Carbon Trust Standard for carbon, waste and water reduction. We are now working towards a new standard and throughout year have made great progress in achieving the ISO 50,001 international standard for energy across the whole Group, demonstrating our commitment to continual improvement in energy management. We are also the highest rated transport company within the Business in the Community corporate responsibility index, at 95%.

We are looking at ways of how we can improve our environmental impact and how we measure this. To improve on our most recent score within the global Carbon Disclosure Project, we are currently conducting an extensive risk and opportunities assessment on climate change and are exploring how we can improve our transparency on greenhouse gas emissions. We are committed to doing the appropriate assessments and are working on incorporating the financial implications of climate change in our reporting going forward in compliance with the Taskforce on Climate-Related Financial Disclosures. As part of our long term commitment for a cleaner environment, we are working with government institutions to tackle climate change, air quality and pollution and we are exploring setting appropriate Science Based Targets.

Measuring our performance

Our selected set of KPIs are the measures we use to assess the Group's progress against our strategic objectives and allow us to effectively monitor our performance.

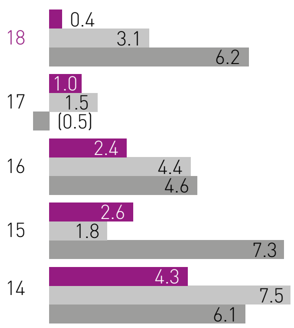
Protect and grow the core

Like for like revenue growth (%)

Regional bus
0.4

London bus
3.1

Rail
6.2



Description

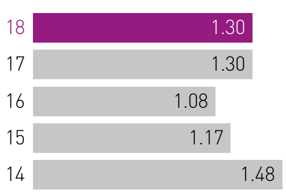
For our rail operations, we measure revenue generated through the provision of passenger transport services. In our bus division, we measure total revenue as non-passenger revenue is less material.

Performance

Our regional and London bus businesses both delivered modest revenue growth despite market challenges. In our rail business, revenue growth improved with increases at both GTR and Southeastern.

Adjusted net debt/EBITDA (X)

1.30



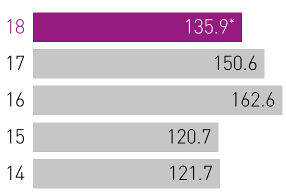
The adjusted net debt/EBITDA ratio is used to indicate the Group's ability to pay down its debt from earnings. Adjusted net debt, which is total net debt excluding restricted cash in our rail division, is measured against earnings before interest, tax, depreciation and amortisation (EBITDA).

Adjusted net debt to EBITDA remained stable at 1.3 times and remains below our target range of 1.5 to 2.5 times, and well below our bank covenant limit of 3.5 times.

Operating profit (£m)

135.9

* pre-exceptional items

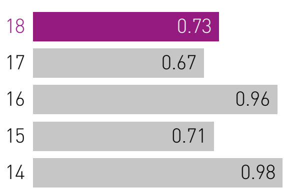


The Group's operating profit measures the profit earned from our ongoing core business operations excluding deductions of interest and tax. This helps us measure the underlying performance of our operating companies.

Reduction overall compared to last year reflecting the expiry of the London Midland rail franchise in December. Operating profit from our bus business increased slightly from last year with an advance at London bus more than offsetting a small reduction in our regional bus business.

Cashflow/ EBITDA (X)

0.73



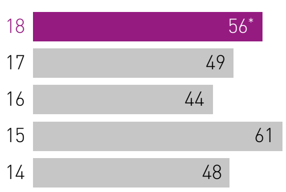
The cashflow EBITDA ratio is used to monitor the conversion of operating profit into operating cash. Cashflow is the cash we generate from our operations, after working capital movements and after cash tax paid during the year.

Cash conversion improved from last year largely due to a smaller increase in working capital this year and slightly lower cash tax paid.

Dividend payout ratio (%)

56%

* pre-exceptional items



We measure the proportion of our net income that is paid to shareholders by way of dividend. It is calculated as dividend per share divided by earning per share.

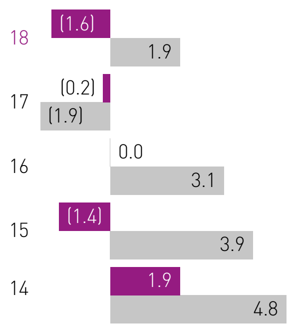
At 56%, the dividend payout ratio has increased from last year's 49% and was in-line with our new dividend policy of payout ratio in the range of 50% to 75%.

Protect and grow the core

Like for like passenger volume growth (%)

Regional bus
(1.6)

Rail
1.9



Description

We measure the number of passenger journeys taken on our regional bus and rail services compared with the previous year. This is measured on a like for like basis, adjusting for significant acquisitions and new franchises. As we are contracted on the basis of mileage in our London bus division, we do not measure passenger numbers.

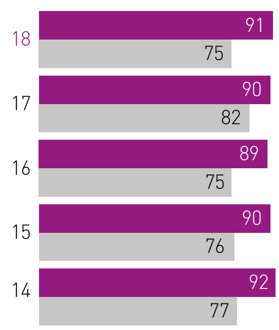
Performance

In regional bus, passenger numbers fell by 1.6%. This was better than the industry average which saw declines of over 2%. In rail, passenger numbers grew by 1.9%, an improvement on the 1.9% decline in the prior year as a result of full services resuming at London Bridge station and growth at GTR.

Customer satisfaction (%)

Bus
91

Rail
75

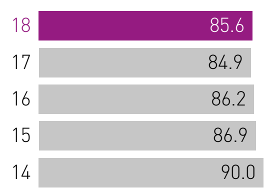


Customer satisfaction is measured by the independent passenger watchdog Transport Focus. Surveys are conducted twice a year for our rail franchises and annually for our regional bus operations. Our primary customer in London bus is TfL. We measure satisfaction by performance against TfL performance targets, such as excess waiting time.

Our focus on delivering high quality locally focused services enabled us to maintain our sector leading position in regional bus, with an improved score of 91%. In rail, our score dipped from last year's strong improvement.

Regional bus punctuality (%)

85.6

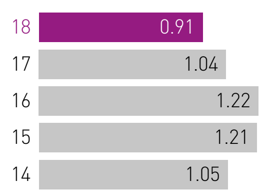


The punctuality of our regional bus operations is measured as the percentage of buses which arrive at their stop between one minute before and five minutes after their scheduled time. Therefore, the higher the percentage the better.

Bus punctuality saw an improvement of 0.7 percentage points from last year's level. We also received the highest score for punctuality as part of the Transport Focus survey on passenger satisfaction.

London bus punctuality (minutes)

0.91

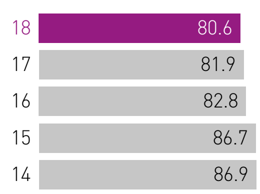


The punctuality of London bus operations is measured by excess waiting time. This is the time passengers have to wait for a bus above the average scheduled waiting time. The lower the excess waiting time, the better the performance.

Further improvement with excess waiting time reduced to below a minute for the first time since 2013, due to our continued focus on operational performance and working in partnership with TfL.

Rail punctuality (%)

80.6



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

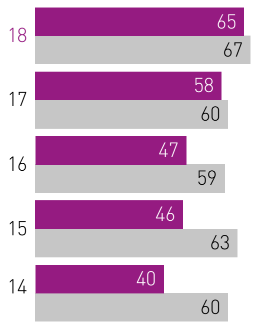
Punctuality of our rail services fell from the prior year. This was adversely impacted by problems at GTR with the complexity of the timetable changes in May.

Protect and grow the core

Employee engagement index (%)

Bus
65

Rail
67



Description

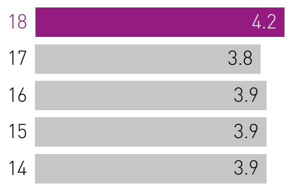
We measure how engaged our people are through annual independent employee surveys, conducted independently by ORC, across all of our businesses.

Performance

We achieved higher employee engagement scores across bus and saw a significant improvement in our rail businesses, reflecting the focus we have on employee involvement, personal development and performance management.

Absenteeism (% of working hours)

4.2

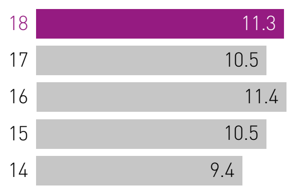


We measure employee absence by the percentage of scheduled hours not worked due to unplanned absence from work, across the whole organisation.

Absenteeism saw a modest increase over the last year, mainly due to the rail division with an increase at GTR which is likely to relate to the industrial dispute.

Employee turnover (%)

11.3

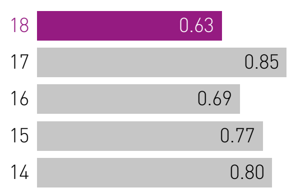


Employee turnover is measured by the percentage of employees who leave the Group during the year.

Slight increase compared to last year mainly due to our bus Division, where there has been contract changes at Go-Ahead London and route restructuring at Go East Anglia.

SPADs per million miles

0.63

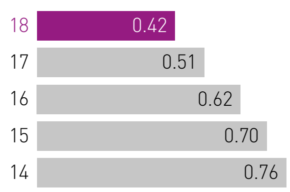


Across the rail industry train operating companies report signals passed at danger (SPADs). Many SPADs happen each year and most have little or no potential to cause harm. All SPADs are given a risk ranking which considers the actual and possible consequences of each incident.

SPADs saw a significant improvement of 26% compared with last year to the lowest level since 2012, as a result of tighter controls and exacting standards of driver training to minimise risks.

RIDDOR accidents per 100 employees

0.42

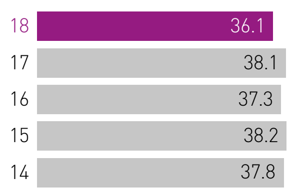


RIDDOR (reporting of injuries, diseases and dangerous occurrences regulations) relates to a work place incident that results in any absence from work for over seven days or any legally reportable incident to the Health and Safety Executive.

RIDDOR accidents per 100 employees improved by 18% compared to the prior year, owing to our high priority to ensure that our people have the necessary tools and training to do their jobs safely.

Bus accidents per million miles

36.1



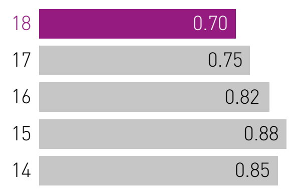
We monitor the number of bus accidents which result in a notification to a claims handler for every million miles we operate, including cases where we are not at fault.

An improvement of 5% compared with last year to the lowest level recorded since 2013, due to continual investment in training and monitoring the performance of our drivers.

Protect and grow the core

Carbon emissions per passenger journey (kgs)

0.70



Description

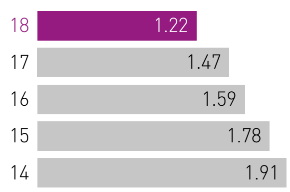
We monitor all of the energy used within our operations and calculate our CO_2e emissions by using the appropriate CO_2e conversion factor. Currently, we divide our CO_2e emissions by the number of passenger journeys made to establish CO_2e per passenger journey.

Performance

A further improvement of 7% from last year. This has resulted in our carbon emissions per passenger journey being 21% lower than the 2014/15 baseline, exceeding our target of a 10% reduction over the period.

Carbon emissions per vehicle mile (kgs)

1.22



As a commitment to better reflect our CO_2e emissions, we will no longer report on CO_2e per passenger journey and instead report the more accurate CO_2e conversion factor of using CO_2e per vehicle mile.

Continual improvement has been achieved by improving the efficiency of our bus and rail fleet, introducing low carbon vehicles and reducing energy used in our premises. The expiry of the London Midland franchise during the year also had an impact.

Win new bus and rail contracts

Annualised revenue secured on international contracts

£250m

Description

To reflect our growth and future ambitions, as part of the strategic pillar of win new bus and rail contracts, we have added a new KPI for this year.

Annualised revenue consists of annual revenue secured through international contracts we have won in our targeted markets as part of our international strategy. Many of these contracts are in mobilisation and, thus, this revenue has not yet been earned.

Performance

We continue to see an attractive pipeline of opportunities in our selected target markets and have so far secured annualised revenues of around £250m from successful international bids, with the award of a second bus contract in Dublin and a fourth German rail contract during the year.

Develop for the future of transport

Projects and initiatives actively being tested and trialled

Description

We are developing a KPI relating to our third strategic pillar of developing for the future of transport. Through our initiatives and projects throughout the year, we will explore an appropriate metric to measure our performance.

We constantly strive to be more relevant to customers so that we can continue to fulfil their evolving preferences and future proof our operations. By seeking new ways to apply our skills and expertise, we can position our business to capture opportunities through a process of research, testing and trialling and enable sustainable performance over the long term.

Performance

Our project team is currently exploring a range of solutions and working on a number of initiatives to make public transport a clear and simple choice. These include:

- PickMeUp
- Mobileeee
- The Billion Journey Project
- New forms of contactless ticketing.
- Mobility as a Service (MaaS)
- Hammock

Greenhouse gas emissions

We report on greenhouse gas (GHG) emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard, and the UK government's Environmental Reporting Guidance methodologies together with the emissions conversion factors from the Department for Business, Energy & Industrial Strategy (BEIS) conversion factors for Company Reporting 2018. In line with this guidance, we have reported the emissions sources* which are required. These sources fall within the businesses included in our consolidated financial statements.

Emissions are expressed in terms of equivalent carbon dioxide (CO_2e). Our relative performance metric has always been kilogrammes of CO_2e emissions per passenger journey but due to increasing difficulty in obtaining passenger journey data for several of our operating companies, we are moving to a new relative performance metric of kilogrammes of CO_2e per vehicle mile operated. This new metric ensures there is a much closer link between our performance and the measures we are taking to improve our energy efficiency, such as purchasing low emission buses and leasing more efficient rolling stock and rolling out LEDs. To maintain transparency, we will report against both relative performance metrics this year before moving to reporting only on the new performance metric from next year onwards with a target to achieve 20% reduction on $C0_2e$ per vehicle mile by 2021 from our 2016/17 baseline.

We define our organisational reporting boundary by applying the financial control approach with a materiality threshold set at 5%.

Overall, in 2017/18 CO_2e emissions have reduced by 13% in absolute terms and, against both relative metrics, our performance has continued to improve. The absolute reduction in CO_2e emissions and the improved relative performance is partly due to the loss of the London Midlands franchise in December 2017, but it is also due to continuing improvements in energy efficiency alongside on-going investment in low carbon, fuel efficient vehicles and rolling stock, as well as the lower CO_2e conversion factor for electricity.

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

	2017/18	2016/17	2015/16	2014/15
Total passenger journeys (m)	1,244.88	1,334.09	1,297.23	1,239.89
Total bus & rail mileage (m)	713.9	684.6	675	617

	CONSUMPTION	**TCO_2e**	CONSUMPTION	TCO_2e	CONSUMPTION	TCO_2e	CONSUMPTION	TCO_2e
Scope 1								
Gas (buses) kwhs (m)	6.1	1,118	3.7	685	6	1,162	6.9	1,275
Gas premises (bus) (m)	22.1	4,062	19.1	3, 518	17	3,141	18.8	3,472
Gas premises (rail) (m)	31.3	5,759	34.3	6,316	34	6,243	34.9	6,437
Gas (premises) total kwhs (m)	53.4		53.4		51		53.7	
Bus diesel[1] (10% bio-diesel blend) ltrs (m)	137.4	360,875	138.9	361,064	130	340,218	127.6	329,788
Rail diesel ltrs (m)	11.7	34,750	18.5	54,567	19	55,081	18.4	53,513
Total		**406,564**		**426,150**		**405,845**		**394,485**
Scope 2								
Traction electricity kwhs (m)[2]	1389.3	393,266	1,371.4	482,135	1,369	564,076	1,283.5	593,213
Elec premises (bus) (m)	18.4	5,382	17.7	6,232	15	6,034	14.7	6,806
Elec premises (Rail) (m)	83.5	23,634	90.6	31,852	90	37,183	85.4	39,460
Elec premises (Group) (m)	0.2	47	0.1	34	0		0.0	
Site electricity kwhs (m)	102.0		108.3		105		100.1	
Elec bus[3]	1.7	489	0.8	289	69,570	29	0	0
Total		**422,818**		**520,542**		**607,322**		**639,479**
Scope 3								
Electricity – Transmission and distribution (Total)		**36,027**		**48,669**		**54,932**		**52,798**
Out of scopes (Biogenic content of bio-diesel)		**7,858**		**9,373**		**7,894**		**11,040**
Total		**873,268**		**1,004,735**		**1,075,993**		**1,097,802**
All Scopes kgsCO_2e PPJ		**0.70**		0.75		0.82		0.88
All Scopes kgsCO_2e/vehicle mile		**1.22**		1.47		1.59		1.78

1. Traction electricity consumption data relates to the period from 1 April 2017 to 31 March 2018. This provides the most accurate figure for consumption.
2. Electric bus electricity consumption includes an estimate for unbilled consumption during meter failure.
3. Local Singapore CO_2e conversion factor used for electricity consumption UK CO_2e conversion factor used for diesel consumption.

Energy consumption and CO_2e figures have been verified by Bureau Veritas.

Answering the topical strategic questions

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

Q

What are the factors driving the challenging conditions in the bus market, and how are you adapting your business to meet those challenges?

There are both cyclical and structural factors at play. Economic uncertainty in the UK is causing reduced volume growth. This should improve as uncertainty clears. Structurally, there are also changes in travel patterns with more people working from home, increased levels of internet shopping and more home based leisure activity. We are confident that buses have an important role to play in mobility especially where there is population growth and buses are part of the solution to the issues of congestion and air quality. In this environment, we are maintaining our focus on customer service, using technology and innovation to make bus travel more attractive and easier to use. Our focus on cost and efficiency also continues. Recognising the long term nature of these trends, we are developing for the future of transport with a number of initiatives being trialled to provide attractive customer propositions in a changing world, which have the potential to grow in the future.

Q

What is your view of the franchising model being extended to bus markets outside London, and how could that impact your business?

We believe that working in partnership with local authorities is key to giving communities a reliable and successful bus service and growing passenger numbers. The Bus Services Act offers certain local authorities the opportunity to franchise and we are waiting to see what happens in Manchester. The current cuts to London's services show that franchised services are not immune from reducing passenger numbers as a consequence of congestion and the wider socio-economic trends. Franchising alone will not reduce congestion, improve air quality or create local economic growth. Our operators already have multi-operator tickets, joint bus and rail tickets, simple fares, real time information, apps, contactless payment, WiFi and next stop announcements. Further benefits can all be delivered through partnership thinking.

Patrick Butcher
Group Chief Financial Officer

David Brown
Group Chief Executive

Andrew Allner
Chairman

Q What are the impacts on your business from the continuing uncertainties around the shape of the UK's departure from the EU?

We are not seeing significant direct impacts from the Brexit uncertainties. There is no restriction on non-EU groups bidding for bus and rail contracts in the markets which we are targeting in our international strategy, and we do not believe that this will change. For our UK businesses, uncertainty around Brexit has held back UK growth recently and dampened demand for our services. This could improve as more clarity emerges. The most direct impact on our UK business potentially relates to changes in the labour market as we have a diverse workforce, particularly in London. Our forward planning has helped us to have a good flow of hiring and training apprenticeships which means that we will be able to meet our staffing requirements both in terms of numbers and skills.

Q How will you sustain an attractive dividend if you lose the Southeastern rail franchise after already having lost the London Midland franchise?

We understand the importance of the dividend to shareholders. The stable performance of our bus business is the foundation of our dividend and the Board regularly reviews our dividend policy to ensure that it remains appropriate and attractive. Our new dividend policy of a payout ratio between 50% and 75% of earnings provides additional flexibility to safeguard an attractive dividend under different circumstances, and provides shareholders with greater clarity on the possible range of dividend payments each year. We believe we have submitted a sensible bid for South Eastern which is both operationally deliverable and economically rational. Together with the strong management, engaged teams, improved customer satisfaction and reliability we have delivered over the past few years on the service, we believe we have a good chance of winning the new franchise. We have also been developing our international activities with a view to either replace the earnings of the South Eastern franchise over the medium term or providing additional earnings growth, depending on the bid outcome.

Q Why don't you accelerate progress in your international strategy through acquisition?

We have a clear and disciplined approach to international expansion. This involves playing to our strengths in markets which have stable political and legal systems, and working with transport authorities which are open to the expertise we can deliver. We also look for low capital requirements as well as a visible pipeline of work in our target markets. To date, this has led us to prefer entry into a new market through contracts with local authorities, rather than acquisitions which require higher capital outlay. Once we have built an established market presence, and deeper local market knowledge, then acquisitions may become a bigger consideration.

Q How do you counter the arguments for rail renationalisation in the UK?

We have worked in rail with different governments and will continue to do so. Much of the rail industry, in terms of the infrastructure, is already government controlled. We believe in the benefits of private sector delivery of public services through the customer focus and access to private investment this can bring. The number of rail journeys has more than doubled since privatisation and much of the investment in rail over the next few years will be private money in new rolling stock. We have one of the safest railways in the world and customer satisfaction across the UK network is the highest for a major railway in Europe. For taxpayers too, there have been benefits, with train operating companies paying more to government in premium payments than they receive in subsidies for the seventh year in a row during 2016/17.

Q How would you explain the issues which arose from the timetable change at GTR, and what are the potential implications and lessons learned?

This was a collective failure of the industry in implementing the biggest timetable change in a generation, and we are very sorry for the unacceptable level of disruption that it caused to some of our passengers. As a result of the sheer number of changes required, the process took longer than anticipated, approvals for service changes were delayed and some timetable requests were changed. This meant that operators had much less time to prepare for the new timetable. As an industry we need to learn lessons and we welcome the review being undertaken by the Office of Rail and Road which we hope will improve industry processes for the future. We are focused on running a stable and reliable service, and since July reliability and punctuality have significantly improved.

Q What is your view of the current rail franchising model and how should it be amended going forward?

We support closer working with Network Rail and we agree with the Secretary of State that one size does not fit all for rail franchises. We would welcome smaller and simpler franchises, with a steady pipeline of opportunities to maintain market interest, reducing the cost of bidding and lowering the level of capital required for each contract. We would also like to see a process which is more focused on outcomes for passengers than prescriptive inputs currently required in bid submissions. This would give operators the flexibility to use their skills and innovation to deliver the services that customers, communities and the economy require.

Q

With private equity interest in the sector recently, what is your view on whether this could extend to Go-Ahead and on prospects for restructuring or consolidation in the sector?

We have an attractive business, and we believe that we are well placed for the future as an independent company. If interest were shown in us, we would naturally fulfil our fiduciary duty and give it the appropriate level of consideration. We have not seen evidence of significant consolidation taking part in the sector and in fact there are now more rail operators than five years ago. As local opportunities present themselves, we are able to pursue bolt-on acquisitions, as we have done this year, and in some cases, where other bus operators have withdrawn from services, we have been able to step in and secure services for customers at acceptable margins. As a potential acquirer, we carefully evaluate all opportunities that arise and maintain our financial discipline as we put together bids.

Q

How robust and diversified is your business model in the event that you don't win the new South Eastern franchise or many more international contracts?

We have submitted a strong bid for the new South Eastern franchise and we are optimistic about our prospects for international contracts. Nevertheless, our strategic thinking and planning processes consider a range of possible scenarios in which we would manage the business accordingly to maintain a robust financial structure and an attractive dividend. As this year has demonstrated, we have a resilient bus business which provides a robust underpin to our financial performance.

Q

How do you allocate capital across your different businesses to ensure that you achieve attractive returns?

Our overall capital principles are to manage the balance sheet consistent with the maintenance of an investment grade rating, with a target net debt (excluding restricted rail cash) to EBITDA of 1.5 times to 2.5 times whilst paying an attractive dividend. Our capital allocation prioritises sustaining profits from existing businesses, to meet commitments in franchises or other contracts, and to build a sustainable business for the future.
In deciding between businesses, we carefully consider the potential returns that could be generated and the potential risks associated with those returns.

Q

To what extent are you seeing wage cost pressures building in your businesses as UK unemployment remains low and the rate of inflation has risen?

We are fully committed to being a good employer.
This means paying our people fairly and sustainably for the contribution they make. It also means providing a good working environment and opportunities to develop, so that our colleagues can fulfil their potential. In our London business, a contract pricing indexation mechanism adjusts for general wage inflation. In regional bus, we have managed wage inflation and protected our margins and our rail contracts have built-in assumptions on wage inflation that we have been broadly consistent with.

"We continue to focus on making bus travel easier and more attractive for our customers, using technology and innovation to complement our reliable, friendly services."

David Brown,
Group Chief Executive

Business and finance review

£3,461.5m

Group revenue
2017: £3,481.1m

£135.9m

Group operating profit
pre-exceptional items
2017: £150.6m

£161.0m

Group operating profit
post-exceptional items
2017: £150.6m

£289.0m

Adjusted net debt
2017: £285.8m

Resilient financial performance

All references to operating profit 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.

Financial overview

Revenue for the year was £3,461.5m, down £19.6m, or 0.6%, on last year (2017: £3,481.1m). This small decrease was attributable to the rail division, following the ending of the London Midland franchise in December 2017, partially offset by inflationary increases in revenue.

Profit attributable to shareholders for the year decreased by £0.1m, or 0.1%, to £89.0m (2017: £89.1m) and earnings per share fell by 0.2% to 207.2p (2017: 207.7p) with exceptional gains offsetting declining rail profit.

Excluding exceptional items, profits attributable to shareholders decreased by £11.1m or 12.5% to £78.0m and earnings per share by 12.6% to 181.6p (2017: 207.7p).

The adjusted net debt (excluding restricted cash) at the year end was £289.0m (2017: £285.8m). The higher net debt largely reflects the expiry of the London Midland franchise, working capital movements relating to the timing of franchise payments and increased capital expenditure in London bus, reflecting contract renewal commitments. The adjusted net debt (excluding restricted cash) to EBITDA ratio of 1.30x (2017: 1.30x) remains below our target range of 1.5x to 2.5x.

"We have delivered a resilient financial performance under challenging market conditions. Free cashflow has improved and the balance sheet remains strong."

Patrick Butcher,
Group Chief Financial Officer

Group overview

	2018 £m	2017 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Group revenue	**3,461.5**	3,481.1	(19.6)	(0.6)
Regional bus operating profit	**45.8**	47.1	(1.3)	(2.8)
London bus operating profit	**45.6**	43.6	2.0	4.6
Total bus operating profit	**91.4**	90.7	0.7	0.8
Rail operating profit	**44.5**	59.9	(15.4)	(25.7)
Group operating profit (pre-exceptional items)	**135.9**	150.6	(14.7)	(9.8)
Exceptional operating items	**25.1**	–	25.1	n/a
Group operating profit (post-exceptional items)	**161.0**	150.6	10.4	6.9
Share of result of joint venture	**(1.1)**	(0.4)	(0.7)	(175)
Net finance costs*	**(14.2)**	(13.4)	(0.8)	(6.0)
Profit before tax	**145.7**	136.8	8.9	6.5
Total tax expense*	**(36.4)**	(25.3)	(11.1)	(43.8)
Profit for the period	**109.3**	111.5	(2.2)	(2.0)
Non-controlling interests	**(20.3)**	(22.4)	2.1	9.4
Profit attributable to shareholders	**89.0**	89.1	(0.1)	(0.1)
Profit attributable to shareholders (pre-exceptional items)	**78.0**	89.1	(11.1)	(12.5)
Weighted average number of shares (m)	**43.0**	42.9	0.1	0.2
Proposed dividend per share (p)	**102.08**	102.08	–	–

Reported results for the London bus division include our bus operation in Singapore, which started trading on 4 September 2016, due to similarities between the contract structures.

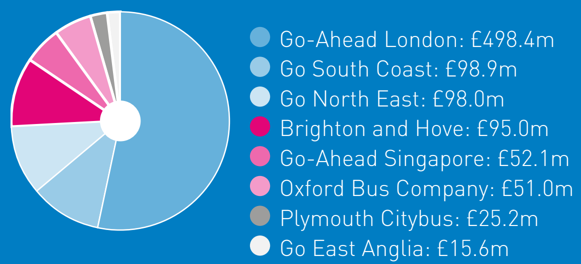
* Including exceptional items

Bus

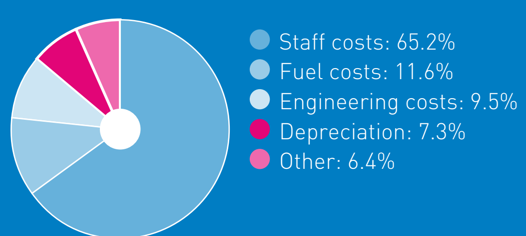
Go-Ahead is a leading bus operator in the UK, both in and outside London. Around two million passenger journeys are made on our services every day.

Our bus financial highlights

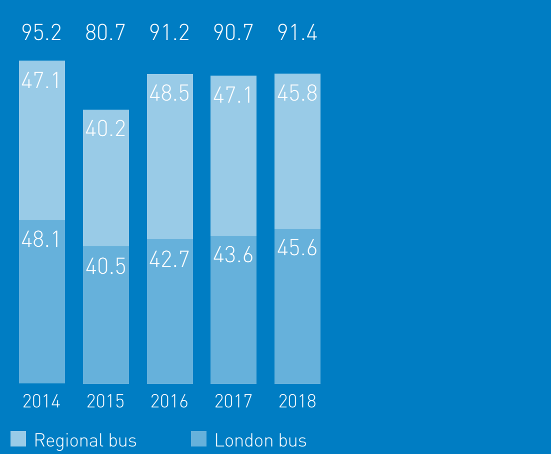
2018 Bus revenue
£934.2m (2017: £902.0m)



2018 Bus operating cost base
£842.8m (2017: £811.3m)



2018 Bus operating profit (pre-exceptional items)
£91.4m (2017: £90.7m)



Bus overview

	2018	2017	Increase/ (decrease) £m	Increase/ (decrease) %
Total bus operations				
Revenue (£m)	**934.2**	902.0	32.2	3.6
Operating profit (£m)	**91.4**	90.7	0.7	0.8
Operating profit margin	**9.8%**	10.1%	n/a	(0.3ppt)
Regional bus				
Revenue (£m)	**383.7**	376.6	7.1	1.9
Operating profit (£m)	**45.8**	47.1	(1.3)	(2.8)
Operating profit margin	**11.9%**	12.5%	n/a	(0.6ppt)
London bus				
Revenue (£m)	**550.5**	525.4	25.1	4.8
Operating profit (£m)	**45.6**	43.6	2.0	4.6
Operating profit margin	**8.3%**	8.3%	n/a	–
Like for like revenue growth				
Regional bus	**0.4%**	1.0%	n/a	(0.6ppts)
London bus	**3.1%**	1.5%	n/a	1.6pts
Like for like volume growth				
Regional bus passenger journeys	**(1.6%)**	(0.2%)	n/a	(1.4ppts)
London bus miles operated	**(1.0%)**	(1.7%)	n/a	0.7ppts

Overall bus performance

Total bus revenue increased by 3.6%, or £32.2m, to £934.2m (2017: £902.0m) including the contribution of acquisitions and the full year impact of the Singapore business. While operating profit was slightly ahead of the prior year at £91.4m (2017: £90.7m), the operating profit margin decreased slightly by 0.3ppts to 9.8%. This performance, which was in line with our expectations for the year, reflected a good performance in London, offset by continued challenges in the regional bus business.

Regional bus

Regional bus revenue was £383.7m (2017: £376.6m), up £7.1m, or 1.9%, including the contribution of acquisitions. Like for like revenue growth of 0.4% was broadly in line with our expectations and slightly ahead of wider industry trends. Growth in passenger journeys in some regions was offset by softer performance in other operating areas including some contract losses, resulting in an overall decline in like for like passenger volumes of 1.6%. Growth in revenue and passenger numbers was also impacted by the restructuring of selected route networks to match passenger demand and reduce costs, and the impact of the extreme weather during early 2018.

Operating profit in the regional bus division fell £1.3m, or 2.8%, to £45.8m (2017: £47.1m), with operating profit margin down 0.6ppts to 11.9% (2017: 12.5%). Depreciation costs increased in the year, reflecting continued investment in buses. While the division benefited from a reduction in fuel costs due to lower hedge prices, inflationary increases impacted costs during the year.

	£m
2017 operating profit	47.1
Changes:	
Net impact of acquisitions	0.3
Prior year one offs	2.8
Passenger volume (including weather impact)	(4.6)
Contract volumes	(4.1)
Yield, route restructures and pricing	8.8
Net cost inflation	(4.5)
2018 operating profit	45.8

London bus

Reported results for the London bus division include our bus operation in Singapore. London bus revenue grew by 4.8%, to £550.5m in the year (2017: £525.4m).

Quality Incentive Contract bonuses (QICs) were £13.2m (2017: £6.9m) as a result of improved performance against TfL quality targets. This has been achieved in partnership with TfL, which has implemented additional bus prioritisation measures and fewer roadworks on our routes, while we have further strengthened our service control capabilities. As anticipated, like for like mileage decreased by 1.0% due to the timing of contract renewals and TfL's route restructuring. Operating profit in the London bus division was £45.6m (2017: £43.6m), up £2.0m, or 4.6%, with operating profit margin stable at 8.3% (2017: 8.3%). As with regional bus, our London operations saw a reduction in fuel costs reflecting the lower hedge price, and higher depreciation as a result of significant capital expenditure.

	£m
2017 operating profit	43.6
Changes:	
Singapore	1.4
QIC bonuses	6.3
Volume	(0.4)
Margin	(1.1)
Net inflation	0.1
One offs	(2.7)
Other	(1.6)
2018 operating profit	45.6

Capital expenditure and depreciation

	2018 £m	2017 £m
Regional bus fleet (inc. vehicle refurbishment)	**41.1**	37.1
London bus fleet (inc. vehicle refurbishment)	**46.2**	60.0
Technology and other	**8.4**	8.8
Depots	**3.9**	6.8
Total capital expenditure	**99.6**	112.7

In London, the purchase of 135 new buses (2017: 261 buses) reflects the timing of contract renewals. In regional bus, demonstrating our commitment to maintaining a young and greener bus fleet, 173 new buses (2017: 102 buses) were bought. The average age of our buses is now 6.5 years (2017: 7.0 years).

Depreciation for the division was £61.8m (2017: £56.1m), reflecting the increased capital spend in recent years.

In 2018/19, we expect total capital expenditure for the bus division to be around £65m with a significantly lower level in London due to the timing of contract renewals and continued investment in our regional bus services.

Fuel

In the year, the bus division required around 137 million litres of fuel, with a net cost of £98.2m.

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 at least 50% of the following year and 25% of the year after that. This hedging profile is then maintained on a month by month basis.

With Board approval, additional purchases can be made to lock in future costs for greater certainty. The table below reflects the year end position; no significant purchases have been made following the year end.

	2019	2020	2021
% hedged	Fully	55%	30%
Price (pence per litre)	32.5	33.2	33.9

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

Bus financial outlook

Regional bus trading in the early part of the current year has been consistent with the fourth quarter of 2017/18. We expect a slight improvement in regional bus operating profit for 2018/19 despite market conditions remaining challenging.

The London bus business has already secured almost all of its revenue for the current year. While competitive pressure and TfL funding constraints continue to result in market contraction in bus miles operated, we have the opportunity to bid for around £95m of additional work in 2018/19.

Rail

Go-Ahead's rail operations are the busiest in the UK, responsible for around 30% of all train passenger journeys.

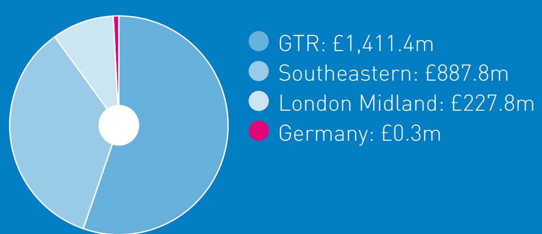
Rail performance

The rail division has delivered a financial result slightly ahead of the Board's expectations, supported by a better performance and one-off disposal gains at the end of the London Midland franchise in the first half, and some cost improvement benefits at Southeastern. Overall margins have remained at historically low levels, impacted in particular by GTR.

Our rail financial highlights

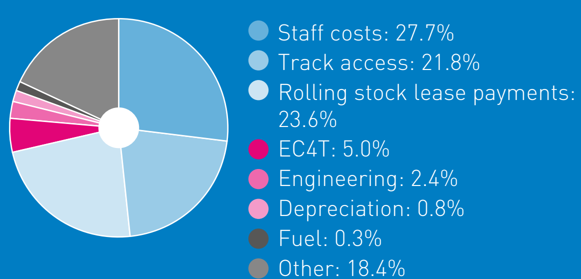
2018 Rail revenue

£2,527.3m (2017: £2,579.1m)



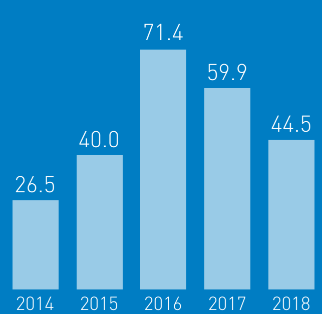
2018 Rail operating cost base

£2,482.8m (2017: £2,519.2m)



2018 Rail operating profit

£44.5m (2017: £59.9m)



Rail overview

	2018	2017	Increase/ (decrease) £m	Increase/ (decrease) %
Total rail operations				
Total revenue (£m)	**2,527.3**	2,579.1	(51.8)	(2.0)
Operating profit (£m)	**44.5**	59.9	(15.4)	(25.7)
Operating profit margin	**1.8%**	2.3%	n/a	(0.5ppt)
Like for like passenger revenue growth				
Southeastern	**3.8%**	3.2%		0.6ppt
GTR	**7.7%**	(4.1)%		11.8ppt
Like for like passenger growth				
Southeastern	**1.4%**	(0.9)%		2.3ppt
GTR	**2.1%**	(3.9)%		6.0ppt

Revenue

Total revenue decreased by 2.0%, or £51.8m, to £2,527.3m (2017: £2,579.1m), consisting of:

	2018 £m	2017 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Passenger revenue				
Southeastern	**786.3**	755.6	30.7	4.1
London Midland	**156.2**	339.6	(183.4)	(54.0)
GTR	**1,271.3**	1,148.2	123.1	10.7
Total passenger revenue	**2,213.8**	2,243.4	(29.6)	(1.3)
Other revenue				
Southeastern	**34.1**	43.2	(9.1)	(21.1)
London Midland	**35.1**	55.1	(20.0)	(36.3)
GTR	**139.5**	105.1	34.4	32.7
Germany	**0.3**	–	0.3	n/a
Total other revenue	**209.0**	203.4	5.6	2.8
Subsidy and revenue support				
Southeastern subsidy	**67.3**	45.2	22.1	48.9
London Midland subsidy	**36.6**	87.0	(50.4)	(57.9)
Southern revenue support*	**0.6**	(0.4)	1.0	n/a
London Midland revenue support	**–**	0.5	(0.5)	n/a
Total subsidy and revenue support	**104.5**	132.3	(27.8)	(21.0)
Total revenue	**2,527.3**	2,579.1	(51.8)	(2.0)

* Southern revenue support and core premium payments relate to the Southern franchise which ended in July 2015.

Premium payments, profit share payments and revenue share payments

Core premium payments, profit share payments and revenue share payments are included in operating costs.

	2018 £m	2017 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Southern core premium	**–**	(1.4)	1.4	n/a
Southeastern profit share	**16.2**	22.9	(6.7)	(29.3)
London Midland profit share	**4.4**	8.7	(4.3)	(49.4)

Operating profit

Operating profit in the rail division was down £15.4m at £44.5m (2017: £59.9m), with the operating profit margin decreasing to 1.8% (2017: 2.3%). This was mainly driven by the expiry of the London Midland franchise in December 2017.

	£m
2017 operating profit	59.9
Changes:	
Southeastern	10.4
London Midland	(13.0)
GTR / Southern	(10.0)
Bid and mobilisation costs	(2.8)
2018 operating profit	44.5

Individual franchise performance

GTR

The business reported a 2.1% rise (2017: 3.9% decline) in passenger journeys and a 7.7% rise (2017: 4.1% decline) in passenger revenue. Prior to the timetable change in May 2018, train performance had consistently improved, especially when compared to the period of intense industrial action in the prior year. This led to increased passenger journeys and revenue, particularly on longer distance Southern services, which generate higher income. All passenger income is payable to the government.

In May, the rail industry began the introduction of the largest and most complex timetable change in decades to provide new routes, greater connectivity and increased peak frequency through central London. Unfortunately delays in finalising the timetable by the rail industry resulted in insufficient time to implement it smoothly and effectively, resulting in significant disruption across the rail network.

We continue to work hard to progressively implement the full benefits of the changes which had been planned for May.

Southeastern

Southeastern recorded a good trading performance. On a like for like basis, passenger revenue rose by 3.8% (2017: 3.2%) while passenger numbers increased by 1.4% (2017: 0.9% decrease). Underlying passenger journeys and revenue growth improved, following the resumption of full services through London Bridge station, after three years of partial closure. Continued good progress in the delivery of our efficiency programme also led to an increase in profit for the year.

Southeastern's strong financial performance enabled a contribution of £16.2m to be made to the DfT during the year through the profit sharing mechanism included in the directly awarded contract that it has operated under since October 2014.

London Midland

The London Midland franchise ceased operations on 10 December 2017. Assets with a net book value of £6.1m were sold to the incoming operator for £12.5m, resulting in a £6.4m profit on disposal.

Rail bid costs and international

Rail bid and contract mobilisation costs in the year were £13.9m (2017: £11.1m), primarily relating to the bids for, and mobilisation of German rail contracts, the South Eastern franchise bid and international bidding in the Nordic countries.

Capital expenditure and depreciation

Capital expenditure for the rail division was £27.1m (2017: £29.2m), predominantly relating to GTR, including expenditure on station improvements and ticket machines. Depreciation was £20.9m (2017: £9.3m), reflecting the high level of capex which is being depreciated over the life of the franchises.

In 2018/19, capital expenditure for the rail division is expected to be around £20m, reflecting continued investment in GTR and mobilisation of our German operations.

Rail financial outlook

The existing Southeastern franchise has now been extended until 31 March 2019. Passenger journeys and revenue growth for Southeastern are expected to continue the improvement shown in the second half of 2017/18, boosted by the resumption of full services through London Bridge station. However the 2018/19 financial performance of our rail division will be impacted by the expiry of the London Midland franchise and by the scheduled end of the Southeastern franchise.

We have submitted a deliverable and economically sensible bid for the South Eastern franchise which is currently scheduled to commence on 1 April 2019.

As previously announced, discussions between GTR and the DfT about a number of contractual variations remain ongoing, in particular regarding payment for operating more and longer trains as part of the Thameslink train service increases. The outcome of these discussions, relating to events up to 30 June 2018, is that the impact on rail profitability is likely to remain within a range of plus or minus £5m.

Following the implementation of a revised timetable in May, the performance of GTR services has been below certain contractual thresholds. These shortfalls are in large measure attributable to failings across the industry and are not the sole responsibility of GTR. Discussions are continuing with the DfT to apportion accountability for these shortfalls. It is possible that the DfT will determine that a sufficient part of these failings are down to GTR and that it is in breach of its contractual obligations. At that point, the DfT may choose, as is usual, to require the production of a Remedial Plan and/or seek to impose penalties or may seek to terminate the contract.

In the event of a termination, it is possible that there will be costs that the DfT will seek to recover from GTR. These are not possible to estimate at this stage and in any event would be contested. GTR continues to work hard to further stabilise and improve services for customers and remains committed to working with the DfT to resolve the long outstanding contract variations which support the delivery of new services and will address remaining contractual performance issues described above.

As previously announced, the margin over the life of the GTR contract is expected to be in the range of between 0.75% and 1.5%.

Financial review

£126.7m

Group capital expenditure

2017: £141.9m

£57.7m

Free cashflow

2017: £11.6m

Earnings per share

Earnings were £89.0m (2017: £89.1m), resulting in a decrease in earnings per share from 207.7p to 207.2p. Excluding exceptional items, earnings were £78.0m, resulting in decrease of earnings per share from 207.7p to 181.6p. The weighted average number of shares was 43.0 million and the number of shares in issue, net of treasury shares, was 43.1 million.

	2018*	2017	2016	2015	2014
Earnings per share	**181.6p**	207.7p	218.2p	147.9p	174.3p

* Pre-exceptional

Dividend

The Board is proposing a total dividend for the year of 102.08p per share (2017: 102.08p), consistent with the prior year. This includes a proposed final payment of 71.91p per share (2017: 71.91p) payable on 23 November 2018 to shareholders registered at the close of business on 9 November 2018. Dividends of £43.8m (2017: £41.8m) paid in the period represent the payment of the prior year's final dividend of 71.91p per share (2017: 67.52p) and the interim dividend in respect of this year of 30.17p per share (2017: 30.17p). Dividends paid to non-controlling interests were £13.9m (2017: £21.3m), and dividend payout was 56% (2017: 49%) on a pre-exceptional earnings basis.

Summary cashflow

	2018 £m	2017 £m	Increase/ (decrease) £m
EBITDA	**221.9**	219.1	2.8
Working capital/other items (excluding restricted cash movements)	**10.9**	5.3	5.6
Cashflow generated from operations	**232.8**	224.4	8.4
Tax paid	**(28.7)**	(34.1)	5.4
Net interest paid	**(13.3)**	(12.7)	(0.6)
Net capital investment	**(119.2)**	(144.7)	25.5
Dividends paid – minority partner	**(13.9)**	(21.3)	7.4
Free cashflow	**57.7**	11.6	46.1
Net acquisitions	**(7.5)**	(11.2)	3.7
Other	**(9.1)**	(4.2)	(4.9)
Net cash on issue/purchase of shares	**(0.5)**	(0.9)	0.4
Dividends paid	**(43.8)**	(41.8)	(2.0)
Increase in adjusted net debt*	**(3.2)**	(46.5)	43.3
Opening adjusted net debt*	**(285.8)**	(239.3)	n/a
Closing adjusted net debt*	**(289.0)**	(285.8)	n/a

* Adjusted net debt is net cash less restricted cash.

Cashflow

Cash generated from operations before tax and excluding movements in restricted cash was £232.8m (2017: £224.4m). This increase of £8.4m is largely due to movements in working capital, primarily reflecting structural changes in rail franchises. Tax paid of £28.7m (2017: £34.1m) comprised payments on account in respect of the current and prior years' liabilities. Net interest paid of £13.3m (2017: £12.7m) was lower than the net charge for the period of £14.2m (2017: £13.4m) after excluding the impact of non-cash interest on pensions and the unwinding of discounting on provisions. Capital expenditure, net of sale proceeds, was £25.5m lower in the year at £119.2m (2017: £144.7m), predominantly due to lower investment in our London bus fleet from the prior year's elevated level, and the proceeds received from the sale of the London Midland assets. Net group capital investment is expected to be around £85.0m in 2018/19.

During the year, as part of a planned programme of monthly share purchases to satisfy future share awards, the Group purchased 64,012 ordinary shares for a total consideration of £1.1m (2017: 121,084 ordinary shares for a total consideration of £2.4m).

At the year end, significant medium term finance was secured through a revolving credit facility (RCF) and a £250m sterling bond. The £280m five year RCF had an initial maturity of July 2019 with two one-year extension options, the second of which was agreed on 20 June 2016, extending the maturity of the facility to July 2021. On 20 July 2018 an additional extension of two years was agreed, extending the maturity of the facility to July 2023. A further two one-year extensions are available which if exercised would extend the maturity to July 2025.

Capital expenditure

Expenditure on capital during the year can be summarised as:

	2018 £m	2017 £m
Regional bus	**47.9**	49.6
London bus	**51.7**	63.1
Total bus	**99.6**	112.7
Rail	**27.1**	29.2
Group total	**126.7**	141.9

Net cash/debt

Net cash of £149.9m (2017: £230.3m) comprised debt arising from the £250m sterling bond (2017: £200m sterling bond), amounts drawn down against the £280m five year RCF of £136.0m (2017: £156.0m), amounts drawn down against the €8m revolving credit facility and €10.6m financial facility of £11.2m (2017: £0.9), and hire purchase and lease agreements of £9.4m (2017: £3.0m), offset by cash and short term deposits of £556.5m (2017: £590.2m) including £438.9m of restricted cash in rail (2017: £516.1m). There were no overdrafts in use at the year end (2017: £nil).

Our primary financial covenant under the 2018 RCF is an adjusted net debt to EBITDA ratio of not more than 3.5x. Adjusted net debt (excluding restricted cash) to EBITDA of 1.30x (2017: 1.30x) remains below the target range of 1.5x to 2.5x.

Capital structure

	2018 £m	2017 £m
Syndicated facility 2023	**280.0**	280.0
7 year £250m 2.5% sterling bond 2024	**250.0**	–
7.5 year £200m 5.375% sterling bond 2017	**–**	200.0
Euro financing facilities	**16.5**	17.5
Total core facilities	**546.5**	497.5
Amount drawn down at 1 July 2017	**397.2**	356.9
Balance available	**149.3**	140.6
Restricted cash	**438.9**	516.1
Net cash	**(149.9)**	(230.3)
Adjusted net debt	**289.0**	285.8
EBITDA	**221.9**	219.1
Adjusted net debt/EBITDA	**1.30x**	1.30x

Investment grade ratings from Moody's (Baa3, stable outlook) and Standard & Poor's (BBB-, stable outlook) have been recently reconfirmed and remain unchanged.

Exceptional items

On 28 March the Group and the Trustee of The Go-Ahead Group Pension Plan agreed to change the reference inflation index for the purpose of annual increases to the majority of pensions payable by the Bus Plan. From 1 April 2018 onwards, the Consumer Prices Index is used to increase pensions in payment rather than the Retail Prices Index. This change reduces the financial risks of the Plan and enhances the long term sustainability of the scheme, providing an improvement in the security of Plan members' benefit.

As a result of this change, the IFRS balance sheet valuation of the Group's pension liabilities has reduced by £35.2m and the Group has recognised a pre-tax, non-cash exceptional credit of this value in the income statement.

The Group has also reviewed the carrying value of goodwill and associated tangible assets on its regional bus businesses. This has led to an exceptional impairment charge of £10.1m.

Included within net finance costs and taxation are exceptional items relating to an ongoing HMRC enquiry as explained below. There were no exceptional operating items in the prior year

Amortisation

The amortisation charge for the year was £3.3m (2017: £3.1m), which relates to the non-cash cost of amortising software costs, franchise mobilisation costs and customer contracts.

Net finance costs

Net finance costs for the year were ahead of the prior year at £14.2m (2017: £13.4m) including finance costs of £16.7m (2017: £15.8m) less finance revenue of £2.5m (2017: £2.4m). Finance costs include an exceptional cost of £2.6m (2017: £nil) in respect of the estimated settlement of the HMRC capital allowances enquiry. The average net interest rate for the period was 4.1% (2017: 4.2%).

Taxation

Net tax for the year was £36.4m (2017: £25.3m), equivalent to an effective rate of 25.0% (2017: 18.5%). A provision has been made in the tax charge in relation to a current HMRC enquiry and is shown as exceptional. Excluding the impact of this one-off provision and the impact of exceptional items, the tax rate would have been 21.0%, as a result of non-deductible items such as bid costs in Germany and other international areas.

The statutory rate will reduce to 17% in 2020. We expect our effective tax rate to be 2% to 3% above the statutory rate in future years.

Non-controlling interest

The non-controlling interest in the income statement of £20.3m (2017: £22.4m) arises from our 65% holding in Govia Limited, which owns 100% of our current rail operations and therefore represents 35% of the profit after taxation of these operations.

Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the year of £35.4m (2017: £37.4m) consisting of bus costs of £1.8m (2017: £0.4m) and rail costs of £33.7m (2017: £37.0m). Group contributions to the schemes totalled £40.3m (2017: £42.9m).

An exceptional gain of £35.2m (2017: £nil) was recognised in the year as explained above.

Bus pensions

Under accounting valuations, the net surplus after taxation on the bus defined benefit schemes was £30.3m (2017: a deficit of £17.3m), consisting of pre-tax assets of £36.8m (2017: liabilities of £20.9m) less a deferred tax liability of £6.5m (2017: deferred tax asset of £3.6m). The pre-tax asset consisted of assets of £829.3m (2017: £784.6m) less estimated liabilities of £792.5m (2017:£805.5m). The percentage of assets held in higher risk, return seeking assets was 48.5% (2017: 53.4%).

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 (2017: £nil).

Patrick Butcher,
Group Chief Financial Officer

5 September 2018

A robust and focused approach to risk management

> **"The Board has overall responsibility for ensuring that the Group's exposure to risk remains proportionate to the pursuit of its strategic goals and long term stakeholder value."**
>
> **Adrian Ewer,**
> Audit Committee Chair

How we manage risk

Ultimate accountability for risk management lies with the Board, supported by the audit committee. Our approach combines a top down strategic assessment of risk and risk appetite with a bottom up operational identification and reporting process, which also looks at the impact of a combination of risks coming through. We have robust risk management and internal control systems across the Group and we empower all of our colleagues to manage risk. The diagram on page 45 illustrates the key roles and responsibilities across our risk management framework.

There is a robust risk management framework in place for assessing bid and acquisition related risks.

The Board is mindful of the detrimental impact principal risks could have on our strategic objectives: protect and grow the core, win new bus and rail contracts, and develop for the future of transport.

To read more about how we balance our principal risks against our strategic objectives, please see our risk appetite statement on page 46.

Focus during the year

During the year, the Board continued to enhance the management of risk within the Group, building on progress made in the previous year. The risk discussions at operating company, audit committee and Board level continues to be of a very high quality, with focus on the principal risk, control and mitigation areas.

This year, the Board spent considerable time discussing a number of key risk focus areas, with scheduled in-depth presentations at most meetings provided by the executive directors and senior management. The Board regularly discussed GTR's operational performance and financial forecasts and were kept up to date on a wide range of matters including plans for the May 2018 timetable change. Another example included cyber security, where there was a continued focus this year on understanding these risks and the measures being taken to address potential areas of vulnerability. The Board also reviewed the risks associated with the General Data Protection Regulations, the programme of work underway across the Group to ensure compliance with the new regulations, and the security and counter terrorism measures in place across the Group.

Read more about our principal risks on pages 47 to 49.

Risk culture

We endeavour to foster an environment where people feel comfortable raising issues and management teams treat all concerns seriously. This approach is designed to highlight potential problems and issues at an early stage so that prompt action can be taken to minimise any impact on our stakeholders.

The ongoing culture change programme to embed our vision, beliefs and attitudes supports the wider adoption of the culture the Board wants to achieve. Strong internal communications material and regular 'better together' forums and cross functional and operating company meetings assist in sharing experiences and good practice between teams.

Implementation and compliance responsibility

Top down

Risk management framework

Board

- Sets strategic priorities
- Agrees the Group's appetite for risk and assesses risks and tolerance levels and makes sure they are appropriately managed
- Sets delegated levels of authority
- Approves Group policy and procedures as needed

Audit committee

Monitors risk management and assurance arrangements

Effectiveness of risk control processes

Review of the effectiveness of key risk management and control processes through:

- Internal audit
- External audit
- Insurance
- Risk surveys
- Health and safety auditing

Executive directors

- Monitor performance and changes in key risks
- Provide regular reports and updates to the Board

Group risk management process

Provides 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

Reports to the Board and the audit committee on the status of key risks

Local operating companies

- Identify, manage and report local risks
- Maintain local risk management plans
- Implement mitigating actions

Bottom up

Risk identification and reporting responsibilities

Viability statement:

In accordance with the provision of the UK Corporate Governance Code 2016, the Directors have assessed the Group's viability over a three-year period to June 2021. This is consistent with the period covered by the Group's more detailed Corporate Plan which is the basis for the three years of the strategic plan, though longer periods are reviewed by management with no issues being identified.

This gives the Board greater certainty over the forecasting assumptions used. In making their 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. A key assumption is that funding for the Group is reasonably available in the form of capital markets debt, bank debt or alternatives and sufficient funding will be available in all plausible market conditions.

The Directors then assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties set out on pages 47 to 49, the likely mitigating actions and the effectiveness of those mitigating actions. Their scenarios took account of the following:

1. the UK Bus Services Act 2017, its impact on the Group's regional bus business in the period under review;
2. the Group will continue to work effectively with DfT in resolving issues of the ongoing contractual variations and performance benchmarks within the GTR franchise; and
3. adverse operating environment including the cessation of the Group's UK rail franchises, including the full impact of any repayment of parental guarantees.

Based on this assessment, the Directors 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.

Risk appetite

Our risk appetite statement below sets out how we balance risk and opportunity in pursuit of achieving our business 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:

Safety and security: The Group has no tolerance for 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 regard 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.

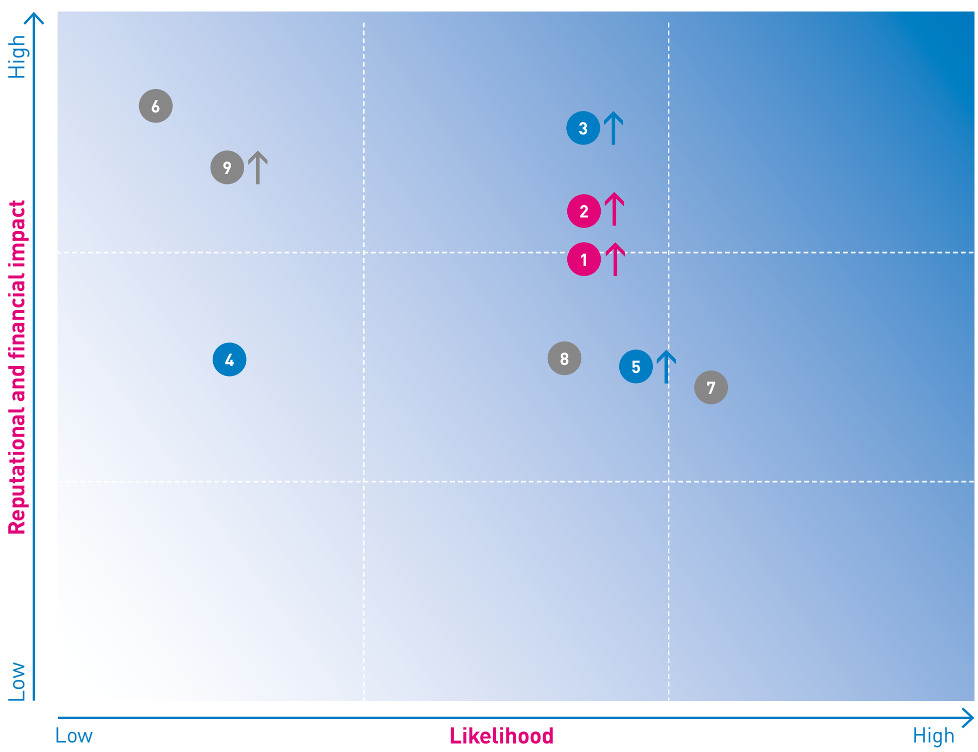
Moderate: The level of risk may delay or disrupt achievement of the Group's strategic objectives. Controls are adequately designed and are generally effective.

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

Prioritising our principal risks

A robust assessment has been undertaken by the Board to assess the principal risks facing the Group and consideration has been 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 position of our principal risks in relation to others and their movement during the financial year ended 30 June 2018. Further details of the key risks within each of the Group's principal risk areas is shown on pages 47 to 49.



External risks
1. Economic environment and society
2. Political and regulatory framework

Strategic risks
3. Sustainability of rail profits or loss of franchise
4. Inappropriate strategy or investment
5. Competition

Operational risks
6. Catastrophic incident or severe infrastructure failure
7. Large scale infrastructure projects
8. Labour costs, employee relations and resource planning
9. Information technology failure or interruption, or security breach

Key to risk changes: ↑ Increase in risk during the year

External risks

1 ↑ Economic environment and society

Lower economic growth or reduction in economic activity.

Potential impact

Reduced revenue as:

- Customers make fewer journeys
- Customers buy lower priced tickets
- Customers switch mode (to walking, cycling, private car etc)

Mitigating actions

- Continue to focus our operations in more resilient geographical areas
- Local management constantly assesses the needs of local markets and direct services and products accordingly
- Provide attractive services and products
- Focus on driving volumes through innovative and targeted marketing
- Generate customer loyalty through initiatives such as smart ticketing
- Proactive cost control
- Make public transport easier to access and use
- Robust bid modelling considers differing economic scenarios, including the UK's exit from the European Union

Opportunity

- Maximise geographic and product diversification opportunities
- One rail contract will be rebid over the next year allowing for a rebasing of target revenue
- There are variances between geographical areas in the rate of recovery

Change in risk in the year

Increase in risk during the year, as UK growth rates remain volatile and the UK is at risk from political instability.

- Following the result of the EU referendum, economic growth rates have been resilient, but remain volatile (e.g. UK gross domestic product (GDP) was estimated to have increased by 0.4% in Quarter 4 (October to December 2017), while Quarter 1 (January to March 2018) GDP growth was 0.1%)*

* Statistics provided by Office for National Statistics.

Key

↑ Increase in risk during the year

= No change in risk during the year

Protect and grow the core

Win new bus and rail contracts

Develop for the future of transport

2 ↑ Political and regulatory framework

Changes to the legal and regulatory framework, the implementation of the Bus Services Act 2017, and the impact of the UK leaving the EU.

Potential impact

- If bus services are franchised, the Group could lose revenue in some areas
- Adverse change to the rail franchising model, including increase in state control of rail franchises
- Reduced funding for public transport
- A reduction in European immigration to the United Kingdom could have an impact on the availability and cost of employees

Mitigating actions

- Limited exposure to local authority funding, as our operations are largely commercial
- Actively participate in key industry, trade and government steering and policy development groups
- Collaboration and partnership working with local authorities
- Devise strategy for bus franchising
- Demonstrate the value delivered by the private sector through investment in services, responding quickly and flexibly to passenger needs

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

Change in risk in the year

Increase in risk during the year, as the UK's political landscape has become increasingly uncertain.

- Labour's 2017 manifesto pledge to bring private rail companies back into public ownership as their franchises expire
- InterCity East Coast franchise held by a joint venture of Stagecoach Group (90%) and Virgin Holdings (10%) terminated on 24 June 2018, and brought into state control with the launch of LNER
- Ongoing political and economic uncertainty prior to the UK's scheduled departure from the European Union on 29 March 2019
- Increased budget pressure for our client Transport for London
- Manchester Mayor commences bus franchising process
- Moves by some local authorities (e.g. Oxford) to implement zero emission zones

Strategic risks

3 ↑ Sustainability of rail profits or loss of franchise

Failure to retain Southeastern franchise on acceptable terms and failure to stabilise GTR's business performance, and comply with franchise terms.

Potential impact

- Group profitability and cash flow could fall over the next three years
- Loss of franchise and/or financial penalties

Mitigating actions

- Flexible and experienced management team which responds quickly and expertly to changing circumstances
- Shared risk through the Govia joint venture, which is 65% owned by Go-Ahead and 35% by Keolis
- Invest in performance improvements
- Work constructively with industry partners, such as Network Rail and the DfT, to deliver long term economic and infrastructure benefits
- Significant resource and financial investment in bidding for new franchises
- Regular Board review of rail performance, and Board approval of overall rail bidding strategy
- Compliance with franchise conditions closely monitored
- Recovery plan for GTR
- Reduce head office costs across the Group
- Preparation for German rail contract ahead of its start date in 2019

Opportunity

- Growing portfolio of German rail contracts
- Growth opportunities within the Nordic region

Change in risk in the year

Increase in risk during the year, as the issues concerning the GTR franchise have intensified and the Group's joint venture Govia was unsuccessful in its bid to win the new West Midland rail franchise.

- The GTR franchise has seen a difficult year as a result of the impact of major infrastructure projects and the implementation of the new timetable on 20 May 2018

Read more on page 41.

- Organic international expansion, including the recently awarded 13-year rail contract by Transport Ministry of Baden Württemberg in Germany
- Southeastern franchise extended to April 2019
- Bid submitted for new South Eastern franchise

4 =

Inappropriate strategy or investment

Failure to make appropriate strategic or investment decisions.

Potential impact

- Shareholder value could be lost and the Group could suffer reputational damage

Mitigating actions

- Comprehensive strategic discussions with main Board and advisors
- Extensive valuation and due diligence, supported by external expertise
- Maintain strong financial discipline when assessing viability of opportunities
- Cautious approach to investment opportunities overseas and outside our core operating areas
- The Board has a clear stated risk appetite that governs the acceptable level of risk in pursuit of objectives

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 Singapore, Dublin, Australia, Germany and Nordic region

Change in risk in the year

No change in risk during the year, as the Board Strategy Day did not determine any material change to the Group's strategy.

- Good strategic progress has been made during the year. Continued focus on delivering profit growth in bus, as evidenced in successful bid for a second bus tender in Dublin by Ireland's National Transport Authority
- Go-Ahead has a clear strategy, communicated to all levels of the organisation

Key

- ↑ Increase in risk during the year
- = No change in risk during the year
- Protect and grow the core
- Win new bus and rail contracts
- Develop for the future of transport

5 ↑

Competition

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

Potential impact

- Loss of revenue and profits
- Reputational damage
- Rapid change required to business model and structure

Mitigating actions

- 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
- Promote multi-modal travel, improving the overall door-to-door experience for passengers
- Remain at the forefront of promoting and introducing inter-operable ticketing schemes
- Focus on customer needs and expectations, including more channels for ticket purchase and journey planning

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, during the year, as part of our strategy to develop for the future of transport, we announced the UK's largest demand responsive trial of high-quality minibuses in Oxford called 'PickMeUp'

Change in risk in the year

Increase in risk during the year, as innovative forms of competition (for example, Uber) continue to challenge the Group's core markets.

- The reduction in oil price, leading to lower fuel prices for motorists, could result in passengers taking more trips in private cars rather than choosing public transport
- Technology based start-ups are entering transport market
- An increase in competition, as more foreign companies enter the UK market

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.

Potential impact

- 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
- Appropriate and regularly reviewed and tested contingency and disaster recovery plans
- Thorough and regular staff training
- Work closely with our industry partners, such as rail infrastructure provider, Network Rail, and government agencies
- We have maintained high levels of safety performance, demonstrating our continuing efforts to minimise this risk

Opportunity

- The threat of such an event requires our staff to be well trained and prepared at all times
- Continuous review of processes and procedures can identify areas for operational improvement and improve overall safety on our networks

Change in risk in the year

No change in risk during the year, as the likelihood of an act of terror impacting the Group's transport network has not increased.

- Threat levels during the year have been recorded as 'critical' and 'severe' as the likelihood of terrorist related attacks remains high

7 =

Large scale infrastructure projects

Large scale infrastructure projects on and around the networks on which we operate, such as the Thameslink Programme, HS2 and major roadworks.

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 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

Change in risk in the year

No change in risk during the year, as the predicted impact of large scale infrastructure projects remains unchanged from the previous financial year.

- Our rail operations have been impacted by works associated with the £6.5bn Thameslink Programme, particularly around the implementation of the new timetable on 20 May 2018
- Congestion due to roadworks in London and Brighton and Hove have impacted our services with passengers choosing alternative modes of transport

8 =

Labour costs, employee relations and resource planning

Failure to effectively engage with our people and trade unions in making change and managing costs, including pensions.

Potential impact

- Failure to retain and attract employees at all levels
- Ageing workforce leading to a shortage in labour supply, skills and knowledge
- Service disruption and costs, arising from industrial action, leading to reputational damage
- Low levels of morale and engagement lead to inadequate customer service
- Inability to deploy new technology and work practices for the benefit of customers
- Wage costs increase or are higher than necessary
- Reduction in value of sterling leading to a slowdown of labour resources from Europe and an increase in labour turnover from employees returning to Europe

Mitigating actions

- Work to maintain good relationships with employees and trade unions
- Robust workforce planning with skill requirements identified
- Robust and regularly reviewed recruitment and retention policies, training schemes, resource planning and working practices
- Experienced approach to wage negotiations
- Employee engagement surveys across all businesses to identify issues
- Engaging all our people in the vision, beliefs and attitudes
- Proactive management of pension risks

Opportunity

- Through fostering positive employee relations and offering good employment packages we have a motivated and committed workforce, with low staff turnover across all businesses
- We are monitoring the impact of changes in the employment market which may affect our ability to retain and recruit staff
- Workforce planning and critical skills shortage identified to ensure critical shortages are addressed and there is a large enough pool of resources to deploy

Change in risk in the year

No change in risk during the year.

- Operational challenges on the GTR franchise have arisen following the introduction of the new rail timetable in May 2018 – these challenges have highlighted the extent of dependence on rail industry processes and the need for an improvement in workforce planning and resource deployment

9 ↑

Information technology failure or interruption or security breach

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

Potential impact

- Disruption to trading and/or operational service delivery
- Reputation damage and regulatory breach from misuse of data
- Financial loss

Mitigating actions

- Implementation of the Group-wide GDPR project, to ensure compliance
- Appointment of a Group Data Protection Officer
- 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, including 'light sites' and 'load bearing' servers
- Clear and tested business continuity plans
- Proactive approach to cyber security issues
- Cyber Essentials, a government backed cyber security certification scheme, was achieved
- Continued investment in and maintenance of IT systems across the Group
- Test scenarios conducted across the Group

Opportunity

- Ensuring our systems and processes are efficient and reliable strengthens day-to-day operations across the Group

Change in risk in the year

Increase in risk during the year, following the Data Protection Act 2018 enacting of the General Data Protection Regulation in May 2018.

- The General Data Protection Regulation has increased the Groups regulatory responsibilities, as well as introduced a new regime of fines
- Significant cyber-attacks, including ransomware attacks, across the public and private sector during the year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Governance

In this section

"The Board plays a key role in shaping the culture of the Group. Good standards of behaviour start with the Board and we are committed to leading by example."

Andrew Allner,
Chairman

I am pleased to present the corporate governance report for the year ended 30 June 2018. This report should be read in conjunction with the section on how we have complied with the 2016 UK Corporate Governance Code (the Code), on pages 110 to 115. I can confirm that the Group has complied in full with the Code during the year.

Q Why is good governance important to Go-Ahead?

Our robust governance framework, which starts with the Board and runs throughout the business, supports the development and delivery of our strategy and risk management. It ensures that we discharge our duties effectively and to the highest of standards.

On 16 July 2018, the Financial Reporting Council published the new Corporate Governance Code. We welcome the changes the new Code brings, where the emphasis is on workforce and stakeholders, culture, succession, diversity and remuneration. These are already key areas of Board focus and implementing the new Code's changes will support the work the Board already plans to do over the year ahead.

Read more about the Board's robust governance framework on pages 56 and 57.

Q What role does the Board have in shaping the culture of the Group?

Good standards of behaviour start with the Board and we are committed to leading by example. Throughout the year, the Board has monitored the progress of the Group-wide culture change programme and assessed the extent to which the vision, beliefs and attitudes have been embedded throughout the Group. The Board recognises that it is our colleagues who bring the value of culture to life in their day-to-day roles. We receive updates on a wide range of key culture indicators such as inclusion and diversity initiatives, colleague engagement survey results, succession planning and talent pipelines.

During the year, the Chairman and non-executive directors visited many of our operating companies which provided an opportunity to hear our colleagues' views on a variety of matters. These visits continue to play an invaluable part in understanding how the culture is changing throughout the organisation.

Read about the Board's visit to Brighton and Hove Buses on page 70.

Q What is the Board's approach to stakeholder engagement?

The services we operate are very important to our customers and the communities we serve, and we work collaboratively with our stakeholders to address expectations, needs and concerns. Delivering sustainable shareholder value and contributing to the wider society are key to the long term success of the Group. We understand that it is important to consider the interests of all of our stakeholders when making decisions which may affect them. One of the focus areas during the year has been to improve the updates the Board receives on each of our stakeholder groups. This will continue to be a focus over the year ahead.

We discuss the results of our colleague engagement and customer satisfaction surveys and actively participate in debates and consultations on matters which are important to our business and the communities in which we operate.

We use a wide range of communication channels including social media, thought leadership and roundtable events to engage with our stakeholders. The feedback from these forms part of our decision-making process and helps us continuously improve as we progress towards our vision and long term objectives.

Read more about how the Board listens to our stakeholders on pages 68 and 69.

Q Do you consider the Board has the right skills, experience and behaviours?

We have a diverse Board whose members have a mix of skills and experience. The externally facilitated Board development programme undertaken last year was key to helping us understand and leverage the skills already on the Board. The programme also identified gaps where certain skills, experience and behaviours would complement the existing Board. This formed the basis of our recruitment process to replace Nick Horler who retired as a non-executive director at the conclusion of the 2017 annual general meeting.

In October 2017, we welcomed Harry Holt and Leanne Wood to the Board as new non-executive directors. Together they bring the skills, experience and behaviours which support our strategic direction, vision and culture.

With the changes in Board composition, our female representation has increased from 17% to 29%. The Board remains committed to improving diversity in the broadest sense and will continue to monitor the Group's inclusion and diversity strategies.

Read more on pages 72 to 75.

Q What were the findings of the Board evaluation review this year?

An internal review, led by the Group Company Secretary, was undertaken this year. The review assessed progress against the outputs from last year's externally facilitated Board development programme. It also drew upon the proposed revisions to the Code, namely culture, sustainable value creation, diversity and stakeholder engagement.

The review confirmed that the Board is strong and collegiate with all members demonstrating behaviours which support our strategic direction, vision and culture. Each director has the opportunity to contribute and challenge, which enables a constructive and quality debate during Board meetings. Key themes emerging from the review this year, which have formed the basis of the Board's action plan for the year ahead, include continuing the focus on culture and diversity and further developing our reputation and stakeholder engagement programmes. Ensuring enough time is set aside to systematically review the Group's long term strategy and value creation will also be an important focus area, particularly in the context of maintaining our forward-thinking approach.

Read more about this year's internal Board review on pages 66 and 67.

Q Are there any material changes to Go-Ahead's new remuneration policy this year?

The remuneration committee undertook a detailed review of our remuneration policy during the year, which included alternative approaches to long term incentives. The committee determined it was not appropriate to fundamentally change the policy at this time. The minor changes which have been proposed are intended to bring the policy further in line with best practice, while also allowing for a modest amount of additional flexibility in the way the policy is operated. Katherine Innes Ker, Remuneration Committee Chair, led the consultation on the new policy that is subject to approval by shareholders at this year's annual general meeting. We are grateful to shareholders and their representative bodies for their engagement.

A summary of the changes proposed is set out on page 83 and the full remuneration policy is set out on pages 87 to 93 (inclusive).

Q How does the Board deliver Go-Ahead's strategic goals?

Board strategy remains focused around our three core pillars: to protect and grow the core businesses, to win new bus and rail contracts and to develop for the future of transport. In addition to the annual Board Strategy Day, strategy is an integral part of regular Board discussion. The Board's executive reports are structured to allow for the appropriate time and debate on each of the Group's strategic priorities at every meeting. Regular updates are received from the executive directors and senior managers on performance against strategic objectives, and strategic developments.

The Board is ever mindful of the Group's contribution to society. Our focus on reputation and stakeholder engagement, culture, innovation and developing a sustainable business are just some of the examples of the work the Board has undertaken to support the delivery of the wider business strategy.

BOARD OF DIRECTORS

Key to committees

- Executive directors
- Chairman and non-executive directors
- Group Company Secretary

Andrew Allner
Chairman

N R

Appointment:
Andrew Allner joined the Board in October 2008 and was appointed as Chairman of the Group in April 2013

Length of service:
9 years and 8 months

Independent:
On appointment

Skills, experience and qualifications:
Significant Board experience across a broad range of UK and multinational companies and sectors. Former Partner at PricewaterhouseCoopers LLP and a Fellow of the Institute of Chartered Accountants in England & Wales. Graduate of Oxford University. Former Non-Executive Director of AZ Electronic Materials SA, CSR plc, and Moss Bros Group plc. Former Non-Executive Chairman of Marshalls plc

Other directorships and offices:
Non-Executive Chairman of SIG plc (Chairman of the nomination committee), Non-Executive Chairman of Fox Marble Holdings plc (member of the remuneration committee) and Non-Executive Director of Northgate plc

David Brown
Group Chief Executive

Appointment:
David Brown was appointed to the Board as Deputy Chief Executive on 1 April 2011 before his accession to the post of Group Chief Executive on 3 July 2011

Length of service:
7 years and 3 months

Independent:
Not applicable

Skills, experience and qualifications:
Over 35 years of experience in the industry with particular expertise in the London bus market. Former Managing Director of Surface Transport at Transport for London. Thorough knowledge and understanding of the Group's business, having been Chief Executive of Go-Ahead's London bus business from 2003 to 2006 and advisor to the main Board

Other directorships and offices:
Director of Rail Delivery Group Limited, Director of ATOC Limited (Chairman of the remuneration committee) and Non-Executive Director of Renew Holdings plc

Patrick Butcher
Group Chief Financial Officer

Appointment:
Patrick Butcher was appointed to the Board as Group Chief Financial Officer on 14 March 2016. In August 2018, it was announced that Patrick will leave Go-Ahead later this year to take up the position of Chief Financial Officer at Capita plc

Length of service:
2 years and 3 months

Independent:
Not applicable

Skills, experience and qualifications:
Member of the Institute of Chartered Accountants (South Africa). Over 17 years of experience as a finance director at Board level in transport and infrastructure companies. Former Group Finance Director of Network Rail as well as finance director roles at English, Welsh and Scottish Railways (now DB Schenker) and London Underground. Extensive experience working as a management consultant and auditor for Deloitte LLP. Former member of the British Transport Police Authority

Other directorships and offices:
None

Katherine Innes Ker
Senior Independent Director

N A R

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

Length of service:
7 years and 11 months

Independent:
Yes

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

Other directorships and offices:
Non-Executive Chair of The Mortgage Advice Bureau, Non-Executive Director of Forterra plc and Chair of Readypower Group Limited

N Nomination committee

A Audit committee

R Remuneration committee

Chairman

Committee Secretary

Details of the directors' contracts, emoluments and share interests can be found in the directors' remuneration report on pages 82 to 105.

Adrian Ewer
Non-Executive Director

N A R

Appointment:
Adrian Ewer joined the Board in April 2013

Length of service:
5 years and 2 months

Independent:
Yes

Skills, experience and qualifications:
Became a chartered accountant in 1977 and, as a Fellow of the Institute of Chartered Accountants, has sound recent and relevant financial experience. Former Chief Executive Officer of John Laing plc and associated limited companies. Wealth of experience of major long term contracts. Strong customer focus and flair for strategy and finance. Experience in bidding and operating heavy and light rail franchises as well as rail infrastructure procurement

Other directorships and offices:
None

Harry Holt
Non-Executive Director

N A R

Appointment:
Harry Holt joined the Board in October 2017

Length of service:
0 years and 8 months

Independent:
Yes

Skills, experience and qualifications:
Served 24 years in the British Army fulfilling some of the Defence's most demanding appointments. Extensive experience working as a commander on combat operations, as a senior executive in the Ministry of Defence and in government relations. A wealth of experience in strategic planning, operations, culture and transformation through leadership positions held at Rolls-Royce plc from 2011 to date

Other directorships and offices:
Chief People Officer at Rolls-Royce plc and Non-Executive Chairman of the Royal Foundation's Endeavour Fund

Leanne Wood
Non-Executive Director

N A R

Appointment:
Leanne Wood joined the Board in October 2017

Length of service:
0 years and 8 months

Independent:
Yes

Skills, experience and qualifications:
Extensive corporate experience working in several senior international executive roles at Diageo plc from 2000 to 2015, and Burberry Group plc from 2015 to date. An international career background with significant experience of leading corporate strategy and organisational transformation

Other directorships and offices:
Chief Strategy, People and Corporate Affairs Officer at Burberry Group plc

Carolyn Ferguson
Group Company Secretary

N A R

Appointment:
Carolyn Ferguson was appointed as Group Company Secretary in July 2006

Length of service:
12 years

Independent:
Not applicable

Skills, experience and qualifications:
A Fellow of the Institute of Chartered Secretaries and Administrators. Qualified and practising coach and mentor. Extensive company secretarial, compliance, governance and pensions experience. Began working as Assistant Company Secretary in 2001, before being appointed to Group Company Secretary in 2006. Previous employment includes working for Northern Electric, predominantly in the field of pensions

Other directorships and offices:
None

Leadership

The Board recognises that strong governance also underpins a healthy culture. This, in turn, brings benefits to the Group and its employees as well as to all our stakeholders. Your Board is committed to leading by example and ensuring that good standards of behaviours permeate throughout all levels of the organisation.

Leadership highlights

- → **Evolved Group strategy**
- → **Monitored performance against objectives**
- → **Established key cultural indicators to measure success**
- → **Improved stakeholder and customer feedback channels**
- → **Reviewed inclusion and diversity initiatives, including gender pay gap results**
- → **Continued Board development to improve effectiveness**

Go-Ahead's governance framework

Our governance framework is set out in the diagram opposite. It establishes a clear division of responsibilities for the Board and supports the development of good governance practices throughout the Group.

Day-to-day management of the Group and the implementation of strategies agreed by the Board have been delegated to the executive directors.

The executive directors meet with senior management in the Group and across our operating companies, both formally and informally, on a regular basis. We believe that this devolved management structure enables the Group to be managed in an effective way and allows the right balance between local and Group initiatives. It also ensures the Board remains well informed about our operating companies, colleagues, customers and all our stakeholders, so we can respond proactively to the changing dynamics of the business and society.

Our vision

A world where every journey is taken care of

Delegation

The Board

The role of the Board

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

Key responsibilities of the Board

- Strategy development, targets and objectives
- Corporate planning and KPIs
- Health and safety
- Stakeholder engagement
- Corporate culture and reputation
- Contracts, bids and acquisitions
- Risk management, appetite and internal controls
- Governance and regulatory compliance
- Board development and effectiveness

Nomination committee

- Board and committee composition
- Succession planning
- Inclusion and diversity policies
- Talent strategy
- Development opportunities

Read more on pages 72 to 75.

Audit committee

- External audit
- Financial reporting
- Risk management and internal controls
- Internal audit
- Whistleblowing and anti-bribery procedures
- Health and safety auditing

Read more on pages 76 to 81.

Remuneration committee

- Remuneration policy
- Remuneration principles
- Incentive design and setting of targets
- Executive and senior management remuneration
- Chairman fees

Read more on pages 82 to 105.

Operating company boards

- Operated autonomously by local senior management
- Local senior management reports to the executive directors directly on day-to-day management issues including risk
- Local senior management ensure operating compliance with Group policies and procedures
- Executive directors appraise the Board

Cross-business rail and bus steering groups and forums

- 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
- Are supported by cross-business forums such as health and safety, engineering, HR and diversity forums

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
- Identifies synergies which can then be cascaded through cross-business groups and forums
- Functions include, but are not limited to, the areas of IT, procurement, bus and rail business development and marketing

Accountability

The Board's focus

The Board's annual programme of activity is structured around the development and implementation of strategy and the Board spends time at each meeting discussing performance against strategic objectives. During the year, the Board welcomed a change in executive reporting to enable more discussion of strategy, including progress against objectives and monitoring shifts in trends to ensure the Board remains forward looking. The Board monitors operational, financial and health and safety performance at each meeting. Risk management is also a regular feature of Board discussion, with a programme of in-depth presentations on key risk focus areas by senior management each year. A regular discussion topic during the year was GTR's financial and operational performance and forecasts. This included consideration of the timetable change and potential contractual implications of its implementation. There was also a rolling programme of presentations on the change themes that were enablers of our strategy, including lean, technology, customer experience, culture change and leadership.

Culture

The Board's culture agenda ensures oversight of the many initiatives underway within our business to drive positive culture change. Bringing our vision, beliefs and attitudes to life is a key area for the Board and, this year again, we spent a lot of time discussing how our culture change programme is being embedded across the business. Our people bring the value of our culture to life in their day-to-day roles and the Board regularly reviews inclusion and diversity initiatives across the Group, colleague engagement, succession planning, talent management and development.

Ensuring the Board is as effective as it can be is always a priority. All Board members need to bring the right behaviours and values to Go-Ahead to create the blend which is vital to a healthy boardroom culture. Making sure all Board members are aligned to Go-Ahead's corporate culture has therefore remained a key focus area during the year. We undertook an interim assessment of the actions and priorities agreed in last year's Board development programme to make sure the Board was leveraging the skills and strengths of individual Board members. We also welcomed our new non-executive directors, Harry Holt and Leanne Wood, to the Board in October 2017 and have spent time during the year ensuring their transition onto the Board has been supported through our formal induction programme and building relationships with existing Board members. Our internal Board review identified that we have a collegiate Board with robust and constructive debate in the boardroom.

Governance

As a Board we believe that good governance is crucial to the successful delivery of our strategic objectives. We aim to always remain abreast of best practice and actively participate in debates and consultations on matters which are important to our business and the communities we serve.

The Board's role in governance and how this is linked to our strategy is set out on pages 59 to 61 together with what we have achieved during the year ended 30 June 2018.

We continue to hold informal meetings and Board dinners, usually either before or after Board meetings. Additional meetings are held as required where topics warrant more time, for example, to approve bids or contracts.

All Board papers are circulated at least one full week before meetings, with easy and secure access to papers via the internet, where archived papers and resource materials can also be accessed. Each director comes to the Board meeting well prepared, having read all papers. Executive summaries are presented at the meeting itself, which provide the Board with the opportunity to fully engage and stimulate productive discussion. The executive directors and Group Company Secretary are readily available should any Board member require additional information.

How governance supported the delivery of our strategic objectives in 2017/18

Board activities were structured to enable the Board to support the executive directors and senior management to deliver our strategic objectives. We have set out below how the Board's governance role ensured focus on each of our strategic objectives for the year ended 30 June 2018. Our achievements illustrate how we continue to generate value for our investors and build a sustainable business that meets the needs of all our stakeholders and the communities we serve. The Board also ensures that key performance indicators (KPIs) specific to each strategic objective are incorporated into our executive directors' performance-related remuneration targets.

Strategic objectives	Board governance role	What we achieved in 2017/18
Protect and grow the core	• Ensure our core businesses are safeguarded • Understand market developments and shifts in trends • Track evolving strategic opportunities • Approve and monitor strategy and delivery • Oversee and approve organic growth initiatives, bolt-on acquisitions and strategic partnerships	• Strategies developed to grow bus passenger numbers • Contract wins secured in London • Maximised value from successful demobilisation of London Midland • Secured extension of Southeastern franchise • Continued focus on operational challenges in GTR • Acquisition of a sightseeing company in Oxford and a bus and coach operator in Hull
Win new bus and rail contracts	• Assess and agree the viability, including risk, of rail and bus contracts • Ensure detailed oversight and understanding of bid process, strategy and risks • Approve all key bid and contract submissions • Oversee mobilisation of contracts already won • Ensure knowledge, experience and best practice are shared across the Group	• Explored bus and rail opportunities in targeted international markets • Submitted bid for a further German contract, which was won during the year • Prepared for opportunities arising from the Bus Services Act 2017 • Awarded Outer Dublin Metropolitan Area and Dublin Commuter Routes bus contracts • Submitted bid for new South Eastern franchise • Ongoing mobilisation of Netz Lots 2&3 in Germany
Develop for the future of transport	• Agree new and emerging strategic initiatives • Rolling programme of in-depth reviews into innovation projects • Monitor progress on a regular basis • Monitor evolving competitor and macro trends • Provide support and resources to pioneering innovations	• Options being scoped and trialled for exploiting captive markets • Target operating model established for train operating companies • Demand-responsive transport services pilot commenced in Oxford • Utilising spare capacity in assets trial underway • Technology initiatives launched with Hammock to enable smart cities • Influencing future transport through thought leadership articles and events

How governance supported the delivery of our change themes in 2017/18

The following table sets out the Board's governance role and achievements against each change theme for the year ended 30 June 2018. As with our strategic objectives, KPIs specific to each change theme were incorporated into our executive directors' performance-related remuneration targets. As these change themes have now been embedded in the everyday activities of our operating companies, the Group strategy has naturally evolved and developed. For the coming year, the new change themes to support the delivery of our strategic objectives are: better teams, happier customers, stronger communities, smarter technology and a cleaner environment. Through these key areas, we aim to deliver change, shape our culture and prepare for future challenges facing us and our wider industry.

Change theme	Board governance role	What we achieved in 2017/18
Lean	• Monitor progress of 'lean engineering' strategy • Challenge senior management to improve operational areas, eliminate inefficient practices and reduce waste	• Process control Boards introduced to all bus operating companies and at pilot depots • Lean plans submitted by all bus operating companies • KPIs established to monitor performance • Lean education and training courses for colleagues
Technology	• Ensure technology strategy is aligned to support strategic direction • Oversight of digital initiatives • Gain assurance that key IT risks are managed with the appropriate controls in place	• Invested in technological advances including new bus applications • Introduced new payment options and channels • Resourced and piloted pioneering technological innovations • Reviewed key IT risks, including cyber security and controls
Customer experience	• Monitor customer satisfaction across the Group • Receive updates on customer experience strategy and engagement • Oversee relationships with strategic partners to support and improve the customer experience	• Improved leading Bus Passenger Survey satisfaction score in regional bus • Continued focus on improving GTR performance and customer service • Proactively engaged and collaborated with a wide range of stakeholders and partners focused on improving the customer experience • Improved customer communications
Culture change	• Govern the Group's vision, beliefs and attitudes • Set the Board's culture agenda • Monitor progress of Group-wide culture change programme • Oversee and monitor key cultural indicators, including inclusion and diversity policies and initiatives • Ensure culture is taken into account in all strategic and business decision making	• Agreed key cultural indicators to monitor progress • Colleague engagement scores improved across operating companies • Considered how the Board listens to the views of our wide range of stakeholders • Non-executive directors engaged with senior management and front-line colleagues through local operating company site visits
Leadership	• Define the Group's purpose and strategy • Ensure governance framework contributes to long term sustainable success • Set the strategic objectives for the Group and measure performance against them • Build and maintain effective stakeholder relationships • Oversee leadership succession planning, personal development, reward and recognition strategies • Ensure continuous Board development and effectiveness	• Focused on strategy, risk management and control programmes • Improved executive reporting to measure strategic objectives, emerging trends and innovations • Good progress made with inclusion and diversity policies and initiatives, including gender pay gap reporting • Implemented the actions from the Board's development programme last year and internal evaluation undertaken this year • Built resilience into senior management succession planning, improved talent and development initiatives

Risk and governance priorities

In addition to the strategic objectives and change themes detailed on pages 59 and 60, risk and governance continue to be at the forefront of the Board's thinking and discussion throughout the year. The Board ensures that targets and KPIs are included in the executive directors' annual performance-related bonus.

Board governance role	What we achieved in 2017/18
Risk management and internal control monitoring	• Reviewed risk management and internal control process and concluded they were effective
In-depth risk focus	• Continued to undertake in-depth risk reviews, which included franchise bid process, reputation and cyber security
Risk appetite	• Reviewed risk appetite statement
High standards of governance	• Reviewed proposed revisions to the UK Corporate Governance Code, executive remuneration policy and Board policies and procedures
Effective stakeholder engagement	• Received updates on different groups of stakeholders including shareholders, customers, colleagues and strategic partners
Compliance	• Ensured regulatory, statutory and legislative compliance

Board considerations when implementing our international strategy

We have a clearly articulated international strategy to win new bus and rail contracts. The development, implementation and monitoring of our international strategic targets are a key focus area for the Board, with the Board's main considerations during the year summarised below:

- Endorsing recommendations for specified opportunity selection criteria such as, the public procurement authorities, capital requirements, competitive landscape, size of potential pipeline, political risk and alignment with Go-Ahead's core values
- Approving target geographies, in the current and future pipeline, based on the above criteria
- Approving the allocation of investment resources to support the growth plan
- Approving target contracts within the pipeline, based on alignment with our prioritisation criteria, such as competitive landscape, bid resources, financial returns, capital requirements and strategic growth opportunities
- Approving the submission of bids, negotiating parameters and contract close out. Ensuring that the resultant contracts are compatible with the expected financial return and that risks are clearly understood, monitored and mitigated
- Monitoring performance against the plan and endorsing tactical changes as required
- Governance and oversight of the mobilisation activities required to convert newly won contracts into operational businesses that are integrated within the Group company architecture, systems and policies
- Assurance activities to monitor compliance with Group requirements and stakeholder expectations, including safety management, financial reporting requirements and operational performance

Board Strategy Day

The annual Board Strategy Day took place in June 2018. This meeting enabled the Board to focus on reviewing progress against strategy to date, debate ideas and reflect upon the future direction of the business. In doing so, the interests of all our stakeholders were at the forefront of the Board's considerations.

The agenda for the Board Strategy Day was determined through a collaboration between the executive and non-executive directors who agreed in advance the key strategic questions for discussion on the day.

The morning began with the Group Chief Executive providing a summary of progress against strategy to date. The Group's financial advisor, Rothschild, presented a market and valuation update and the Group Chief Financial Officer updated the Board on financial performance during the year. The Board then discussed the competitive landscape and macro trends facing the business, with debate around the challenges these presented and how strategic resilience could help the business adapt and adjust to these changing trends. The morning concluded with the Group Commercial and Customer Director updating the Board on the key drivers of demand within the bus business, with debate around growth generation.

Debate in the second half of the day focused on our three strategic objectives.

Protect and grow the core

For our strategic objective to protect and grow the core, the Board discussed the wide range of initiatives underway to safeguard and develop our core businesses. The potential financial returns and risks were assessed against a number of scenarios, the Board explored some less conventional ideas and discussed what the future might look like for our bus and rail businesses.

Win new bus and rail contracts

For our strategic objective to win new bus and rail contracts, presentations were given by the Managing Directors of both Bus and Rail Development on target opportunities and strategy, acquisition, bidding and pipelines. The Board also reviewed our bidding strategy.

Develop for the future of transport

The Board discussed the progress made against our strategic objective to develop for the future of transport, where several initiatives were being explored. The Board considered how our skills, knowledge and assets were being used in new ways to deliver innovative and sustainable growth for the long term.

Throughout the Board Strategy Day, the non-executive directors contributed personal perceptions and views, based on their own business experience. The participation of external advisors and senior managers also provided interesting and stimulating insights which contributed to the Board's debate.

Strategy was at the core of the Board's activities during the year, with the strategic and measurable objectives that will underpin the Board's deliberations over the year ahead, also agreed at this year's Board Strategy Day.

Harry Holt's perception of the Board Strategy Day is set out opposite.

My view of the Board Strategy Day: Harry Holt

"The management team's excellent preparation for the day, the high quality of paperwork and presentations ensured it was a very successful day."

Harry Holt
Non-Executive Director

This year's Board Strategy Day was my first as a non-executive director on Go-Ahead's Board. It provided a great opportunity to reflect on the strategic position of the Group and to dig into more detail, on certain subjects, that it's not always possible to cover at routine Board meetings. As a relative newcomer to Go-Ahead, I found the opportunity to explore and understand the key risks and opportunities for Go-Ahead invaluable.

The detailed review of the overall equity markets was very insightful, along with benchmarking against our market peers. It set much of the context for the remainder of the day's discussion. After a quick reflection on our past year's performance, especially the progress made against our current strategy, we were able to get stuck into the big strategic questions facing our sector and, specifically, Go-Ahead. I found the discussion of global macro trends affecting our business particularly fascinating. They included British politics, demographics and significant changes to people's work, retail and leisure patterns. The mix of challenge and opportunity made for a stimulating debate amongst the Board, with the non-executive directors bringing their own experience and knowledge of different business sectors to bear.

We spent time exploring some of the innovations which Go-Ahead is pioneering to exploit the future of transport. Initiatives such as demand-responsive transport, utilising spare capacity in current assets and smart cities all gave an insight into what the future might look like, with Go-Ahead very much at the fore.

Although the strategic debate was stimulating, it was particularly gratifying to distil it all down into what it meant for the Group for the year ahead. This now gives the Board the foundation of a firm plan, based on long term strategy, against which it is easier for the Board to ensure progress. I found the Board Strategy Day very insightful; an opportunity to spend longer getting under the surface of the business and understanding the key value drivers which, of course, will make our routine shorter Board meetings even more productive. The management team's excellent preparation for the day, the high quality of paperwork and presentations ensured it was a very successful day.

Effectiveness

Effectiveness highlights

→ **Two new non-executive directors appointed, bringing skills, experience and behaviours that complement the Board**

→ **Board effectiveness improved further by harnessing skills and strengths of individual Board members**

→ **Completion of action plan following 2017 Board development programme**

Ongoing training and development

There is an ongoing programme of training and development for the Board and this year it included:

- Regular presentations at Board meetings from senior management to ensure that the non-executive directors had sufficient knowledge to make informed decisions. Examples included presentations on bus and rail bid submissions, international development opportunities, stakeholder and colleague engagement, reputation strategy, sustainability and culture
- A planned programme of non-executive director visits to operating companies to meet colleagues and understand how the individual businesses work
- Regular updates on corporate governance and best practice, which during the year included the government's corporate governance reform agenda and market best practice
- Updates on legislative and regulatory matters, which during the year included compliance training on the new General Data Protection Regulation
- Attendance and participation at the Group's annual management conference

Induction programme

Harry Holt and Leanne Wood were appointed as independent non-executive directors in October 2017. Both are following a structured and tailored induction process which includes the following key focus areas:

- Governance – our devolved management approach and governance framework
- Strategy – how we create and deliver long term sustainable value
- Risk – our key risks, internal controls and risk appetite
- Stakeholders – how we listen to and balance the interests of our stakeholders
- Culture – how our vision, beliefs and attitudes underpin our culture change programme
- Board – how we lead by example, perform our directors' duties and strive for excellence

Meeting colleagues across the Group within the first few months of joining the Board was a key part of their induction process and included:

- One-to-one meetings with members of the Board, including the Group Company Secretary
- One-to-one meetings with members of the Group executive committee responsible for the Group's centralised functions
- Meeting independently with both the internal and external auditors
- Meeting with key advisors, including the corporate brokers
- Meeting with shareholders at the annual general meeting

There is also a programme for the non-executive directors to meet with our local senior management teams and colleagues in each of the operating companies. This is undertaken through the Board's rolling programme of site visits, presentations to the Board and events like the annual management conference.

Reflections on my first eight months: Leanne Wood

"Since joining the Go-Ahead Board last October, I have greatly enjoyed getting to know the business and our people."

Leanne Wood
Non-Executive Director

Since joining the Go-Ahead Board last October, I have greatly enjoyed getting to know the business and our people.

I was immediately struck by the high level of engagement all Board directors show for the business. From my first day, I have been warmly welcomed to Go-Ahead and have enjoyed the open and lively discussions we have across the topics we cover. I found our annual Board Strategy Day both informative and stimulating and appreciated the openness of the management team to input and debate.

As a new Board member, I'm keen to see as much as possible of our operations and people. During the year, I've been able to visit two of our operating companies, Go North East and Go-Ahead London. At Go North East, we visited the Riverside Gateshead Depot and were able to see the full range of activity which goes on there. I particularly appreciated seeing how we track buses across the network and how quickly we are able to respond, often remotely, to any operational issues.

At Go-Ahead London's Waterloo Depot, I had the opportunity to see our fleet of entirely electric buses and hear about their introduction and development. Go-Ahead is leading the industry in the development of electric buses, and I'm looking forward to watching this progress.

I have been impressed by the leadership role that Go-Ahead is playing in the debate about the future of transport. Varied groups of stakeholders are regularly brought together to discuss and find solutions to issues such as congestion and pollution. Go-Ahead continues to innovate, most recently with the pilot of PickMeUp, an on demand bus service in Oxford. Through investing in a variety of new solutions, Go-Ahead is at the forefront of developments in the sector.

Finally, I have been impressed with the strong culture that I have experienced since joining the Board. From the ongoing focus on areas such as health and safety and sustainability, through to the plans for colleague engagement which are developed at each operating company, it is clear that Go-Ahead has a strong commitment to delivering for all its stakeholders.

I would like to thank the Chairman, other Board directors and the management team for their warm welcome to Go-Ahead. They have provided me with plentiful time and opportunity to learn and ask questions. From day one, they have encouraged me to contribute from my own experience. I'm delighted that I've joined Go-Ahead and am looking forward to much more to come.

Board effectiveness review

Our annual Board review gives us the opportunity to reflect on the effectiveness of our Board and its committees. Following the external review last year, this year the review was internally facilitated by the Group Company Secretary. The Board considers the Group Company Secretary to be a suitable and independent sounding board for this process, particularly given her insight into the day-to-day workings of the Board and its committees and the support and advice provided to the Board members throughout the year.

The Group Company Secretary met with each Board member on a one-to-one basis, with discussion focused around progress against the actions from the previous year's external review, the Board's governance framework and current topics to improve Board effectiveness.

Progress against actions arising from the 2016/17 Board development programme

Theme	Specific action	Progress
Debate	Board papers should be reviewed in the context of stimulating and improving the quality of debate	Executive reporting was improved to facilitate more broad and strategic thinking at Board meetings and ensure time was being spent discussing strategic objectives and key focus areas
Skills	Use the results of the skills and gaps analysis to guide the search process for Nick Horler's replacement, following his retirement as non-executive director at the 2017 annual general meeting	The results of the skills and gap analysis guided the search process for the two new non-executive directors, resulting in a more diverse Board with different skills to support the strategic direction of the business
Succession	Regularly assess organisational structure and succession planning to ensure alignment with strategy	Board succession planning has been effective. There is also now increased insight into senior management succession planning, leadership potential and development aligned to strategic direction
Board development	Individual directors should hold themselves to account, particularly with regard to their own personal development plan	Progress against the outputs from last year's Board development programme were discussed during the year. This included Board strengths and commitment matrices, key insights and actions, to ensure individual accountability and the collective Board's continuous development

Discussions with the Group Company Secretary also focused on a number of key topics relating to good corporate governance and long term sustainable success, particularly in relation to the debate around the proposed changes to the UK Corporate Governance Code. Key areas of focus were as follows:

Culture

How does the Board embody and promote the desired culture of the Group and are we monitoring and assessing culture appropriately to satisfy ourselves that behaviour throughout the business is aligned with the Group's values and corporate purpose.

Sustainable value creation

How does the Board assess the basis upon which the Group generates and preserves value over the long term, including the sustainability of the Group's business model and how governance contributes to the delivery of strategy.

Diversity

How can the Board promote diversity and what role does the Board play in ensuring that diversity supports the achievement of the Group's strategic objectives.

Stakeholder engagement

How does the Board ensure that the interests of all stakeholders are considered and are influential in the Board's decision making (Section 172 of the Companies Act 2006).

Insights from new non-executive directors

Harry Holt and Leanne Wood joined the Board as non-executive directors in October 2017 and hence were not part of the Board development programme last year. The Group Company Secretary therefore focused on their early insights of the Board, its operations and dynamics, in addition to ensuring we were leveraging the new skills and experience they bring to the Board.

The Board's governance framework

Discussions focused on resourcing of meetings, agenda planning and quality of information, the culture and quality of debate in Board meetings, strategic and risk challenge and committee effectiveness.

At the end of the meeting, there was an opportunity for a general open discussion and an opportunity to cover any areas not considered. The Group Company Secretary then shared the findings with the Chairman, on an anonymous basis, ahead of a full discussion at the July 2018 Group Board meeting. An action plan was then agreed for the year ahead.

Individual director effectiveness

The Chairman also met with each director on an individual basis to discuss the findings from the Board review. The Senior Independent Director led the process of evaluating the performance of the Chairman, in consultation with the non-executive directors and with input from the executive directors.

Conclusions

The review highlighted the Board's key strengths and made recommendations as to how the Board could continue to develop and improve effectiveness. A summary of the feedback and the principal areas of focus for the year ahead is as follows:

Key strengths

The review found the functioning of the Board to be at a very good level. The small size of the Board was cited as a positive, primarily because it provided the opportunity for everyone to contribute. Discussions were supportive, constructive and well balanced. The Chairman's stewardship of meetings was viewed highly positively, actively encouraging an open and transparent style in Board meetings.

Board members felt well supported, with comprehensive pre-reads to support discussions sent out in a timely manner. Governance support, including updates on key compliance matters, was considered to be of a very high standard with Go-Ahead maintaining its good reputation for best practice and transparent reporting. Committees were all considered to work well, with Chairs well prepared and having a good subject knowledge and understanding of issues.

The changes to Board composition during the year were viewed as very positive, with the two new non-executive directors bringing a different set of skills, experience and perspectives to enrich Board debate. A key strength of the Board was also the in-depth knowledge and experience of existing Board members.

Principal areas of Board focus for 2018/19

Sustainable value creation

Building upon the progress made during the year, the focus should continue to be on developing the key drivers of sustainable value creation over the year ahead.

Stakeholder engagement

Develop further the two-way channels of communication with key stakeholders, with particular focus on engagement with the workforce.

Culture

Continued assessment of the cultural indicators throughout the business to ensure our culture continues to evolve and remains aligned to the Group's purpose, values and strategy.

Inclusion and diversity

Building upon the oversight of diversity strategies across the Group, review the Board and Group-wide inclusion and diversity policies, key performance indicators and action plans.

Governance

Review the changes to the new 2018 UK Corporate Governance Code to enable early adoption where possible and compliance with best practice.

How the Board listens to our stakeholders

Listening to and engaging effectively with our wide variety of stakeholders plays a critical part in the long term success of the Group. It helps drive strategy in a way that will deliver value for all of our stakeholders. A key priority for the Board is to ensure that the views and interests of all of our stakeholders are represented in the Boardroom and considered as part of the Board's decision making. This is achieved in the following ways:

Customers

Customers are at the heart of Go-Ahead. We understand our local markets and strive to exceed our customers' expectations. We care how our customers' feel about us and our services so we can improve.

Why we listen

- To ensure we are customer-focused
- To assess the Group's performance
- To respond to customers' needs and demands
- To identify change required and deliver improvements
- To maintain a reputation for high standards of business conduct
- To deliver a high quality public transport service

How we hear the stakeholder voice

- Social media – news and updates
- Customer satisfaction surveys
- Continual review of feedback and complaints
- Direct feedback via call centres, emails and social media messages
- Focus groups and other primary research
- Customer-facing colleague feedback
- Customer panels, especially for special interest groups such as the disabled

Our people

Our people drive our business. We strive to create an environment which is inclusive and diverse; enabling all colleagues to reach their full potential, to seek new, innovative ways to meet customers' needs.

Why we listen

- To maintain a highly engaged and motivated workforce
- To develop the skills and capabilities of our people to be the best in the sector
- To ensure the culture across the Group is improving and is underpinned by our vision, beliefs and attitudes
- To confirm the people agenda complements the business strategy

How we hear the stakeholder voice

- Annual management conference
- Annual colleague engagement survey
- Investor in people process
- Colleague performance data
- Leadership and talent development review
- Training and needs analysis
- Site visits
- Focus groups

Investors

Go-Ahead is listed on the London Stock Exchange, forming part of the FTSE 250. We provide investors with open and transparent information and encourage two-way communication. Feedback from our shareholders forms part of strategic Board discussions.

Why we listen

- To maintain a loyal shareholder base
- To enhance long term shareholder value
- To build long term credibility
- To assist investors to make informed decisions

How we hear the stakeholder voice

- Annual General Meeting
- Annual Report and Accounts
- Results announcements and trading updates
- Online communications
- Investor perception survey
- Participation in investor relations associations and best practice events
- Individual investor meetings

Our vision **Our beliefs** **Our attitudes**

Strategic partners and suppliers

We work collaboratively with strategic partners including TfL, Network Rail and Keolis, and build strong relationships with core suppliers.

Why we listen

- To foster relationships of mutual trust and loyalty
- To ensure collaborative partnerships
- To ensure competitive advantage
- To monitor feedback
- To assess performance and identify opportunities for improvement
- To adopt a strategic and forward focused approach
- To ensure cultural fit and maintain supply chain sustainability

How we hear the stakeholder voice

- Formal written contracts, negotiated using the principle of transparency and our vision and values
- Annual surveys of our suppliers
- Regular meetings to discuss contract performance
- Early supplier engagement
- Annual procurement sustainability supply chain event
- Stakeholder surveys
- Regular stakeholder meetings

Government

By working closely with both central and local government, including the DfT and local authorities, we bring the benefits of private sector partnerships; by helping to reduce public spending, bringing investment, customer focus, our experience and expertise; helping to shape policy and regulatory changes.

Why we listen

- To ensure the Group is well-positioned to pre-empt, respond and adapt to change
- To enable a continued focus on service quality and delivery
- To formulate innovative and attractive bids as opportunities arise
- To help shape new policies, regulations and standards for the industry for the long term benefit of passengers

How we hear the stakeholder voice

- Working in partnership with the DfT on improving customer satisfaction, air quality, safety and customer satisfaction
- Key partner in the Thameslink programme which is transforming north-south travel through London
- Ongoing dialogue with local MPs as well as participating in government and industry working groups, to represent our key strategy and customer needs
- Stakeholder newsletters
- Working alongside other departments to improve policy on accessibility for disabled people and a safe transport service for all

Communities

Our businesses are at the heart of the communities they serve. Our aim is to provide the social and economic benefits of affordable and accessible travel in the towns and cities in which we operate.

Why we listen

- To deliver our vision: a world where every journey is take care of
- To support local economies by enabling access to work, education, leisure and retail opportunities
- To respond to local demands and needs
- To ensure longevity of economic contribution
- To assess the impact of our operations on the community and environment

How we hear the stakeholder voice

- Two-way communication stream with local businesses and organisations
- Economic contributions
- Stakeholder conferences
- Open days at depots
- Surgeries in community centres

Visiting our businesses

Lean management and meeting the teams

Engineering managers provided an overview of how lean was being adopted across the business functions so that the benefits could be realised by all of the business. The Chairman and Senior Independent Director were then given a tour of the company's engineering site, providing them with the opportunity to interact with teams at all levels in the business.

Considering stakeholders

A presentation was given covering stakeholders, media relations and marketing with an update provided on what the business was doing to improve customer experience. A presentation on recruitment and engagement demonstrated the positive impacts being seen from the recruitment strategy and also covered highlights from the colleague engagement survey and key focus areas to continue improvement.

Growing the core and developing new opportunities

The day concluded with a talk on growing the core business and developing new business opportunities. This covered passenger growth trends, investing for growth, network reallocation of resources, congestion threats and responses, partnering and developing opportunities for growth and innovation.

A successful day

The Chairman and Senior Independent Director found the visit very informative and that a full day meeting the teams and visiting the engineering site had worked well. By spending time with management and front-line colleagues, they were able to gain valuable feedback on Go-Ahead's culture and see how our vision, beliefs and attitudes were demonstrated in a day-to-day setting.

Site visits enable the Board to experience first hand how our businesses are run and, importantly, meet local teams. Such visits provide an invaluable way of assessing how culture change is being embedded and cascaded throughout the organisation. The Board has a rolling programme of site visits. Between them, the Board visited Plymouth Citybus, London Midland, Go North East, Brighton and Hove Buses, Go-Ahead London and Go South Coast during the year.

The Board's visit to Brighton and Hove Buses

The Chairman and Senior Independent Director visited Brighton and Hove Buses in December 2017.

Fleet environmental strategy

The visit began with the Head of Engineering providing an update on the company's current fleet profile, low emission and clean air-zones, and how the company is proudly helping with Brighton and Hove City Council's initiatives to become an emissions free city.

Health and safety

Next on the agenda was a presentation on 'changing health and safety culture and performance'. This provided key highlights as well as insights into how far the business had come in changing culture amongst its people, progress since last year's health and safety audit, and looking ahead to the next priorities.

Committee reports

In this section

"An inclusive and diverse culture will support the delivery of the Group's strategy."

Andrew Allner,
Nomination Committee Chair

I am pleased to present the nomination committee's report covering our key activities for the year ended 30 June 2018. This report should be read in conjunction with the section on how we have complied with the 2016 UK Corporate Governance Code (the Code), on pages 110 to 115, which also provides other details about the committee.

Q How does the committee ensure there is the right skills, experience and behaviours on the Board?

We regularly review the skills, experience and behaviours of the Board to ensure that we can deliver effectively against our strategic objectives, both now and in the future. Our annual Board review also gives us the opportunity to evaluate individual and collective boardroom behaviours ensuring they support our strategic direction, vision and culture.

In October 2017, we welcomed Harry Holt and Leanne Wood to the Board as new independent non-executive directors. Our Board development programme the previous year helped us to identify the specific skills, expertise and behaviours we needed to strengthen the Board, which then informed the recruitment process that resulted in their appointments.

Read more about Harry and Leanne's ongoing induction programme on page 64.

The majority of the Board are independent non-executive directors. Independence is reviewed on an annual basis. This year, a more rigorous review was undertaken for Katherine Innes Ker who, as at 30 June 2018, had served on the Board for almost eight years.

The Board's collective experience covers a range of relevant sectors, as illustrated on page 75.

Q Were there any further Board changes during the year?

Other than those mentioned above, there were no further changes to the Board during the year. However, following the year end, the Board announced that Patrick Butcher, Group Chief Financial Officer, would be leaving the Group later this year to join Capita plc as Chief Financial Officer. At the time of this report being published, Russell Reynolds Associates, an external search agency, had been appointed to assist the Board with the appointment of a successor. Full details of the process undertaken will be provided in next year's Annual Report.

Q How does the committee assess the time commitments of the non-executive directors?

The committee reviews the time commitment of each non-executive director on at least an annual basis. This is to ensure they have sufficient time to fulfil their responsibilities and are able to be fully engaged and actively involved with the Group's business throughout the year.

This year, the committee strengthened its review to include the new guidance from the Institutional Shareholder Services (ISS) on overboarding.

An assessment of the directorships held by each Board member based on the new ISS points-based system was undertaken and I, your Chairman, was found to be the only director who was overboarded. The committee therefore carried out a more detailed review of my external time commitments, including my role as Chairman of Fox Marble plc, a very small AIM company, which is significantly less onerous than my other non-executive directorships. Another consideration was my extensive time commitment to Go-Ahead, which could be evidenced. Since this assessment I have ceased to be Non-Executive Chairman of Marshalls plc. My other non-executive directorships remain under ongoing review.

Following this review, the committee and the Board confirmed that they were satisfied that I, and my fellow non-executive directors, have sufficient time to meet their Board responsibilities.

Going forward, the ISS guidance will be taken into account when making new Board appointments or approving additional external appointments for existing Board members. In accordance with the Board's Conflicts Policy, additional external appointments cannot be undertaken without prior approval of the Board. Our executive directors can also not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.

All directors, including myself, will be submitting themselves for re-election at the 2018 annual general meeting.

Q What is the committee's approach to inclusion and diversity?

Our approach to inclusion and diversity on the Board is set out in the Board's Inclusion and Diversity Policy. During the year, the committee reviewed and updated the policy to include an increased emphasis on inclusion, as well as diversity. Measurable objectives are also now included in the policy, which are based on the principles of fairness, respect and inclusion. All Board nominations and appointments are based on individual competence, skills and expertise, measured against identified objective criteria.

The Board remains committed to improving levels of female representation on the Board, while ensuring that diversity in its broadest sense remains a key priority. Following the change of our Board composition on 23 October 2017, our female representation has increased from 17% to 29%. The committee will always engage executive search firms that are accredited under The Enhanced Code of Conduct for Executive Search Firms, which promotes gender diversity and best practice.

The committee also oversees the inclusion and diversity strategies across the Group and is committed to developing and strengthening our talent pipelines and culture across the business to improve diversity in its broadest sense. Through our culture change programme, we receive regular updates on the inclusion and diversity initiatives across the Group. The committee's role is to provide oversight and scrutiny to ensure that the strategies in place deliver improvements and promote a culture that upholds the principles of inclusion, diversity and equality.

Read more about our inclusion and diversity initiatives across the Group, on page 24.

Q How has the committee considered succession planning and the leadership talent pipeline?

Effective succession planning and a diverse pipeline of talent are key priorities for the committee.

During the year, the committee reviewed the succession plans for both the Board and the senior management team. For the Board, the committee discussed the succession planning for both Katherine Innes Ker, as Senior Independent Director, and myself as your Chairman, as we are the longest serving members. For the senior management team, which is the first layer below Board level, the annual leadership review included assessing succession strength to business-critical roles, leadership performance and functional expertise, as well as identifying those individuals with longer term leadership or executive director potential.

In conjunction with the succession planning review, the committee also reviews the leadership talent pipelines, particularly in the context of the Board's commitment to promote a strong, resilient and diverse pipeline of talent for the future. This includes recruiting, developing and promoting individuals from the widest possible talent pool. Four pools of talent are now actively sponsored, including high potential colleagues, mid-level managers, operational roles and graduates. Several of our bus and rail businesses also support talent pools locally. Securing future skills and increasing diversity, were key focus areas during the year, in addition to developing strategies and initiatives to support greater female representation.

As stated in the Hampton-Alexander Review, published in November 2017, the combined analysis of our Group executive committee and their direct reports shows female representation at the level of 40.9%. As reported in our Gender Pay Gap Report, published in April 2018, the number of women in leadership and roles in our UK bus and rail workforce has increased above the industry-wide average to 15.4% and 17.3% respectively. Whilst this represents progress in the right direction, it is the committee's role to monitor the strategy and targets to secure lasting change.

Q What role did the committee play in the Group's reporting against the UK Gender Pay Gap Regulations?

In April 2018, our gender pay gap results were published along with plans to narrow our gender pay gap. The committee's role in relation to reporting against the new regulations was to provide oversight and ensure reporting compliance against the six measures set out in The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. As the data was independently calculated, assurance was also provided regarding the accuracy of the published data.

Although in a number of areas the gender pay gap at Go-Ahead is lower than the national average, it is our ambition to narrow this gap. Following the gender pay gap results, the committee reviewed the strategies being deployed to ensure appropriate plans are in place to achieve the desired outcome and narrow the gender pay gap. The committee will also monitor these on an ongoing basis.

More information on the gender pay gap analysis results is available on our website www.go-ahead.com.

Q What were the findings of the annual committee effectiveness review?

A review of the committee's effectiveness was carried out internally this year as part of the Board's evaluation. The review concluded that the committee was fulfilling its duties effectively. In particular there had been improved reporting and insight into a number of strategically important areas such as talent, diversity, leadership and succession planning across the businesses. The Board felt that this focus should continue, with one of the key actions from the review being that the committee should build upon their oversight of the inclusion and diversity strategies across the Group, including monitoring key performance indicators and action plans.

Q What will be the committee's focus for the year ahead?

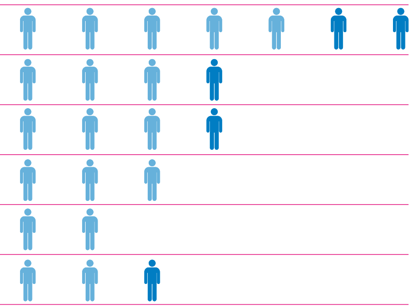
The committee will continue to support the Board in the year ahead by ensuring the Board's succession planning is effective, particularly in relation to the search and selection process for the new Group Chief Financial Officer. We will continue to support the work which is being undertaken on senior management succession planning and talent pipelines. Inclusion and diversity at all levels throughout the business will be a key focus area. The committee will review the changes arising from the new 2018 UK Corporate Governance Code, where the focus is on the increased importance of high quality board composition and diversity.

Nomination committee highlights

- → **Built upon the initiatives identified as part of last year's Board development programme**
- → **Continued focus on aligning Board and senior management succession planning to business strategy**
- → **Considered the challenges and opportunities facing the Group and the skills and expertise needed on the Board in the future**
- → **Oversight of leadership and talent initiatives, linking to cultural transformation**
- → **Reviewed Board Inclusion and Diversity Policy and improved oversight of Group-wide inclusion and diversity initiatives**
- → **Reviewed and published gender pay gap results**
- → **Considered impact of changes in voting guidelines relating to Board directorships and overboarding**
- → **Reviewed the effectiveness of the committee, including its terms of reference**
- → **Received updates on best practice and governance developments**

Board experience by sector

- Transport services, transport infrastructure and transport engineering
- Finance, accounting and audit services
- Property, building construction and building materials
- Retail, fashion and consumer markets
- Telecommunications, broadcasting, marketing and software solutions
- Health, public service and charity



Non-Executive Director   Executive Director

Planning for future leadership

The committee oversees our Graduate Programme, which is an important way of introducing talent into both our bus and rail operating companies. The third year of the rail graduate programme has successfully concluded and a further tranche of graduate entrants will join the Group in September 2018. The bus graduate programme has been strengthened so it complements the bus business strategy, particularly where operations are being mobilised overseas. The committee tracks the careers of graduate entrants, with retention during the graduate programme higher than the industry average.

Talent development is also a key focus area, and during the year the committee was updated on the new initiatives for improving talent development across the Group. One new initiative was for colleagues with longer term leadership potential to participate in either a high potential programme or a management development programme to accelerate their growth. Candidates on the high potential programme also worked on the strategic business projects to enhance their experiential development. It was these projects which formed part of the rolling programme of presentations to the Board.

Read more about our Graduate Programme and our initiatives to attract talent on pages 23 and 24.

The committee recognises that, in addition to developing our own people, identifying external talent fulfils a vital role in improving organisational effectiveness and it is important we continue to be able to attract high calibre talent to senior roles both in the UK and overseas.

Inclusion and diversity initiatives across the Group

The committee has been updated on the inclusion and diversity strategies developed across the Group, with objectives and actions consistent across all operating companies. The pace and impact of activity have been far reaching, supported by the creation of a new role of Head of Inclusion, Diversity and Colleague Engagement. This role has helped shape and co-ordinate strategy and provides thought leadership on matters relating to inclusion and diversity across the bus and rail divisions. Additional support has also been provided by the Inclusion and Diversity Steering Group and the new Bus and Rail Working Groups.

Diversity training has previously been made available to all Head Office managers and additional training is currently under review to be launched during 2018/19. In support of our inclusion and diversity strategy, we are partnered with Business in the Community (BitC), Business Disability Forum, Inclusive Employers, Prince's Trust and Everywoman, the world's largest women's network. As Champion Members of BitC's Gender Equality Campaign, we can compare our gender rebalancing initiatives to best practice approaches.

Read more about our inclusion and diversity initiatives on page 24.

Development opportunities for all colleagues

The committee continues to recognise the importance of supporting the personal development of all colleagues across the Group. The committee is regularly updated on how colleague development is being supported, which includes initiatives delivered by rail and bus HR teams as well as Group-wide approaches. An example during the year was the launch of Personal Development Hours, an initiative designed to support the developing culture of Go-Ahead and to encourage more professional and personal development. The objective is to drive continuous improvement of leadership and colleague capability, enhancing our opportunity to perform year in, year out. The initial roll out has taken place at Head Office, with further implementation across the operating companies envisaged over the next 18 months.

In the coming year, the committee will oversee a greater focus on leadership development as a key enabler of the business strategy. Senior management will also be supported to maintain robust development plans ensuring that they invest in their own personal and professional development.

"The committee is responsible for recommending to the Board the in-depth risk focus areas."

Adrian Ewer,
Audit Committee Chair

As Audit Committee Chair, I am pleased to present the committee's report for the year ended 30 June 2018. This report should be read in conjunction with the section on how we have complied with the 2016 UK Corporate Governance Code, (the Code), on pages 110 to 115. As required by the Code, I have relevant financial experience to chair this committee and my fellow committee members bring a wide range of financial and commercial expertise which has enabled the committee to meet its responsibilities in a robust and independent manner.

Q Were there any changes to the key areas of focus for the committee this year?

There were no significant changes to the committee's key areas of focus this year. These continued to include monitoring the integrity of the Group's financial statements and maintaining an appropriate relationship with Deloitte LLP, the Group's external auditor. Reviewing the effectiveness of the Group's system of risk management and internal controls, including risk appetite, was a key topic, with a particular focus on cyber security risks (including those associated with the holding of personal data) and ensuring IT controls remain robust and dynamic. The committee discussed in detail management's assessment of income and costs relating to performance regimes and contractual obligations, to receive assurance that such assessment has been carried out appropriately. During the year, the most significant judgements were in relation to GTR and the ongoing discussions with the DfT regarding a number of contractual variations. Discussions centred around two unresolved items, namely timetable specifications and rolling stock cascades. Towards the end of the year, the committee discussed the timetable change and potential contractual implications of its implementation. The committee scrutinised management's judgement on the range of uncertainty around profitability of the Group's rail division for the year ended 30 June 2018 and the external auditor confirmed its agreement with management's view. The committee was therefore satisfied with the conclusions reached.

More information on the key financial and internal control matters considered during the year is on page 80. Read about the key features of the Group's internal control and risk management system on page 81.

Q What are the committee's main activities in relation to risk management and internal control?

While the Board has overall responsibility for risk management and the system of internal controls, the committee plays an important role in supporting the Board in fulfilling its responsibilities, particularly in overseeing the effectiveness of the processes and controls in place.

The risk management framework and reporting provide the basis for the committee's discussion of the risks across the Group, including how they are identified and assessed in terms of their potential impact. The committee reviews the controls in place to mitigate these risks and to ensure that they all remain within the Group's risk appetite. The committee is responsible for recommending to the Board the in-depth risk focus areas which, during the year, included presentations to the Board on IT resilience and cyber security, security and counter terrorism measures, the new General Data Protection Regulation and rail bidding and forecasting.

What is the committee's role regarding health and safety?

Health and safety reporting is a key feature of our risk management and internal control framework. The committee oversees the health and safety audit programmes in place across all of our operating companies and reviews their audit findings. During the year, the committee also focused on the quality of process, procedure and policy of contractor management, in addition to strengthening health and safety standards and reporting.

Read more on page 79.

What are the committee's main activities in respect of the Group's financial reporting?

The committee reviews, with both management and the external auditor, the half year and annual financial statements. Our key role is to ensure that the key accounting policies, estimates and judgements applied in those financial statements are reasonable.

The committee assists the Board in undertaking its assessment as to whether the Annual Report and Accounts taken as a whole, is fair, balanced and understandable, and provides the necessary information to allow shareholders to assess the Group's position, performance, business model and strategy. This assessment forms the basis of the advice given to the Board to assist in making the statement required by the Code.

The committee also reviews the assumptions and provides assurance to support the going concern basis adopted in the financial statements, as well as the long term viability statement contained within the Annual Report and Accounts.

How does the committee review whistleblowing, fraud and anti-bribery procedures?

During the year, the committee monitored the Group's whistleblowing arrangements. The committee received a report which confirmed the review undertaken of all policies in place across the Group and operating companies. Any matters of a whistleblowing nature raised at our operating companies during the year are reported to the committee and, while none were of a significant nature, we view the reporting of such incidents as a positive reflection of our culture.

The committee also reviewed the processes in place around fraud and anti-bribery procedures, with a number of key control measures, reporting and the sharing of best practice all improved during the year. Fraud risk assessments are now also incorporated into internal audit planning.

What were the findings of the annual committee effectiveness review?

A review of the committee's effectiveness was carried out internally this year as part of the Board's evaluation. The committee was invited to discuss the content, management, quality and focus of discussion during meetings. I am pleased that the review found the committee continues to operate effectively, with the high quality reports and information enabling us to continue to discharge our duties and responsibilities. In particular, there were improved processes and reporting of risk management, which supported the key risk focus areas that the committee recommended to the Board for more in-depth discussion.

What was the outcome of the Financial Reporting Council's (FRC) Audit Quality Review?

The FRC's Audit Quality Review team selected the audit of Go-Ahead's 2016/17 financial statements to review as part of their 2018/19 annual inspection of audit firms. The focus of the review and their reporting was on identifying areas where improvements were required rather than highlighting areas performed to or above the expected level. A full copy of the review was discussed with the external auditor at a pre-audit committee meeting, before discussion with the wider committee. The committee is pleased to confirm that there were no significant areas for improvement identified and they were satisfied that there was nothing within the report which might have a bearing on the external auditor's appointment.

What will the committee's focus be for the year ahead?

Our focus will be on continuing to exercise our assurance oversight role in the best possible way and remaining well informed of best practice. Overseeing the significant financial judgements and providing assurance to the Board will remain high on our agenda as will challenging the external auditor to continue to audit the Group's financial statements robustly. Another key priority will be to continue to review the effectiveness of the Group's system of risk management and internal controls and ensure the Board assesses certain key risks in-depth to gain an understanding of how they could affect our strategic objectives and to ensure they remain within our risk appetite.

I would like to thank the other members of the committee, together with management and the internal and external auditors, for their engagement and support during the year.

Viability statement

During the year, the committee reviewed the updated wording of the Group's longer term viability statement, set out on page 45. In order to do this, the committee ensured that the model used for scenario and sensitivity testing aligned clearly with the principal risks of the Group, challenged the underlying assumptions used, and reviewed the results of the detailed work performed. The committee was satisfied that the viability statement had been prepared on an appropriate basis and that the statement was justified.

Audit committee highlights

- **Reviewed the effectiveness of the Group's system of risk management and internal controls, including risk appetite**
- **Continued to assess cyber security risks (including those associated with the holding of personal data), with a focus on ensuring IT controls remain robust and dynamic**
- **Monitored improvement in IT resilience and capability**
- **Continued to build on improvements to health and safety reporting with a focus on reviewing and refining the end-to-end process for managing suppliers and contractors**
- **Assessed potential impact of the new accounting standard IFRS 16 (which is effective for accounting periods beginning on or after January 2019)**
- **Reviewed the key financial and internal control matters during the year and provided assurance to the Board that the Annual Report and Accounts taken as a whole is fair, balanced and understandable**
- **Reviewed GTR's financial and operational performance and forecasts, as well as the timetable change and potential contractual implications of its implementation**
- **Reviewed the robust assessment undertaken by management to support the Group's viability statement**
- **Reviewed documentation prepared to support the Group's going concern statement and concluded that the accounts had been properly prepared on a going concern basis**
- **Reviewed the work undertaken with the Group's tax advisors, Ernst & Young LLP, to assess the levels of risk across the business with respect to the Corporate Criminal Offences Act**
- **Reviewed the effectiveness of the internal and external audit process and reappointment of the external auditor**
- **Reviewed the effectiveness of the committee, including an annual review of its terms of reference**

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 their independence on an ongoing basis and negotiating the audit fee.

Effectiveness of the external audit process

During the year, the committee undertook an assessment of the quality and effectiveness of the external audit process which consisted of:

- Assessing each phase of the audit process against a quality framework. This included the key focus areas of audit planning and design, audit execution, Group-wide policies and procedures and role of management
- Through a constructive, honest and open dialogue with the external auditor, discussing what areas had worked well and what could be improved
- Confirming optimised assurance was being derived from the audit
- Assessing effectiveness against a range of valuation components including skills and knowledge, mindset and culture, judgement and quality control
- Considering input from the Group Chief Financial Officer, key members of the Group Finance Team and the Group Company Secretary. Deloitte LLP also provided feedback on their own performance
- Reviewing progress against areas of focus identified from the 2016/17 external audit effectiveness review

The committee used the FRC's Audit Quality Practice Aid as guidance to support the committee's assessment of the external audit. Feedback arising from the assessment process was fed back 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, with the committee concluding that the audit process was robust, challenging and appropriately targeted to focus on the key areas of audit risk.

Independence, objectivity and non-audit services

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 audit committee considers carefully on an annual basis the objectivity of the auditor in relation to both the audit process and the relationship with the Group.

During the year, the committee considered the extent of the non-audit services provided by Deloitte LLP.

Details of the provision of non-audit services and associated fees are included on page 113 and the full policy is included within the audit committee's terms of reference available at www.go-ahead.com.

Financial reporting

Fair, balanced and understandable

The committee adopted the same approach as in previous years to ensure that the Annual Report and Accounts (collectively, the Annual Report) is fair, balanced and understandable. The process was led by an internal Annual Report Team (ART) consisting of members drawn from Group Finance, Group Company Secretariat and Investor Relations teams. The inclusion of these various departments, with input from Group Legal and operating divisions as appropriate, ensured 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 audit committee, together with senior management, reviewed the Annual Report in its final stages, and the committee and then the Board were able to confirm that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

Health and safety in action

Contractor management and controls

HSE
Health & Safety Executive

We are committed to continually improving our Health, Safety and Environmental (HS&E) standards across the Group and have focused a significant amount of time and resource in reviewing, testing and improving the policy and procedures across all aspects of supplier management.

During the year, the committee were appraised of a new framework, which had been developed to better understand the different interactions, responsibilities and roles the Group has with our suppliers. Three distinct processes were identified, namely: supplier approval at the Group procurement tendering stage; project planning at operating company level; and daily task supervision at depot or site level.

Potential suppliers are now asked to complete a comprehensive questionnaire as part of the tendering process to ensure they all have a good track record and share our commitment to HS&E standards. We are also writing to all of our current suppliers to retrospectively approve their HS&E credentials, in addition to applying the process to all new contracts. We have developed a planning template and process so that, prior to any work taking place on a site, all parties and stakeholders are identified with clearly defined roles and responsibilities. It is at this stage that risk assessments are reviewed to agree safe systems of work. Finally, all of the operating companies have reviewed their hosting arrangements to ensure that all visitors are appropriately supported whilst working on site.

In addition to our supplier base demonstrating their commitment to keeping people safe and well, the benefits within our business are apparent, with colleagues contributing to a common goal and engaging in constructive work. Over the year ahead, work to bring suppliers on board will continue. We are also looking for smart software solutions to help automate some of the processes and make even more transparent the controls and documentation in place to keep people safe.

Key financial and internal control matters

During 2017/18, 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 2017/18	How the committee addressed these key financial matters
Compliance with franchise terms and conditions relating to the rail components of the Group, specifically relating to the accounting for related income and costs arising from franchise agreements. See page 134 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.
Ongoing review of provisions for liabilities, specifically relating to third-party claims, lease return and dilapidation provisions for rolling stock, stations, depots, 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 on the Group's investments. See note 13 of the consolidated financial statements	The ongoing review of goodwill and carrying value of investments, as presented by management, is challenged by the committee. This is done by assessing the expected performance of the individual cash generating units and ensuring that relevant risk factors are imputed to the rate of return used to assess net present value of future cashflows. The committee also reviews historic performance against expectations set in previous years.
Assumptions underpinning the calculation of the Group's defined benefit pension liabilities. See note 27 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 income or costs in light of the FRC recommendations of a balanced and consistent approach. The committee is mindful of the need to understand the underlying trends of each division within the business with the impact of large and unusual items separated out as necessary to avoid distortions from such non-recurring aspects.
Ensuring operating company compliance with Group policies and procedures and maintaining the required financial control environment.	The committee, together with the Group Chief Executive and the Group Chief Financial Officer, approve 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. 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 review of the control environment in which they operate.

Risk management and internal controls

A summary of the key features of the Group's internal control and risk management 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 the operating companies
Strategy and financial reporting	A comprehensive Group-wide system of financial reporting, budgeting and cash forecasting and control through which the consolidated financial accounts are prepared and submitted to the Board monthly and from which the interim and annual consolidated financial reporting is derived
Compliance management	Annual certification by each operating company that 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 control system

The Board has confirmed that, through its audit committee and the committee's review of the key financial and internal control matters for 2017/18 as detailed on page 80, it has reviewed the effectiveness of the system of internal, financial, operational and compliance controls and risk management and considers that this system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

Internal audit

Internal audit for the 2017/18 financial year

The Group's internal audit function has been outsourced to Pricewaterhouse Coopers LLP (PwC). During the year, the committee agreed a different approach to the audit plan for the year ahead. Following an initial discussion with the committee, PwC held meetings with the Group Chief Financial Officer and Group Financial Controller to develop the detail of the plan. In addition to reviewing risk registers from across the Group, meetings were also held with operating companies and business assurance teams to understand key focus areas. Discussions were then held with the committee to develop and finalise the plan.

The new internal audit plan subsequently approved by the committee has been monitored throughout the year and examples of the reviews undertaken during the year included:

- Revenue processes in areas such as Brighton and Hove Buses and Go South Coast
- Financial controls in Go South Coast, Go North East, Go East Anglia and Singapore
- Southeastern performance income

Internal audit function effectiveness

The committee monitors the effectiveness of the internal audit function annually. This review is led by the Audit Committee Chair, supported by the Group Company Secretary and Group Financial Controller. Input is sought from various sources with feedback then reviewed by the wider committee. The committee also holds a meeting with the internal auditors on an annual basis, without management present.

The committee concluded that the internal audit function provided effective assurance over the Group's risk and controls environment and was operating effectively. There were no significant concerns raised. The necessary procedures were also in place to ensure the appropriate independence of the internal audit function.

"Our policy on executive remuneration is clear, transparent and aligned to the successful delivery of our strategy."

Katherine Innes Ker,
Remuneration Committee Chair

On behalf of the Board, I am pleased to present the directors' remuneration report for the year ended 30 June 2018.

Single remuneration figure (£'000)

The total single remuneration figure for our executive directors for the year ended 30 June 2018 is shown below:

	2018	2017
Group Chief Executive – David Brown	1,175	782*
Group Chief Financial Officer – Patrick Butcher	630	422

* Restated from last year to reflect actual value of the 2014/15 LTIP award which vested in November 2017. See page 94 for information.

Annual statement

Dear Shareholder,

The directors' remuneration report is divided into three principal sections:

- This annual statement, which provides the context for the committee's decisions during the year
- The new remuneration policy
- The annual report on remuneration, which provides details of remuneration paid to the Board during the 2017/18 financial year and how we will apply the new policy for the forthcoming year 2018/19

Executive performance and reward

At the request of the two executive directors, a 25% reduction to the payout from the 2017/18 annual performance-related bonus has been applied. Both executive directors declined their annual performance-related bonuses in full last year and the Group Chief Executive has declined his bonus in full for the last two consecutive years. Operational performance at GTR had steadily improved throughout 2017/18 prior to the introduction of the May timetable changes, and indeed has now stabilised. The executive directors request was in recognition of the severe disruption the new timetable caused our passengers for the last six weeks of 2017/18.

The committee assessed the 2017/18 annual performance-related bonus against both financial (75%) and strategic (25%) measures. Based on this assessment, an annual performance-related bonus of 91% of maximum bonus (136.5% of salary) could have been payable. The committee considered performance against the health and safety underpin and determined that this had been met on account of health and safety performance having been maintained during the year. However, considering the context of overall Group performance, it was agreed that downward discretion should be applied in respect of the rail customer service underpin, which had not been met, in addition to recognising the unsatisfactory introduction of the GTR May timetable changes.

The committee therefore accepted the executive directors request to reduce the overall bonus payable by 25%, resulting in an actual bonus of 68.3% of maximum bonus (102.4% of salary) being payable (2017: nil). For the Group Chief Executive, the 25% reduction amounted to £193,666.

The Long Term Incentive Plan (LTIP) award, granted to the Group Chief Executive in November 2015, will lapse in full from November 2018 as none of the performance measures were achieved following the three year performance period ending on 30 June 2018.

Both the Group Chief Executive and the Group Chief Financial Officer received an inflationary increase of 2.7% to their base salaries from 1 April 2018, this being no more than the average inflationary increase awarded to all employees across the Group.

Departure of the Group Chief Financial Officer

Shortly after the 2017/18 year end, the Board was informed of the Group Chief Financial Officer's intention to leave the Group later this year to take up the role of Chief Financial Officer at Capita plc.

While full details will be disclosed in next year's Annual Report and Accounts, we can confirm that the remuneration he will be paid on leaving will be in accordance with our policy. All LTIP and deferred shares will lapse upon cessation of employment. This includes half of the 2017/18 annual performance-related bonus, the deferred share element of which will not be awarded.

Executive remuneration policy

We will be proposing a new remuneration policy at our annual general meeting on 1 November 2018. The current policy was last approved at the annual general meeting in 2015 and received 97.77% of the votes held in favour.

Following a detailed review, the committee considers that the current policy remains largely fit for purpose, with many best practice features including additional holding periods on vested long term incentives, malus and clawback. The committee would, however, like to take the opportunity to make a few minor changes, all of which are intended to bring the policy further in line with best and market practice while also allowing for a modest amount of additional flexibility in the way the policy is operated. The committee consulted with major shareholders and shareholder representative bodies on the main changes proposed as outlined below:

- Annual bonus to include flexibility in the choice and weighting of metrics. The metrics used will be aligned to the Group's strategic objectives, with the majority of the bonus subject to challenging financial targets and no more than 25% of the maximum being payable at threshold on any element
- Long term incentives to include flexibility around performance conditions measured over a period of at least three years. In the future, these may include both the current financial metrics of growth in earnings per share (EPS) and relative total shareholder return (TSR), and non-financial metrics selected to promote the long term success of the Group. The committee would consult with the Group's major shareholders before making any significant change to the measures used during the life of the new policy
- Greater clarity in our approach to setting the remuneration of new executive directors. This may include the timing and measures used for incentive awards made in the first year of appointment, depending on the timing of appointment, or setting salaries at a level to allow future salary progression to reflect performance in the role
- Increase in the shareholding requirement to 200% of base salary for executive directors, to be achieved by the retention of at least 50% of the net of tax gain on vested long term incentive awards until the shareholding has been reached (currently this is applicable for the Group Chief Executive only)

In operating the proposed new policy, Go-Ahead would continue to ensure that its implementation reflects best practice and would consult with shareholders on planned changes where appropriate to do so. At last year's Annual General Meeting, 99.50% of the votes cast supported the resolution to approve our annual report on remuneration.

I appreciate the time various shareholders and their representative bodies have given to considering our new proposed policy.

Our new remuneration policy is set out on pages 87 to 93.

Performance in 2017/18

The Board has delivered full year results that are ahead of previous expectations. Key highlights of the year included:

- Progress made against all three core strategic pillars: protect and grow the core, win new bus and rail contracts and develop for the future of transport
- Resilient financial performance, with operating profit higher than initial expectations and solid financial profile
- Proposed full year dividend to be maintained at 102.08p
- Good progress with international expansion, with seven international contracts won to date
- Bus contract in Singapore delivering high performance levels
- Ongoing mobilisation of the German rail contracts progressing well
- Southeastern franchise extended to 1 April 2019 and shortlisted to bid for the new South Eastern franchise
- Highest ever Bus Passenger Survey satisfaction score of 91% in regional bus
- Launched the UK's largest demand-responsive trial
- Contracts secured to commercialise our expertise in smart-ticketing and payment solutions

Focus for the year ahead

For the year ahead, the committee's primary focus will be continuing to ensure that our overall remuneration policy is structured to support both the financial objectives and strategic priorities of the Group. The committee spends a large proportion of its time discussing performance measures and outcomes, the context of which is framed by a number of considerations including the wider political environment and economy, the market in which we operate and how the Group and individual directors perform. Our overarching objective remains unchanged: that is to ensure we continue to attract and retain the highest quality leaders who are incentivised to deliver the Group's strategic aims whilst balancing reward, performance and stakeholder interests.

Another key focus area will be to ensure compliance with regulatory requirements, including the new 2018 UK Corporate Governance Code. Our objective will be to adopt best practice as early as possible, and before we are required to in 2020, wherever practicable. We will review the pay ratio information in relation to the total remuneration of the Group Chief Executive compared to our UK workforce. While the expanded remuneration committee remit to set pay for all senior management will not represent a change for us in practice, we will also be seeking to receive greater oversight of wider pay practices across the Group.

Katherine Innes Ker,
Remuneration Committee Chair

5 September 2018

Q&A with Katherine Innes Ker

Q

What are the main elements of Go-Ahead's remuneration framework?

There are three main elements of executive directors' remuneration:

- Fixed element: comprises base salary, taxable benefits (e.g. family healthcare) and, for the Group Chief Financial Officer only, a non-pensionable cash supplement of 13% of base salary
- Short term element: an annual performance-related bonus which incentivises and rewards the delivery of a balanced selection of financial and non-financial targets over the financial year. Half of this bonus is paid in cash and half is paid in shares deferred for a period of three years
- Long term element: a Long Term Incentive Plan (LTIP) which incentivises financial performance over a three year period, promoting long term sustainable value creation. Vested shares from this plan must also be retained (other than to pay tax or NICs due on receipt of the shares) for a further two years

Q

What is the committee's approach to remuneration?

The key principles underpinning the committee's approach to executive remuneration are: prioritising long term shareholder and wider stakeholder value; assessing performance through a balanced range of measures; ensuring there is a clear link between the performance of the Group and payments made to the executive directors; designing remuneration and incentives which are aligned with the Group's risk policies and systems; and structuring incentives to support Go-Ahead's vision and culture by focusing on both individual and collective Board accountability.

The committee thoroughly assesses the performance measures and targets for the annual performance-related bonus and LTIP to ensure that they are appropriate and support our strategy to create long term value for all our stakeholder groups. Specifically, Group profit, cash, and individual strategic goals are key performance indicators for the annual performance-related bonus. A quality of earnings review and a health and safety threshold underpin also apply to the overall bonus. Consideration is given to other relevant underpins on an annual basis, such as the additional rail customer service threshold we included in 2016/17 and 2017/18. For LTIP, the current key performance indicators are growth in adjusted earnings, total shareholder return and customer satisfaction ratings.

All of our performance metrics are linked directly to the Group's specific objectives supporting progress in each of our three core strategy pillars: to protect and grow the core business; win new bus and rail contracts and develop for the future of transport.

In addition to assessing performance against specific targets, the committee always considers the Group's performance as a whole when deciding levels of payout for the annual performance-related bonus, LTIP and any salary increases. This is to ensure that overall remuneration is not based just on a formulaic approach alone, but also reflects Group and individual director performance. The annual performance-related bonus and LTIP are both subject to recovery (clawback) and withholding (malus) provisions for three years following the award.

Page 85 sets out the key decisions made by the committee during the year.

Q

What is the committee's approach to remuneration of the wider workforce?

As well as being responsible for determining the remuneration of the executive directors, the committee also oversees the remuneration of the senior management team, which is the first layer below Board level. The committee receives and discusses proposals from the executive directors on the salary and annual performance-related bonuses for the senior management team before they are approved and paid. Bonuses for the senior management team are paid on a cash and deferred share basis, with deferred shares to be held for a period of three years.

In determining the executive directors' remuneration, the committee takes into account general trends in remuneration across the Group as a whole. The committee seeks to ensure that the underlying principles which support its decisions on the executive directors' remuneration are consistent with those that relate to decisions on the pay of the wider workforce. In practice, the executive directors' remuneration is more heavily weighted towards variable pay (and therefore is linked to the Group's performance) than the pay of other colleagues (which is principally driven by market comparators and individual experience and performance).

Q

What is the committee's approach to the new corporate governance reforms?

The committee has kept abreast of governance developments, particularly concerning the proposed changes to the 2016 UK Corporate Governance Code. During the year, we specifically discussed the proposals that would have the biggest impact on the remuneration committee. This included the expanded remuneration committee remit, CEO pay ratios, reporting on committee discretions, share price impact on long term incentive outcomes and the requirement for companies to take action where significant shareholder opposition has been received. As a result, the committee believes that it is well positioned to comply with the changes which have been recently published in the 2018 UK Corporate Governance Code.

About this report

This report sets out the Group's policy on remuneration for executive and non-executive directors, to be proposed to shareholders at the annual general meeting on 1 November 2018, from which date the policy will apply if approved. While the policy remains largely unchanged from that approved by shareholders in 2015, there are a number of minor changes which are intended to bring the policy in line with best and market practice. A summary of the main changes is set out on page 83. Once approved, this policy may operate for up to three years.

This report also describes the implementation of the remuneration policy that was approved by shareholders at the 2015 annual general meeting and sets out the remuneration received by the directors for the year ended 30 June 2018.

This directors' remuneration report complies 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 UK Corporate Governance Code published in April 2016 (the Code).

The remuneration committee's year 2017/18

July
- Set targets for 2017/18 annual performance-related bonus taking into account long term strategy and review outcomes

August
- Set targets for 2017/18 LTIP award
- Agreed to undertake a remuneration committee advisor review with delegation to a sub-committee
- Approved the directors' remuneration report for the year ended 1 July 2017

November
- Completed remuneration committee advisor review and formally approved continued appointment of New Bridge Street (NBS) (part of Aon plc)
- Reviewed overall remuneration policy for senior management
- Approved the annual performance-related bonuses of senior management for the year ended 1 July 2017

February
- Detailed review of executive remuneration policy
- Approved recommendation of annual share plans hedging review
- Reviewed and approved terms of reference
- Considered and noted senior management salary review from 1 April 2018
- Considered and approved Chairman's fees from 1 April 2018

April
- Ongoing review of executive remuneration policy

June
- Ongoing review of executive remuneration policy
- Review of executive director share ownership guidelines
- Reviewed estimated outcome of the 2017/18 annual performance-related bonus and vesting of the 2015/16 LTIP award
- Reviewed and approved changes to share scheme rules in the context of the General Data Protection Regulation

Remuneration 2017/18 at a glance

Policy element	Group Chief Executive	Group Chief Financial Officer
Base salary with effect from 1 April 2018	£567,520	£387,590
% increase from prior year	2.7%	2.7%
Pension	Does not receive any form of pension provision	Receives a non-pensionable cash supplement of 13% of base salary
2017/18 annual performance-related bonus		
• Maximum opportunity (% of salary)	150%	150%
• Actual bonus (% of salary)	102.4%	102.4%
• Cash amount	£290,500	£198,398
• Amount satisfied in shares	£290,500	–
More information on page 95		
2015/16 LTIP award		
• Maximum opportunity (% of salary)	150%	Not applicable. The 2015/16 LTIP award was granted prior to the Group Chief Financial Officer commencing employment
• Number of shares initially granted	32,618	
• Number of shares vested	Nil vesting	
• Number of shares lapsed	32,618	
More information on page 97		
Total single figure remuneration	£1,174,426	£630,448
Shareholding requirement	200% of base salary	200% of base salary (this year, the Group Chief Financial Officer's shareholding requirement has increased from 150% to 200%)
Current shareholding as at 30 June 2018 (as a % of base salary)	234%	33%

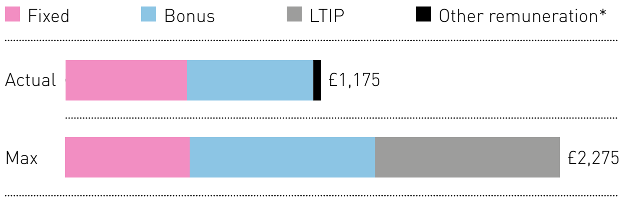
Chairman and non-executive director fees

Chairman and non-executive director fees were increased by 2.7% from 1 April 2018

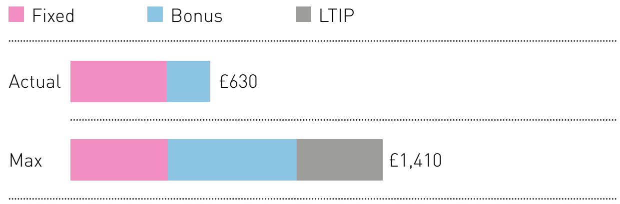
Executive directors’ remuneration – actual vs policy (£’000)

The charts below show a comparison of the total single remuneration figure received by the executive directors for the year ended 30 June 2018 compared with the maximum reward opportunity that was available under Go-Ahead’s remuneration policy.

David Brown
Group Chief Executive



Patrick Butcher
Group Chief Financial Officer



* The value of the gross cumulative dividend payment in relation to the 2014/15 deferred share bonus award which vested in November 2017 following the end of the three year deferral period

Remuneration policy report

The Group’s remuneration policy (Policy) is set out in this section. This Policy, as determined by the remuneration committee, will be put to shareholders at the Annual General Meeting (AGM) on 1 November 2018. The new Policy, which is set out on pages 87 to 93 (inclusive), will take effect from the conclusion of the AGM (subject to shareholder approval). This Policy supersedes that approved by shareholders in 2015.

The new Policy remains essentially unchanged from that which was approved at the 2015 annual general meeting and details of the proposed changes are set out in the Remuneration Committee Chair’s letter on page 83.

Remuneration linked to strategy

The committee believes it is very important that our overall Policy is structured to support both the financial objectives and the strategic priorities of the Group in a manner which is aligned with shareholders’ and stakeholders’ long term interests. The key principles underpinning our new Policy remain unchanged as follows:

Prioritising long term shareholder value – a large proportion of the executive directors’ remuneration is payable in shares. Half of the total annual performance-related bonus is awarded as deferred shares, to be held for a period of three years and subject to recovery and withholding provisions. Awards under the LTIP are also made in shares, further aligning the interests of our executive directors with those of our shareholders. Awards granted under the LTIP are subject to an additional two year holding period following the vesting of awards.

Balance – we assess performance through a balanced range of measures to ensure we cover all aspects of our executive directors’ performance.

Pay for performance – there is a clear link between the performance of the Group and payments made to the executive directors and senior managers. Performance-related elements of remuneration are relevant, transparent, stretching and rigorously applied. Care is taken to avoid paying more than necessary and due regard is given to pay and employment conditions elsewhere in the Group.

Risk – remuneration incentives are designed to be aligned with the Group’s risk policies and systems.

Culture – incentives are structured to support Go-Ahead’s vision and culture by focusing on both individual director and collective Board accountability. With alignment to our strategic objectives, we target long term sustainable performance, with fair recruitment and leaver policies.

Remuneration policy table for executive directors

Element & maximum	Purpose & link to strategy	Operation
Base salary	• Salary is the core reward for the role and enables the Group to recruit and retain individuals of the calibre required to deliver its strategic objectives and lead its management team, without paying more than is necessary • Base salary also reflects the individual's skills, expertise, experience and role within the Group	• Paid monthly in cash • Salaries are set by the committee which reviews all the relevant factors, including: – The scope of the role and responsibilities – Experience in post, skills and potential – Sustained performance in the role – Pay and conditions elsewhere in the Group – Appropriate market data • Salaries are normally reviewed annually • The committee may also review salaries on an ad hoc basis if an executive director is promoted and/or there is an increase in their responsibilities
Performance-related bonus	• Focuses on the key strategic objectives for the year ahead • Deferral of half of bonus into Group shares aligns executive directors' interests with those of shareholders	• Normally, annual non-pensionable payments made after the AGM • Half of any bonus is normally paid in cash following the AGM and half is paid in shares deferred for a period of three years • Based on the achievement of specific financial and non-financial objectives • Subject to recovery and withholding provisions for three years following the award[1]
Long Term Incentive Plan (LTIP)	• Aligned to the strategic objectives of the Group to deliver long term returns to shareholders	• Annual grant of performance shares that vest three years after grant (subject to the satisfaction of performance conditions) • Participation and individual award levels will be determined at the discretion of the committee within the Policy • Vested awards must be retained (other than to pay tax or NICs due on receipt of the shares) for two further years • Subject to recovery and withholding provisions for three years following vesting[1] • The committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice this will only be used in exceptional circumstances for executive directors • Dividend equivalents may be paid
Pension allowance	• Provides a cash alternative to pension contributions in line with market practice	• Monthly, non-pensionable payment, normally paid in cash
Other benefits	• Ensures package is competitive with market practice and employees have a minimum level of insured benefits	• Incorporates various cash/non cash benefits which may include: family private healthcare, death in service and life assurance cover (4x base salary), free travel on the Group's services and professional membership subscriptions • Any reasonable business related expense (including tax thereon) can be reimbursed if determined to be a taxable benefit • Executive directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms
All employee share plans	• Executive directors are eligible to participate in HMRC approved all employee schemes which encourage share ownership	• Executive directors may participate in these plans in line with HMRC guidelines currently prevailing (where relevant), on the same basis as other eligible employees
Share ownership	• To align the financial interests of the executive directors with those of shareholders	• Executive directors are required to retain 50% of the post tax gain on vested LTIP and deferred share awards until such time as the executive directors have a holding of 200% of base salary

1. Recovery and withholding provisions may be applied as a result of misconduct, material misstatement or error in calculation of performance.
2. 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 amortisation and exceptional items), vesting will be determined by a calculation on an adjusted basis, based on reported Group operating profit adding back amortisation and any exceptional items, which is consistent with prior years.

Maximum	Performance targets
• Annual salary increases for executive directors will not normally exceed the average increase awarded to other UK based employees • However, larger increases may be awarded in certain circumstances, including but not limited to: – Increase in scope of responsibilities of the role – To apply salary progression for a newly appointed director – Where a director's salary has fallen significantly below market position	• n/a
• Maximum of 150% of salary	• The committee will review performance measures and targets at the start of the year. Performance criteria will be aligned to the Group strategic objectives at that time. The majority of the bonus will be subject to challenging financial targets • Performance below threshold results in zero payment, with no more than 25% bonus available at threshold. Payments rise from 0% to 100% of the maximum opportunity levels for performance between threshold and maximum targets • A quality of earnings review applies to the full bonus • A health and safely underpin applies to the full bonus which enables the committee to exercise its discretion to reduce or not pay a bonus if health and safety performance is not satisfactory
• Maximum of 150% of salary for the Group Chief Executive and 100% of salary for other executive directors • Exceptional circumstances maximum (e.g. on recruitment) of 200% of salary	• Awards will be granted subject to a combination of financial and/or non-financial measures, tested over a period of at least three years. Performance conditions will measure the long term success of the Group • In respect of each performance measure, performance below the threshold results in zero vesting. The starting point for the vesting of each performance element will be no higher than 25% and rises on a straight line basis to 100% for attainment of levels of performance between threshold and maximum targets. There is no opportunity to retest • The committee may introduce or reweight performance measures so that they are directly aligned with the Group's strategic objectives for each performance period • Performance metrics currently include compound annual growth in adjusted earnings per share (EPS[2]) and relative total shareholder return (TSR) with each accounting for at least 25% of the award. The committee has the discretion to vary the weighting and choice of metrics including the comparator groups prior to each award. However, it would consult with shareholders before introducing significantly different metrics
• Up to 15% of salary may be provided[3]	• n/a
• Benefits are intended to be market competitive but are not subject to a maximum as the cost of providing the insured benefits is set by third party providers and can vary from year to year	• n/a
• Participation levels operate in accordance with HMRC limits as amended from time to time	• n/a
• 200% of salary holding for both directors[4]	• n/a

3. The current Group Chief Executive does not receive any form of pension provision from the Group. The Group Chief Financial Officer receives a cash allowance of 13% of salary.
4. This year, the Group Chief Financial Officer's shareholding requirement has increased from 150% to 200%.

Considerations when determining remuneration policy

The remuneration committee considers shareholder feedback and guidance from shareholder representative bodies more generally when reviewing remuneration policy, in addition to best practice and the Code.

A substantial proportion of the executive directors' pay is performance-related, with half of the annual bonus also normally subject to deferral into the Group's shares. A broad range of financial and non-financial targets is included in our incentive structure and recovery and withholding provisions apply to both the annual performance-related bonus and LTIP. In addition, awards granted under the LTIP since 2015 are subject to an additional two year holding period following the vesting of awards.

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

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

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

The committee did not formally consult with colleagues when drawing up the directors' remuneration policy. However, the committee considers any informal feedback through colleague engagement surveys or other channels. The Board has already started to consider how we can improve engagement with our workforce. For the remuneration committee specifically, this will also include matters of executive pay and wider company pay policy.

Committee discretions

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

- Selecting the participants in the plans on an annual basis
- Determining the timing of grants of awards and/or payment
- Determining the quantum of awards and/or payments (within the limits set out in the policy table on (pages 88 and 89)
- Determining the extent of vesting based on the assessment of performance
- Making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events, and special dividends)
- Determining good leaver status for incentive plan purposes and applying the appropriate treatment
- Undertaking the annual review of performance measures and their weightings, and setting targets for the annual performance-related bonus and LTIP from year to year
- Ability to recognise exceptional events within existing performance conditions

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

The committee would only expect to exercise discretion to deal with exceptional circumstances and would always provide context and explanation of the extent to which the discretion has been used.

Outstanding share incentive awards that remain unvested or unexercised at the date of this report, as detailed on pages 99 to 101, remain eligible for vesting or exercise based on their original award terms.

Consistency with remuneration for the wider Group

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

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

Participation in the LTIP is currently limited to executive directors only, while participation in the deferred share bonus plan is limited to executive directors and senior management.

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

Performance measure selection

With the exception of base salary, benefits, pension allowance and participation in all employee share plans, all other elements of the remuneration packages of the executive directors are linked to performance. A significant proportion of executive directors' potential remuneration is therefore performance-related.

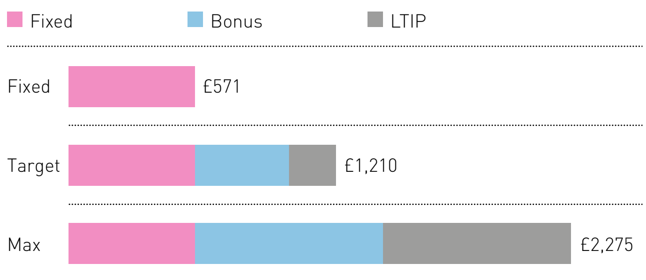
In choosing the performance metrics and targets we ensure that there is a strong and demonstrable link between management incentives and the Group's strategic objectives. We have also set a performance-based framework for remuneration which is consistent with the Group's scale and unique structure. This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

The choice of performance measures for the annual performance-related bonus is based on a mixture of financial, non-financial and strategic targets, with a clear alignment to the Group's key strategic objectives for the year ahead. The choice of performance measures for the long term incentive plan is a combination of financial and non-financial measures, aligned to the strategic objectives of the Group, to deliver long term returns to shareholders and measured over a three year period.

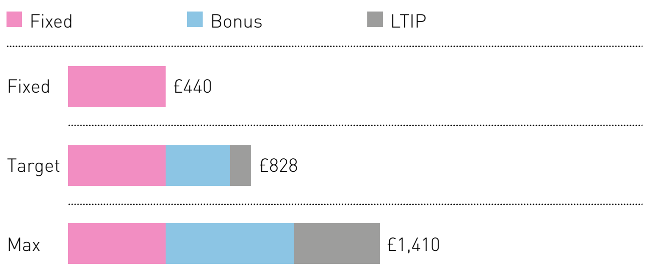
The charts below provide estimates of the potential future reward opportunity for the executive directors split between fixed, target and maximum remuneration scenarios. The scenarios do not take into account share price appreciation or dividends. They also do not take into account that the Group Chief Financial Officer will be leaving the Group later this year.

Total remuneration by performance scenario for 2018/19 financial year (£'000)

Group Chief Executive



Group Chief Financial Officer



The assumptions underlying each scenario are described below:

Fixed remuneration: base salary as at 1 April 2018, benefits as received in 2017/18 and, for the Group Chief Financial Officer only, the value of his pension allowance.

Target: fixed remuneration plus half of the maximum annual performance-related bonus award (75% of base salary) plus threshold vesting under the LTIP awards (37.5% of base salary for the Group Chief Executive and 25% of base salary for the Group Chief Financial Officer).

Maximum: fixed remuneration plus the maximum annual performance-related bonus award (150% of base salary) plus full vesting of LTIP awards (150% of base salary for the Group Chief Executive and 100% of base salary for the Group Chief Financial Officer).

Recruitment remuneration

On appointing a new executive director, the committee would seek to align the remuneration package for the relevant individual with the Group's remuneration policy as set out on pages 87 to 93. It would aim not to pay more than necessary to secure the right candidate and the package would take into account the experience and calibre of the individual concerned. The remuneration package for a new executive director would be set in accordance with the terms of the approved remuneration policy in force at the time of appointment. Salaries would reflect the skills of the individual, and may (but not necessarily) be set at a level to allow future salary progression to reflect performance in the role.

Depending on the timing of the appointment, the committee may deem it appropriate to set different annual performance-related bonus or LTIP performance conditions to the current executive directors for the first performance year of appointment.

A new colleague may be granted a normal annual LTIP award shortly following appointment (assuming the Group is not in a closed period) in addition to any awards made to compensate for awards from previous employment being forfeited.

Where a newly appointed executive director is required to relocate, the committee may provide an allowance or reimbursement of any reasonable expenses (including tax thereon). Any ongoing costs will be met by the Group for a period of normally no more than 12 months.

For an overseas appointment, the committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation. Any executive director promoted internally may remain eligible for payments under incentive plans joined and/or contractual arrangements entered into before joining the Board. However, the committee will have regard to best practice in reviewing the treatment of any such entitlements.

Recruitment remuneration continued

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

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

The appointment terms of non-executive directors will be on terms substantially similar to those of the existing non-executive directors and in accordance with the remuneration policy in force at the time.

Service agreements of executive directors

The Group Chief Executive and the Group Chief Financial Officer entered into a service agreement with The Go-Ahead Group plc on 1 April 2011 and 14 March 2016 respectively. The term of each service agreement is undefined and is terminable by either the Group on one year notice or by the executive director on six months' notice. The directors' service agreements are available for inspection at the Group's registered office. The service contract policy for a new appointment will be on similar terms as existing executive directors, with the facility to include a notice period of no more than 12 months.

Departure of executive directors

Executive directors' service agreements contain a provision, exercisable at the discretion of the Group, to pay an amount in lieu of notice on early termination of the agreement. Such payments are limited to base salary plus pension allowance and other benefits (such as family private healthcare and life assurance cover), but would not automatically include entitlement to bonus or share awards.

The Group can also pay legal fees and outplacement services. There are no provisions for special pension benefits, such as beneficial early retirement terms. Other than the notice periods specified above, the executive directors are not due any contractual compensation payments in the event of early termination of a service agreement. The committee believes that the agreements provide appropriate protection of the interests of shareholders when negotiating a termination, at which time the committee would take into account the departing director's duty to mitigate his/her loss when determining the amount of any compensation.

Loss of office payments

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

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

Policy table for Chairman and non-executive directors

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

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

Letters of appointment for Chairman and non-executive directors

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

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

Director	Date of service agreement	Notice period from the Group	Notice period from the director
Andrew Allner	October 2008	6 months	6 months
Katherine Innes Ker	July 2010	6 months	6 months
Adrian Ewer	April 2013	6 months	6 months
Harry Holt	October 2017	6 months	6 months
Leanne Wood	October 2017	6 months	6 months

Retirement and re-election of directors

In accordance with the Group's articles of association and the provisions of the Code, all directors are required to submit themselves for re-election at each AGM. Accordingly, all directors will be submitting themselves for re-election at the 2018 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 £39,514 for the period 2 July 2017 to 30 June 2018. The Group Chief Financial Officer does not have any external appointments.

Annual report on remuneration

The remuneration committee presents the annual report on remuneration which, together with the annual statement from the Remuneration Committee Chair, will be put to shareholders as an advisory vote at the Annual General Meeting (AGM) to be held on 1 November 2018.

The annual report on remuneration is divided into three sections:

Section 1: Single figure tables

Section 2: Additional information on 2017/18 remuneration

Section 3: Implementation of remuneration policy in 2018/19

The external auditor has reported on certain sections of this report and stated whether, in their 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 incentives LTIP[4] £'000	Pension allowance[5] £'000	Other remuneration[6] £'000	Single total remuneration figure £'000
Group Chief Executive, David Brown	**2018**	**556**	**3**	**291**	**291**	**–**	**–**	**34**	**1,175**
	2017	545	3	–	–	220*	–	14	782*
Group Chief Financial Officer, Patrick Butcher	**2018**	**380**	**2**	**198**	–	**–**	**50**	**–**	**630**
	2017	372	2	–	–	–	48	–	**422**

* Restated from last year to reflect the actual value of the 2014/15 LTIP award which vested in November 2017. This was £186,970 (2017 estimation: £206,093) based on the share price as at 22 November 2017 of £16.23. The cash equivalent value of the gross cumulative dividend payment was as disclosed last year, being £33,169.

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 2019 when they will be reviewed again:

Executive director	**From 1 April 2018**	From 1 April 2017	% Increase
Group Chief Executive, David Brown	**£567,520**	£552,600	2.7
Group Chief Financial Officer, Patrick Butcher	**£387,590**	£377,400	2.7

2. Taxable benefits

The taxable benefit for the executive directors 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. Based on the assessment of performance against targets, the executive directors could have been awarded an overall bonus of 91% of maximum bonus (136.5% of salary). In accordance with the executive directors' request to reduce any annual performance-related bonus by 25%, the committee exercised discretion and reduced the executive directors award by 25% resulting in an actual bonus of 68.3% of maximum bonus (102.4% of salary) being payable. Half of this bonus is payable in cash and half is awarded as deferred shares to be held for a period of three years. The full bonus is subject to recovery and withholding provisions for three years following vesting. The Group Chief Financial Officer will not receive the deferred shares element of this bonus on account of his cessation of employment later this year.

Metric	Performance measure	Weighting (percentage of maximum)	Achieved	Actual payout (percentage of salary)
Group profit	Group operating profit 2017/18	65%	65%	97.5%
Group cashflow	Net debt after adding back restricted cash	10%	10%	15%
Strategic KPIs	See page 96	25%	16%	24%
Total (before discretion)		**100%**	**91%**	**136.5%**
Total (after discretion)		**75%**	**68.3%**	**102.4%**

The following tables illustrate in more detail the actual performance against each individual metric. This is before the committee exercised their discretion to reduce the bonus by 25% at the executive directors' request.

Group operating profit

The Group operating profit target for the 2017/18 financial year was as shown below, with payout on a sliding scale:

Measure	Target	Weighting (% of bonus)	Actual payout
Group operating profit 2017/18	Threshold vesting £111.9m	0%	100%
	Target vesting £117.8m	50%	
	Maximum vesting £135.4m	100%	

The actual Group operating profit, before exceptional items, for the year ended 30 June 2018 was £135.9m, resulting in the maximum payout.

Cashflow

For Group cashflow (defined as net debt after adding back restricted cash), the target for the 2017/18 financial year was £318m. Actual net debt after adding back restricted cash was £289.0m (2017: £285.8m), resulting in the maximum payout:

Measure	Target	Weighting (% of bonus)	Actual payout
Net debt 2017/18	Target Vesting £318m	0%	100%
	Maximum Vesting £302m	100%	

Strategic KPIs

For the 25% of performance-related bonus attributable to strategic KPIs, objectives were all aligned to the strategic objectives agreed at the 2017 Group Board Strategy Day. The committee discussed each of the strategic KPIs, where the maximum vesting for each of the five key measures was 5%. It was agreed that 16% out of the maximum 25% should vest and further details are shown below.

Measure	Target	Decision
Protect and grow the core	• Develop strategies to grow bus passenger numbers • Secure contract wins in London • Maximise value from London Midland franchise • Secure extension to Southeastern franchise and submit bid for new franchise • Stabilise GTR contract performance and set pathway to profitability	3%
Win new bus and rail contracts	• Win a second bus contract in Singapore • Win a further contract in Germany and continue successful mobilisation of Netz1 Lots 2 and 3 • Explore international bus and rail opportunities	3%
Develop for the future of transport	• Assess, resource and fund six strategic projects, which have clear project plans and are starting to deliver benefits	5%
Change themes	• Lean – make further progress rolling out lean across operating companies and set KPIs to monitor performance • Technology – roll out contactless across regional bus and implement new bus app • Culture change – improve colleague engagement as demonstrated through survey results • Leadership – introduce professional development hours and personal development plans for all senior management team	3%
Reputation	• Ensure that Go-Ahead's reputation is enhanced with key stakeholders • Restore investor confidence in Go-Ahead	2%

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 was 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 2018 was less than the London and South East Sector National Rail Passenger Survey (NRPS) score of 82% in Spring 2017. The Spring 2018 NRPS score for the Group's train operating companies was 75%. In accordance with the executive directors' request, the committee exercised discretion and reduced the overall annual performance-related bonus by 25%.

4. Nil vesting of 2015/16 LTIP award – Group Chief Executive only

The table below summarises the performance conditions for the Group Chief Executive's 2015/16 LTIP award and the actual performance achieved. This award was subject to performance conditions measured over the three financial years ending with the 2017/18 financial period.

As shown below, none of the performance measures were achieved for this award.

The customer service targets for rail and bus (each with 10% target respectively) were measured by the independent passenger watchdog Transport Focus (formerly Passenger Focus):

- For the rail customer service target, which was measured as the average customer satisfaction score across the Group's train operating companies, the benchmark was the London and South East Sector NRPS score, with the threshold being the Spring 2015 London and South East Sector NRPS of 78%. The target was to increase the score to 82% over the three year performance period. The Spring 2018 score for the Group's train operating companies was 75% and therefore there was 0% vesting for this element of the award.
- For the bus customer service target, the threshold was to maintain the 2015 Bus Passenger Survey score of 90%, with the target to increase the score to 93% over the three year performance period. The 2018 score for the Group was 91% and so 40% could have been achieved for this element of the award. However, there was an additional profit threshold for the customer service target, which was that earnings per share (EPS) growth over the three year period must be greater than RPI +5%. For the year ended 30 June 2018, EPS growth was 3.40% resulting in 0% vesting for the customer service element of the award.

Performance conditions and actual performance achieved for the 2015/16 LTIP award

	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 + 5% p.a.	0%	Below median	0%	Less than 78%	Less than 90%
Threshold	10%	RPI + 5% p.a.	25%	Median	10%	78%	90%
Between threshold and maximum	Between 10% and 100%	Between RPI + 5% p.a. and RPI + 13% p.a.	Between 25% and 100%	Between median and upper quartile	Between 10% and 100%	Between 78% and 82%	Between 90% and 93%
Maximum	100%	RPI + 13% p.a.	100%	Upper quartile	100%	82%	93%
Performance achieved		Adjusted EPS of 181.6p. From a base of 169.6p this is equivalent to RPI – 0.58% p.a.		94th out of 122 'live' companies		75%	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). The vesting of the 2015/16 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.

5. Pension allowance

The Group Chief Financial Officer receives a non-pensionable cash supplement of 13% of his base salary. The Group Chief Executive does not receive any form of pension provision from the Group.

6. Other remuneration

The value of the gross cumulative dividend payment in relation to the 2014/15 deferred share bonus award which vested in November 2017 following the end of the three year deferral period.

Non-executive directors' single figure table (audited)

Non-executive directors' remuneration for the year ended 30 June 2018

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 30 June 2018 and the prior year:

	Committee membership and other responsibilities				Single total remuneration figure £'000	
Non-executive director	Nomination committee	Audit committee	Remuneration committee	Other	**2018**	2017
Andrew Allner	Chair	–	Member	Chairman	**181**	177
Katherine Innes Ker	Member	Member	Chair	Senior Independent Director	**63**	59
Adrian Ewer	Member	Chair	Member		**58**	54
Harry Holt[1]	Member	Member	Member		**35**	–
Leanne Wood[1]	Member	Member	Member		**35**	–
Nick Horler[2]	Member	Member	Member		**17**	48

Notes
1. Harry Holt and Leanne Wood were appointed to the Board on 23 October 2017. The single figures shown above reflect the fees paid during the period 23 October 2017 to 30 June 2018.
2. Nick Horler retired from the Board with effect from the conclusion of the annual general meeting held on 2 November 2017. The single figure shown above reflects the fees paid during the period 2 July 2017 to 2 November 2017.

Fees payable to the Chairman and non-executive directors

The fee level for the Chairman was reviewed on 1 April 2018 and increased by 2.7%. The base fee levels for the non-executive directors were also reviewed on 1 April 2018 and similarly increased by 2.7% in line with those of the general workforce and the wider Board. There was no change to the additional fees paid for chairing the remuneration and audit committees, or to the Senior Independent Director.

The annual fees payable to the Chairman and non-executive directors from 1 April 2018 are set out in the table below.

Chairman and non-executive directors annual fees with effect from 1 April 2018	£'000
Chairman	184
Non-Executive Director	51
Senior Independent Director	5
Audit Committee Chair	8
Remuneration Committee Chair	8

Section 2: Additional information on 2017/18 remuneration

Directors' shareholdings and share plan interests (audited)

A summary of all directors' shareholdings and share plan interests as at 30 June 2018 are shown in the table below:

	Outstanding scheme interests as at 30/06/18				Actual shares held[5]		
	Unvested scheme interests (subject to performance measures)[1]	Unvested scheme interests (not subject to performance measures)[2]	Awards eligible for vesting 2017/18[3]	Total shares subject to outstanding scheme interests	As at 1 July 2017	As at 30 June 2018	**Total of all share scheme interests and shareholdings as at 30 June2018[4]**
Executive directors							
David Brown	122,309	11,425	–	133,734	66,011	80,528[6]	**214,262**
Patrick Butcher[7]	40,835	6,770	–	47,605	4,363	7,663	**55,268**
Non-Executive directors							
Andrew Allner	–	–	–	–	1,242	1,242	**1,242**
Katherine Innes Ker	–	–	–	–	116	116	**116**
Adrian Ewer	–	–	–	–	3,003	3,003	**3,003**
Harry Holt[8]	–	–	–	–	–	–	**–**
Leanne Wood[8]	–	–	–	–	–	294	**294**
Nick Horler[9]	–	–	–	–	1,038	1,038	**–**

Notes
1. LTIP awards still subject to performance measures. Excludes LTIP awards which will be granted in November 2018 for the year ended 30 June 2018.
2. Deferred share bonus plan awards and sharesave options that have not vested.
3. Relates to the 2015/16 LTIP award, which would have been eligible to vest from November 2018 in respect of the three year performance period ended 30 June 2018. The remuneration committee have determined a nil vesting for this LTIP as performance conditions have not been met. Further details can be found on page 97.
4. All share plan interests, vested, unvested and unexercised together with any holdings of ordinary shares.
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 14,517 ordinary shares. This consisted of 8,229 and 6,076 ordinary shares acquired through the post tax gain on the 2014/15 deferred share bonus and LTIP awards respectively which vested in November 2017. For further details of the vesting of the 2014/15 deferred share bonus and LTIP awards, please see page 100. Additionally, David Brown exercised a Sharesave option over 103 ordinary shares at an option price of £17.34 per share in October 2017 and retained the shares. During the period 2 July 2017 to 30 June 2018, David Brown purchased 109 shares under the Group's Share Incentive Plan. In the period 1 July 2018 to 5 September 2018, David Brown's ordinary shareholding increased from 80,528 to 80,547 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 1 July 2018 and the date of this Annual Report and Accounts.
7. During the year, Patrick Butcher's beneficial shareholding increased by 3,300 ordinary shares which he purchased in December 2017. In accordance with policy, the 40,835 unvested LTIP awards and 6,770 unvested deferred share awards will lapse upon cessation of employment later this year.
8. Harry Holt and Leanne Wood joined the Board as independent non-executive directors on 23 October 2017. Leanne purchased 294 ordinary shares on 12 June 2018.
9. Nick Horler retired as an independent non-executive director with effect from the conclusion of Go-Ahead's annual general meeting on 2 November 2017. Nick's shareholding disclosed in the above table is therefore reflective for the period 2 July 2017 to 2 November 2017.

Directors' share ownership guidelines (audited)

All executive directors are required to hold shares equivalent in value to a minimum percentage of their salary. During the year, the remuneration committee agreed to increase the guideline for the Group Chief Financial Officer from 150% to 200% of salary. Whilst this would not be incorporated into the remuneration policy until formally approved by the shareholders at the 2018 AGM, this change was immediately effective and was required to be achieved over five years from the change of policy.

For the year ended 30 June 2018, the shareholding guideline for the Group Chief Executive and Group Chief Financial Officer was therefore 200% of salary. At this date, the Group Chief Executive beneficially held 80,528 shares equating to 234% of base salary (based on the average share price between the period 1 June and 30 June 2018) and therefore meets the shareholding requirement. Since his appointment in March 2016, the Group Chief Financial Officer has built up a shareholding of 7,663 shares. These shares are beneficially held and equate to 33% of base salary and therefore do not yet meet the shareholding requirement.

Executive directors are required to retain 50% of the post tax gain on vested LTIP and deferred share awards until the shareholding requirement is met. Additionally, any LTIP awards granted from 2015 must be retained for a further two years (other than to pay tax and NICs due on receipt of shares).

	Shares held as at 30 June 2018	Awards eligible for vesting 2017/18	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary	Guideline met
David Brown	80,528	–	200%	234%	Yes
Patrick Butcher	7,663	–	200%	33%	No

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 1 July 2017	Granted in year	Vested in year	Vested in 2016/17 but exercised during 2017/18 year	Lapsed in year	**Balance at 30 June 2018**	Awards eligible for vesting 2017/18[1] Vested	Awards eligible for vesting 2017/18[1] Lapsed	**Balance post exercise**
Sharesave[2]	25.03.14	–	17.34	103	–	103	–	–	**–**	–	–	**–**
	22.03.16	–	19.11	94	–	–	–	–	**94**	–	–	**94**
Deferred share bonus plan	05.11.14	25.03	–	15,601	–	15,601[3]	–	–	**–**	–	–	**–**
	29.10.15	24.13	–	11,331	–	–	–	–	**11,331**	–	–	**11,331**
LTIP	05.11.14	25.03	–	21,335	–	–	11,520[3]	9,815	**–**	–	–	**–**
	04.11.15	25.46	–	32,618	–	–	–	–	**32,618**	–	32,618	**–**
	16.11.16	20.47	–	39,698	–	–	–	–	**39,698**	–	–	**39,698**
	17.11.17	16.58[4]	–	–	49,993	–	–	–	**49,993**	–	–	**49,993**
Total				120,780	49,993	15,704	11,520	9,815	**133,734**	–	32,618	**101,116**

1. Relates to the 2015/16 LTIP award following the three year performance period ended 30 June 2018.
2. Sharesave is an all-employee share option plan and has no performance condition as per HMRC Regulations. David Brown's sharesave options which were granted in 2016 will mature in May 2019.
3. The 2014/15 deferred share bonus and LTIP awards were exercised on 22 November 2017 with a share price of £16.23. David Brown's gain on his 2014/15 DSBP and LTIP awards were therefore £253,204 and £186,970 respectively.
4. The number of shares over which the award was granted was calculated using a share price of £16.58, 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.

Group Chief Financial Officer, Patrick Butcher

Plan	Date of grant	Mid-market price on date of grant (£)	Option price (£)	Balance at 1 July 2017	Granted in year	Vested in year	Vested in 2016/17 but exercised during 2017/18 year	Lapsed in year	Balance at 30 June 2018	Awards eligible for vesting 2017/18 Vested	Awards eligible for vesting 2017/18 Lapsed	Balance post exercise
Deferred share bonus plan	15.11.16	20.81	–	6,770	–	–	–	–	6,770[2]	–	–	6,770
LTIP	16.11.16	20.47	–	18,073	–	–	–	–	18,073[2]	–	–	18,073
	17.11.17	16.58[1]	–	–	22,762	–	–	–	22,762[2]	–	–	22,762
Total			–	24,843	22,762	–	–	–	47,605[2]	–	–	47,605

1. The number of shares over which the award was granted was calculated using a share price of £16.58, 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 deferred share bonus and LTIP awards granted to the Group Chief Financial Officer in 2016 and 2017 will lapse upon cessation of employment.

LongTerm Incentive Plan

2017/18 LTIP awards granted during the year ended 30 June 2018 (audited)

LTIP awards were granted to the executive directors during the year ended 30 June 2018, structured as nil-cost options, exercisable at the end of a three year performance period commencing with the start of the 2017/18 financial period, subject to the satisfaction of performance conditions. Vested awards are then subject to a further two year holding period other than for sales to settle any tax or NIC liability on exercise of the awards. The 2017/18 grant policy was to grant awards with a face value of 150% of salary for the Group Chief Executive and 100% 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	£16.30	49,993	815	10% for EPS, 25% for TSR and 10% for each customer element	Three financial years ending on 27 June 2020
Patrick Butcher[3]	100% of salary	£16.30	22,762	371	10% for EPS, 25% for TSR and 10% for each customer element	Three financial years ending on 27 June 2020

1. The number of shares over which the award was granted was calculated using a share price of £16.58, 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 £16.30. This was the share price on 17 November 2017, the date of grant.
3. The 2017/18 LTIP award granted to the Group Chief Financial Officer will lapse on his cessation of employment.

Performance conditions attaching to the 2017/18 LTIP award

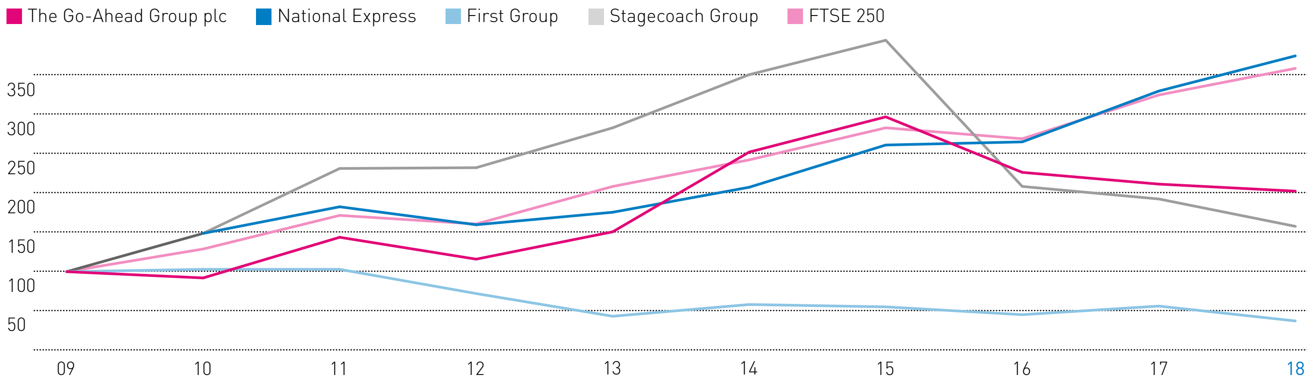
The EPS, TSR and customer service measures and targets for the 2017/18 LTIP award are detailed below:

	EPS payout (% of element)	Compound annual growth in 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%

* The above EPS targets are based on current accounting policies and will be adjusted should there be any changes to these policies. Awards will continue to vest three years after grant, subject to the performance conditions being met over broadly the same period.

Total shareholder return (TSR) performance graph

The graph below shows a comparison of The Go-Ahead Group plc cumulative TSR against that achieved by the FTSE 250 index for the last nine financial years to 30 June 2018. The chart also shows cumulative TSR over the same period for the other major UK transportation groups. In assessing the performance of the Group's TSR, the Board believes the FTSE 250 index comparator group it has chosen represents an appropriate and fair benchmark upon which to measure the Group's performance for this purpose.



This graph shows the value, by 30 June 2018, of £100 invested in The Go-Ahead Group on 27 June 2009, compared with the value of £100 invested in the FTSE 250 Index and the peer group (National Express, First Group and Stagecoach Group) on the same date.

The other points plotted are the values at intervening financial year ends.

Remuneration of the Group Chief Executive over last nine years

The table below shows the remuneration of the holder of the office of Group Chief Executive for the period from 28 June 2009 to 30 June 2018. 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 v maximum opportunity) £'000 (and % vesting)	Long term incentive vesting (vesting v maximum opportunity) £'000 (and % vesting)
2017/18	David Brown	1,175	£582 (68.3%)[1]	£0[2]
2016/17	David Brown	782[3]	£0[4]	£220[5] (54%)
2015/16	David Brown	1,214	£0[4]	£647 (90%)
2014/15	David Brown	2,134	£558 (69.6%)	£1,067 (100.0%)
2013/14	David Brown	1,960	£766 (97.5%)	£666 (80.0%)
2012/13	David Brown	942	£422 (55.3%)	–
2011/12	David Brown	1,022	£513 (68.0%)	–
2010/11	David Brown	251[6]	£125 (100.0%)	–
2010/11	Keith Ludeman	1,564	£530 (100.0%)	–
2009/10	Keith Ludeman	1,349	£689 (100.0%)	£73 (21.7%)

1. In accordance with the executive directors' request to reduce any performance-related bonus by 25%, the committee exercised discretion and reduced the Group Chief Executive's overall bonus by 25% resulting in an actual bonus of 68.3% of maximum bonus (102.4% of salary).
2. The 2015/16 LTIP award will lapse in full from November 2018 on account of none of the performance measures being met following the three year performance period ended 30 June 2018.
3. The single total figure of remuneration for 2016/17 (restated) includes the vesting of the 2014/15 LTIP award.
4. At the request of the Group Chief Executive, there were no annual performance-related bonuses paid for the years 2016/17 and 2015/16.
5. Restated from last year's value of £206,093 to reflect actual value of the Group Chief Executive's 2014/15 LTIP award which was £186,970 based on the share price as at 22 November 2017 of £16.23. The cash equivalent value of the gross cumulative dividend payment was as disclosed last year, being £33,169.
6. Following his appointment in April 2011, the Group Chief Executive was paid a pro-rata performance-related bonus for the financial year 2010/11.

Remuneration for the Group Chief Executive compared with all other employees of the Group

The table below shows the percentage change in the Group Chief Executive's total remuneration between the financial years 1 July 2017 and 30 June 2018, compared to the average change for all employees of the Group.

	% change from 2017 to 2018		
	Salary	Benefits	Bonus
Group Chief Executive	2.0	–	n/a*
Average employees	3.4	–	2.2

* The Group Chief Executive declined his bonus in full last year (for the second consecutive year). See the executive directors' single figure table on page 94 for further details.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the financial year being reported on, compared to that of the previous year.

	2017/18 £'m	2016/17 £'m	% change
Dividends	£43.8	£41.8	4.8
Overall expenditure on pay	£1,224.4	£1,237.6	(1.1)

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 during the year ended 30 June 2018 (2017: 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.

External advisors to the committee

New Bridge Street (NBS) (part of Aon plc) act as independent remuneration advisors to the committee. During the year, the committee undertook a review of the advisors to the committee and it was agreed that a sub-committee comprising the Remuneration Committee Chair, Chairman and Group Company Secretary should meet with three separate advisors. Following the meetings, the sub-committee recommended that the incumbent advisor NBS should be retained and the committee formally approved the continued appointment of NBS as advisors to the committee.

Neither Aon Hewitt Limited nor the wider Aon plc provided any other services to the Group during the year and therefore the committee was satisfied that it provided objective and independent advice. NBS is a member of the Remuneration Consultants Group and complies with its code of conduct. The fees payable to NBS for advice throughout the year were £49,579 (2017: £26,526).

Statement of voting at annual general meeting

At last year's annual general meeting (2 November 2017) the directors' remuneration report received the following votes from shareholders:

	Votes for and discretionary	Votes against	Total votes	Withheld
Remuneration report	30,623,427	153,168	30,776,595	7,245
	99.50%	0.50%	100%	

The remuneration policy was last approved for the year ended 27 June 2015 at the annual general meeting held on 22 October 2015, the voting outcome of which was:

	Votes for and discretionary	Votes against	Total votes	Withheld
Remuneration policy	21,842,550	497,285	22,339,835	5,227,804
	97.77%	2.23%	100%	

Section 3: Implementation of remuneration policy in 2018/19

This policy will apply to any remuneration paid on or after the Group's AGM on 1 November 2018 (subject to shareholder approval).

Executive directors' 2018/19 base salaries

The base salaries of the executive directors were last reviewed with effect from 1 April 2018 and will remain unchanged until the next annual review.

Benefits

It is intended that the benefits for both executive directors will be adopted in line with the proposed 2018 remuneration policy section as outlined on pages 87 to 93.

Pensions

The current pension arrangements described on page 98 will remain in place for the forthcoming financial year.

2018/19 performance-related bonus

The performance measures and weightings for 2018/19, which remain unchanged from 2017/18, are as follows:

Metric	Weighting (% of maximum bonus)
Operating profit	65%
Group cashflow	10%
Strategic KPIs	25%

Operating profit will be proportionately weighted between the bus and rail divisions. Operating profit, cashflow and strategic KPI targets will be stretching for the 2018/19 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. The strategic KPIs support the delivery of our three strategic pillars which are to protect and grow the core, win new bus and rail contracts and develop for the future of transport; in addition to our new supporting change themes which are better teams, happier customers, stronger communities, smarter technology and a cleaner environment.

A health and safety underpin will continue to apply to the full bonus, with remuneration committee having discretion to reduce bonus payments potentially to zero should it be considered appropriate.

The additional rail customer service underpin that was introduced from 2016/17 will also continue to apply to the 2018/19 bonus. The remuneration committee has discretion to scale back the bonus if customer satisfaction across the Group's train operating companies in Spring 2019, as measured by the Transport Focus National Rail Passenger Survey (NRPS) averaged across the Group's train operating companies, is less than the London and South East Sector NRPS reported for Spring 2018.

Any bonus payable will be satisfied 50% in cash and 50% in deferred shares. Recovery and withholding 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. The incumbent Group Chief Financial Officer will not be entitled to any pro-rated performance-related bonus for 2018/19.

2018/19 LTIP awards

The structure of LTIP awards to be granted in 2018 will remain the same as for the 2017 awards with the EPS and TSR elements of the awards accounting for 40% each and a customer satisfaction target award of 20% split equally between rail and bus. The LTIP award will be subject to recovery and withholding provisions for three years following vesting. An additional two year holding period following the vesting of awards will also apply during which any vested awards may not be sold (other than to pay any tax and NICs due on exercise). This will result in an overall five year period before executives can realise the gain on vested shares.

For the year commencing 1 July 2018, the LTIP award for the Group Chief Executive will have a face value of 150%. The incumbent Group Chief Financial Officer will not receive an award as he will leave the Group shortly after the award will be granted. The EPS and TSR performance measures and targets for awards to be made in 2018/19 are detailed below and are unchanged from those made in 2017/18 when the committee consulted with major shareholders and shareholder representative bodies on proposed changes to the LTIP's threshold and maxima EPS metrics in response to the revised outlook for GTR analysts' repositioning of their forecasts. The bus and rail customer service targets have been updated to reflect the most up to date 2018 London and South East Sector National Rail Passenger and Bus Passenger Survey scores.

Performance conditions attaching to the 2018/19 LTIP award

	EPS payout (% of element)	Compound annual growth in 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 79%	Less than 91%
Threshold	10%	RPI + 2% p.a.	25%	Median	10%	79%	91%
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 79% and 83%	Between 91% and 94%
Maximum	100%	RPI + 10% p.a.	100%	Upper quartile	100%	83%	94%

As described earlier in this report, the remuneration policy to be put to shareholders for approval at the 2018 AGM remains essentially unchanged from that which was approved at the 2015 AGM. For information on the minor changes which have been made, please see page 83 of the annual statement.

Non-Executive directors' fees

The non-executive directors' fees will remain unchanged until the next annual fee review is undertaken.

Katherine Innes Ker,
Remuneration Committee Chair

5 September 2018

The directors present their report and audited financial statements for the year ended 30 June 2018. This directors' report forms part of the management report as required under the Disclosure Guidance and Transparency Rules. Certain information that fulfils the requirements of the directors' report can be found elsewhere in this document as referred to below. This information is incorporated into this directors' report by reference.

Directors' statement of responsibilities

The directors' statement of responsibilities is set out on page 108.

Going concern and viability statements

The Group's viability and going concern statements are set out on pages 45 and 109 respectively.

Corporate governance statement

The corporate governance statement, setting out how The Go-Ahead Group plc (the Group) complies with the 2016 UK Corporate Governance Code (the Code) is set out on pages 52 to 115. This includes a description of the main features of its internal control and risk management arrangements in relation to the financial reporting process and a description of the composition and operation of the Board and its committees. The information required by DTR 7.2.6R can be found in the shareholder information section on pages 199 to 201.

Strategic report

The strategic report on pages 4 to 49 includes an indication of future likely developments in the Group, important events since the year ended 30 June 2018, the Group's business model and strategy, and greenhouse gas emissions.

Group's Articles of Association (Articles)

The Articles can only be amended by a special resolution at a general meeting of shareholders. Shareholders of the Group can request a copy of the Articles by contacting the Group Company Secretary at the registered office.

Directors and their interests

Details of the directors who served during the year ended 30 June 2018 are set out on pages 54 and 55. The appointment and replacement of directors are governed by the Articles, the Code, the Companies Act 2006 (the Act) and related legislation. The powers of the directors are set out in the Articles and the Act.

Details of the directors' share interests are given in the directors' remuneration report on pages 99 to 101.

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 Articles. The Board considers that the procedures in respect of this power, which have been properly followed, have operated effectively during the year and the conflicts register has been updated accordingly. The Board is aware of its directors' other commitments and any changes to these commitments are advised to and approved by the Board committees.

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 30 June 2018 and continue to remain in force.

Listing Rule 9.8.4R disclosures

Disclosures required pursuant to Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules can be found within the following sections of the 2017/18 Annual Report and Accounts:

Listing Rule 9.8.4	Required disclosure	Reference
1	Interest capitalised and tax relief	Not applicable
2	Publication of unaudited financial information	Not applicable
3	Details of long term incentive schemes	Note 6 of the financial statements and directors' remuneration report on pages 82 to 105
4	Waiver of emoluments by a director	Directors' remuneration report on pages 82 to 105
5	Waiver of future emoluments by a director	Not applicable
6	Non pre-emptive issues of equity for cash	Not applicable
7	Non pre-emptive issues of equity for cash by major subsidiary undertakings	Not applicable
8	Parent participation in a placing by a listed subsidiary	Not applicable
9	Contracts of significance	Not applicable
10	Provision of services by a controlling shareholder	Not applicable
11	Shareholder waivers of dividends	Directors' report on pages 106 to 107
12	Shareholder waivers of future dividends	Directors' report on pages 106 to 107
13	Agreements with controlling shareholders	Not applicable

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 199 to 201.

Change of control

The details of the change of control provisions in the Group's rail franchise agreements, the sterling bond issue dated 6 July 2017 and the revolving credit facilities dated 16 July 2014, 27 April 2017, 23 October 2017 and 20 July 2018 are set out on page 200. Details of the powers of Transport for London, the Land Transport Authority and the National Transport Authority to prevent the operation of contracts is also provided.

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.

Dividends

The Board continues to recognise the importance of dividends to shareholders and accordingly has updated its dividend policy. The Group will target a dividend pay-out ratio of 50% to 75% of net income. This better reflects the historic and future pay-out ratio and provides shareholders with more clarity and the Group with the appropriate flexibility to continue to pay an attractive dividend. Details of the proposal final dividend payment for the year ended 30 June 2018 are shown on the consolidated income statement on page 126 of the report.

Political donations and expenditure

It is the Group's policy not to make political donations and accordingly no such payments were made in the year (2017: £nil). Additionally, the Group did not incur any political expenditure as defined in the Act (2017: £nil).

Post balance sheet events

There have been no material events since 30 June 2018 to the date of this report.

Reappointment of external auditor

Details of the reappointment of the external auditor are provided on page 114.

Employees

Details of the Group's employee policies, including those concerning the employment of disabled persons and employee engagement, are provided on pages 23 to 24.

Information on the Group equal opportunities, inclusion and diversity policy is set out on pages 24 and additional information, including a copy of the policy, is available on the Group's website at www.go-ahead.com.

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 64,012 ordinary shares at a total price of £1,090,694.59 (including all associated costs). The average price was £17.03 per share. As at 5 September 2018 (being the latest practical date prior to the date of this report) the Trust held 171,415 ordinary shares representing 0.4% of the issued share capital of the Group, less treasury shares, in trust for the benefit of the executive directors of the Group under the LTIP and DSBP. The voting rights in relation to these shares are exercised by the Trustee and dividends are waived while the shares are held by the Trustee.

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 Group. In order to preserve certain tax benefits, these shares are held in a trust by EES Corporate Trustees Limited for participating employees. Whilst these shares are held in trust, the voting rights attached to them will not be exercised by the Trustee or the employees for whom they are held. As at 5 September 2018 (being the latest practical date prior to the date of this report),1% of the issued share capital of the Group, less treasury shares, was held by EES Corporate Trustees Limited. In the event of an offer being made to acquire these shares, the employees are entitled to direct EES Corporate Trustees Limited to accept an offer in respect of the shares held on their behalf.

Save As You Earn Scheme

The Group also operates a Save As You Earn scheme known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (Sharesave), for which the last launch was in February 2016 (Sharesave 2016). Under Sharesave 2016, all permanent employees who had completed at least six months' continuous service with a participating company were invited to make monthly savings of between £5 and £50 for three years. At the end of the savings term, participants will have the choice of their money back, or to purchase Go-Ahead Group shares at a 20% discount to the market price set at the date of invitation. Sharesave 2016 will mature on 1 May 2019.

By order of the Board

Carolyn Ferguson
Group Company Secretary

5 September 2018

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable United Kingdom law and regulations. Detailed below are statements made by the directors in relation to their responsibilities, disclosure of information to the auditor and going concern.

Directors' responsibilities in respect of the preparation of the financial statements

UK Company law requires the directors to prepare Group financial statements for each financial year. The directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRS) 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:

- Present fairly the financial position, financial performance and cashflows of the Group
- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Make judgements and estimates that are reasonable and prudent
- Provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- State whether the Group financial statements have been prepared in accordance with IFRS as adopted by the European Union

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The Group financial statements, prepared in accordance with the relevant financial reporting framework, 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 a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the Group financial statements comply with the Companies Act 2006 (the Act) and Article 4 of the IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the strategic report, directors' report, including the directors' remuneration report and the corporate governance report, in accordance with the Act and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's corporate website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by section 418(3) of the Act) of which the Group's auditor is unaware and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are described in the financial review on pages 42 and 43. In addition, note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to price risk, credit risk, liquidity risk and cash flow risk.

Cash generation from the Group's bus and rail operations was strong and the balance sheet remains robust. Core financing is provided by a £250m sterling bond entered into on 6 July 2017 securing financing to 2024 and committed bank facilities of £280.0m to July 2025. The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

The directors are also required to provide a broader assessment of viability over a longer period, which can be found on page 45.

The directors' going concern confirmation and viability statement have both been considered in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the Financial Reporting Council in September 2014.

By order of the Board

Carolyn Ferguson
Group Company Secretary

5 September 2018

This section of the corporate governance report details the Group's compliance with the principles set out in the 2016 UK Corporate Governance Code (the Code) which is available at www.frc.org.uk. This section should be read in conjunction with the corporate governance report as a whole, which is set out on pages 52 to 105.

The Group has complied in full with the requirements of the Code during the year ended 30 June 2018.

Alignment with the UK Corporate Governance Code

A. Leadership
The Board is collectively responsible for the long term success of Go-Ahead

B. Effectiveness
We review the Board's overall balance of skills, experience and behaviours to optimise effectiveness

C. Accountability
We present a fair, balanced and understandable assessment of Go-Ahead's position and prospects

D. Remuneration
Executive remuneration is transparent and aligned with shareholders and stakeholders' long term interests

E. Relations with shareholders
We place great importance on transparent, relevant and timely communication with shareholders

A. Leadership

A.1. The role of the Board

Go-Ahead is headed by a Board whose members are collectively responsible for creating and delivering long term sustainable value for the business. A key responsibility of the Board is to balance the interests of the Group, including our shareholders and stakeholders, colleagues and the communities we serve. The Board has ultimate responsibility for setting the Group's strategic direction, leading and overseeing culture and ensuring the Group upholds the highest standards of corporate governance.

A full description of the Board's role, which includes the specific responsibilities reserved to us, is available on our website at www.go-ahead.com.

The Board holds nine scheduled formal face-to-face meetings a year, in addition to unscheduled meetings to deal with matters as they arise. The table below sets out the Board and committee attendance for the year ended 30 June 2018. Attendance is shown as the number of meetings attended out of the total number of meetings possible for the individual director during the year.

All directors are expected to:

- Attend all meetings of the Board and of those committees on which they serve
- Attend the Annual General Meeting (AGM)
- Devote sufficient time to the Group's affairs to enable them to fulfil their duties as directors

	Board		Audit committee		Remuneration committee		Nomination committee	
Board attendance	Scheduled	Unscheduled[3]	Scheduled	Unscheduled	Scheduled	Unscheduled	Scheduled	Unscheduled
Total meetings	9	3	4	–	6	–	2	1
Andrew Allner[1]	9/9	3/3	–	–	6/6	–	2/2	–
David Brown[2]	9/9	3/3	–	–	–	–	–	–
Patrick Butcher[2]	9/9	3/3	–	–	–	–	–	–
Katherine Innes Ker[4]	8/9	1/1	4/4	–	6/6	–	2/2	1/1
Adrian Ewer	9/9	2/2	4/4	–	6/6	–	2/2	1/1
Harry Holt[5]	7/7	–	2/2	–	4/4	–	1/1	1/1
Leanne Wood[5]	7/7	–	2/2	–	4/4	–	1/1	1/1
Nick Horler[6]	4/4	1/1	2/2	–	3/3	–	1/1	–

1. The Chairman attends audit committee meetings by invitation as appropriate which are not included in the above attendance. The Chairman was not eligible to attend the unscheduled nomination committee meeting given this related to his own succession planning.
2. The executive directors attend committee meetings by invitation as appropriate which are not included in the above attendance.
3. Unscheduled Board meetings to discuss bus tenders and rail bids were held on 22 August 2017, 4 October 2017 and 12 March 2018. Two of these meetings were sub-committees of the Board and so not all non-executive directors were required to attend.
4. Katherine Innes Ker was unable to attend one scheduled Board meeting due to a family bereavement.
5. Harry Holt and Leanne Wood joined the Board as independent non-executive directors and members of the audit, remuneration and nomination committees with effect from 23 October 2017.
6. Nick Horler retired as independent non-executive director and member of the audit, remuneration and nomination committees with effect from the conclusion of Go-Ahead's AGM on 2 November 2017.

A.2. Division of responsibilities

There is a clear division of responsibilities between the Chairman, who was independent on appointment, and the Group Chief Executive. The Board has adopted a written Statement of Division of Responsibilities between the Chairman and the Group Chief Executive. The Chairman, Andrew Allner, is responsible for the leadership of the Board. The Group Chief Executive, David Brown, is responsible for leading and managing the business within the authorities delegated by the Board. The Group Chief Financial Officer is responsible for providing strategic and financial guidance to ensure that the Group's financial commitments are met.

A.3. The Chairman

Setting the Board agenda is a collaborative effort between the Chairman, Group Chief Executive and Group Company Secretary, which ensures that matters relating to both the Group's operations and its governance are on the agenda. The Chairman ensures that adequate time is available for discussion of all agenda items, in particular strategic issues where more time is now spent in Board meetings debating key issues and key financial matters. The Chairman promotes strong relationships and facilitates constructive challenge between executive and non-executive directors.

The Chairman was considered independent upon his appointment in 2013. He ensures he engages regularly with institutional shareholders.

A.4. Non-executive directors

The non-executive directors bring independent judgement and scrutiny to the decisions taken by the Board. They monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board. Their views are actively sought when developing proposals on strategy, including discussions in meetings, in post meeting conversations, or as part of the annual Board Strategy Day.

The Senior Independent Director, Katherine Innes Ker, offers a sounding board for the Chairman and serves as an intermediary for other directors and shareholders when necessary.

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

If any director has concerns about the running of the Group or a proposed action which cannot be resolved, these will be recorded in the Board minutes. No such concerns arose for the year ended 30 June 2018.

B. Effectiveness

B.1. The composition of the Board

During the year, the Board reviewed the overall balance of skills, experience, independence and behaviours of the Board and committee members. It was satisfied that the Board was of an appropriate size and that the requirements of the business can be met.

Details of the directors, including the skills and experience they each bring to the Board, are on pages 54 and 55.

On 30 June 2018, the Board comprised a non-executive Chairman, two executive directors and four independent non-executive directors, all of whom are equally responsible for the proper stewardship of the Group. Taking into account the provisions of the Code, each of the non-executive directors is considered independent in character and judgement.

The Board reviews the independence of its non-executive directors each year in accordance with the criteria set out in the Code.

B.2. Appointments to the Board

The nomination committee is chaired by the Chairman and consists of all independent non-executive directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience.

Non-executive directors are appointed for specified terms and stand for re-election at each AGM. Any term beyond six years is subject to a rigorous review, taking into account the need for progressive refreshment of the Board.

The principal responsibilities of the nomination committee are:

1. **Board composition** – review the structure, size and composition of the Board
2. **Board balance** – evaluate the balance of skills, knowledge, experience and diversity on the Board
3. **Succession planning** – consider succession planning for the Board and other senior management, taking into account the challenges and opportunities facing the Group and the skills and expertise needed on the Board in the future
4. **Inclusion and diversity** – review and update the Board Inclusion and Diversity Policy
5. **Effectiveness** – review the effectiveness of the committee, including an annual review of the committee's terms of reference. During the year, the terms of reference were updated in accordance with best practice and a copy is available on our corporate website at www.go-ahead.com or upon request from the Group Company Secretary

B.3. Commitment

The majority of the Board, excluding the Chairman (who was independent on appointment), are independent non-executive directors. The independence, effectiveness and time commitment of each non-executive director is reviewed on an annual basis.

The committee also keeps under continual review the time commitments of all Board members, to ensure they do not become overstretched.

The review this year resulted in the committee being satisfied that the contribution made by all directors continued to be effective and that all directors are able to commit fully to their role. Accordingly, all directors will stand for re-election at the 2018 AGM, with full details provided in the Notice of Meeting.

Upon appointment, all new non-executive directors are asked to confirm they are able to devote the time required to fulfil the role and each individual's commitment to their role is reviewed annually as part of their performance evaluation. Letters of appointment for the non-executive directors are available for inspection at the AGM.

Neither the Group Chief Executive or the Group Chief Financial Officer holds any non-executive directorship or chairmanship in a FTSE 100 company. Such appointment would be subject to the approval of the Board which would consider particularly the time commitment required.

External appointments of each individual director are set out on pages 54 and 55.

Effectiveness continued

B.4. Development

All new directors undertake a full induction programme either shortly before or upon joining the Board. The Group Company Secretary, working closely with the Chairman, agrees the personalised induction plan which is designed for each individual, taking into account their existing knowledge, specific areas of expertise and proposed committee appointments. Where appropriate, non-executive directors are given the opportunity to meet institutional shareholders including attending any of our investor relations association and best practice events.

Read more about Harry Holt's and Leanne Wood's induction on page 64.

The Chairman is responsible for ensuring that all non-executive directors receive ongoing training and development to ensure they have the relevant expertise and skills for their role on the Board and its committees.

Equally, as part of their annual performance evaluation, directors are given the opportunity to discuss any of their own additional training and development needs. Directors are expected to take responsibility for identifying additional training needs and to take steps to ensure each is adequately informed about the Group and their responsibilities as a director.

The Board is confident that all of its members have the knowledge, ability and experience to perform the functions required of a director of a UK listed company.

B.5. 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.

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

The Group Company Secretary reports to the Chairman in her role as secretary to the Board and committees and plays a pivotal role in supporting the Chairman to facilitate directors' induction, Board development, effectiveness and best practice. She reports to the Group Chief Financial Officer on all other company secretariat matters, including the management of the Group's bus pension arrangements. The appointment and removal of the Group Company Secretary is a matter requiring Board approval.

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

B.6. Evaluation

The Board evaluation for the year ended 30 June 2018 was conducted internally by the Group Company Secretary and more details can be found on pages 66 and 67. The evaluation of the Board is externally facilitated at least every three years. An externally facilitated Board development programme was carried out for the year ended 1 July 2017 by Better Boards Ltd, which had no other connection with the Group. The Senior Independent Director also chairs an annual meeting of executive and non-executive directors without the Chairman to appraise the Chairman's performance and address any other matters the directors may wish to raise. The Senior Independent Director conveys the outcome of these discussions to the Chairman.

B.7. Re-election

All directors are subject to election at the first AGM following their appointment and annual re-election at each AGM thereafter. All directors are therefore submitting themselves for re-election at the 2018 AGM. Following recommendation from the nomination committee, the Board considers that all directors continue to be effective, committed to their roles and have sufficient time available to perform their duties.

C. Accountability

C.1. Financial and business reporting

The requirement for the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable is taken into consideration in the drafting and reviewing process. The Board has established processes to ensure that all reports and information which are required to be presented in accordance with regulatory requirements are a fair, balanced and understandable assessment of the Group's position and prospects. Further details can be found on page 79.

Read more about the Group's business model, performance, strategy and principal risks on pages 4 to 49.

A statement of the Directors' responsibilities regarding the financial statements is on pages 108 and 109.

C.2. Risk management and internal control

The Board has overall responsibility for risk management and the system of internal controls and for reviewing their effectiveness. Specifically, it determines the extent and nature of the risks it is prepared to take to achieve the Group's strategic objectives. While the Board does not have a separate risk committee, risk management and resource are embedded throughout the organisation with the audit committee responsible for monitoring risk and discussing with the Board as appropriate. The Board has overall responsibility for the Group's risk appetite.

A top-down risk review is combined with a complementary bottom-up approach to ensure that risks are fully considered. As well as complying with the Code, the best practice recommendations in 'Guidance for Risk Management, Internal Control and Related Financial and Business Reporting' have also been adopted.

Accountability continued

Prior to the announcement of full year and half year results, the audit committee reviews the Group's principal risks. This includes a commentary on how risk exposures have changed during the period and any emerging risks in the Group's risk register.

For the year ended 30 June 2018, the Board has carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity.

Read more about the Group's principal risks and a description of the changes during the year on pages 44 to 49.

The system is designed to manage rather than eliminate risk of failure to achieve the Group's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The directors have assessed the Group's viability over a three year period to June 2021 and have 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.

The viability statement and going concern statement are on pages 45 and 109 respectively.

C.3. Audit committee and auditors

The membership of the audit committee, which comprises four independent non-executive directors, provides the range of financial and commercial expertise necessary to meet its responsibilities in a robust and independent manner and has competence relevant to the sector in which the Group operates. Adrian Ewer is a Fellow of the Institute of Chartered Accountants and has recent and relevant financial experience in the UK listed environment, enabling him to fulfil his role as Audit Committee Chair.

Meetings of the committee generally take place immediately prior to a Board meeting to maximise the effectiveness of collaborating with the Board. Meetings are attended by the independent non-executive directors. By invitation, the Chairman, Group Chief Executive, Group Chief Financial Officer, Group Financial Controller and internal and external auditors also regularly attend meetings. The Group Corporate Services Director also attends at least two meetings a year to provide the committee with health and safety reports, including best practice and standards across the operating companies. To ensure matters are progressed, the Audit Committee Chair holds pre-audit committee meetings with management and key advisors between scheduled committee meetings.

At least once a year, the non-executive directors hold separate meetings with the external and internal auditors, without the executive directors being present.

The Audit Committee Chair regularly reports details of the work carried out by the audit committee to the Board in accordance with the committee's 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 at www.go-ahead.com or upon request from the Group Company Secretary.

The principal responsibilities of the audit committee are:

1. External audit – manage and review the reports from the external auditor, recommend any change of external auditor, oversee any retendering process and review remuneration

2. Financial reporting – monitor the integrity of the Group's Annual Report and Accounts, any formal announcements relating to financial performance and consider significant financial reporting issues, judgements and estimates

3. Risk management and internal controls – review the system of internal control and risk management, including financial controls

4. Internal audit – set and monitor the internal audit plan and review its findings

5. Performance – review the performance and work of both the internal and external auditors

6. Whistleblowing and anti-bribery procedures – monitor and review the effectiveness of the whistleblowing and anti-bribery procedures in place

Independence, objectivity and fees 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 audit 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.

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

During the financial year, the Group external auditor's fees were £0.8m (2017: £0.7m); in addition non-audit fees of £0.1m (2017: £0.4m) were payable to the Group's external auditor. As reported last year, the non-audit fees for 2017 included £0.3m for a one-off specific piece of overseas bid work, with the conclusion that Deloitte LLP was the sole advisor able to provide this work. Excluding the one-off overseas bid work, non-audit fees paid for 2017 were £0.1m.

More information on the remuneration of Deloitte LLP is in note 5 of the financial statements on page 144.

Accountability continued

External auditor tenure

Deloitte LLP was appointed as the Group's external auditor in November 2015 following an audit tender. While the Group has no current retendering plans at this time, it will be required to put the external audit contract out to tender by 2025. Deloitte LLP will also be required to rotate the audit partner responsible for the Group audit every five years and therefore the current lead audit partner Chris Powell, who was appointed in November 2015, will be required to step down following the completion of the 2020 audit.

The committee continues to review the external auditor appointment and the need to tender the audit, ensuring the Group's compliance with the Code and the reforms of the audit market by the UK Competition and Markets Authority. Accordingly, the Group confirms that it complies with the provisions of the Competition and Markets Authority's Order for the financial year under review. For the financial year ending 29 June 2019, the audit committee has recommended to the Board that Deloitte LLP be reappointed under the external audit contract and the directors will be proposing the reappointment of Deloitte LLP at the AGM on 1 November 2018.

Internal audit function

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

In accordance with the previously agreed internal audit plan for the year ended 30 June 2018, the committee reviewed reports confirming the findings from the internal audit reviews undertaken, the actions to implement the recommendations and the status of progress against previously agreed actions. During the year, the committee also approved the internal audit plan for the year ending 29 June 2019.

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. During the year, a review of the services provided by PwC was undertaken and a number of changes were made to improve the focus and effectiveness of the internal audit approach.

Whistleblowing and anti-bribery procedures

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

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

Read more about how the audit committee has discharged its responsibilities during the year on pages 76 to 81.

D. Remuneration

D.1. The level and components of remuneration

The remuneration committee believes it is very important that our overall remuneration policy is structured to support both the financial objectives and the strategic priorities of the Group in a manner which is transparent and aligned with shareholders' and stakeholders' long term interests.

The principal responsibilities of the remuneration committee are:

1. **Remuneration policy** – develop the remuneration policy for the executive directors, including the balance between fixed and performance-related, cash and share-based, immediate and deferred remuneration
2. **Effectiveness** – review the ongoing appropriateness and effectiveness of the Group's remuneration policy
3. **Pay and reward** – regularly review the design and targets for performance-related pay arrangements and approve the total annual payments and awards
4. **Terms and conditions** – ensure adherence to the policy set for executive directors' service agreements, including recruitment and compensation payment policies
5. **Group pay** – recommend and monitor the level and structure of remuneration for senior management within the Group
6. **Chairman's pay** – determine the fees of the Chairman

The Directors' remuneration report is on pages 82 to 105.

D.2. Procedure

When determining policy on executive remuneration the remuneration committee takes into account all factors which it deems necessary. These include relevant legal and regulatory requirements, the provisions of the Code, associated guidance and views of principal shareholders.

The remuneration committee comprises the Chairman and four independent non-executive directors. 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. During the year ended 30 June 2018, no individual was present when his or her own remuneration was being determined.

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 at www.go-ahead.com or upon request from the Group Company Secretary.

Details of advisors who provided services to the remuneration committee during the year are on page 103.

E. Relations with shareholders

E.1. Dialogue with shareholders

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

The Group's investor relations (IR) team has regular dialogue between the executive directors and current and potential shareholders, through group and one-to-one meetings, presentations, roadshows and conferences. The executive team is also in regular contact with sell-side analysts and broker sales teams to communicate the Group's performance and strategy. The Chairman is available to meet investors, as are the Senior Independent Director and committee chairs, who appreciate the opportunity to do so.

The Group Chief Financial Officer provides the Board with regular reports and updates, including analysts' reviews, analysis of the shareholder register and shareholder feedback. Understanding shareholders' views is important. Following our roadshows, our corporate advisors gather detailed feedback from institutional shareholders which is presented to the Board and we also welcome direct feedback at any point in the year. Feedback forms an important part of the Board's strategic discussions and also assists the IR team in improving the quality of communications. During the year, we conducted an in-house investor perception survey and held our first Go-Ahead Investor and Analyst Networking event in London which, going forward, will be held annually.

More information on page 25.

We also communicate with the wider investment community through regular news releases and trading updates via the London Stock Exchange which are also published on our website (www.go-ahead.com). The IR section of our website 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.

Read more about how the Board listens to our wider stakeholders on pages 68 and 69.

E.2. Constructive use of general meetings

The AGM is an opportunity for the Board to communicate with and answer questions from shareholders. All Board members are available to meet informally with shareholders before and after the meeting.

Full details of the business to be discussed at the Group's next AGM on Thursday 1 November 2018 can be found in the Notice of AGM. This is posted to registered shareholders at least 20 working days in advance of the meeting and will also be available on our website at www.go-ahead.com.

The Group proposes separate resolutions on each substantially separate issue, with voting conducted by poll. The Board believes this voting process is more democratic than a show of hands since all shares voted at the meeting, as well as proxy votes lodged before the meeting, are counted. For each resolution, shareholders will have the option to vote either for or against a resolution, or to withhold their vote. Following the meeting, the number of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Group's website.

When the Board is of the opinion that a significant proportion of the votes at any general meeting is cast against a resolution, the Group will explain, when announcing the results of the vote, the actions it intends to take to gain an understanding of the reasons behind the vote.


Platforms 8 and 9
The lift is behind you

Group Financial Statements

In this section

Report on the audit of the financial statements

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 30 June 2018 and of the group's profit 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 company statements of changes in equity;
- the consolidated and company balance sheets;
- the consolidated cash flow statement;
- the critical accounting judgements and key sources of estimation uncertainty;
- the notes to the consolidated financial statements 1 to 28 and to the parent company financial statements 1 to 19.

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" (United Kingdom Generally Accepted Accounting Practice).

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. 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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Franchise compliance and associated income under rail contracts • Govia Thameslink Railway (GTR) – ongoing operational and financial challenges • Rail franchise, dilapidation and other provisions and accruals • Valuation of uninsured liabilities • Valuation of pension scheme liabilities and related disclosures • Revenue recognition for the bus division Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The group materiality that we used in the current year was £6.0m (2017: £6.7m) which was determined as 5% of pre-tax profit before exceptional items.
Scoping	Full audit procedures were performed over 98% of the group's total assets, 99% of the group's revenue, and 95% of the group's profit before tax.
Significant changes in our approach	There have been no significant changes in our key audit matters, scoping or audit approach when compared to prior year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1 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 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.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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 page 46-49 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 46 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 45 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.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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 year 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.

Franchise compliance and associated income under rail contracts

Key audit matter description	In respect of the two 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, and/or income/penalties that can arise based on the actual performance of the individual TOC under the franchise agreement. Revenue for the year-ended 30 June 2018 totalled £2,527.3m (2017: £2,579.1m) for the rail operating segment, as disclosed in note 3 of the consolidated financial statements. This is noted in the critical accounting judgements and key sources of estimation uncertainty note on page 134 of the Annual Report and in the key financial and internal control matters in the Audit Committee report on page 80 of the Annual Report. 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.
How the scope of our audit responded to the key audit matter	• We have read the franchise agreements, understood their critical elements and assessed compliance with the franchise requirements. We 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 would not be delivered. • We performed detailed testing of all significant assets, provisions and accruals, and associated revenue or costs recognised to assess whether their recognition and quantum was appropriately stated. We assessed whether there were any indicators that the assets or liabilities held should no longer be recognised due to the passage of time, changes in contractual commitments, or legal requirements. • We assessed whether the provisions met the criteria for recognition under IAS 37 and whether they had been appropriately classified. • We tested the schedules prepared by management to source information, evaluated whether they were compliant with the franchise agreements, and tested the calculations applied including recalculation where relevant. • We held meetings with the Finance Directors and members of the finance teams to assess on a case by case basis the movements in the provisions and accruals, during the year 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. • We reviewed relevant legal documentation, minutes of meetings held and correspondence with Department for Transport (DfT). • We reviewed the accounts disclosures to assess whether they were appropriate.
Key observations	The results of our procedures were satisfactory. We concurred with the judgements made and the resultant accounting for all rail franchise contracts.

Govia Thameslink Rail – Ongoing operational and financial challenges

Key audit matter description

This key audit matter relates to the judgements associated with franchise compliance at GTR and the completeness of any potential issues where revenue could be overstated or provisions/accruals required. This relates to ongoing issues surrounding infrastructure replacement and also the impact of the disruption arising from the May 2018 timetable change. Consistent with the prior year there have been ongoing discussions with the Department for Transport (DfT) regarding a number of contractual variations relating to the points above and other factors relating to the original contract. Specifically, the Annual Report discloses a potential impact to profit of plus or minus £5m relating to ongoing discussions about service changes and rolling stock cascades in 2018 as part of the Thameslink Programme. This is detailed on page 41 of the Annual Report.

This is noted in the critical accounting judgements and key sources of estimation uncertainty note on page 134 and in the key financial and internal control matters noted on page 80 of the Annual Report.

Due to the complexity of the GTR franchise, the associated accounting, and the level of management judgement involved, we deemed this a potential fraud risk for our audit.

How the scope of our audit responded to the key audit matter

- We reviewed relevant legal documentation, minutes of meetings held and correspondence with DfT.
- We gained an understanding of each significant accrual and provision, the basis of estimation and the range of possible outcomes, discussed with the GTR Finance Director and relevant members of the finance, operations franchise compliance and infrastructure management teams. We have corroborated the existence and quantum of each obligation to supporting documentation, have considered alternative evidence to the extent that it exists, and re-performed management's calculations.
- We assessed whether the provisions met the criteria for recognition under IAS 37 and whether they had been appropriately classified.
- We have read the franchise agreement, understood its critical elements and verified that the revenue recognised is in accordance with the franchise requirements. We assessed the impact of amendments to the agreement in the year.
- We challenged management's rationale for not recognising the GTR franchise as an onerous contract.
- We reviewed the disclosure of the estimation risk in the judgements surrounding the GTR contract in the Annual Report (page 41) to assess whether they were appropriate.

Key observations

We concurred with management's judgements and accounting treatment relating to the liabilities associated with the GTR franchise.

We concluded that the assumptions used by management in not recognising the GTR contract as onerous were reasonable.

We concurred with the disclosure of the high level of estimation risk in the judgements surrounding the GTR contract in the Annual Report.

We concurred with the disclosure of the contractual position of the GTR franchise following the implementation of a revised timetable in May in the Annual Report. This is detailed in page 41 of the Annual Report.

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, in particular third party claims; and dilapidation provisions relating to rolling stock, depots and stations (see note 24 of the financial statements). Franchise commitments total £51.9m as at 30 June 2018 (2017: £53.0m).

This is noted in the critical accounting judgements and key sources of estimation uncertainty note on page 134 and in the key financial and internal control matters in the Audit Committee report on page 80 of the Annual Report. Due to the level of management judgement involved, we deemed this a potential fraud risk for our audit.

How the scope of our audit responded to the key audit matter

- We gained an understanding of each significant accrual or provision and the basis of estimate with the Finance Director and relevant members of the finance team, and assessed this in-line with the franchise agreement and associated clauses.
- We have corroborated amounts to supporting documentation and evidence for the valuation and existence of the obligation, and have considered alternative evidence to the extent that it exists. We have re-performed management's calculations to assess the quantum of the obligation outstanding at year-end.
- We assessed whether the provisions met 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.
- We 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.
- We reviewed relevant legal documentation and correspondence with Network Rail in respect of ongoing disputes. Where management have relied on an estimate by a legal advisor we have assessed the experience, qualifications and knowledge of that legal advisor.

Key observations	The results of our procedures were satisfactory and we concurred with the level of provisions and accruals held, which were supported by third party reports or alternative evidence.

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 was required in the assessment of the recognition criteria in each individual circumstance and the level of the provision held. The calculation of the self-insurance provision also required significant levels of management judgement regarding the level of provision required in respect of claims incurred but not reported (IBNR) based on historic trends. Due to the level of management judgement involved we deemed this a potential fraud risk for our audit. The uninsured claims provision held in the group financial statements at 30 June 2018 was £45.3m (2017: £44.3m) (see note 24: Provisions). It is noted in the critical accounting judgements and key sources of estimation uncertainty note on page 134 and in the key financial and internal control matters in the Audit committee report on page 80 of the Annual Report.
How the scope of our audit responded to the key audit matter	• We gained an understanding of the group's obligations under its insurance policies with relevant members of the finance team and reviewed policy documentation to confirm these. • We gained a detailed understanding of the methodology used to calculate the claims incurred liabilities, including the judgements made by management's experts. Where management have relied on the judgement of an expert, we have assessed the experience, qualifications and knowledge of that expert. • We assessed the completeness of the detailed claims reports received and reconciled these to the provisions held. • We gained a detailed understanding of the approach used to determine the provision for claims incurred but not reported and tested this provision against historical trends. • We 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 IBNR provision and to identify any inconsistencies between the minutes and our understanding from the review of provisions performed. • We assessed the self-insurance provision to settled 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. This also included a comparison of prior year provisions against actual claims paid to assess the historic accuracy of the provision.
Key observations	The results of our procedures were satisfactory and we concurred with the level of provisions held. We note that the element of the provision which relates to incurred but not reported claims is conservatively derived but within an acceptable range. This element totals £9.7m (2017: £7.7m) of the £45.3m (2017: £44.3m) total self-insurance provision.

Valuation of pension scheme liabilities and related disclosures

Key audit matter description	Given the size of the group, managing the pension liabilities is complex and significant judgement is required in determining the value of the liabilities provided as set out in the critical accounting judgements and key sources of estimation uncertainty note on page 134. The significant judgements made relate to the assumptions underpinning the calculation of the group's defined benefit pension liability and also relate to the accounting treatment for the Rail Pension Scheme. The liabilities of the schemes are highly sensitive to any changes in long-term assumptions year on year which could materially impact the group's balance sheet position. The values and associated disclosures are set out in note 27 and also discussed in the key financial and internal control matters in the Audit Committee report on page 80 of the Annual Report.
How the scope of our audit responded to the key audit matter	• We involved our actuarial experts 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, longevity of current and deferred members and the selection of a suitable discount rate. • We involved our actuarial experts to assess the appropriateness of the methodology used by management's actuaries to calculate the liabilities for the pension schemes. • We reviewed the membership data for the Go-Ahead Pension Plan utilised by the actuaries to calculate the liabilities for the pension scheme. • We reviewed the accounting treatment of the Railway Pension Scheme for compliance with the group's accounting policy and IFRS. We assessed the pension disclosures in the financial statements and considered their compliance with the requirements of IAS 19 (revised).

Key observations	We are satisfied that the assumptions applied in respect of the valuation of the scheme liabilities are appropriate. These assumptions fall within the middle of our acceptable range. We concur with the recognition of a pre-tax, non-cash exceptional credit of £35.2m in the income statement as a result of the change from RPI to CPI. We consider the disclosure around the sensitivity analysis to be appropriate and consistent with our work performed as per Note 27 of the Annual Report.

Revenue recognition for the bus division

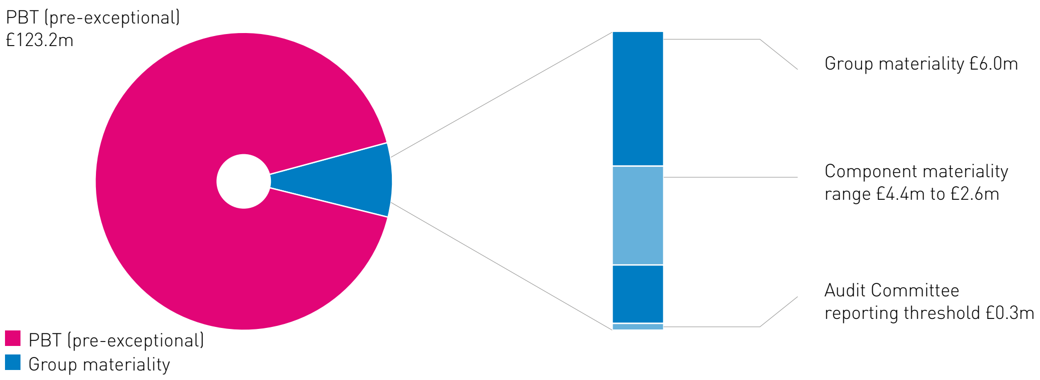
Key audit matter description	In the bus division the key audit matter over revenue recognition has been focused on whether recognising revenue in relation to concessionary fare income, contract sales and most significantly Quality Incentive Contract premiums (QIC) in London Bus is appropriate. Judgement is involved in determining QIC revenue which is based on performance measures associated with the contract. Revenue for the year ended 30 June 2018 totalled £934.2m (2017:£902.0m) for the bus operating segment (see segmental analysis Note 3 of the Annual Report). Due to the management judgement involved in determining QIC revenue we deemed this a potential fraud risk for our audit.
How the scope of our audit responded to the key audit matter	• We gained an in-depth understanding of the process undertaken to recognise revenue in the bus businesses with the finance team assessing this was in-line with external contracts in place. • We performed detailed testing to supporting documentation of the key revenue balances at each bus business within our audit scope including assessing the judgements associated with the Quality Incentive Contract premium income recognised in London Bus.
Key observations	We are satisfied that the recognition of revenue in the bus division is appropriate.

Our application of 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	£6.0m (2017: £6.7m)	£2.4m (2017: £3.3m)
Basis for determining materiality	5% of pre-tax profit (2017: 5%) before exceptional items. (Exceptional items have been defined in the critical accounting judgements and key sources of estimation uncertainty of the Annual Report).	Determined based on 3% equity but capped at 40% of group materiality
Rationale for the benchmark applied	Pre-tax profit was selected as the appropriate measure on which to calculate materiality as it is considered an area of focus for the users of the accounts. We excluded exceptional items from pre-tax profit so that the basis remained consistent with underlying profit and hence prior year.	Equity has been selected as an appropriate measure on which to calculate materiality as the Parent company is a Holding company.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.3m (2017: £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.

An overview of the scope of our audit

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 12 principal locations including all the UK rail businesses which were subject to a full audit. The locations in scope represent the principal business units and account for 98% of the group's total assets, 99% of the group's revenue and 95% of the group's profit before tax, with the bus businesses out of scope contributing an immaterial loss. 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.

At the parent entity 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 or audit of specified account balances.

The group audit team continued to follow a programme of planned visits that has been designed so that either the Senior Statutory Auditor or a senior member of the group audit team visits each of the locations where the group audit scope was focused at least once every year and the most significant of them at least twice a year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report including the Strategic report on pages 1-49, the Governance section on pages 50-115, and the shareholder information on pages 199-204 other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

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.

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.

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 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.

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.

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, our procedures included the following:

- enquiring of management, enquiring of and reviewing the reports of internal audit and the audit committee, including obtaining and reviewing supporting documentation, concerning the group's 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;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations
- discussing among the engagement team (including significant component audit teams) and involving relevant internal specialists, including tax, financial instrument specialists, and pensions specialists how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the judgemental areas of key management judgements
- obtaining an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation. In addition, we consider the terms of the group's schedules of the franchise agreements for the train operating companies, as non-compliance could have a material effect on the financial statements.

Audit response to risks identified

As a result of performing the above, we identified the following key audit matters;

- Franchise compliance and associated income under rail contracts
- Govia Thameslink Railway (GTR) – ongoing operational and financial challenges
- Rail franchise, dilapidation and other provisions and accruals
- Valuation of uninsured liabilities
- Revenue recognition for the bus division

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 relevant laws and regulations discussed above;
- 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 Department for Transport and HMRC; 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

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 of 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.

Matters on which we are required to report by exception

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.

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.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Company's members at its annual general meeting on 22 October 2015 to audit the financial statements for the year ending 2 July 2016 and subsequent financial periods. Our total uninterrupted period of engagement is 3 years, covering periods from our appointment through to the period ending 30 June 2018.

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).

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.

Chris Powell

Christopher Powell, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

5 September 2018

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2018

	Notes	Pre-exceptional 2018 £m	Exceptional items 2018 £m	Post-exceptional 2018 £m	2017 £m
Group revenue	4	**3,461.5**	**–**	**3,461.5**	3,481.1
Operating costs	5, 7	**(3,325.6)**	**25.1**	**(3,300.5)**	(3,330.5)
Group operating profit		**135.9**	**25.1**	**161.0**	150.6
Share of result of joint venture		**(1.1)**	**–**	**(1.1)**	(0.4)
Finance revenue	4, 8	**2.5**	**–**	**2.5**	2.4
Finance costs	8	**(14.1)**	**(2.6)**	**(16.7)**	(15.8)
Profit before taxation		**123.2**	**22.5**	**145.7**	136.8
Tax expense	9	**(24.9)**	**(11.5)**	**(36.4)**	(25.3)
Profit for the year from continuing operations		**98.3**	**11.0**	**109.3**	111.5
Attributable to:					
Equity holders of the parent		**78.0**	**11.0**	**89.0**	89.1
Non-controlling interests		**20.3**	**–**	**20.3**	22.4
		98.3	**11.0**	**109.3**	111.5
Earnings per share					
– basic	10	**181.6p**	**25.6p**	**207.2p**	207.7p
– diluted	10	**181.2p**	**25.5p**	**206.7p**	207.1p
Dividends paid (pence per share)	11			**102.08p**	97.69p
Final dividend proposed (pence per share)	11			**71.91p**	71.91p

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 decreased by 0.6% to £3,461.5m (2017: £3,481.1m). The rail operations comprised 73.0% of the total revenue and declined by 2.0% during the year to £2,527.3m. Regional bus comprised 11.1% of revenue, growing by 1.9% to £383.7m and London bus comprised the remaining 15.9%, growing by 4.8% to £550.5m. Divisional performance is shown in note 3.

Operating profit

Overall, the operating profit, before exceptional items, decreased 9.8% from £150.6m to £135.9m with reduced profitability in rail and a slight increase in bus. Rail profit margins decreased from 2.3% to 1.8%, the regional bus margins declined from 12.5% to 11.9% whilst London bus remained stable at 8.3%. While cost control is a central focus across the business, rail profitability has declined following the expiry of the London Midland franchise but is underpinned by the benefits of effective contract management.

Exceptional operating items

During the year, The Go-Ahead Group Pension Plan (the Go-Ahead Plan) changed the reference inflation index used to estimate the annual increases to the majority of pensions payable from the Retail Price Index (RPI) to the Consumer Prices Index (CPI). This has resulted in a one-off gain of £35.2m, in relation to the bus scheme.

Goodwill and asset impairments of £10.1m relate to regional bus operations.

Finance costs

Net finance costs have increased slightly due to an estimated accrued interest charge on a current HMRC capital allowances taxation enquiry.

Tax expense

The tax expense increased from £25.3m in 2017 to £36.4m. The tax expense includes an amount accrued in relation to a current HMRC capital allowances taxation enquiry and the impact of exceptional items. The 2018 effective tax rate is 25.0% (2017:18.5%). The effective rate is higher than the statutory rate primarily due to the impact of this enquiry provision (2017: lower primarily due to the opening deferred tax rate reduction).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2018

	Notes	2018 £m	2017 £m
Profit for the year		**109.3**	111.5
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement gains/(losses) on defined benefit pension plans	27	**18.9**	(24.2)
Tax relating to items that will not be reclassified	9	**(3.3)**	4.1
		15.6	(20.1)
Items that may subsequently be reclassified to profit or loss:			
Unrealised gains/(losses) on cashflow hedges		**30.5**	(3.2)
(Gains)/losses on cashflow hedges taken to income statement – operating costs		**(2.3)**	6.7
Tax relating to items that may be reclassified	9	**(5.2)**	(0.9)
Foreign exchange gain/ (loss)		**0.8**	(0.3)
		23.8	2.3
Other comprehensive gains/(losses) for the year, net of tax		**39.4**	(17.8)
Total comprehensive income for the year		**148.7**	93.7
Attributable to:			
Equity holders of the parent		**128.4**	71.3
Non-controlling interests		**20.3**	22.4
		148.7	93.7

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:

Profit for the year

The profit for the year after taxation is £109.3m and includes amounts attributable to equity shareholders and non-controlling interests.

Remeasurement of defined benefit pension plans

As analysed in note 27 the remeasurement gains on defined benefit pension plans were £18.9m, which consisted of rail pension plans showing remeasurements of £nil and bus pension plans showing remeasurements of £18.9m.

Unrealised gains 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 increases in market prices a gain in the year arose.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Share premium reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 2 July 2016	72.1	(70.9)	(10.8)	1.6	0.7	178.4	171.1	24.0	195.1
Profit for the year	–	–	–	–	–	89.1	89.1	22.4	111.5
Net movement on hedges (net of tax)	–	–	2.6	–	–	–	2.6	–	2.6
Remeasurement on defined benefit retirement plans (net of tax) (note 27)	–	–	–	–	–	(20.1)	(20.1)	–	(20.1)
Foreign exchange loss	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Total comprehensive income	–	–	2.6	–	–	68.7	71.3	22.4	93.7
Exercise of share options	–	1.4	–	–	–	(1.4)	–	–	–
Share based payment charge (and associated tax) (note 6)	–	–	–	–	–	2.4	2.4	–	2.4
Acquisition of own shares	–	(2.4)	–	–	–	–	(2.4)	–	(2.4)
Share issue	1.5	–	–	–	–	–	1.5	–	1.5
Dividends (note 11)	–	–	–	–	–	(41.8)	(41.8)	(21.3)	(63.1)
At 1 July 2017	73.6	(71.9)	(8.2)	1.6	0.7	206.3	202.1	25.1	227.2
Profit for the year	**–**	**–**	**–**	**–**	**–**	**89.0**	**89.0**	**20.3**	**109.3**
Net movement on hedges (net of tax)	**–**	**–**	**23.0**	**–**	**–**	**–**	**23.0**	**–**	**23.0**
Remeasurement on defined benefit retirement plans (net of tax) (note 27)	**–**	**–**	**–**	**–**	**–**	**15.6**	**15.6**	**–**	**15.6**
Foreign exchange gain	**–**	**–**	**–**	**–**	**–**	**0.8**	**0.8**	**–**	**0.8**
Total comprehensive income	**–**	**–**	**23.0**	**–**	**–**	**105.4**	**128.4**	**20.3**	**148.7**
Exercise of share options	**–**	**1.7**	**–**	**–**	**–**	**(1.7)**	**–**	**–**	**–**
Share based payment charge (and associated tax) (note 6)	**–**	**–**	**–**	**–**	**–**	**1.7**	**1.7**	**–**	**1.7**
Acquisition of own shares	**–**	**(1.1)**	**–**	**–**	**–**	**–**	**(1.1)**	**–**	**(1.1)**
Share issue	**0.6**	**–**	**–**	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Dividends (note 11)	**–**	**–**	**–**	**–**	**–**	**(43.8)**	**(43.8)**	**(13.9)**	**(57.7)**
At 30 June 2018	**74.2**	**(71.3)**	**14.8**	**1.6**	**0.7**	**267.9**	**287.9**	**31.5**	**319.4**

The consolidated statement of changes in equity shows the movements in equity shareholders' funds and non-controlling interests

Equity shareholders' funds increased from £202.1m to £287.9m as a result of retained profit for the year exceeding dividend payments, plus gains on both the fuel hedge derivatives and on the remeasurement of defined benefit retirement plans.

Non-controlling interests have increased from £25.1m to £31.5m and consist of the appropriate share of 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 increase is due to increases in market prices resulting in a gain in the year.

CONSOLIDATED BALANCE SHEET
as at 30 June 2018

	Notes	2018 £m	2017 £m
Assets			
Non-current assets			
Property, plant and equipment	12	**628.7**	575.2
Intangible assets	13	**91.5**	91.5
Deferred tax assets	9	**0.1**	6.1
Investments	28	**0.3**	–
Interests in joint ventures		**–**	0.8
Other financial assets	23	**8.1**	–
Retirement benefit obligations	27	**41.4**	–
		770.1	673.6
Current assets			
Inventories	16	**15.2**	18.9
Trade and other receivables	17	**342.9**	332.5
Other financial assets	23	**10.0**	0.2
Assets classified as held for sale	15	**13.1**	1.7
Cash and cash equivalents	18	**556.5**	590.2
		937.7	943.5
Total assets		**1,707.8**	1,617.1
Liabilities			
Current liabilities			
Trade and other payables	19	**(804.8)**	(836.6)
Other financial liabilities	23	**–**	(7.3)
Interest-bearing loans and borrowings	20	**(8.4)**	(201.5)
Current tax liabilities	9	**(20.5)**	(12.0)
Provisions	24	**(29.6)**	(40.3)
		(863.3)	(1,097.7)
Non-current liabilities			
Trade and other payables	19	**(1.0)**	(1.0)
Other financial liabilities	23	**–**	(3.0)
Interest-bearing loans and borrowings	20	**(394.8)**	(157.6)
Retirement benefit obligations	27	**(4.6)**	(20.9)
Deferred tax liabilities	9	**(51.0)**	(47.8)
Provisions	24	**(73.7)**	(61.9)
		(525.1)	(292.2)
Total liabilities		**(1,388.4)**	(1,389.9)
Net assets		**319.4**	227.2
Capital & reserves			
Share capital	25	**74.2**	73.6
Reserve for own shares	25	**(71.3)**	(71.9)
Hedging reserve	25	**14.8**	(8.2)
Share premium reserve	25	**1.6**	1.6
Capital redemption reserve	25	**0.7**	0.7
Retained earnings	25	**267.9**	206.3
Total shareholders' equity		**287.9**	202.1
Non-controlling interests		**31.5**	25.1
Total equity		**319.4**	227.2

The financial statements were approved by the Board of Directors on 5 September 2018 and were signed on its behalf by:

Andrew Allner,
Chairman

Patrick Butcher,
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 £628.7m, £53.5m up 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 £126.7m on assets, £99.6m in the bus division as part of our commitment to the investment in our bus fleet, and £27.1m in the rail division; offsetting this were depreciation charges of £82.7m, £61.8m in bus and £20.9m in rail. Impairments in the year of £2.4m related to the carrying value of rolling stock and plant and equipment in regional bus.

Intangible assets

The total intangible balance of £91.5m is in line with the prior year. Goodwill on the acquisition of bus businesses represented an addition of £0.6m during the year. Other additions comprised £3.3m of software costs and £6.4m of franchise set-up costs. Acquisitions of customer contracts comprised £1.3m in the bus business. Impairments in the year, mainly relating to goodwill, were £8.4m. The amortisation charge for the year totalled £3.3m.

Other current assets

The Group's current assets totalled £937.7m, down £5.8m on the prior year. Of this decrease, £33.7m was in cash, mainly as a result of cash held in the rail business which decreased as a result of the expiry of the London Midland franchise. Offsetting this was an increase in debtors within GTR attributable to a higher passenger income receivable.

Other financial assets

Included in current assets is £10.0m and in non-current assets is £8.1m which represent the mark to market value of the fuel hedges, split between those due within one year and those due in more than one year.

Trade and other payables

Trade and other payables have decreased by £31.8m to £804.8m, mainly attributable to the expiry of the London Midland franchise.

Interest bearing loans and borrowings

Non-current interest bearing loans and borrowings totalled £394.8m, up from £157.6m in 2017. Principal balances within this are amounts drawn on our revolving credit facility of £136.0m and the £250.0m corporate bond, offset by deferred debt issue costs. Current interest bearing loans and borrowings totalled £8.4m, £201.5m in 2017. This is mainly attributable to the £250.0m corporate bond which replaced the £200.0m corporate bond when this was repaid on 29 September 2017. Interest rates and movements on these balances are shown in full in note 20.

Retirement benefit obligations

Further details of the retirement benefit obligations in both bus and rail are shown in note 27. The net surplus on the bus schemes totals £36.8m 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. Under the terms of the agreement with the scheme trustees, cash payments of £3.9m per annum, payable for 21 years, commencing on 31 December 2013 and increasing at a growth rate of 3% each year, are made by the Group. The rail deficit is £nil reflecting that the franchise adjustment (for the amounts which are the ongoing responsibility of the 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 £45.3m is £1.0m higher than in 2017. Rail franchise commitments are lower than prior year at £51.9m. 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 30 June 2018

	Notes	2018 £m	2017 £m
Profit after tax for the year		**109.3**	111.5
Net finance costs	8	**14.2**	13.4
Tax expense	9	**36.4**	25.3
Depreciation of property, plant and equipment	12	**82.7**	65.4
Amortisation of intangible assets	13	**3.3**	3.1
Goodwill/asset impairment	7	**10.1**	–
Share of result of joint venture		**1.1**	0.4
Profit on sale of assets held for sale		**(0.9)**	–
Profit on sale of property, plant and equipment		**(7.3)**	(0.3)
Share based payment charges	6	**2.2**	2.7
Difference between pension contributions paid and amounts recognised in the income statement		**(6.3)**	(6.0)
Pension scheme exceptional items	7	**(35.2)**	–
Decrease/(increase) in inventories		**1.5**	(0.3)
(Increase)/decrease in trade and other receivables		**(1.9)**	8.0
Decrease in trade and other payables		**(18.9)**	(40.7)
Movement in provisions		**0.7**	(4.3)
Cashflow generated from operations		**191.0**	178.2
Taxation paid	9	**(28.7)**	(34.1)
Net cashflows from operating activities		**162.3**	144.1
Cashflows from investing activities			
Interest received		**2.5**	2.4
Proceeds from sale of property, plant and equipment		**15.4**	2.2
Proceeds from sale of assets held for sale		**1.7**	–
Purchase of property, plant and equipment		**(126.7)**	(141.9)
Purchase of property, plant and equipment held for sale		**(11.4)**	–
Purchase of intangible assets		**(10.1)**	(5.0)
Purchase of businesses	14	**(9.2)**	(11.7)
Cash acquired with subsidiary		**2.0**	0.5
Transferred with franchise		**(23.5)**	–
Acquisition of investments		**(0.3)**	–
Net cashflows used in investing activities		**(159.6)**	(153.5)
Cashflows from financing activities			
Interest paid		**(15.8)**	(15.1)
Dividends paid to members of the parent	11	**(43.8)**	(41.8)
Dividends paid to non-controlling interests		**(13.9)**	(21.3)
Payment to acquire own shares		**(1.1)**	(2.4)
Foreign exchange gain/(loss)		**0.8**	(0.3)
Repayments of borrowings		**(222.5)**	–
Proceeds from borrowings		**260.2**	43.8
Proceeds from issue of shares		**0.6**	1.5
Payment of finance lease and hire purchase liabilities		**(0.9)**	(1.1)
Net cash outflows on financing activities		**(36.4)**	(36.7)
Net decrease in cash and cash equivalents		**(33.7)**	(46.1)
Cash and cash equivalents at 1 July 2017	18	**590.2**	636.3
Cash and cash equivalents at 30 June 2018	18	**556.5**	590.2

Cash balances of £438.9m (2017: £516.1m) were restricted at 30 June 2018, further details are shown in note 18.

The consolidated cashflow statement shows the cashflows from operating, investing and financing activities for the year

Net cash/debt

Closing adjusted net debt was £289.0m, an increase of £3.2m from opening adjusted net debt of £285.8m.

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.

Summary cashflow	2018 £m	2017 £m	Increase/ (decrease) £m
EBITDA	**221.9**	219.1	2.8
Working capital/other items (excluding restricted cash movements)	**10.9**	5.3	5.6
Cashflow generated from operations (excluding restricted cash movements)	**232.8**	224.4	8.4
Tax paid	**(28.7)**	(34.1)	5.4
Net interest paid	**(13.3)**	(12.7)	(0.6)
Net capital investment	**(119.2)**	(144.7)	25.5
Dividends paid to non-controlling interests	**(13.9)**	(21.3)	7.4
Free cashflow	**57.7**	11.6	46.1
Net acquisitions	**(7.5)**	(11.2)	3.7
Other	**(9.1)**	(4.2)	(4.9)
Payments to acquire own shares	**(1.1)**	(2.4)	1.3
Proceeds from issue of shares	**0.6**	1.5	(0.9)
Dividends paid to members of the parent	**(43.8)**	(41.8)	(2.0)
Increase in adjusted net debt[1]	**(3.2)**	(46.5)	43.3
Opening adjusted net debt[1]	**(285.8)**	(239.3)	n/a
Closing adjusted net debt[1]	**(289.0)**	(285.8)	n/a

1. Adjusted net debt represents net cash less restricted cash.

EBITDA (earnings before interest, tax, depreciation and amortisation) increased by £2.8m or 1.3% to £221.9m through a small increase in profitability, mainly within the bus divisions.

Capital expenditure, net of sale proceeds, was £25.5m lower in the year at £119.2m (2017: £144.7m) predominantly due to reduced bus vehicle purchases in the London bus fleet.

Tax payments in the year decreased by £5.4m to £28.7m primarily due to settlement of prior years' tax charges in the prior year.

EBITDA reconciliation

	2018 £m	2017 £m
Profit after tax for the year	**109.3**	111.5
Exceptional operating items	**(25.1)**	–
Net finance costs	**14.2**	13.4
Tax expense	**36.4**	25.3
Depreciation of property, plant and equipment	**82.7**	65.4
Amortisation of intangible assets	**3.3**	3.1
Share of result of joint venture	**1.1**	0.4
	221.9	219.1

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.

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:

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 items have been classified as exceptional and further details are given in note 7, a gain on the change in pension plan assumptions from RPI to CPI, certain goodwill and asset impairments and provisions in respect of an ongoing HMRC capital allowances taxation enquiry.

There were no exceptional items in the comparative year.

Accounting for the rail pension schemes

The train operating companies participate in the RPS, a defined benefit pension scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses the RPS is a shared cost scheme which means that costs are formally shared 60% employer 40% employee. The Group only recognises its share of costs in the income statement.

Uninsured claims

The measurement of uninsured liabilities is based on an assessment of both the expected settlement of known claims and of the cost of claims not yet reported to the Group, as detailed in note 24. In order to assess the appropriate level of provisions the Group engages with its brokers and claims handlers to ensure external expertise is adequately factored in to the provision for known claims.

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:

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. 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. The GTR franchise is complex and there are a number of contractual discussions underway with the DfT that have a range of reasonably possible outcomes. Management's judgements are that, relating to events up to 30 June 2018, the impact on rail profitability of these outcomes is likely to be within a range of plus or minus £5m.

Following the implementation of a revised timetable in May, the performance of GTR services has been below certain contractual thresholds. These shortfalls are in large measure attributable to failings across the industry and are not the sole responsibility of GTR. Discussions are continuing with the DfT to apportion accountability for these shortfalls. It is possible that the DfT will determine that a sufficient part of these failings are down to GTR and that it is in breach of its contractual obligations. At that point, the DfT may choose, as is usual, to require the production of a Remedial Plan and/or seek to impose penalties or may seek to terminate the contract.

In the event of a termination, it is possible that there will be costs that the DfT will seek to recover from GTR. These are not possible to estimate at this stage and in any event would be contested. GTR continues to work hard to further stabilise and improve services for customers and remains committed to working with the DfT to resolve both the long outstanding contract variations which support the delivery of new services and will address remaining contractual performance issues described above.

Contract and franchise accounting specific to the rail business is disclosed in the segmental analysis in note 3.

Measurement of franchise commitments

The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations and also income claims from other rail franchise operators, is set out in note 24. Significant elements of the provisions required are subject to interpretation of franchise agreements and rolling stock agreements. The Group has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the most probable outcomes. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from professional external advisors to support provision levels.

Retirement benefit obligations – Bus schemes

The measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 27. The Group engages 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.

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 30 June 2018 were authorised for issue by the Board of directors on 5 September 2018 and the balance sheet was signed on the Board's behalf by Andrew Allner and Patrick Butcher. The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Group's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

The consolidated financial statements of the Group have been prepared in accordance with IFRSs as adopted by the European Union (EU) as they apply to the consolidated financial statements of the Group for the year ended 30 June 2018, and applied in accordance with the provisions of the Companies Act 2006.

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 and 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 twelve 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 information is detailed in the directors' report.

New standards

The following new standards or interpretations are mandatory for the first time for the financial year ended 30 June 2018:

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs 2014 – 2016 Cycle

Reflecting the nature of the Group, adoption of these new standards and interpretations had no material impact on the financial position or reported performance of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Group and its subsidiaries as at 30 June 2018.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries for use in the consolidation are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Non-controlling interests represent the equity interests not held by the Group in Govia Limited, a 65% owned subsidiary, and are presented within equity in the consolidated balance sheet, separately from shareholders' equity.

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 (as below), 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 have 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 have 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

Revenue is recognised to the extent that it is probable that the income will flow to the Group and the value can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

Rendering of services

The revenue of the Group comprises income from road passenger transport and rail passenger transport.

Within bus revenue, London bus comprises contractual income from government bodies which is recognised in the period to which they relate. In regional bus, revenue generated from ticket sales is recognised in income on receipt of cash or card payment. Revenue generated from services provided on behalf of local transport authorities is also recognised as income in the period to which it relates.

2. Summary of significant accounting policies continued

Rail revenue comprises amounts based principally on agreed models of route usage, by Railway Settlement Plan Limited (which administers the income allocation system within the UK rail industry), in respect of passenger receipts and other related services such as rolling stock maintenance and commission on tickets sold. In addition, franchise subsidy receipts from the DfT and local Passenger Transport Executives (PTEs) are treated as revenue, whereas franchise premium payments to the DfT are recognised in operating costs. In relation to the GTR franchise, passenger revenue is collected and remitted to the DfT net of management charges payable by DfT as revenue.

Revenue is recognised by reference to the stage of completion of the customer's journey or for other services based on the proportion of services provided. The attributable share of season ticket or travel card income is deferred within liabilities and released to the income statement over the life of the relevant season ticket or travel card.

Rental income

Rental income is generated from rental of surplus properties and subleasing of rolling stock and railway infrastructure access. It is accounted for on a straight-line basis over the lease term.

Profit and revenue sharing/support agreements

The rail companies have certain revenue and profit sharing agreements with the DfT. An accrual is made within amounts payable to central government for the estimated cost to the Group of the relevant amounts accrued at the balance sheet date. Payments are charged to operating costs.

Revenue support is provided by the DfT typically in the last two years of a franchise. Receipts are shown in revenue.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

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 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. Any impairment in value is recognised immediately in the income statement.

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, value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

Franchise 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. All franchise bid costs incurred prior to achieving preferred bidder status are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Directly attributable, incremental costs incurred after achieving preferred bidder status or entering into a franchise extension are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise/ franchise extension, which ranges from 7 to 13 years.

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 de-recognition of debt are recognised directly in the income statement.

Leases

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet, with a corresponding liability being recognised, and are depreciated over the shorter of their useful lives and the lease terms.

The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Leases where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the income statement on a straight-line basis over the lease term.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- On the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Software

Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

Business combinations and goodwill

Business combinations are accounted for under IFRS 3 Business Combinations (revised) using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 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.

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.

2. Summary of significant accounting policies continued

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.

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.

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 assets and derivatives

The Group uses derivatives to hedge its risks associated with fuel price fluctuations, and interest derivatives to hedge its risks associated with interest rate fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Financial assets are accounted for in accordance with IAS 39. Financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss, directly attributable transaction costs.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period in which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

Fair value measurement

The Group measures financial instruments (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, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

When required, the Group presents the valuation results to the audit committee. 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 provision is recognised for the estimated cost to the Group to settle claims for incidents occurring prior to the balance sheet date.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Group by the insurer.

Treasury shares

Re-acquired shares in the Group, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Group's shares is transferred from the reserve for own shares to revenue reserves.

Investments

Investments are held at cost.

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.

2. Summary of significant accounting policies continued

Bus schemes

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

Contributions payable under defined contribution schemes are charged to operating costs in the income statement as they fall due.

Rail schemes

The Group's Train Operating Companies (TOCs) participate in the Railways Pensions 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 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.

The accounting treatment for such pensions scheme is not explicitly considered by IAS 19 Employee Benefits (Revised). However, 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) that would normally be calculated under IAS 19 (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. As a result, the Group consequently reduces any section deficit balance that would otherwise remain after reflecting the cost sharing with the members and reduces any service costs that would give rise to an increase in such deficit through the use of a franchise adjustment with movements in that franchise adjustment, meaning that the service costs appropriately reflect contracted contributions resulting over the term of the franchise.

Please refer to note 27 'Retirement benefit obligations' for further details.

New standards and interpretations not applied

The International Accounting Standards Board 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)
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IAS 40 (amendments) Transfers of Investment Property	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advanced Consideration	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

The directors do not anticipate adoption of these standards and interpretations will have a material impact on the Group's financial statements, except as noted below:

IFRS 9 Financial instruments

IFRS 9 is effective for periods beginning on or after 1 January 2018. The standard is split into three areas: classification and measurement, impairment and hedging. The Group have assessed that IFRS 9 is unlikely to have any material impact on the classification and measurement of the financial assets and liabilities of the Group. IFRS 9 states that impairment provisions should be based on expected credit losses rather than incurred credit losses. The Group has assessed the closing balances as at 30 June 2018 and assesses that there is no material adjustment in impairment provisions.

Finally, the Group has assessed the impact of the standard on its hedging instruments, which comprise fuel derivatives, and it has been assessed that the hedging instruments will continue to be effective under IFRS 9 and there will therefore be no material changes.

IFRS 15 Revenue from contracts with customers

IFRS 15 is effective for periods beginning on or after 1 January 2018. The standard establishes the principles that an entity is required to apply regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new model is based on a five step approach which identifies whether, how much and when revenue is recognised.

The Group has reviewed the major revenue streams across the Group in line with the five step approach and indentified that in both our rail and bus divisions, our contracted customers are easily recognised, performance obligations are clear and transaction prices are even over the period to which they relate and are time apportioned. As a result it is not currently expected that there will be a material impact on the Group's financial statements for the year ending 29 June 2019 or in future periods.

IFRS 16 Leases

IFRS 16 is effective for periods beginning on or after 1 January 2019. The standard establishes principles for the recognition, measurement, presentation and disclosure of leases. An initial assessment has been carried out and determined IFRS 16 will have a material impact on the Group's balance sheet. Due to the extensive nature of leasing of rolling stock and other items in the rail business, the Group will continue to assess the impact of the standard, and will provide further quantitative data as we approach implementation in the year ended June 2020.

3. 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 bus and rail. Operating segments within those reportable divisions are combined on the basis of their long term characteristics and similar nature of their products and services, as follows:

The regional bus division comprises UK bus operations outside London.

The London bus division comprises bus operations in London under control of Transport for London (TfL), rail replacement and other contracted services in London, bus operations in Singapore under 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. The Irish operations are currently being mobilised. These are aggregated as a segment given the similar contractual nature of the business.

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 division is aggregated for the purpose of segmental reporting under IFRS 8 as each operating company has similar objectives, to provide passenger rail services and achieve a modest profit margin through its franchise arrangements with the Department for Transport (DfT). Each company targets similar margins, has similar economic risks and is viewed and reacted to as one segment by the chief operating decision maker, considered to be the Group Chief Executive. The registered office of Keolis (UK) Limited is in England and Wales.

Overseas rail operations are currently being mobilised in Germany and are 100% owned by Go-Ahead. The German rail franchises are included with the UK rail operations for reporting purposes and will be considered in further detail when operational in June 2019.

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.

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

3. Segmental analysis continued

The following tables present information regarding the Group's reportable segments for the year ended 30 June 2018 and the year ended 1 July 2017.

Year ended 30 June 2018

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	418.8	571.2	990.0	2,554.7	3,544.7
Inter-segment revenue	(35.1)	(20.7)	(55.8)	(27.4)	(83.2)
Group revenue	383.7	550.5	934.2	2,527.3	3,461.5
Operating costs	(337.9)	(504.9)	(842.8)	(2,482.8)	(3,325.6)
Group operating profit (pre-exceptional items)	45.8	45.6	91.4	44.5	135.9
Exceptional operating items					25.1
Group operating profit (post-exceptional items)					161.0
Share of result of joint venture					(1.1)
Net finance costs					(14.2)
Profit before tax and non-controlling interests					145.7
Tax expense					(36.4)
Profit for the year					109.3

Within exceptional items, a charge of £10.1m, relating to goodwill and asset impairment, is within the regional bus segment. The other exceptional items relate to central activities and therefore cannot be allocated between the operating segments.

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
– Additions	47.9	51.7	99.6	27.1	126.7
– Acquisitions	20.7	–	20.7	–	20.7
– Intangible assets	4.6	2.0	6.6	5.4	12.0
Depreciation	34.1	27.7	61.8	20.9	82.7

At 30 June 2018, there were non-current assets included within London bus of £7.2m (2017: £2.1m) relating to operations in Singapore and Ireland. The operations in Singapore commenced trading on 4 September 2016 and the revenue generated during the year to 30 June 2018 was £52.1m (2017: £39.7m). Operations in Ireland are currently being mobilised and trading is due to commence in September 2018. Non-current assets included within rail of £11.0m (2017: £3.0m) relate to operations being mobilised in Germany.

We have two major customers which individually contribute more than 10% of Group revenue, one of which contributed £1,278.5m (2017: £1,148.6m), and the other contributed £491.8m (2017: £479.1m).

Year ended 1 July 2017

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	406.8	545.3	952.1	2,594.6	3,546.7
Inter-segment revenue	(30.2)	(19.9)	(50.1)	(15.5)	(65.6)
Group revenue	376.6	525.4	902.0	2,579.1	3,481.1
Operating costs	(329.5)	(481.8)	(811.3)	(2,519.2)	(3,330.5)
Group operating profit	47.1	43.6	90.7	59.9	150.6
Share of result of joint venture					(0.4)
Net finance costs					(13.4)
Profit before tax and non-controlling interests					136.8
Tax expense					(25.3)
Profit for the year					111.5

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
– Additions	49.6	63.1	112.7	29.2	141.9
– Acquisitions	8.7	–	8.7	–	8.7
– Intangible assets	8.4	–	8.4	3.3	11.7
Depreciation	31.5	24.6	56.1	9.3	65.4

4. Group revenue

This note provides an analysis of Group revenue. For accounting policies see 'Revenue recognition', 'Rendering of services', 'Rental income' and 'Profit and revenue sharing/support agreements' in note 2.

	2018 £m	2017 £m
Rendering of services	**3,319.5**	3,322.9
Rental income	**37.5**	25.9
Franchise subsidy receipts and revenue support	**104.5**	132.3
Group revenue	**3,461.5**	3,481.1
Finance revenue	**2.5**	2.4
Total Group revenue	**3,464.0**	3,483.5

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 bid costs' in note 2.

	2018 £m	2017 £m
Employee costs (note 6)	**1,224.4**	1,237.6
Operating lease payments		
– bus vehicles	**14.5**	14.0
– non-rail properties	**2.0**	2.6
– other non-rail	**0.1**	0.1
– rail rolling stock	**478.1**	465.9
– other rail	**188.1**	165.5
Total lease and sublease payments recognised as an expense (excluding rail access charges)[1]	**682.8**	648.1
– rail access charges	**482.4**	489.4
Total lease and sublease payments recognised as an expense[2]	**1,165.2**	1,137.5
DfT franchise agreement receipts	**(24.6)**	(35.2)
Other operating income	**(24.0)**	(17.9)
Depreciation of property, plant and equipment		
– owned assets	**82.1**	64.9
– leased assets	**0.6**	0.5
Total depreciation expense	**82.7**	65.4
Intangible amortisation	**3.3**	3.1
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	**0.7**	0.6
Total audit fees for the audit of the financial statements	**0.8**	0.7
– other non-audit[3]	**0.1**	0.4
Total non-audit fees	**0.1**	0.4
Total auditor's remuneration	**0.9**	1.1
Trade receivables not recovered	**0.2**	0.7
Energy costs		
– bus fuel	**98.2**	102.7
– rail diesel fuel	**7.0**	10.8
– rail electricity	**128.1**	120.6
– cost of site energy	**16.2**	15.4
Total energy costs	**249.5**	249.5
Government grants	**(4.7)**	(2.1)
Profit on disposal of property, plant and equipment	**(7.3)**	(0.9)
Profit on sale of assets held for sale	**(0.9)**	–
Costs expensed relating to franchise bidding activities	**13.9**	11.1
DfT profit share	**20.6**	33.5
Other operating costs	**626.5**	647.1
Total operating costs (pre-exceptional operating items)	**3,325.6**	3,330.5

1. The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £696.4m (2017: £661.9m), net of sublease payments of £13.6m (2017: £13.8m) relating to other rail leases.
2. The total lease and sublease payments recognised as an expense (including rail access charges) are made up of minimum lease payments of £1,178.8m (2017: £1,151.3m), net of sublease payments of £13.6m (2017: £13.8m) relating to other rail leases.
3. Other non-audit services of £0.1m (2017: £0.4m) are detailed in the section on how we have complied with the 2016 UK Corporate Governance Code on page 113.

Government grant income of £4.7m (2017: £2.1m) is mainly attributable to service improvements including smart ticketing, deliverable over a period of up to five years.

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.

	2018 £m	2017 £m
Wages and salaries	**1,067.5**	1,077.8
Social security costs	**105.1**	107.2
Other pension costs	**49.6**	49.9
Share based payments charge	**2.2**	2.7
	1,224.4	1,237.6

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

	2018	2017
Administration and supervision	**3,263**	3,189
Maintenance and engineering	**2,583**	2,698
Operations	**22,308**	23,187
	28,154	29,074

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

The Sharesave scheme is open to all full time and part-time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. At the end of the savings period, employees can buy shares at a 20% discount of the market price set at the date of invitation or take their full savings back. Sharesave 2016 will mature on 1 May 2019.

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

There are savings-related options at 30 June 2018 as follows:

Scheme maturity	1 May 2019	1 May 2017
Option price (£)	**19.11**	17.34
No. of options unexercised at 30 June 2018	**249,242**	–
No. of options exercised during the year	**400**	33,954
No. of options exercisable at 30 June 2018	**–**	–

The expense recognised for the scheme during the year to 30 June 2018 was £0.6m (2017: £0.8m).

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

	2018 No.	2018 WAEP £	2017 No.	2017 WAEP £
Outstanding at the beginning of the year	**589,744**	**18.32**	764,904	18.19
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**(306,148)**	**17.79**	(89,693)	18.14
Exercised during the year	**(34,354)**	**17.36**	(85,467)	17.34
Outstanding at the end of the year	**249,242**	**19.11**	589,744	18.32

6. Employee costs continued

The weighted average exercise price at the date of exercise for the options exercised in the period was £17.36 (2017: £17.34).

At the year end no options (2017: 262,816) were exercisable and the weighted average exercise price of the options was £nil (2017: £18.32).

The options outstanding at the end of the year have a weighted average remaining contracted life of 0.83 years (2017: 1.01 years).

Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 and 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 30 June 2018 was £0.8m (2017: £0.6m).

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 30 June 2018 and 1 July 2017 were:

	2018 % per annum	2017 % per annum
The Go-Ahead Group plc:		
Future share price volatility	**29.0**	28.0
FTSE Mid-250 index comparator:		
Future share price volatility	**25.0**	25.0
Correlation between companies	**30.0**	30.0

The weighted average fair value of options granted during the year was £12.92 (2017: £14.90).

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

	2018	2017
Outstanding at the beginning of the year	**111,724**	84,415
Granted during the year	**72,755**	57,771
Forfeited during the year	**(9,815)**	(3,047)
Exercised during the year	**(11,520)**	(27,415)
Outstanding at the end of the year	**163,144**	111,724

The LTIP award granted to the Group Chief Executive in November 2015 will lapse in full from November 2018 as none of the performance measures were achieved following the three year performance period ending 30 June 2018. The weighted average share price of the options at the year end was £15.88 (2017: £17.77).

All of the LTIP awards granted to the Group Chief Financial Officer will lapse on his cessation of employment in 2018/19.

The weighted average remaining contractual life of the options was 1.25 years (2017: 1.33 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £16.23 (2017: £20.33).

Deferred Share Bonus Plan

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

The expense recognised for the DSBP during the year to 30 June 2018 was £0.8m (2017: £1.3m).

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

The weighted average fair value of options granted during the year was £16.30 (2017: £20.08).

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

	2018	2017
Outstanding at the beginning of the year	**176,258**	165,646
Granted during the year	**34,804**	44,490
Forfeited during the year	**(7,654)**	(7,711)
Exercised during the year	**(56,175)**	(26,167)
Outstanding at the end of the year	**147,233**	176,258

At the year end, 20,752 options related to DSBP awards, which vested before the year-end, which have not yet been exercised by participants. Of these 20,752 options, 5,165 options related to the award granted in November 2013 and 15,587 related to the award granted in November 2014. 50,924 options, relating to the DSBP award granted in November 2015, will be eligible to vest from November 2018 following the end of a three year deferral period. The weighted average share price of the options at the year-end was £15.88 (2017: £17.77).

All of the DSBP awards granted to the Group Chief Financial Officer will lapse on his cessation of employment in 2018/19.

The weighted average remaining contractual life of the options was 0.67 years (2017: 0.81 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £16.01 (2017: £20.10).

Share incentive plans

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

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

7. Exceptional items

This note identifies items of an exceptional nature that have a significant impact on the results of the Group in the period. For accounting policies see 'Exceptional items' in note 2.

	2018 £m	2017 £m
Gain on change in RPI/CPI assumptions	35.2	–
Goodwill and asset impairment	(10.1)	–
Exceptional operating items	25.1	–

Year ended 30 June 2018

Total exceptional operating items in the year were £25.1m.

During the year The Go-Ahead Group Pension Plan (the Go-Ahead Plan) changed the reference inflation index used to estimate the annual increases to the majority of pensions payable. From 1 April 2018, the Consumer Prices Index (CPI) is used to increase pensions in payment rather than the Retail Prices Index (RPI). The change reduces the financial risks of the Go-Ahead Plan and enhances the long term sustainability of the scheme, providing an improvement in the security of Plan members' benefits. A one-off gain of £35.2m has been recognised in respect of this change in line with IAS 19 and the Group's accounting policies set out on page 135.

During the year, goodwill of £8.4m has been impaired relating to Konectbus, Thames Travel and Carousel bus operations, following a period of underperformance in all three individual cash-generating units. More details of the impairment reviews are given in note 13. The carrying value of the goodwill in Konectbus, Thames Travel and Carousel is now £nil. Assets with a carrying value of £2.4m were also deemed to be impaired within the East Anglian and Oxford bus operations.

During the year, negative goodwill of £0.7m arose on the business combinations in the year.

The tax impact of the above exceptional items plus accrued amounts relating to an ongoing HMRC capital allowances enquiry is £11.5m (2017: £nil). In addition, an accrued amount of £2.6m has been provided for within finance costs in relation to the interest payable of this enquiry.

Year ended 1 July 2017

There were no exceptional items in the year ended 1 July 2017.

8. Finance revenue and costs

Finance revenue comprises interest received from bank deposits. Finance costs mainly arise from interest due on the bond and bank loans. For accounting policies see 'Finance revenue' and 'Interest-bearings loans and borrowings' in note 2.

	2018 £m	2017 £m
Bank interest receivable on bank deposits	2.5	2.4
Finance revenue	2.5	2.4
Interest payable on bank loans and overdrafts	(2.5)	(2.7)
Interest payable on £200m sterling 7.5 year bond	(2.6)	(11.0)
Interest payable on £250m sterling 7 year bond	(6.3)	–
Other interest payable	(4.3)	(1.7)
Unwinding of discounting on provisions	(0.4)	(0.2)
Interest payable under finance leases and hire purchase contracts	(0.2)	(0.2)
Interest on net pension liability	(0.4)	–
Finance costs	(16.7)	(15.8)

Other interest payable includes an exceptional accrued interest charge of £2.6m (2017: £nil) in relation to the ongoing HMRC capital allowances taxation enquiry.

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 tax policy can be found at www.go-ahead.com.

a. Tax recognised in the income statement and in equity

Tax relating to items charged or credited in the income statement:

	2018 £m	2017 £m
Current year tax charge	**23.9**	27.2
Adjustments in respect of current tax of previous years	**13.3**	–
Total current tax	**37.2**	27.2
Deferred tax relating to origination and reversal of temporary differences at 19.0% (2017: 19.75%)	**6.6**	1.9
Adjustments in respect of deferred tax of previous years	**(7.4)**	0.3
Impact of opening deferred tax rate reduction	**–**	(4.1)
Total deferred tax	**(0.8)**	(1.9)
Tax reported in consolidated income statement	**36.4**	25.3

The tax reported in consolidated income statement includes exceptional amounts arising on the change in RPI/CPI assumptions on The Go-Ahead Group Pension Plan (the Go-Ahead Plan) and amounts in relation to the HMRC enquiry, as discussed in note 7.

Tax relating to items charged or credited outside of the income statement:

	2018 £m	2017 £m
Tax on remeasurement gains/(losses) on defined benefit pension plans	**3.3**	(4.1)
Deferred tax on cashflow hedges	**5.2**	0.9
Deferred tax on share based payments (taken directly to equity)	**0.5**	0.3
Tax reported outside of profit or loss	**9.0**	(2.9)

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 30 June 2018 and 1 July 2017 is as follows:

	2018 £m	2017 £m
Accounting profit before taxation	**145.7**	136.8
At United Kingdom tax rate of 19.0% (2017: 19.75%)	**27.7**	27.0
Bid costs not allowable for tax purposes	**0.6**	0.6
Share scheme costs not allowable for tax purposes	**0.7**	0.3
Non-qualifying depreciation	**1.1**	0.6
Expenditure not allowable for tax purposes	**1.4**	0.4
Adjustments in respect of deferred tax of previous years	**(7.4)**	0.3
Movement on unrecognised deferred tax on losses carried forward	**(0.2)**	0.6
Effect of the difference between current year corporation tax and deferred tax rates	**(0.8)**	(0.4)
Impact of opening deferred tax rate reduction	**–**	(4.1)
Adjustments in respect of current tax of previous years	**13.3**	–
Tax reported in consolidated income statement	**36.4**	25.3
Effective tax rate	**25.0%**	18.5%

The Group had subsidiary companies in Germany, Ireland, Scandinavia and Singapore during the year.

Singapore profits have been taxed at the appropriate local taxation rates and have been included in the total statutory tax charge. Germany and Ireland are currently in mobilisation and so have not made a profit in the financial year.

Costs incurred by the Scandinavia companies were either expensed in the UK without tax relief being claimed or were carried forward as prepayments without tax relief being claimed during the year.

The Group has not recognised a deferred tax asset of £1.1m (2017: £0.9m) based on a rate of 30% (2017: 29%) in respect of losses incurred in Germany carried forward.

c. Reconciliation of current tax liabilities

A reconciliation of the current tax liability is provided below:

	2018 £m	2017 £m
Current tax liability at start of year	12.0	18.9
Corporation tax reported in consolidated income statement	37.2	27.2
Paid in the year	(28.7)	(34.1)
Current tax liability at end of year	20.5	12.0

d. Deferred tax

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

	2018 £m	2017 £m
Deferred tax liability		
Accelerated capital allowances	(20.2)	(25.0)
Other temporary differences	(9.6)	(10.8)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(11.4)	(12.0)
Cashflow hedges	(3.3)	–
Retirement benefit obligations	(6.5)	–
Deferred tax liability included in balance sheet	(51.0)	(47.8)
Deferred tax asset		
Retirement benefit obligations	–	3.6
Cashflow hedges	–	1.9
Share based payments	0.1	0.6
Deferred tax asset included in balance sheet	0.1	6.1

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 ending 30 June 2018 and 1 July 2017 are as follows:

Year ended 30 June 2018

	At 1 July 2017 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Acquisitions £m	At 30 June 2018 £m
Accelerated capital allowances	(25.0)	5.8	–	–	(1.0)	(20.2)
Asset backed funding pension arrangement	(10.1)	0.2	–	–	–	(9.9)
Other temporary differences	(0.7)	1.0	–	–	–	0.3
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(12.0)	0.6	–	–	–	(11.4)
Retirement benefit obligations	3.6	(6.8)	(3.3)	–	–	(6.5)
Cashflow hedges	1.9	–	(5.2)	–	–	(3.3)
Share based payments	0.6	–	–	(0.5)	–	0.1
	(41.7)	0.8	(8.5)	(0.5)	(1.0)	(50.9)

9. Taxation continued

Year ended 1 July 2017

	At 2 July 2016 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Acquisitions £m	At 1 July 2017 £m
Accelerated capital allowances	(28.4)	3.2	–	–	0.2	(25.0)
Asset backed funding pension arrangement	(8.3)	(1.8)	–	–	–	(10.1)
Other temporary differences	(0.1)	0.2	–	–	(0.8)	(0.7)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(13.3)	1.3	–	–	–	(12.0)
Retirement benefit obligations	0.5	(1.0)	4.1	–	–	3.6
Cashflow hedges	2.8	–	(0.9)	–	–	1.9
Share based payments	0.9	–	–	(0.3)	–	0.6
	(45.9)	1.9	3.2	(0.3)	(0.6)	(41.7)

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

	2018 £m	2017 £m
Accelerated capital allowances	**0.5**	(0.4)
Revaluation	**(0.6)**	(0.6)
Retirement benefit obligations	**6.7**	1.0
Temporary differences arising on pension spreading	**–**	2.3
Other temporary differences	**–**	(0.4)
	6.6	1.9
Adjustments in respect of prior years	**(7.4)**	0.3
Adjustments in respect of opening deferred tax rate reduction	**–**	(4.1)
Deferred tax expense	**(0.8)**	(1.9)

e. Factors affecting tax charges

The standard rate of UK corporation tax reduced from 20% to 19% from 1 April 2017. A rate of 19% therefore applies to the current tax charge arising during the year ended 30 June 2018.

In addition to the change in rate of corporation tax identified above, further reductions in the rate to 17% from 1 April 2020 were substantively enacted prior to the balance sheet date and have been applied where applicable to the Group's deferred tax balance at the balance sheet date.

The current tax charge, reported in the consolidated income statement, of £37.2m includes amounts provided for in relation to an ongoing HMRC capital allowances taxation enquiry. In addition, the deferred tax relating to origination and reversal of temporary differences includes a movement which relates to the exceptional gain of £35.2m arising on the change in RPI/CPI assumptions on The Go-Ahead Group Pension Plan and the adjustments in respect of deferred tax of previous years include amounts in relation to the HMRC enquiry.

10. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

Basic and diluted earnings per share

	Pre-exceptional 2018 £m	Exceptional items 2018 £m	Post-exceptional 2018 £m	2017 £m
Net profit attributable to equity holders of the parent	**78.0**	**11.0**	**89.0**	89.1

	Pre-exceptional 2018	Exceptional items 2018	Post-exceptional 2018	2017
Basic weighted average number of shares in issue ('000)	**42,958**	**–**	**42,958**	42,902
Dilutive potential share options ('000)	**101**	**–**	**101**	122
Diluted weighted average number of shares in issue ('000)	**43,059**	**–**	**43,059**	43,024
Earnings per share:				
Basic earnings per share (pence per share)	**181.6**	**25.6**	**207.2**	207.7
Diluted earnings per share (pence per share)	**181.2**	**25.5**	**206.7**	207.1

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

No shares were bought back and cancelled by the Group in the period from 30 June 2018 to 5 September 2018.

11. Dividends paid and proposed

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

	2018 £m	2017 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2017: 71.91p per share (2016: 67.52p)	**30.9**	28.9
Interim dividend for 2018: 30.17p per share (2017: 30.17p)	**12.9**	12.9
	43.8	41.8

	2018 £m	2017 £m
Proposed for approval at the AGM (not recognised as a liability as at 30 June 2018)		
Equity dividends on ordinary shares:		
Final dividend for 2018: 71.91p per share (2017: 71.91p)	**31.0**	31.0

Payment of proposed dividends will 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 2 July 2016	198.9	0.4	14.7	572.8	211.3	998.1
Additions	8.2	–	1.0	97.1	35.6	141.9
Acquisitions	4.0	–	–	4.5	0.2	8.7
Disposals	–	–	(0.1)	(28.6)	(8.3)	(37.0)
Transfer categories	–	–	–	1.7	(1.7)	–
Transfer of assets held for sale	(1.7)	–	–	–	–	(1.7)
Transfer of intangible assets	–	–	–	–	(1.8)	(1.8)
At 1 July 2017	209.4	0.4	15.6	647.5	235.3	1,108.2
Additions	**4.8**	**2.0**	**1.7**	**87.3**	**30.9**	**126.7**
Acquisitions	**3.5**	**1.2**	**–**	**15.7**	**0.3**	**20.7**
Disposals	**(24.1)**	**–**	**–**	**(45.8)**	**(47.4)**	**(117.3)**
Transfer categories	**–**	**(0.4)**	**0.4**	**(0.6)**	**0.6**	**–**
Transfer of assets held for sale	**0.5**	**–**	**–**	**–**	**–**	**0.5**
Transfer of intangible assets	**–**	**–**	**–**	**–**	**0.3**	**0.3**
At 30 June 2018	**194.1**	**3.2**	**17.7**	**704.1**	**220.0**	**1,139.1**
Depreciation and impairment:						
At 2 July 2016	32.1	–	8.8	295.0	167.9	503.8
Charge for the year	1.1	–	1.4	50.0	12.9	65.4
Disposals	–	–	(0.1)	(27.8)	(8.1)	(36.0)
Impairment of assets	0.7	–	–	–	0.2	0.9
Transfer assets held for sale	(0.8)	–	–	–	–	(0.8)
Transfer of intangible assets	–	–	–	–	(0.3)	(0.3)
At 1 July 2017	33.1	–	10.1	317.2	172.6	533.0
Charge for the year	**2.1**	**–**	**1.2**	**54.6**	**24.8**	**82.7**
Disposals	**(22.9)**	**–**	**–**	**(44.3)**	**(40.9)**	**(108.1)**
Impairment of assets	**–**	**–**	**–**	**1.9**	**0.5**	**2.4**
Transfer assets held for sale	**0.4**	**–**	**–**	**–**	**–**	**0.4**
At 30 June 2018	**12.7**	**–**	**11.3**	**329.4**	**157.0**	**510.4**
Net book value:						
At 30 June 2018	**181.4**	**3.2**	**6.4**	**374.7**	**63.0**	**628.7**
At 1 July 2017	176.3	0.4	5.5	330.3	62.7	575.2
At 2 July 2016	166.8	0.4	5.9	277.8	43.4	494.3

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

	2018 £m	2017 £m
Bus vehicles	**14.7**	0.7

13. 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 Group acquires a business and pays a higher amount than the fair value of the net assets primarily due to the synergies the Group expect to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise set-up costs are amortised over the life of the franchise/franchise extension. Customer contracts are amortised over the life of the contract. For further details see 'Software', 'Franchise 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 2 July 2016	80.8	21.3	11.5	16.7	12.3	142.6
Additions	–	1.9	3.1	–	–	5.0
Acquisitions	5.6	–	–	–	1.1	6.7
Transfer from tangible fixed assets	–	1.8	–	–	–	1.8
Disposals	–	(1.9)	–	–	–	(1.9)
At 1 July 2017	86.4	23.1	14.6	16.7	13.4	154.2
Additions	**0.4**	**3.3**	**6.4**	**–**	**–**	**10.1**
Acquisitions	**0.6**	**–**	**–**	**–**	**1.3**	**1.9**
Transfer from tangible fixed assets	**–**	**(0.3)**	**–**	**–**	**–**	**(0.3)**
At 30 June 2018	**87.4**	**26.1**	**21.0**	**16.7**	**14.7**	**165.9**
Amortisation and impairment:						
At 2 July 2016	4.9	17.3	9.3	16.7	11.6	59.8
Charge for the year	–	1.8	0.8	–	0.5	3.1
Transfer from tangible fixed assets	–	0.3	–	–	–	0.3
Disposals	–	(0.5)	–	–	–	(0.5)
At 1 July 2017	4.9	18.9	10.1	16.7	12.1	62.7
Charge for the year	**–**	**2.3**	**0.8**	**–**	**0.2**	**3.3**
Impairment	**8.4**	**–**	**–**	**–**	**–**	**8.4**
At 30 June 2018	**13.3**	**21.2**	**10.9**	**16.7**	**12.3**	**74.4**
Net book value:						
At 30 June 2018	**74.1**	**4.9**	**10.1**	**–**	**2.4**	**91.5**
At 1 July 2017	81.5	4.2	4.5	–	1.3	91.5
At 2 July 2016	75.9	4.0	2.2	–	0.7	82.8

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.

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 or entering into a franchise extension are capitalised as an intangible asset and amortised over the life of the franchise/franchise extension.

Rail franchise asset

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

Customer contracts

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

13. Intangible assets continued

Goodwill

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

	2018 £m	2017 £m
Go South Coast	**34.6**	34.2
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**	–
Konectbus	**–**	3.6
Thames Travel	**–**	2.7
Carousel	**–**	2.1
	74.1	81.5

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three year period which have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long term stability of the relevant income streams. Growth has been extrapolated forward from the end of the three year forecasts over a total period of ten years plus a terminal value using a growth rate of 2.0% 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 has been initially calculated as 5.2% (2017: 4.6%). 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. The economic conditions that the cash-generating units operate in are considered similar enough, primarily being UK based, to use the same discount rate.

The calculation of value in use for each cash-generating unit is most sensitive to the forecast operating cashflows, the discount rate and the growth rate used to extrapolate cashflows beyond the budget period. The operating cashflows are based on assumptions of revenue, employee costs and general overheads. These assumptions are influenced by several internal and external factors. The directors consider the assumptions used to be consistent with the historical performance of each unit and to be realistically achievable in light of economic and industry measures and forecasts.

Following this impairment review, the goodwill of Konectbus (a division of the East Anglian business), Thames Travel and Carousel (both separate divisions of the Oxford bus business) have been fully impaired reflecting their continued underperformance and this being reflected in budgets and forecasts going forward. Goodwill totalling £8.4m has been impaired in respect of the three businesses. In respect of the East Anglian tangible assets of £1.7m have also been impaired but in the case of Thames Travel and Carousel the tangible assets represent buses which can be utilised or sold without further impairment being applicable.

A 0.5% increase in the internal rate of return or revenue growth falling by 1.0% are considered the most likely sensitivities that could impact recoverable amounts. Following the impairments noted above the remaining cash-generating units have significant headroom when the impairment testing has been completed and accordingly these sensitivities would not cause the carrying value to exceed their recoverable amount.

14. 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 30 June 2018

During the year the following acquisitions were made:

- On 7 December 2017, The City of Oxford Motor Services Limited, a wholly owned subsidiary of the Group, acquired 100% of Tom Tappin Limited. The company operates the Guide Friday and City Sightseeing Oxford city bus tours.
- On 16 June 2018, Go North East Limited, a wholly owned subsidiary of the Group, acquired 100% of The East Yorkshire Motor Services Group Limited (EYMS). The EYMS group operates buses and coaches throughout Hull, East Riding and the North Yorkshire coast.

Aggregate net assets at date of acquisition:

	Total acquisitions – Provisional fair value to Group £m
Property, plant and equipment	**20.7**
Intangible assets	**1.3**
Inventories	**0.3**
Cash and cash equivalents	**2.0**
Deferred tax liabilities	**(1.0)**
Trade and other receivables	**2.9**
Trade and other payables	**(5.3)**
Current taxation liabilities	**(0.1)**
Interest-bearing loans and borrowings	**(7.3)**
Retirement benefit obligations	**(3.0)**
Provisions	**(1.2)**
Net assets	**9.3**
Negative goodwill arising on acquisition	**(0.7)**
Goodwill arising on acquisition	**0.6**
Cash	**9.2**
Total consideration	**9.2**

Acquisition costs of £0.2m have been expensed through operating costs.

Negative goodwill of £0.7m (2017: £nil) has been included as an exceptional item.

From the dates of acquisition in the period, the acquisitions recorded an operating profit of less than £0.1m and revenue of £0.7m. Had the acquisitions been completed on the first day of the financial period, the impact on the Group's operating profit would have been an increase of £0.6m and the impact on revenue would have been an increase of £31.5m.

Year ended 1 July 2017

As disclosed in the 2017 Annual Report, Go South Coast Limited, a wholly owned subsidiary of the Group, acquired the Excelsior group of companies on 4 October 2016 and Thamesdown Transport Limited on 3 February 2017. The total consideration paid was £11.7m and no significant changes to the fair values previously reported were subsequently identified. Given the size and prior year disclosures further detail is not replicated in this Annual Report.

15. Assets classified as held for sale

This note identifies any non-current assets or disposal groups that are held for sale. The carrying amounts of these assets will be recovered principally through a sale rather than through continuing use. For accounting policies see 'Non-current assets held for sale' in note 2.

At 30 June 2018, assets held for sale, with a carrying value of £1.7m, related to property, plant and equipment available for sale, and were included in the regional bus segment (2017: £1.7m). Assets held for sale with a carrying value of £11.4m related to bus rolling stock available for sale and were included in the London bus segment (2017: £nil).

The Group expects to sell £13.1m 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 £1.7m relate to land and buildings, within property, plant and equipment, whereby offers have been made which management are currently assessing. The value at each balance sheet date represents management's best estimate of their resale value less disposal costs.

During the year ended 30 June 2018, assets held for sale were sold for a profit of £0.9m (2017: £nil), which is included within operating costs in the income statement.

At 1 July 2017, assets held for sale, with a carrying value of £1.7m, related to property, plant and equipment available for sale, and were included in the regional bus segment.

16. Inventories

Inventory primarily consists of vehicle spares and fuel and is presented net of allowances for obsolete products. For accounting policies see 'Inventories' in note 2.

	2018 £m	2017 £m
Raw materials and consumables	**15.2**	18.9

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

17. Trade and other receivables

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

	2018 £m	2017 £m
Current		
Trade receivables	**168.1**	147.5
Less: Provision for impairment of receivables	**(1.7)**	(2.1)
Trade receivables – net	**166.4**	145.4
Other receivables	**10.8**	37.2
Prepayments	**76.7**	68.2
Accrued income	**29.2**	42.4
Receivable from central government	**59.8**	39.3
	342.9	332.5

As at 30 June 2018 and 1 July 2017, the ageing analysis of trade receivables was as follows:

	Total £m	Neither past due nor impaired £m	Less than 30 days £m	30-60 days £m	60-90 days £m	90-120 days £m	Past due but not impaired – more than 120 days £m
2018	**166.4**	**152.5**	**9.5**	**1.6**	**1.0**	**1.1**	**0.7**
2017	145.4	130.8	4.9	1.9	3.3	1.2	3.3

Trade receivables at nominal value of £1.7m (2017: £2.1m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total £m
At 1 July 2017	2.1
Charge for the year	**0.2**
Utilised	**(0.4)**
Unused amounts reversed	**(0.3)**
On acquisitions	**0.1**
At 30 June 2018	**1.7**

As at 30 June 2018, the ageing analysis of impaired and fully provided for trade receivables is as follows:

	2018 £m	2017 £m
60-90 days	**0.1**	0.1
90-120 days	**–**	–
More than 120 days	**1.6**	2.0
	1.7	2.1

18. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements. For accounting policies see 'Cash and cash equivalents' in note 2.

	2018 £m	2017 £m
Cash at bank and in hand	**89.9**	87.0
Cash and cash equivalents	**466.6**	503.2
	556.5	590.2

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

Amounts held by rail companies included in cash at bank and on short term deposit can be distributed only with the agreement of the DfT, normally up to the value of distributable reserves or based on a working capital formula. As at 30 June 2018, balances amounting to £438.9m (2017: £516.1m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £162.8m at 30 June 2018 (2017: £178.0m).

19. Trade and other payables

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

	2018 £m	2017 £m
Current		
Trade payables	**240.9**	266.0
Other taxes and social security costs	**31.8**	32.4
Other payables	**53.0**	77.3
Deferred season ticket income	**165.9**	178.0
Accruals	**133.5**	114.6
Deferred income	**45.0**	54.2
Payable to central government	**130.9**	108.9
Government grants	**3.8**	5.2
	804.8	836.6

	2018 £m	2017 £m
Non-current		
Government grants	**1.0**	1.0
	1.0	1.0

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

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

20. Interest-bearing loans and borrowings

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. For accounting policies see 'Interest-bearing loans and borrowings' and 'Cash and cash equivalents' in note 2.

Net cash/debt and interest-bearing loans and borrowings

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

Year ended 30 June 2018

	Effective interest rate %	Maturity	Current Within one year £m	Non-current After one year but not more than five years £m	Non-current After more than five years £m	Total £m
Syndicated loans	**1.00**	**Over 5 years**	**–**	**–**	**136.0**	**136.0**
Debt issue costs on syndicated loans			**(0.3)**	**(0.3)**	**–**	**(0.6)**
£250m sterling 7 year bond	**2.50**	**Over 5 years**	**–**	**–**	**250.0**	**250.0**
Debt issue costs on £250m sterling 7 year bond			**(0.6)**	**(2.2)**	**–**	**(2.8)**
€8m revolving credit facility	**1.30**	**0–1 years**	**6.5**	**–**	**–**	**6.5**
€10.6m financing facility	**1.50**	**Over 5 years**	**–**	**1.6**	**3.1**	**4.7**
Finance leases and HP commitments (note 21)	**7.74**	**0–5 years**	**2.8**	**5.9**	**0.7**	**9.4**
Total interest-bearing loans and borrowings			**8.4**	**5.0**	**389.8**	**403.2**
Debt issue costs			**0.9**	**2.5**	**–**	**3.4**
Total interest-bearing loans and borrowings (gross of debt issue costs)			**9.3**	**7.5**	**389.8**	**406.6**
Cash and short term deposits (note 18)			**(556.5)**	**–**	**–**	**(556.5)**
Net cash			**(547.2)**	**7.5**	**389.8**	**(149.9)**
Restricted cash*						**438.9**
Adjusted net debt						**289.0**

Year ended 1 July 2017

	Effective interest rate %	Maturity	Current Within one year £m	Non-current After one year but not more than five years £m	Non-current After more than five years £m	Total £m
Syndicated loans	1.00	0–4 years	–	156.0	–	156.0
Debt issue costs on syndicated loans			(0.3)	(0.5)	–	(0.8)
£200m sterling 7.5 year bond	5.38	0–1 years	200.0	–	–	200.0
€20m revolving credit facility	1.30	0–1 years	0.9	–	–	0.9
Finance leases and HP commitments (note 21)	4.96	0–5 years	0.9	2.0	0.1	3.0
Total interest-bearing loans and borrowings			201.5	157.5	0.1	359.1
Debt issue costs			0.3	0.5		0.8
Total interest-bearing loans and borrowings (gross of debt issue costs)			201.8	158.0	0.1	359.9
Cash and short term deposits (note 18)			(590.2)	–	–	(590.2)
Net cash			(388.4)	158.0	0.1	(230.3)
Restricted cash*						516.1
Adjusted net debt						285.8

* 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.

20. Interest-bearing loans and borrowings continued

Analysis of Group net cash

	Cash and cash equivalents £m	Syndicated loan facility £m	Hire purchase/ finance leases £m	£200m sterling bond £m	£250m sterling bond £m	€RCF £m	€10.6m loan £m	Total £m
2 July 2016	636.3	(113.0)	(0.3)	(200.0)	–	–	–	323.0
Cashflow	(46.6)	(43.0)	1.1	–	–	(0.9)	–	(89.4)
On acquisition	0.5	–	(3.8)	–	–	–	–	(3.3)
1 July 2017	590.2	(156.0)	(3.0)	(200.0)	–	(0.9)	–	230.3
Cashflow	**(35.7)**	**20.0**	**0.9**	**200.0**	**(250.0)**	**(5.6)**	**(4.7)**	**(75.1)**
On acquisition	**2.0**	**–**	**(7.3)**	**–**	**–**	**–**	**–**	**(5.3)**
30 June 2018	**556.5**	**(136.0)**	**(9.4)**	**–**	**(250.0)**	**(6.5)**	**(4.7)**	**149.9**

Reconciliation of liabilities arising from financing activities

	Syndicated loan facility £m	Hire purchase/ finance leases £m	£200m sterling bond £m	£250m sterling bond £m	€RCF £m	€10.6m loan £m	Total liabilities from financing activities £m
1 July 2017	(156.0)	(3.0)	(200.0)	–	(0.9)	–	(359.9)
Cashflow	**20.0**	**0.9**	**200.0**	**(250.0)**	**(5.6)**	**(4.7)**	**(39.4)**
On acquisition	**–**	**(7.3)**	**–**	**–**	**–**	**–**	**(7.3)**
30 June 2018	**(136.0)**	**(9.4)**	**–**	**(250.0)**	**(6.5)**	**(4.7)**	**(406.6)**

Syndicated loan facility

On 16 July 2014, the Group re-financed and entered into a £280.0m five year syndicated loan facility. The loan facility is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group. The facility had an initial maturity of July 2019, with two one-year extensions, the second of which was agreed on 20 June 2016, extending the maturity of the facility to July 2021 from that date. On 20 July 2018, an additional extension of two years was agreed, extending the maturity of the facility to July 2023. A further two one-year extensions are available which if exercised would extend the maturity to July 2025.

As at 30 June 2018, £136.0m (2017: £156.0m) of the facility was drawn down.

£200m sterling bond

On 24 March 2010, the Group raised a £200.0m bond of 7.5 years which matured, and was repaid, on 29 September 2017. The bond had a coupon rate of 5.375%.

£250m sterling bond

On 6 July 2017, the Group raised a £250.0m bond of 7 years maturing on 6 July 2024, with a coupon rate of 2.5%. This replaced the £200.0m sterling bond which was repaid on 29 September 2017.

€8m revolving credit facility (RCF)

On 27 April 2017, the Group's subsidiary, Go-Ahead Verkehrgesellschaft Deutschland GmbH, entered into a €20m one year RCF. On 24 October 2017, €12.0 m of this facility was replaced with a €10.6m 10.5 year loan facility with the Group's subsidiary, Go-Ahead Facility GmbH, leaving a €8.0m RCF.

As at 30 June 2018, €7.4m or £6.5m (2017: €1.0 or £0.9m) was drawn down. The facility is unsecured and interest is charged at 1.3% plus EURIBOR.

€10.6m loan facility

On 24 October 2017, the Group's subsidiary, Go-Ahead Facility GmbH, entered into a €10.6m loan facility.

As at 30 June 2018, €5.2m or £4.7m (2017: €nil) was drawn down and is repayable over the 10.5 year term. The facility is secured against the German land and buildings included within plant, property and equipment. Interest is charged at 1.5% plus EURIBOR until 1 June 2019 when interest will be charged at a fixed rate of 2.79%.

Debt issue costs

There are debt issue costs of £0.6m (2017: £0.8m) on the syndicated loan facility.

The £250m sterling 7 year bond has debt issue costs of £2.8m (2017: £nil).

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

21. Finance lease and hire purchase commitments

This note details finance lease and hire purchase commitments. For accounting policies see 'Interest bearing loans and borrowings' in note 2.

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

	2018		2017	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
Within one year	2.9	2.8	0.9	0.9
After one year but not more than five years	6.3	5.9	2.3	2.0
Over five years	0.7	0.7	0.1	0.1
Total minimum lease payments	9.9	9.4	3.3	3.0
Less amounts representing finance charges	(0.5)	–	(0.3)	–
Present value of minimum lease payments	9.4	9.4	3.0	3.0

22. Financial risk management objectives and policies

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to interest rate, liquidity, foreign exchange and credit risk, and the policies in place to monitor and manage these risks.

Financial risk factors and management

The Group's principal financial instruments comprise bank loans, a sterling bond, hire purchase and finance lease contracts, and cash and short term deposits. The main purpose of these financial instruments is to provide an appropriate level of net debt to fund the Group's activities, namely working capital, fixed asset expenditure, acquisitions and dividends. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

It is Group policy to enter into derivative transactions, primarily fuel swaps and interest rate swaps. The purpose of these is to manage the fuel price and interest rate risks arising from the Group's operations and its sources of finance. At the year end, the Group did not hold any interest rate swaps.

It is, and has been throughout 2016/17 and 2017/18, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk and credit risk. Commodity price risk is managed via fuel derivatives. Risks arising from these are explained in note 23.

22. Financial risk management objectives and policies continued

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Group's policy toward cash deposits is to deposit cash short term on UK money markets.

The Group manages interest rate risk through a combination of fixed rate instruments and/or interest rate derivatives. During the years ended 30 June 2018 and 1 July 2017 the Group had no interest rate swaps in place. The Group has net cash and hence the present adverse risk is a decrease in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group (excluding unamortised debt issue costs) as at 30 June 2018 and 1 July 2017 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 30 June 2018								
Floating rate (assets)/liabilities								
Syndicated loans	**1.00**	**–**	**–**	**–**	**–**	**–**	**136.0**	**136.0**
Euro revolving credit facility	**1.30**	**6.5**	**–**	**–**	**–**	**–**	**–**	**6.5**
€10.6m financing facility	**1.50**	**–**	**0.4**	**0.4**	**0.4**	**0.4**	**3.1**	**4.7**
Gross floating rate liabilities		**6.5**	**0.4**	**0.4**	**0.4**	**0.4**	**139.1**	**147.2**
Cash assets		**(556.5)**	**–**	**–**	**–**	**–**	**–**	**(556.5)**
Net floating rate (assets)/liabilities		**(550.0)**	**0.4**	**0.4**	**0.4**	**0.4**	**139.1**	**(409.3)**
Fixed rate liabilities								
£250m sterling 7 year bond	**2.50**	**–**	**–**	**–**	**–**	**–**	**250.0**	**250.0**
Obligations under finance lease and hire purchase contracts	**7.74**	**2.8**	**2.0**	**1.5**	**1.4**	**1.0**	**0.7**	**9.4**
Net fixed rate liabilities		**2.8**	**2.0**	**1.5**	**1.4**	**1.0**	**250.7**	**259.4**
Year ended 1 July 2017								
Floating rate (assets)/liabilities								
Syndicated loans	1.00	–	–	–	156.0	–	–	156.0
Euro revolving credit facility	1.30	0.9	–	–	–	–	–	0.9
Gross floating rate liabilities		0.9	–	–	156.0	–	–	156.9
Cash assets	0.31	(590.2)	–	–	–	–	–	(590.2)
Net floating rate (assets)/liabilities		(589.3)	–	–	156.0	–	–	(433.3)
Fixed rate liabilities								
£200m sterling 7.5 year bond	5.38	200.0	–	–	–	–	–	200.0
Obligations under finance lease and hire purchase contracts	4.96	0.9	0.6	0.5	0.4	0.5	0.1	3.0
Net fixed rate liabilities		200.9	0.6	0.5	0.4	0.5	0.1	203.0

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 re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are non-interest bearing and are therefore not subject to interest rate risk.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) based on recent historic changes.

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2018			
GBP	**50.0**	**(0.6)**	**(0.6)**
GBP	**(50.0)**	**0.6**	**0.6**
2017			
GBP	50.0	(0.8)	(0.8)
GBP	(50.0)	0.8	0.8

Liquidity risk

The Group has in place a £280.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range.

On 16 July 2014, the Group re-financed and entered into a £280.0m five year syndicated loan facility, with two one-year extensions replacing the previous £275.0m five year syndicated loan facility. The second of the one-year extensions was agreed on 20 June 2016, extending the maturity of the current facility to July 2021. On 20 July 2018, an additional extension of two years was agreed, extending the maturity of the facility to July 2023. A further two one-year extensions are available which, if exercised, would extend the maturity to July 2025.

On 24 March 2010, the Group raised a £200.0m bond of 7.5 years which matured, and was repaid, on 29 September 2017. The bond had a coupon rate of 5.375%.

On 6 July 2017, the Group raised a £250m bond of 7 years maturing on 6 July 2024 with a coupon rate of 2.5% which replaced the £200m sterling bond.

On 27 April 2017, the Group's subsidiary, Go-Ahead Verkehrgesellschaft Deutschland GmbH, entered into a €20m one year revolving credit facility. On 24 October 2017, €12.0 m of this facility was replaced with a €10.6m 10.5 years loan facility with the Group's subsidiary, Go-Ahead Facility GmbH.

The level of drawdowns and prevailing interest rates are detailed in note 20.

Available liquidity as at 30 June 2018 and 1 July 2017 was as follows:

	2018 £m	2017 £m
Syndicated loans	**280.0**	280.0
£200m 7.5 year 5.375% sterling bond 2017	**–**	200.0
£250m 7 year 2.5% sterling bond 2024	**250.0**	–
Euro revolving credit facility	**7.1**	17.5
€10.6m financing facility	**9.4**	–
Total core facilities	**546.5**	497.5
Amount drawn down at year-end	**397.2**	356.9
Headroom	**149.3**	140.6

The Group's bus vehicles can be financed by hire purchase or finance lease arrangements, or term loans at fixed rates of interest over two to five year primary borrowing periods. This provides a regular inflow of funding to cover expenditure as it arises.

Foreign currency risk

The Group has foreign exchange exposure in respect of cashflow commitments to its operations in Germany, Singapore, Scandanavia and Ireland. These are currently not material to the Group.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables (see note 17) and cash deposits (see note 18). The maximum credit risk exposure of the Group comprises the amounts presented in the balance sheet, which are stated net of provisions for doubtful debt. A provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of future cashflows.

The majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT). The Group does not consider these counterparties to be a significant credit risk. Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A- or A3 or above by at least one of the credit rating agencies. The treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

22. Financial risk management objectives and policies continued

Contractual payments

The tables below summarise the maturity profile of the Group's financial liabilities at 30 June 2018 and 1 July 2017 based on contractual undiscounted payments.

Year ended 30 June 2018

	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	7.2	6.7	139.2	153.4
£250m sterling 7 year bond	–	6.1	–	–	247.4	253.5
Trade and other payables	24.6	424.2	110.3	–	–	559.1
	24.6	430.6	117.5	6.7	386.6	966.0

Year ended 1 July 2017

	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	3.7	162.4	0.1	166.5
£200m sterling 7.5 year bond	–	210.7	–	–	–	210.7
Other financial liabilities	–	2.0	5.5	3.0	–	10.5
Trade and other payables	18.2	458.5	84.3	–	–	561.0
	18.2	671.5	93.5	165.4	0.1	948.7

Managing capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Details of the issued capital and reserves are shown in note 25. Details of interest-bearing loans and borrowings are shown in note 20.

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 30 June 2018 and 1 July 2017.

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 30 June 2018 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 20 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. During the year no specific actions were required to be taken by the Group with regard to this ratio or to ensure the investment grade debt rating.

Our primary financial covenant under the 2023 syndicated loan facility is an adjusted net debt to EBITDA ratio of not more than 3.5x and at 30 June 2018 it was 1.30x (2017: 1.30x).

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

Operating leases

The Group uses operating leases for bus and coach purchases across the Group primarily where the vehicles service specific contracts to mitigate the risk of ownership at the end of the contract. This results in £1.8m (2017: £1.5m) of cost within operating charges which would otherwise have been charged to interest. The Group holds operating leases for its bus fleet with an asset capital value of £45.9m (2017: £30.2m).

The majority of assets in the rail division are financed by operating leases, in particular rolling stock.

23. Derivatives and financial instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations. Financial instruments held by the Group include fuel hedge derivatives and finance lease/hire purchase contracts. For accounting policies see 'Financial assets and derivatives', 'Fair value measurement' and 'Interest bearing loans and borrowings' in note 2.

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 30 June 2018 and 1 July 2017 and are as follows:

	2018 £m	2017 £m
Non-current assets	8.1	–
Current assets	10.0	0.2
	18.1	0.2
Current liabilities	–	(7.3)
Non-current liabilities	–	(3.0)
	–	(10.3)
Net financial derivatives	18.1	(10.1)

Year ended 30 June 2018

	Amortised cost £m	Held for trading – Fair value through income statement £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	18.1	18.1	18.1
Net financial derivatives	–	18.1	18.1	18.1
Obligations under finance lease and hire purchase contracts	(9.4)	–	(9.4)	(9.4)
	(9.4)	18.1	8.7	8.7

Year ended 1 July 2017

	Amortised cost £m	Held for trading – Fair value through income statement £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(10.1)	(10.1)	(10.1)
Net financial derivatives	–	(10.1)	(10.1)	(10.1)
Obligations under finance lease and hire purchase contracts	(3.0)	–	(3.0)	(3.0)
	(3.0)	(10.1)	(13.1)	(13.1)

The fair values of all other assets and liabilities in notes 17, 19 and 20 are not significantly different from their carrying amount, with the exception of the £250m sterling 7 year bond which has a fair value of £245.4m (2017: £200m sterling bond with a fair value of £202.1m) but is carried at its amortised cost of £250.0m (2017: £200m). The fair value of the £250m sterling 7.5 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

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

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

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

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

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

As at 30 June 2018 and 1 July 2017, 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 providers own internal models and calculation methods based upon well recognised financial principles, relevant current market conditions and reasonable estimates about relevant future market conditions.

During the year ended 30 June 2018, there were no transfers between valuation levels.

23. Derivatives and financial instruments continued

b. Hedging activities

Fuel derivatives

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

The movement during the year on the hedging reserve was £23.0m credit (net of tax) (2017: £2.6m credit (net of tax)) taken through other comprehensive income.

Bus

As at 30 June 2018, the Group had derivatives against bus fuel of 182 million litres for the three years ending June 2021. 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 30 June 2018 the amounts hedged are as follows:

	2019	2020*	2021*
Actual percentage hedged	**100%**	**55%**	**30%**
Litres hedged (million)	**97**	**55**	**30**
Price (pence per litre)	**32.5**	**33.2**	**33.9**

* Assuming consistent usage and that hedging is completed at June 2018 market price.

Rail

As at 30 June 2018 the Group had no derivatives against rail fuel for the 2019 financial year (2017: 4 million litres).

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 2 July 2016	60.1	42.1	3.5	105.7
Provided (after discounting)	8.8	22.3	1.7	32.8
Utilised	(6.3)	(15.7)	–	(22.0)
Released	(9.7)	(4.5)	(0.3)	(14.5)
Unwinding of discounting	0.1	0.1	–	0.2
At 1 July 2017	53.0	44.3	4.9	102.2
Provided (after discounting)	**24.1**	**18.3**	**1.5**	**43.9**
Utilised	**(16.1)**	**(14.8)**	**–**	**(30.9)**
Released	**(9.0)**	**(3.1)**	**(0.6)**	**(12.7)**
On acquisition	**–**	**0.9**	**0.3**	**1.2**
Unwinding of discounting	**(0.1)**	**(0.3)**	**–**	**(0.4)**
At 30 June 2018	**51.9**	**45.3**	**6.1**	**103.3**

	2018 £m	2017 £m
Current	**29.6**	40.3
Non-current	**73.7**	61.9
	103.3	102.2

Franchise commitments

Franchise commitments comprise £51.5m (2017: £50.5m) dilapidation provisions on vehicles, depots and stations across our two (2017: three) active rail franchises, and £0.4m (2017: £2.5m) provisions relating to other franchise commitments. Of the dilapidations provisions, £15.1m (2017: £21.2m) are classified as current. All of the £0.4m (2017: £2.5m) provision relating to other franchise commitments is classified as current. During the year £9.0m (2017: £9.7m) of provisions previously provided were released following the successful renegotiation of certain contract conditions. The dilapidations will be incurred as part of a rolling maintenance contract over the next three years. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

Uninsured claims

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Of the uninsured claims, £13.4m (2017: £13.2m) are classified as current and £31.9m (2017: £31.1m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years. 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 historic 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.

Other

The other provisions of £6.1m (2017: £4.6m) relate to dilapidations in the bus division of which £0.7m (2017: £3.1m) are classified as current, and £5.4m (2017: £1.5m) are classified as non-current. It is expected that the dilapidations will be incurred within two to five 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. In the prior year, the remaining other current provision of £0.3m related to completion claims regarding the sale of our aviation business.

25. Issued capital and reserves

Called up share capital is the number of shares in issue at their par value. For accounting policies see 'Treasury shares' in note 2.

	Allotted, called up and fully paid			
	Millions	**2018 £m**	Millions	2017 £m
As at 30 June 2018 and 1 July 2017	**47.0**	**4.7**	47.0	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 4,060,479 ordinary shares (8.6% of share capital), of which 158,249 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 30 June 2018 the Group has repurchased 64,012 shares for LTIP and DSBP arrangements (2017: 121,084 shares purchased). The Group has not cancelled any shares during the year (2017: 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.

26. Commitments

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

Capital commitments

	2018 £m	2017 £m
Contracted for but not provided – acquisition of property, plant and equipment	**34.8**	45.7

26. Commitments continued

Operating lease commitments – Group as lessee

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

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

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 and 1 July 2017 were as follows:

As at 30 June 2018

	Bus vehicles and other £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m	Total £m
Within one year	**11.0**	**1.3**	**575.8**	**361.4**	**134.9**	**1,084.4**
In the second to fifth years inclusive	**27.2**	**5.0**	**1,060.8**	**239.1**	**243.2**	**1,575.3**
Over five years	**–**	**5.2**	**162.4**	**–**	**–**	**167.6**
	38.2	**11.5**	**1,799.0**	**600.5**	**378.1**	**2,827.3**

As at 1 July 2017

	Bus vehicles and other £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m	Total £m
Within one year	12.7	1.5	584.0	387.4	156.6	1,142.2
In the second to fifth years inclusive	28.3	5.4	1,389.2	183.0	334.2	1,940.1
Over five years	–	5.0	163.9	–	–	168.9
	41.0	11.9	2,137.1	570.4	490.8	3,251.2

Operating lease commitments – 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 operating leases as at 30 June 2018 and 1 July 2017 were as follows:

	2018		2017	
	Land and buildings £m	**Other rail agreements £m**	Land and buildings £m	Other rail agreements £m
Within one year	**2.3**	**11.1**	2.9	9.3
In the second to fifth years inclusive	**0.4**	**62.7**	0.2	51.2
Over five years	**–**	**–**	–	–
	2.7	**73.8**	3.1	60.5

Performance bonds and other guarantees

The Group has provided bank guaranteed performance bonds of £76.9m (2017: £76.9m), a loan guarantee bond of £36.3m (2017: £36.3m), and season ticket bonds of £154.1m (2017: £226.2m) 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 (2017: £136.0m) to the DfT in respect of the Govia Thameslink Railway franchise, of which Group has a 65% share equating to £88.4m. At the year end £nil (2017: £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 who have issued certain performance bonds and a letter of credit. The letter of credit at 30 June 2018 is £58.0m (2017: £72.0m).

The Group has a bond of $4.2m SGD (2017: $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 £2.4m (2017: £2.4m).

The Group has a bond of €5.0m (2017: €4.6m) in favour of the Ministry of Transport of BW and bonds of €1.1m (2017: €1.1m) in favour of the Ministry of Transport of BW and the Bavarian Rail Authority. Both are in support of the Group's German rail operations, currently being mobilised. At the year end exchange rate these equate to £5.4m (2017: £4.9m).

The Group has provided a parental company guarantee to provide funds of €35.0m (2017: €35.0m) in respect of the Germany operations, of which €nil (2017: €nil) has been provided for at year end. At the year end exchange rate this equates to £31.0m (2017: £30.1m).

The Group has bonds of €8.0m (2017: €nil) in favour of the National Transport Authority in Ireland in support of the Group's Irish bus operations which will commence trading in September 2018. At the year end exchange rate this equates to £7.1m (2017: £nil).

27. Retirement benefit obligations

The Group operates a defined contribution pension scheme and a workplace saving scheme for our employees. We also administer a defined benefit pension scheme, which is closed to new entrants and future accruals. The train operating companies participate in the Rail Pension Scheme, a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. For accounting policies see 'Retirement benefits' in note 2.

Retirement benefit obligations consist of the following:

	2018			2017		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Pre-tax pension scheme asset/(liabilities)	**36.8**	**–**	**36.8**	(20.9)	–	(20.9)

	2018			2017		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Remeasurement gains/(losses) due to:						
Experience on benefit obligations	**(4.7)**	**(23.8)**	**(28.5)**	8.0	9.7	17.7
Changes in demographic assumptions	**–**	**38.3**	**38.3**	(0.1)	–	(0.1)
Changes in financial assumptions	**16.4**	**58.5**	**74.9**	(52.8)	(193.5)	(246.3)
Return on assets greater than discount rate	**7.2**	**62.6**	**69.8**	20.7	128.8	149.5
Franchise adjustment movement	**–**	**(135.6)**	**(135.6)**	–	55.0	55.0
Remeasurement gains /(losses) on defined benefit pension plans	**18.9**	**–**	**18.9**	(24.2)	–	(24.2)

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 defined contribution. The expense recognised for the Money Purchase Sections of the Go-Ahead Plan is £9.9m (2017: £9.6m), being the contributions paid and payable. The expense recognised for the Workplace Saving Scheme is £4.0m (2017: £2.9m), 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 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 accounts on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company 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 2015, and the next will have an effective date of 31 March 2018.

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 EYMS Group Limited, which was acquired during the year, 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 2014 valuation.

The actuarial assumptions disclosed are in respect of the Go-Ahead Plan given the respective sizes of the three bus pension schemes.

27. Retirement benefit obligations continued

Summary of bus schemes year end assumptions

	2018 %	2017 %
Retail price index inflation	**3.1**	3.3
Consumer price index inflation	**2.1**	2.3
Discount rate	**2.7**	2.6
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment and deferred pension	**1.8**	2.0

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.

	2018 Years	2017 Years
Pensioner	**21**	21
Non-pensioner	**22**	22

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.

	2018 Pension deficit %	2017 Pension deficit %
Discount rate – increase of 0.1%	**(1.7)**	(1.7)
Price inflation – increase of 0.1%	**1.5**	1.5
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment – increase of 0.1%	**0.9**	0.9
Increase in life expectancy of pensioners or non-pensioners by 1 year	**3.6**	3.6

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.1% and 1 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 tables shows the expected future benefit payments of the plan at 30 June 2018.

	2018 £m
June 2019	**31.1**
June 2020	**31.7**
June 2021	**32.5**
June 2022	**33.1**
June 2023	**33.7**
June 2024 to June 2028	**179.8**

Category of assets at the year end

	2018		2017	
	£m	%	£m	%
Equities	**95.3**	**11.5**	306.3	39.1
Bonds	**109.3**	**13.2**	15.4	2.0
Property	**53.9**	**6.5**	43.5	5.5
Liability driven investing portfolio	**246.9**	**29.8**	341.4	43.5
Cash/other	**323.9**	**39.0**	78.0	9.9
	829.3	**100.0**	784.6	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

	2018 £m	2017 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	**(792.5)**	(805.5)
Assets at fair value	**829.3**	784.6
Pension scheme asset/(liability)	**36.8**	(20.9)

Pension cost for the financial year

	2018 £m	2017 £m
Service cost	**–**	–
Administration costs	**1.7**	1.6
Settlement gain	**(35.2)**	(1.2)
Interest cost on net liabilities	**0.4**	–
Total pension costs	**(33.1)**	0.4

On 28 March 2018 the Group and the Trustee of the Go-Ahead Plan agreed to change the reference inflation index for the purpose of annual increases to the majority of pensions payable by the Bus Plan. From 1 April 2018 onwards, the Consumer Prices Index (CPI) is used to increase pensions in payment rather than the Retail Prices Index (RPI). The change reduces the financial risks of the Go-Ahead Plan and enhances the long-term sustainability of the scheme, providing an improvement in the security of Plan members' benefit.

As a result of this change, a pre-tax, non-cash exceptional settlement gain of £35.2 million has been recognised in the income statement.

In the prior year, the £1.2m settlement gain represents a gain made by the pension scheme in respect of the pension increase exchange exercise undertaken in the prior year.

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

	2018 £m	2017 £m
Pension scheme liabilities – at start of year	**805.5**	765.8
Interest cost	**20.5**	20.7
Settlement gain	**(35.2)**	(1.2)
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	**4.7**	(8.0)
Changes in demographic assumptions	**–**	(0.1)
Changes in financial assumptions	**(16.4)**	52.8
Benefits paid	**(28.5)**	(24.5)
On acquisition	**41.9**	–
Pension scheme liabilities – at end of year	**792.5**	805.5

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

	2018 £m	2017 £m
Fair value of assets – at start of year	**784.6**	763.1
Interest income of plan assets	**20.1**	20.7
Remeasurement gains due to return on assets greater than discount rate	**7.2**	20.7
Actuarial gain on assets	**–**	(0.3)
Administration costs	**(1.7)**	(1.6)
Group contributions	**6.6**	6.5
Benefits paid	**(28.5)**	(24.5)
On acquisition	**41.0**	–
Fair value of plan assets – at end of year	**829.3**	784.6

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2019	**7.3**
Estimated employee contributions in financial year 2019	**–**
Estimated total contributions in financial year 2019	**7.3**

27. Retirement benefit obligations continued

Rail schemes

The Railways Pension Scheme (RPS)

The majority of employees in our train operating companies are members of sections of the Railways Pensions 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 includes 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 treatment for such pensions scheme is not explicitly considered by IAS 19 Employee Benefits (Revised). However, since the contributions currently committed to being paid to each train operating company section are lower than the share of the service cost (for current and future service) that would normally be calculated under IAS 19 (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. As a result, the Group consequently reduces any section deficit balance that would otherwise remain after reflecting the cost sharing with the members and reduces any service costs that would give rise to an increase in such deficit through the use of a franchise adjustment with movements in that franchise adjustment meaning that the service costs appropriately reflect contracted contributions resulting over the term of the franchise, as occurred on the transfer of the London Midland franchise during the year.

British Railways Additional Superannuation Scheme (BRASS) matching AVC Group contributions of £0.6m (2017: £0.6m) were paid in the year.

Summary of year end assumptions

	2018 %	2017 %
Retail price index inflation	**3.1**	3.3
Consumer price index inflation	**2.1**	2.3
Discount rate	**2.7**	2.6
Rate of increase in salaries	**3.4**	3.5
Rate of increase of pensions in payment and deferred pension	**2.1**	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.

	2018 Years	2017 Years
Pensioner	**21**	22
Non-pensioner	**23**	24

The mortality assumptions adopted as at 30 June 2018 and 1 July 2017 are based on the results of the latest funding valuation as at 31 December 2013.

Sensitivity analysis

Due to the nature of the franchise adjustment, the balance sheet position in respect of the rail pension schemes 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

	2018 £m	2018 %	2017 £m	2017 %
Equities	**1,859.3**	**98.0**	2,154.2	96.8
Property	**34.1**	**1.8**	69.0	3.1
Cash	**3.8**	**0.2**	2.2	0.1
	1,897.2	**100.0**	2,225.4	100.0

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

Funding position of the Group's pension arrangements

	2018 £m	2017 £m
Employer's 60% share of pension scheme:		
Liabilities at the end of the year	**(2,474.1)**	(3,010.9)
Assets at fair value	**1,897.2**	2,225.4
Gross deficit	**(576.9)**	(785.5)
Franchise adjustment	**576.9**	785.5
Pension scheme liability	**–**	–

Pension cost for the financial year

	2018 £m	2017 £m
Service cost	**95.4**	92.6
Administration costs	**3.5**	7.2
Franchise adjustment to current period costs	**(65.2)**	(62.8)
Interest cost on net liabilities	**18.9**	18.7
Interest on franchise adjustments	**(18.9)**	(18.7)
Pension cost	**33.7**	37.0

Analysis of the change in the employer's 60% share of pension scheme liabilities over the financial year

	2018 £m	2017 £m
Pension scheme liabilities less members' share (40%) of the deficit – at start of year	**3,010.9**	2,625.8
Franchise adjustment (100%)	**(785.5)**	(649.0)
	2,225.4	1,976.8
Liability movement for members' share of assets (40%)	**80.9**	126.4
Service cost (60%)	**95.4**	92.6
Interest cost (60%)	**49.6**	51.1
Interest on franchise adjustment (100%)	**(18.9)**	(18.7)
Franchise adjustment to current period costs (100%)	**(65.2)**	(62.8)
Remeasurement losses/(gains) due to:		
Experience on benefit obligations (60%)	**23.8**	(9.7)
Changes in demographical assumptions (60%)	**(38.3)**	–
Changes in financial assumptions (60%)	**(58.5)**	193.6
Benefits paid (100%)	**(61.3)**	(68.9)
Transfer of franchise	**(628.4)**	–
Franchise adjustment on transfer of franchise	**157.1**	–
Franchise adjustment movement (100%)	**135.6**	(55.0)
	1,897.2	2,225.4
Franchise adjustment (100%)	**576.9**	785.5
Pension scheme liabilities less members share (40%) of the deficit – at end of year	**2,474.1**	3,010.9

27. Retirement benefit obligations continued

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

	2018 £m	2017 £m
Fair value of assets – at start of year (100%)	**2,225.4**	1,976.8
Interest income of plan assets (60%)	**30.7**	32.5
Remeasurement gains due to return on assets greater than discount rate (60%)	**62.5**	128.8
Administration costs (100%)	**(5.9)**	(12.0)
Group contributions (100%)	**33.1**	36.4
Benefits paid (100%)	**(61.3)**	(68.9)
Transfer of franchise	**(471.3)**	–
Members' share of movement of assets (40%)	**84.0**	131.8
Fair value of plan assets – at end of year (100%)	**1,897.2**	2,225.4

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2019	**28.4**
Estimated employee contributions in financial year 2019	**19.0**
Estimated total contributions in financial year 2019	**47.4**

Franchise adjustment

The effect of the franchise adjustment on the financial statements is provided below:

	2018 £m	2017 £m
Balance sheet		
Defined benefit pension plan	**(576.9)**	(785.5)
Deferred tax asset	**98.1**	133.5
	(478.8)	(652.0)
Other comprehensive income		
Remeasurement gains	**(135.6)**	55.0
Tax on remeasurement gains	**23.1**	(9.4)
	(112.5)	45.6
Income statement		
Franchise adjustment to current period costs	**(65.2)**	(62.8)
Interest on franchise adjustments	**(18.9)**	(18.7)
Deferred tax charge	**14.3**	13.9
	(69.8)	(67.6)

Risks associated with defined benefit plans

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.

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

28. Related party disclosures and Group undertakings

Our subsidiaries 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 2018	2017
Trading subsidiaries			
Go-Ahead Holding Limited	United Kingdom[2]	**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
Hedingham & District Omnibuses Ltd.	United Kingdom	**100**	100
Anglian Bus Limited	United Kingdom	**100**	100
HC Chambers & Son Limited	United Kingdom	**100**	100
Aviance UK Limited	United Kingdom	**100**	100
New Southern Railway Limited	United Kingdom[1]	**65**	65
London & South Eastern Railway Limited	United Kingdom[1]	**65**	65
London & Birmingham Railway Limited	United Kingdom[1]	**65**	65
Southern Railway Limited	United Kingdom[1]	**65**	65
Govia Thameslink Railway Limited	United Kingdom[1]	**65**	65
Govia Limited	United Kingdom[1]	**65**	65
Go-Ahead Scotland 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 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 Transport Services (Dublin) Limited	Ireland	**100**	–
Tom Tappin, Limited	United Kingdom	**100**	–
EYMS Group Limited	United Kingdom	**100**	–
East Yorkshire Motor Services Limited	United Kingdom	**100**	–
Jointly controlled entities			
On Track Retail Limited	United Kingdom[3]	**50**	50
Investments			
Mobileeee GmbH	Germany[4]	**12**	–

1. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.
2. Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.
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.

The registered offices of trading subsidiaries incorporated outside of the United Kingdom are as follows:

Subsidiary	Registered office
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Jean-Monnaie-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 Sverige AB	Mäster Samuelsgatan 20, SE 101 39, Stockholm, Sweden
Go-Ahead Norge AS	Filipstad Brygge 1, NO 0125, Oslo, Norway
Go-Ahead Seletar PTE Ltd and Go-Ahead Singapore PTE Ltd	2 Loyang Way, Singapore 508776
Go-Ahead Dublin Services (Transport) Limited	Holmes O'Malley Sexton Solicitors 2-4 Ely Place Dublin 2

Name	Company number	Country of incorporation	% equity interest 2018	2017
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
GA Retail Services Limited	4173713	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
Go-Ahead XX Limited	8205871	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
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

28. Related party disclosures and Group undertakings continued

Name	Company number	Country of incorporation	% equity interest 2018	2017
Dormant subsidiaries (continued)				
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**	–
East Yorkshire Coach Holidays Limited	0243051	United Kingdom	**100**	–
Bus UK Limited	2232813	United Kingdom	**100**	–
Buscall Limited	3887602	United Kingdom	**100**	–
Connor and Graham Limited	0546796	United Kingdom	**100**	–
East Yorkshire Buses Limited	0254844	United Kingdom	**100**	–
East Yorkshire Coaches Limited	0331077	United Kingdom	**100**	–
East Yorkshire Properties Limited	2256485	United Kingdom	**100**	–
East Yorkshire Tours Limited	0172326	United Kingdom	**100**	–
East Yorkshire Travel Limited	3225828	United Kingdom	**100**	–
East Yorkshire Holiday Tours Limited	2140988	United Kingdom	**100**	–
Frodingham Coaches Limited	2135501	United Kingdom	**100**	–
Hull and District Motor Services Limited	2183936	United Kingdom	**100**	–
Hull Park and Ride Limited	3886603	United Kingdom	**100**	–
Kingstonian Travel Services Limited	3561955	United Kingdom	**100**	–
EYMS Bus & Coach Training Limited	2123369	United Kingdom	**100**	–
Scarborough and District Motor Services Limited	2133854	United Kingdom	**100**	–
Go-Ahead Mobility UG	–	Germany	**100**	–

Name	Company number	Country of incorporation	% equity interest 2018	2017
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 dormant subsidiaries incorporated in Germany is: Jean-Monnaie-Straße 2, D-10557, Berlin, Germany.

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, S480 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 (2017: £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.

Investments

The Group's subsidiary, Go-Ahead Verkehrsgellschaft Deutschland Gmbh acquired a 12% 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.

	2018 £m	2017 £m
Short term employee benefits	**2.0**	1.4
Long term employee benefits*	**0.4**	0.3
Post employment benefits	**0.1**	0.1
	2.5	1.8

* 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	2018	2017
Govia Limited	United Kingdom	**35%**	35%
London and South Eastern Railway Limited*	United Kingdom	**35%**	35%
Southern Railway Limited*	United Kingdom	**35%**	35%
London and Birmingham Railway Limited*	United Kingdom	**35%**	35%
Govia Thameslink Railway Limited*	United Kingdom	**35%**	35%
Thameslink Rail Limited*	United Kingdom	**35%**	35%
New Southern Railway Limited*	United Kingdom	**35%**	35%

* Subsidiary of Govia Limited.

	2018 £m	2017 £m
Accumulated balances of material non-controlling interest:		
Govia Limited	**31.1**	23.7
Total comprehensive income allocated to material non-controlling interest:		
Govia Limited	**20.3**	22.4

28. Related party disclosures and Group undertakings continued

The summarised financial information of these subsidiaries is provided below. The information is based on amounts before inter-company eliminations:

Summarised income statement of Govia Limited and its subsidiary companies for the year ended 30 June 2018 and 1 July 2017:

	2018 £m	2017 £m
Revenue	**2,527.0**	2,579.1
Operating costs	**(2,457.7)**	(2,499.8)
Finance revenue	**2.4**	2.3
Finance costs	**(1.8)**	(1.9)
Profit before taxation	**69.9**	79.7
Tax expense	**(11.9)**	(16.4)
Profit for the year from controlling operations	**58.0**	63.3
Total comprehensive income	**58.0**	63.3
Attributable to non-controlling interests	**20.3**	22.4
Dividends paid to non-controlling interests	**13.9**	21.3

Summarised balance sheet of Govia Limited and its subsidiary companies as at 30 June 2018 and 1 July 2017:

	2018 £m	2017 £m
Current assets – inventories, trade and other receivables, cash	**807.1**	850.7
Non-current assets – property, plant and equipment, intangible assets, deferred tax	**46.5**	51.9
Current liabilities – trade and other payables, provisions	**(704.4)**	(776.0)
Non-current liabilities – provisions	**(60.2)**	(58.9)
Total equity	**89.0**	67.7
Attributable to:		
Equity holders of the parent	**57.8**	44.0
Non-controlling interest	**31.1**	23.7

These balance sheet amounts are shown before intercompany eliminations.

Summarised cashflow information of Govia Limited and its subsidiary companies for the year ended 30 June 2018 and 1 July 2017:

	2018 £m	2017 £m
Operating	**12.9**	(18.4)
Investing	**(9.4)**	30.0
Financing	**(41.4)**	(62.9)
Net decrease in cash and cash equivalents	**(37.9)**	(51.3)

Company Financial Statements

In this section

COMPANY BALANCE SHEET
for the year ended 30 June 2018

Registered No: 02100855

	Notes	2018 £m	2017 £m
Assets			
Non-current assets			
Intangible assets	5	**3.9**	3.1
Property, plant and equipment	6	**181.2**	180.5
Investments	7	**215.1**	215.1
Trade and other receivables	8	**10.8**	13.8
Financial assets	11	**8.1**	–
Retirement benefit obligations	14	**42.1**	–
		461.2	412.5
Current assets			
Trade and other receivables	8	**709.9**	674.9
Cash and cash equivalents		**0.9**	0.6
Financial assets	11	**10.0**	0.2
		720.8	675.7
Total assets		**1,182.0**	1,088.2
Liabilities			
Current liabilities			
Trade and other payables	9	**(71.5)**	(287.8)
Current tax liabilities		**(2.7)**	–
Financial liabilities	11	**–**	(7.3)
		(74.2)	(295.1)
Non-current liabilities			
Trade and other payables	9	**(321.4)**	(68.5)
Retirement benefit obligations	14	**–**	(16.1)
Provisions	12	**(9.7)**	(8.9)
Financial liabilities	11	**–**	(3.0)
Deferred tax liabilities	13	**(27.0)**	(24.7)
		(358.1)	(121.2)
Total liabilities		**(432.3)**	(416.3)
Net assets		**749.7**	671.9
Capital and reserves			
Share capital	15	**4.7**	4.7
Share premium		**69.5**	68.9
Revaluation reserve	15	**67.1**	70.4
Share premium reserve	15	**1.6**	1.6
Capital redemption reserve		**0.7**	0.7
Reserve for own shares		**(71.3)**	(71.9)
Retained earnings		**677.4**	597.5
Total equity		**749.7**	671.9

Profit for the year ended 30 June 2018 was £104.8m (2017: £136.4m).

Patrick Butcher,
Group Chief Financial Officer

5 September 2018

COMPANY STATEMENT OF CHANGES IN EQUITY
as at 30 June 2018

	Share capital £m	Share premium £m	Revaluation reserve £m	Share premium reserve £m	Capital redemption reserve £m	Reserve for own shares £m	Retained earnings £m	Total equity £m
At 2 July 2016	4.7	67.4	73.9	1.6	0.7	(70.9)	519.7	597.1
Profit for the year	–	–	–	–	–	–	136.4	136.4
Remeasurement on defined benefit retirement plans (net of tax)	–	–	–	–	–	–	(19.7)	(19.7)
Total comprehensive income	–	–	–	–	–	–	116.7	116.7
Dividend paid (note 4)	–	–	–	–	–	–	(41.8)	(41.8)
Movement on revaluation reserve (note 15)	–	–	(3.5)	–	–	–	3.5	–
Acquisition of own shares	–	–	–	–	–	(2.4)	–	(2.4)
Share based payment charge (and associated tax) (note 2)	–	–	–	–	–	–	0.8	0.8
Reserves transfer	–	–	–	–	–	1.4	(1.4)	–
Share issue	–	1.5	–	–	–	–	–	1.5
At 1 July 2017	4.7	68.9	70.4	1.6	0.7	(71.9)	597.5	671.9
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**104.8**	**104.8**
Remeasurement on defined benefit retirement plans (net of tax)	**–**	**–**	**–**	**–**	**–**	**–**	**15.3**	**15.3**
Foreign exchange gain	**–**	**–**	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**120.9**	**120.9**
Dividend paid (note 4)	**–**	**–**	**–**	**–**	**–**	**–**	**(43.8)**	**(43.8)**
Movement on revaluation reserve (note 15)	**–**	**–**	**(3.3)**	**–**	**–**	**–**	**3.3**	**–**
Acquisition of own shares	**–**	**–**	**–**	**–**	**–**	**(1.1)**	**–**	**(1.1)**
Share based payment charge (and associated tax) (note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**1.2**	**1.2**
Reserves transfer	**–**	**–**	**–**	**–**	**–**	**1.7**	**(1.7)**	**–**
Share issue	**–**	**0.6**	**–**	**–**	**–**	**–**	**–**	**0.6**
At 30 June 2018	**4.7**	**69.5**	**67.1**	**1.6**	**0.7**	**(71.3)**	**677.4**	**749.7**

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE COMPANY FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1.Company accounting policies

Authorisation of financial statements and statement of compliance with FRS101

The Company financial statements of The Go-Ahead Group plc for the year ended 30 June 2018 were authorised for issue by the Board of directors on 5 September 2018 and the balance sheet was signed on the Board's behalf by Patrick Butcher. The Go-Ahead Group plc is a public limited company that is incorporated and domiciled 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 (FRS101) and in line with the recognition and measurement criteria of IFRS.

No profit or loss account 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 30 June 2018.

The financial statements are prepared under the historical cost convention.

The financial statements are prepared in pounds sterling and are rounded to the nearest one hundred thousand (£0.1m).

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures and standards not yet effective:

- The requirements of paragraph 45(b) and 46-52 of IFRS2 Share Based Payment
- The requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), b64(n)(ii), B64(o)(ii), B64(p), B64(Q)(ii), B66 and B67 of IFRS3 Business Combinations
- The requirement of IFRS7 Financial Instruments: Disclosures
- The requirement of paragraphs 91-99 of IFRS13 Fair Value Measurement
- The requirement in paragraph 38 of IAS1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS1
  - paragraph 73(e) of IAS16 Property, Plant and Equipment
  - paragraph 118(e) of IAS38 Intangible Assets
- The requirements of paragraphs 10(d), 10(f), 16, 39(c), 40A, 40B, 40C, 40D, 111 and 134-136 of IAS1 Presentation of Financial Statements
- The requirements of IAS7 Statement of Cashflows
- The requirements of paragraphs 30 and 31 of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 of IAS24 Related Party Disclosures
- The requirements in IAS24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS36 Impairment of Assets.

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:

Uninsured claims

The measurement of uninsured liabilities is based on an assessment of both the expected settlement of known claims and of the cost of claims not yet reported to the Company, as detailed in note 12. In order to assess the appropriate level of provisions the Company engages with its brokers and claims handlers to ensure external expertise of our claims development history is adequately built into the provision.

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 obligations

The measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 14. 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.

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.

Tangible assets

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

1. Company accounting policies continued

Depreciation is charged to the income statement based on deemed cost or valuation, less estimated residual value of each asset, evenly over its expected useful life 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.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Pension benefits

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising 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 payments

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performance or service (non-vesting condition); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Uninsured liabilities

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. A provision is recognised for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company.

Treasury shares

Re-acquired shares in the Company, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Company's shares is transferred from the reserve for own shares to revenue reserves.

Interest bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition, the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other derecognition of debt are recognised directly in the income statement.

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet, with a corresponding liability being recognised, and are depreciated over the shorter of their useful lives and the lease terms.

The capital elements of future obligations under leases are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the periods of the leases and represents a constant proportion of the balance of capital repayments outstanding.

Leases where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the income statement on a straight-line basis over the lease term.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefit will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, provisions are discounted. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain.

Financial instruments

The Company uses interest derivatives to hedge its risks associated with interest rate fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Financial instruments are accounted for in accordance with IAS 39. Financial instruments are initially recognised at fair value, being the transaction price plus, in the case of financial instruments not recorded at fair value through profit or loss, directly attributable transaction costs.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period in which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

Software

Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

2. 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.

	2018 £m	2017 £m
Wages and salaries	**11.8**	10.8
Social security costs	**1.3**	1.4
Other pension costs	**2.1**	0.9
Share based payments charge	**0.7**	1.1
	15.9	14.2

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

	2018	2017
Administration and supervision	**190**	187

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

The Sharesave scheme is open to all full time and part-time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. At the end of the savings period, employees can buy shares at a 20% discount of the market price set at the date of invitation or take their full savings back. Sharesave 2016 will mature on 1 May 2019.

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

There are savings-related options at 30 June 2018 as follows:

Scheme maturity	1 May 2019	1 May 2017
Option price (£)	**19.11**	17.34
No. of options unexercised at 30 June 2018	**3,120**	–
No. of options exercised during the year	**–**	412
No. of options exercisable at 30 June 2018	**–**	–

The expense recognised for the scheme during the year to 30 June 2018 was less than £0.1m (2017: less than £0.1m).

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

	2018 No.	2018 WAEP £	2017 No.	2017 WAEP £
Outstanding at the beginning of the year	**6,896**	**18.43**	8,986	18.28
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**(3,364)**	**17.93**	(751)	18.62
Exercised during the year	**(412)**	**17.34**	(1,339)	17.34
Outstanding at the end of the year	**3,120**	**19.11**	6,896	18.43

The weighted average exercise price at the date of exercise for the options exercised in the period was £17.34 (2017: £17.34).

At the year end, no (2017: 2,658) options were exercisable and the weighted average exercise price of the options was £nil (2017: £18.43).

The options outstanding at the end of the year have a weighted average remaining contracted life of 0.83 years (2017: 1.12 years).

Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 and 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 30 June 2018 was £0.8m (2017: £0.6m).

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 30 June 2018 and 1 July 2017 were:

	2018 % per annum	2017 % per annum
The Go-Ahead Group plc:		
Future share price volatility	**29.0**	28.0
FTSE Mid-250 index comparator:		
Future share price volatility	**25.0**	25.0
Correlation between companies	**30.0**	30.0

The weighted average fair value of options granted during the year was £12.92 (2017: £14.90).

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

	2018	2017
Outstanding at the beginning of the year	**111,724**	84,415
Granted during the year	**72,755**	57,771
Forfeited during the year	**(9,815)**	(3,047)
Exercised during the year	**(11,520)**	(27,415)
Outstanding at the end of the year	**163,144**	111,724

The LTIP award granted to the Group Chief Executive in November 2015 will lapse in full from November 2018 as none of the performance measures were achieved following the three year performance period ending 30 June 2018. The weighted average share price of the options was £15.88 (2017: £17.77).

All of the LTIP awards granted to the Group Chief Financial Officer will lapse on his cessation of employment in 2018/19.

The weighted average remaining contractual life of the options was 1.25 years (2017: 1.33 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £16.23 (2017: £20.33).

Deferred Share Bonus Plan

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

The expense recognised for the DSBP during the year to 30 June 2018 was £0.4m (2017: £0.5m).

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

The weighted average fair value of options granted during the year was £16.30 (2017: £20.08).

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

	2018	2017
Outstanding at the beginning of the year	**76,069**	81,513
Granted during the year	**11,794**	19,007
Forfeited during the year	**–**	–
Exercised during the year	**(29,203)**	(24,451)
Outstanding at the end of the year	**58,660**	76,069

At the year end, 5,952 options related to DSBP awards, which vested before the year-end, which have not yet been exercised by participants. Of these 5,952 options, 5,165 options related to the award granted in November 2013 and 787 options related to the award granted in November 2014. 22,328 options, relating to the DSBP award granted in November 2015, will be eligible to vest from November 2018 following the end of a three year deferral period. The weighted average share price of the options at the year end was £15.88 (2017: £17.77).

All of the DSBP awards granted to the Group Chief Financial Officer will lapse on his cessation of employment in 2018/19.

The weighted average remaining contractual life of the options was 0.72 years (2017: 0.78 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £15.98 (2017: £20.27).

2. Employee costs continued

Share incentive plans

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

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

3. Exceptional operating items

	2018 £m	2017 £m
Gain on change in RPI/CPI assumptions	**35.2**	–
Exceptional operating items	**35.2**	–

Year ended 30 June 2018

Total exceptional operating items in the year were £35.2m.

During the year The Go-Ahead Group Pension Plan (the Go-Ahead Plan) changed the reference inflation index used to estimate the annual increases to the majority of pensions payable. From 1 April 2018 onwards, the Consumer Prices Index (CPI) will be used to increase pensions in payment rather than the Retail Prices Index (RPI). The change reduces the financial risks of the Go-Ahead Plan and enhances the long-term sustainability of the scheme, providing an improvement in the security of Plan members' benefits. A one-off gain of £35.2m has been recognised in respect of this change.

The tax impact of the above exceptional items plus accrued amounts relating to the ongoing HMRC capital allowances enquiry is £11.5m (2017: £nil).

In addition, an accrued amount of £2.6m has been provided for within finance costs in relation to the interest payable on the HMRC enquiry.

Year ended 1 July 2017

There were no exceptional items in the year ended 1 July 2017.

4. Dividends

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

	2018 £m	2017 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2017: 71.91p per share (2016: 67.52p)	**30.9**	28.9
Interim dividend for 2018: 30.17p per share (2017: 30.17p)	**12.9**	12.9
	43.8	41.8

	2018 £m	2017 £m
Proposed for approval at the AGM (not recognised as a liability as at 30 June 2018)		
Equity dividends on ordinary shares:		
Final dividend for 2018: 71.91p per share (2017: 71.91p)	**31.0**	31.0

5. Intangible assets

	Software £m
Cost:	
At 1 July 2017	13.3
Additions	2.1
At 30 June 2018	**15.4**
Amortisation:	
At 1 July 2017	10.2
Charge for the year	1.3
At 30 June 2018	**11.5**
Net book value:	
At 30 June 2018	**3.9**
At 1 July 2017	3.1

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.

6. Property, plant and equipment

	Freehold land and buildings £m	Long term leasehold land and buildings £m	Short term leasehold land and buildings £m	Plant and equipment £m	Total £m
Cost:					
At 1 July 2017	190.7	0.4	4.4	10.3	205.8
Additions	**2.6**	**–**	**–**	**0.7**	**3.3**
Disposals	**(0.9)**	**–**	**–**	**–**	**(0.9)**
Transfer categories	**–**	**(0.4)**	**0.4**	**–**	**–**
At 30 June 2018	**192.4**	**–**	**4.8**	**11.0**	**208.2**
Depreciation:					
At 1 July 2017	14.2	–	1.7	9.4	25.3
Charge for the year	**1.0**	**–**	**0.2**	**0.5**	**1.7**
At 30 June 2018	**15.2**	**–**	**1.9**	**9.9**	**27.0**
Net book value:					
At 30 June 2018	**177.2**	**–**	**2.9**	**1.1**	**181.2**
At 1 July 2017	176.5	0.4	2.7	0.9	180.5

Freehold land and buildings include non-depreciable land amounting to £122.8m (2017: £120.0m).

7. Investments

	Loans to Group £m	Shares in Group companies £m	Total £m
Cost:			
At 30 June 2018 and 1 July 2017	**63.2**	**151.9**	**215.1**
Provisions:			
At 30 June 2018 and 1 July 2017	**–**	**–**	**–**
Net carrying amount:			
At 30 June 2018 and 1 July 2017	**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 30 June 2018, refer to note 28 of the Group financial statements.

8. Trade and other receivables

Amounts falling due within one year

	2018 £m	2017 £m
Amounts owed by Group companies	**698.9**	647.6
Corporation tax	**–**	14.4
Other debtors	**11.0**	12.9
	709.9	674.9

Amounts falling due after more than one year

	2018 £m	2017 £m
Amounts owed by Group companies	**10.8**	13.8

9. Trade and other payables

Amounts falling due within one year

	2018 £m	2017 £m
Amounts owed to Group undertakings	**49.0**	71.9
Other creditors	**20.8**	15.2
Interest bearing loans repayable:		
In less than one year	**–**	199.2
Finance leases (note 10)	**1.7**	1.5
	71.5	287.8

Amounts falling due after more than one year

	2018 £m	2017 £m
Interest-bearing loans and borrowings repayable:		
After more than five years	**246.5**	–
Finance leases (note 10)	**66.8**	68.5
Amounts owed to Group undertakings	**8.1**	–
	321.4	68.5

Included in finance leases is an amount of £68.5m (2017: £70.0m) owing to Group undertakings.

The Company has no security over its liabilities.

10. Finance leases

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a sale and leaseback of certain properties used by the Group. This arrangement has no terms of renewal or purchase option escalation clauses and there are no restrictions imposed by the arrangement. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, for the sale and leaseback of these properties are as follows:

	2018		2017	
	Minimum value of payments £m	Present value of payments £m	Minimum value of payments £m	Present value of payments £m
Within one year	**4.6**	**1.7**	4.5	1.5
After one year but not more than five years	**19.9**	**8.9**	19.4	8.0
After five years	**76.1**	**57.9**	81.3	60.5
Total minimum lease payments	**100.6**	**68.5**	105.2	70.0
Less amounts representing finance charges	**(32.1)**	**–**	(35.2)	–
Present value of minimum lease payments	**68.5**	**68.5**	70.0	70.0

11. Financial instruments at fair value

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 30 June 2018 and 1 July 2017 and are as follows:

	2018 £m	2017 £m
Financial assets due after more than one year	**8.1**	–
Financial assets due within one year	**10.0**	0.2
	18.1	0.2
Financial liabilities due within one year	**–**	(7.3)
Financial liabilities due after more than one year	**–**	(3.0)
	–	(10.3)
Net financial derivatives	**18.1**	(10.1)

Further information on the financial derivatives can be found in note 23 of the Group consolidated financial statements.

12. Provisions

	Uninsured claims £m	Other £m	Total £m
As at 2 July 2016	6.8	0.3	7.1
Provided (after discounting)	1.3	–	1.3
Released	(0.2)	–	(0.2)
Utilised	0.8	–	0.8
Unwinding of discounting	(0.1)	–	(0.1)
As at 1 July 2017	8.6	0.3	8.9
Provided (after discounting)	**0.3**	**–**	**0.3**
Released	**–**	**–**	**–**
Utilised	**0.6**	**–**	**0.6**
Unwinding of discounting	**(0.1)**	**–**	**(0.1)**
As at 30 June 2018	**9.4**	**0.3**	**9.7**

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within six years. 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 historic 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.

The other provision relates to dilapidation costs. It is expected that the dilapidations will be incurred within two to three years.

13. Deferred taxation

Deferred taxation provided at the enacted rate is as follows:

	2018 £m	2017 £m
Accelerated capital allowances	(2.8)	3.8
Other timing differences	11.2	11.6
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	11.4	12.0
Retirement benefit obligations	7.2	(2.7)
Deferred taxation	27.0	24.7

The movements in deferred tax in the income statement and other comprehensive income for the year ended 30 June 2018 are as follows:

	At 1 July 2017 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	At 30 June 2018 £m
Accelerated capital allowances	(3.8)	6.6	–	–	2.8
Asset backed funding pension arrangement	(10.1)	0.2	–	–	(9.9)
Other temporary differences	(1.5)	0.1	–	–	(1.4)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(12.0)	0.6	–	–	(11.4)
Retirement benefit obligations	2.7	(6.8)	(3.1)	–	(7.2)
Share based payments	–	–	–	0.1	0.1
	(24.7)	0.7	(3.1)	0.1	(27.0)

14. Pension commitments

Defined contribution

During the year ended 30 June 2018, 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 (2017: £0.4m), being the contributions paid and payable. The expense recognised for the workplace saving scheme was less than £0.1m (2017: less than £0.1m), being the contributions paid and payable.

Defined benefit

During the year ended 30 June 2018, 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 Group Pension Plan has been closed to new entrants and to future accrual.

The most recent actuarial valuation of the scheme was at 31 March 2015 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 30 June 2018 and 1 July 2017.

The total net assets and liabilities of the scheme are recognised on the Company balance sheet.

The following disclosures provide details of the entire defined benefit scheme.

The main assumptions are:

	2018 %	2017 %
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment and deferred pensions	1.9	2.0
Discount rate	2.7	2.6
Retail price index inflation	3.1	3.3
Consumer price index inflation	2.1	2.3

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.

	2018 Years	2017 Years
Pensioner	**21**	21
Non-pensioner	**22**	22

Sensitivity analysis

In making the valuation, the above assumptions have been used. For The Go-Ahead Group Pension Plan (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.

	2018 Pension deficit %	2017 Pension deficit %
Discount rate – increase of 0.1%	**(1.7)**	(1.7)
Price inflation – increase of 0.1%	**1.5**	1.5
Rate of increase in salaries – increase of 0.1%	**n/a**	n/a
Rate of increase of pensions in payment – increase of 0.1%	**0.9**	0.9
Increase in life expectancy of pensioners or non-pensioners by 1 year	**3.6**	3.6

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.1% and 1 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.

	2018 £m
June 2019	**28.3**
June 2020	**28.9**
June 2021	**29.5**
June 2022	**30.1**
June 2023	**30.7**
June 2023 to June 2027	**163.4**

Category of assets at the year end

	2018		2017	
	£m	%	£m	%
Equities	**66.0**	**8.5**	297.3	38.5
Bonds	**108.6**	**14.0**	14.7	1.9
Property	**52.8**	**6.8**	42.5	5.5
Liability driven investing portfolio	**234.4**	**30.2**	341.3	44.2
Cash/other	**314.2**	**40.5**	76.5	9.9
	776.0	**100.0**	772.3	100

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

	2018 £m	2017 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	**(734.6)**	(788.4)
Assets at fair value	**776.0**	772.3
Pension scheme assets/(liabilities)	**41.4**	(16.1)
Deferred tax (liability)/asset	**(9.9)**	2.9
Post-tax pension scheme assets/(liabilities)	**31.5**	(13.2)

14. Pension commitments continued

Pension cost for the financial year

	2018 £m	2017 £m
Administration costs	1.7	1.6
Settlement gain	(35.2)	(1.2)
Interest cost on net liabilities	0.3	(0.1)
Total pension costs	(33.2)	0.3

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

	2018 £m	2017 £m
Pension scheme liabilities – at start of year	788.4	750.0
Interest cost	20.1	20.3
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	4.7	(8.1)
Changes in financial assumptions	(15.7)	51.1
Settlement gain	(35.2)	(1.2)
Benefits paid	(27.7)	(23.7)
Pension scheme liabilities – at end of year	734.6	788.4

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

	2018 £m	2017 £m
Fair value of assets – at start of year	772.3	751.5
Interest income on plan assets	19.8	20.4
Remeasurement gains due to return on assets greater than discount rate	6.7	19.3
Administration costs	(1.7)	(1.6)
Group contributions	6.6	6.4
Benefits paid	(27.7)	(23.7)
Fair value of plan assets – at end of year	776.0	772.3

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2019	6.6
Estimated employee contributions in financial year 2019	–
Estimated total contributions in financial year 2019	6.6

Risks associated with the defined benefit plan are outlined in note 27 to the Group financial statements.

15. Issued capital and reserves

	Allotted, called up and fully paid			
	Millions	**2018 £m**	Millions	2017 £m
As 30 June 2018 and 1 July 2017	**47.0**	**4.7**	47.0	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.

The reserve for own shares is in respect of 4,060,479 ordinary shares (8.6% of total share capital), of which 158,249 are held for LTIP and DSBP arrangements. The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for re-issue in appropriate circumstances. During the year ended 30 June 2018 the Company has repurchased 64,012 shares (2017: 121,084 shares purchased) for LTIP and DSBP purposes. The Company has not cancelled any shares during the year (2017: no shares cancelled).

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 historic 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.

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.

The audit fee for the audit of the financial statements payable in respect of the Company was £0.1m (2017: £0.1m). Other fees payable to the auditor in respect of the Company were £nil (2017: less than £0.1m). Please refer to note 5 of the Group consolidated financial statements.

16. Operating lease commitments

The Company's future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 and 1 July 2017 are as follows:

	Bus property	
	2018 £m	2017 £m
Within one year	**1.0**	1.0
In second to fifth years	**4.0**	4.0
More than five years	**2.7**	3.8
	7.7	8.8

17. Capital commitments

There were capital commitments of £nil at 30 June 2018 (2017: £nil).

18. 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 in respect of this guaranteed scheme were £31.5m as at 30 June 2018 (2017: liabilities of £13.2m).

At 30 June 2018 letters of credit amounting to £58.0m (2017: £72.0m) 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.

19. Related party transactions

The Company has taken advantage of the exemption under FRS101, and transactions with 100% subsidiaries of The Go-Ahead Group plc have not been disclosed.

The Company owns 65% of the ordinary shares in Govia Limited. London and Southeastern Railway Limited (Southeastern), London and Birmingham Railway Limited (London Midland), Thameslink Rail Limited (Thameslink), New Southern Railway Limited (New Southern), Southern Railway Limited (Southern) and Govia Thameslink Railway Limited (GTR) are 100% owned by Govia Limited and hence the Company owns a 65% interest.

	100% owned group subsidiaries		Govia		Southeastern		London Midland		Thameslink		New Southern		GTR	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Interest paid to related party	**n/a**	n/a	**0.3**	0.3	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Repayment of loan from related party	**n/a**	n/a	**–**	–	**–**	–	**–**	–	**–**	–	**–**	7.0	**–**	–
Management charges	**n/a**	n/a	**–**	–	**2.8**	2.7	**1.4**	1.8	**–**	–	**–**	–	**3.0**	2.6
Amounts owed from related party	**668.9**	625.2	**27.5**	27.7	**–**	0.3	**0.5**	0.4	**–**	–	**–**	–	**12.8**	7.8
Amounts owed to related party	**43.2**	67.3	**–**	–	**1.4**	–	**–**	–	**0.6**	0.6	**3.8**	4.0	**–**	–

During the year Southeastern, London Midland and GTR have traded with wholly owned subsidiaries of the Company; £27.4m (2017: £15.5m) of costs were incurred by Southeastern, London Midland, Southern and GTR on an arm's length basis.

SHAREHOLDER INFORMATION

Financial calendar

Annual General Meeting	1 November 2018
Final dividend record date	9 November 2018
Final dividend payment date	23 November 2018
Trading update	29 November 2018
Half year end	29 December 2018
Half year results announcement	21 February 2019
Half year dividend payment	April 2019
Trading update	23 May 2019
Next financial year end	29 June 2019
Full year results announcement	5 September 2019

Annual general meeting (AGM)

The 31st AGM of the Group will be held at the Hilton Newcastle Gateshead, Bottle Bank, Gateshead, NE8 2AR on Thursday 1 November 2018 at 11.00am. 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 28 September 2018.

Shareholder profile by size of holding as at 30 June 2018

	No. of holdings	%	Total shares held	% Issued share capital
1-10,000	2,930	92.37	1,986,577	4.22
10,001-100,000	176	5.55	6,010,633	12.78
100,001-500,000	50	1.58	11,129,284	23.67
500,001-1,000,000	6	0.19	4,454,319	9.47
Over 1,000,001	10	0.31	23,446,817	49.86
Total	3,172	100	47,027,630*	100

* This total includes 3,902,230 shares held in treasury.

Shareholder profile by category as at 30 June 2018

	No. of holdings	Number of shares	% of holdings	% of shares
Treasury shares	1	3,902,230	0.03	8.30
Directors	6	92,846	0.19	0.19
Other individuals	2,560	3,926,067	80.71	8.35
Institutional investors	605	39,106,487	19.07	83.16
Total	3,172	47,027,630*	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.

Dividend payments

The dividend dates are available on our corporate website in the financial calendar. Following each dividend payment date, we will send a dividend confirmation voucher to your home address. Please therefore ensure that Equiniti has your correct address and bank details.

We recommend that you arrange for your dividends to be paid directly into your bank account:

- To avoid the risk of losing a cheque in the post and thereby incurring a replacement fee
- For faster receipt of your dividend which is paid into your account on the payment date, rather than waiting for a cheque to be delivered, deposited and cleared

To select this method of dividend payment, please contact Equiniti directly using the details on page 202.

Managing your shares

The Group's Registrar, Equiniti, is responsible for maintaining our register of members. Shareholders with queries relating to their shareholding should contact Equiniti directly.

Shareholders can sign up for a Shareview portfolio which enables members to:

- View information regarding shareholdings
- Change address and bank details online
- Sell or purchase shares in the Group online

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.

Duplicate documents

If you have more than one registered shareholder account, you will receive duplicate documentation and split dividend payments. To request that your accounts be combined, please contact Equiniti.

Electronic communications

As far as possible, the Group provides shareholder documents via the corporate website. If you wish to receive future shareholder communications electronically, please sign up via Shareview (see 'Managing your shares' section above). By electing to receive shareholder communications electronically you will be allowing us to communicate with you securely in a more environmentally friendly and cost effective way.

Warning to shareholders

Shareholders are advised to be extremely cautious of any unsolicited and suspicious phone calls received from purported 'brokers' who offer to buy their shares at a price far in excess of their market value, or offer shares for sale, which often turn out to be worthless or high risk, in US or UK investments. These operations are commonly known as 'boiler room fraud', and the callers can be very persistent and persuasive. They often have websites to support their activities, their advice and the companies they purport to represent. More detailed information, guidance and key contact details are available on the FAQs page within the investor information section of our corporate website. We also encourage shareholders to read the Financial Conduct Authority's (FCA) guidance on how to avoid scams at www.fca.org.uk/consumers/scams.

By law, the Group's register of members is open to public inspection. However, we do not endorse any specific share dealing facilities; will not pass on shareholder information to any third party; and any requests for access to the register are subject to 'proper purpose' requirements which ensure those personal data are not used unlawfully.

Shareholder and control structure

As at 30 June 2018, 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 47,027,630 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 64,012 ordinary shares of 10p each in the Group as part of a planned programme of share purchases (2017:121,084) to satisfy awards made under the Group's Long Term Incentive Plan and Deferred Share Bonus Plan awards. Since the period end and the date of this report, the Trust has purchased 13,166 ordinary shares of 10p each in the Group.

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 a show of hands at a general meeting of the Group, every holder of shares present in person or by proxy and entitled to vote shall have one vote (except in the circumstance where a proxy has been appointed by more than one member, in which case he or she will have one vote for and one vote against if he or she has been instructed by one or more members to vote for the resolution and by one or more members to vote against). On a poll, every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. The Notice of AGM specifies deadlines for exercising voting rights either in person or by proxy in relation to resolutions to be passed at the 2018 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 £1,436,911, and for the disapplication of pre-emption rights on the allotment of equity securities) for cash up to an aggregate nominal amount of £215,537, as passed by ordinary and special resolutions at the 2017 annual general meeting, were not utilised in the financial year or up to the date of this report.

These authorities will expire at the 2018 AGM and approval for new authorities will be sought. In the last three years, no shares have been issued on a non-preemptive 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 2017 annual general meeting, was still in effect at the end of the financial year and will expire at the 2018 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 4,310,733. 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 and 20 July 2018 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.

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Major shareholders

In accordance with Rule 5.1.2R of the UK Listing Authority's Disclosure and Transparency Rules, the Group had received the following notification of an interest of 3% or more in the Group's total voting rights and capital in issue as at 30 June 2018 and 5 September 2018 (being the latest practical date prior to the date of this report):

	Number of shares held as at 30 June 2018*	% of voting rights held	Nature of holding	Number of shares held as at 5 September 2018*	% of voting rights held	Nature of holding
Janus Henderson Group plc	2,042,793	4.74	Indirect	–	–	–
Standard Life Aberdeen plc	4,575,235	10.61	Indirect	5,189,656	12.03	Indirect

* These holdings include, where applicable, the aggregate of investment management clients' interests within the respective asset management companies. No further notifications have been received; however, the above holdings may have changed without triggering a further notification.

Corporate website

Our corporate website at www.go-ahead.com provides information on the Group and its activities. We are committed to keeping our stakeholders up to date on business news and see the website as a key tool in allowing us to do this. 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/en/site-services/alerts.

In the interests of improving accessibility and sharing more relevant information with our stakeholders (particularly smaller shareholders), a number of new features have been added to the website during the year:

What information is available on the website?

Corporate information

- An overview of who we are, what we do and the markets in which we operate
- A detailed account of our approach to corporate governance at Go-Ahead
- Profiles of our Board of directors and our corporate governance framework
- A copy of our full Annual Report and Accounts
- All the latest Go-Ahead news, press releases and investor presentations
- A map showing the areas in which we operate and the latest Group news

Investor relations information

- A five year history of Group and divisional key financials
- A record of all trading updates, half year and full year announcements
- Share price information, including download function
- Our dividend policy, dividend history and dividend calculator
- Our bus fuel hedging policy and profile of the Group's hedging prices
- Our financial calendar

What's new?

- Blogs in the Media section provide updates on Go-Ahead's latest research and executive discussions on industry matters
- Factsheet in the Investors section providing a quick 'go-to' guide for stakeholders
- Local news section with Our Companies, which is dedicated to sharing activities and stories from across the Group

In the coming year, the Group will continue to focus on shareholder and stakeholder communication. This will involve a complete review of the corporate website and its functionality. Key consideration will be given to improving the content and accessibility of information shared.

CORPORATE INFORMATION

www.go-ahead.com

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Registrar

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Aspect House, Spencer Road
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West Sussex, BN99 6DA

Tel: 0371 384 2193*

Auditor

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1 New Street Square
London, EC4A 3HQ

* Lines are open 8:30am to 5:30pm Monday to Friday (excluding public holidays in England and Wales)

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London, EC2V 7QP

Joint Corporate Broker

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Principal Banker

The Royal Bank of Scotland plc
Corporate Banking
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London, EC2M 4RB

Financial PR Advisors

Citigate Dewe Rogerson
3 London Wall Buildings
London, EC2M 5SY

GLOSSARY

BS11000 Collaborative Business Leadership
BS11000 provides a framework for collaborative business relationships, to help companies develop and manage their interactions with other organisations for maximum benefit to all

Bus fuel hedging
Contractual tool used to reduce exposure to volatile and potentially rising fuel costs

Business in the Community
Is a British business community outreach charity promoting responsible business, CSR, corporate responsibility, and is one of the Prince's Charities of Charles, Prince of Wales

Carbon Trust triple accreditation
World's leading independent certification of an organisation's impact on the environment by verifying action on the three primary components of environmental sustainability: energy use and associated greenhouse gas (CO_2e) emissions, water use and waste output

CDP
Carbon Disclosure Project is an organisation based in the United Kingdom which works with shareholders and corporations to disclose the greenhouse gas emissions of major corporations

Corporate Governance Code
The *Code* is part of a framework of legislation, regulation and best practice standards which aims to deliver high quality *corporate governance* with in-built flexibility for companies to adapt their practices to take into account their particular circumstances

CPI
The Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them

CPT
The Confederation of Passenger Transport UK is recognised by Government as the voice of the bus and coach industry, and the focus for consultation on national and international legislation, local regulations, operational practices and engineering standards

Delay Repay
National scheme train companies use to compensate passengers for delays

DfT
The Department for Transport is the government department responsible for the UK transport network

Euro 6 emission standards
Define the acceptable limits for exhaust emissions of new vehicles sold in EU and EEA member states

Fair Tax Mark
Independent accreditation awarded after an assessment based on transparency and tax rate, disclosure and avoidance

FRC
The Financial Reporting Council is the UK's and the Republic of Ireland's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment

GDPR
The General Data Protection Regulation 2016 is a regulation in EU law on data protection and privacy for all individuals within the European Union and the European Economic Area

Gender Pay Gap Report
The Gender Pay Gap is the difference in pay between men and women explained through various statistics. It is influenced by a range of factors, including the demographics of a company's workforce

HMRC
Her Majesty's Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support and the administration of other regulatory regimes including the national minimum wage

iBeacons
Compatible hardware transmitters via Bluetooth that broadcast their identifier to nearby portable electronic devices. The technology enables smartphones, tablets and other devices to perform actions when in close proximity to an iBeacon

IFRS
Set of accounting standards that is becoming the global standard for the preparation of public company financial statements

IFRS 16
Is an International Financial Reporting Standard promulgated by the International Accounting Standards Board providing guidance on accounting for leases

INRIX
Is a global SaaS and DaaS company that specialises in connected car services and transportation analytics

Investors in People
Accreditation which sets out the standard for better people management. The standard defines what it takes to lead, support and manage people well for sustainable results

Lean engineering
Is a continuous improvement process designed to increase the efficiency and horsepower of engineering departments to make them more competitive in their marketplace

Like for like
An adjusted measurement which is made so that a correct comparison can be made with a previous period. The adjusted measure takes into consideration only those activities that were in effect during both time periods and so excludes, for example, any effects of acquisitions, discontinued operations or any other one-off event

LRQA
Lloyds Register Quality Assurance is a world leading, independent provider of Business Assurance services including management system certification, validation, verification and training to bespoke and international standards and schemes

LTA
The Land Transport Authority is a statutory board under the Ministry of Transport of Government of Singapore

MaaS
Mobility as a Service is the integration of various forms of transport services into a single mobility service which is accessible on demand

National Rail Passenger Survey
A network wide survey of passengers' satisfaction with rail travel. Conducted by the independent transport user watchdog, Transport Focus

NTA
The National Transport Authority is the transport authority for Greater Dublin and the public transport licensing agency for Ireland

ORR
Office of Road and Rail is an independent regulator which regulates the rail industry's health and safety performance and ensures the rail industry is competitive and fair

PPM
The Public Performance Measure is a measure of the punctuality and reliability of passenger trains in Britain

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

RCF
Revolving Credit Facility is a type of credit that does not have a fixed number of payments, in contrast to instalment credit. They are typically used to provide liquidity for a company's day-to-day operations

RDG
The Rail Delivery Group is an unincorporated association membership body in the British railway system, owned by its members

Restricted cash
Restricted cash balances are amounts held by rail companies which are included in cash and cash equivalents. The restricted cash is not available for immediate or general business use and can only be distributed with the agreement of the DfT, normally up to the value of revenue reserves or based on a working capital formula

RPI
The Retail Price Index measures the change in the price of goods and services purchased by consumers for the purpose of consumption

Science Based Targets
Targets adopted by companies to reduce GHG emissions which are in line with the level of decarbonisation required to keep global temperature increase below 2°C compared to pre-industrial temperatures

TCFD
The Task Force on Climate related Financial Disclosures are recommendations for more effective climate related disclosures

TfL
Transport for London is a local government body responsible for the transport system in Greater London

Transport Focus
Independent statutory watchdog, representing bus and rail passengers

TSR
Is a measure of the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage

WACC
The weighted average cost of capital is the rate that a company is expected to pay on average to all its security holders to finance its assets

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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 2nd July 2017 to 30th June 2018.

The full verification statement including Bureau Veritas' verification opinion, methodology, recommendations and a statement of independence and impartiality will be released alongside the Group's Sustainability Report and can be found on the Go-Ahead Group website:

www.go-ahead.com

Bureau Veritas UK Ltd
August 2018

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