Go-Ahead

Annual Report and Accounts
for the year ended 29 June 2019

# Taking care of every journey

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

# Our year in review

- Group operating result slightly ahead of expectations
- Good progress made against all three strategic pillars: protect and grow the core; win new bus and rail contracts; develop for the future of transport
- Bus operating profit pre-exceptional items up 4.7% at £95.7m (2018: £91.4m); improvement driven by strong operational performance in London & International division, regional bus achieved highest ever passenger satisfaction score of 92%
- Rail operating profit at £25.4m (2018: £44.5m); prior year included part year of London Midland franchise
- Record punctuality levels in both in GTR and in Southeastern, and improved customer satisfaction of 81% and 80% respectively
- Southeastern rail franchise extended to April 2020
- Four new international contracts won; started operating our first two German rail contracts and our first bus contract in Ireland
- Improved free cash generation of £74.1m (2018: £57.7m) and continuing strong balance sheet
- Maintained full year dividend of 102.08p (2018: 102.08p)

## 2019 highlights

**Total operating profit (pre-exceptional items)**
**£121.1m**
2018: £135.9m

**Total operating profit (post-exceptional items)**
**£104.3m**
2018: £161.0m

**Dividend per share**
**102.08p**
2018: 102.08p

**Earnings per share (pre-exceptional items)**
**169.4p**
2018: 181.6p

**Free cashflow**
**£74.1m**
2018: £57.7m

**Regional bus customer satisfaction**
**92%**
2018: 91%

**Rail customer satisfaction**
**81%**
2018: 75%

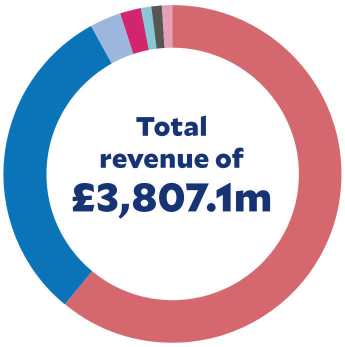
**Carbon emissions per vehicle mile**
**1.15kgs**
2018: 1.28kgs (restated)

### Economic contribution

Through our activities we generate financial and non-financial value for our stakeholders. We are a major employer, directly employing 29,000 people. Over a billion journeys are made on our services a year, enabling access to work, education, retail and leisure. We are at the heart of the communities we serve and our operations support growth in local economies. We also make direct contributions to the economy through the taxes, interest, salaries and dividends we pay and the payments we make to our suppliers.

This chart shows how our revenue is utilised and demonstrates the economic contribution we make.

Read more about the financial and non-financial value we create for our stakeholders on **page 21**

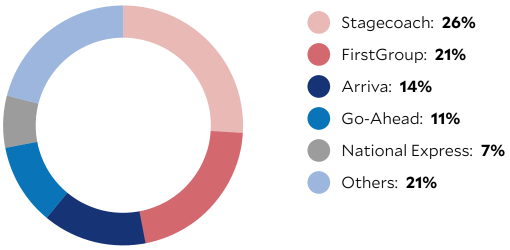



- Payments to suppliers: **£2,363.7m**
- Employee costs inclusive of PAYE: **£1,161.5m**
- National insurance costs: **£111.2m**
- Finance costs: **£6.8m**
- Capital expenditure: **£72.6m**
- Corporation tax payments to government: **£32.5m**
- Dividends paid to shareholders: **£43.8m**
- Retained in equity: **£15.0m**

# Taking care of every journey

## Regional bus

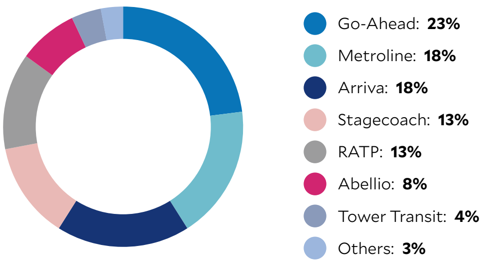
### Regional bus market share (%)




We run fully owned commercial bus businesses through our eight bus operations in the UK. Our 8,550 people and 3,055 buses provide excellent services for our customers in towns and cities on the south coast of England, in north east England, East Yorkshire and East Anglia as well as in vibrant cities like Brighton, Oxford and Manchester. Go-Ahead's bus customers are the most satisfied in the UK; recently achieving our highest customer satisfaction score of 92%. One of our key strengths in this market is our devolved operating model through which our experienced management teams deliver customer focused strategies in their local areas. We are proud of the role we play in improving the health and wellbeing of our communities through reducing carbon emissions with cleaner buses and taking cars off the road.

## London & International bus

### London bus market share (%)

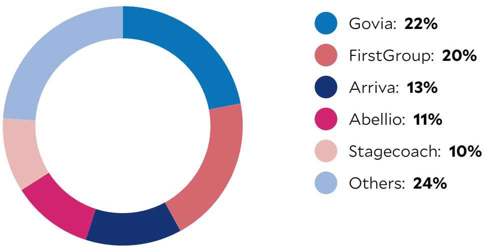



Market share data not yet reported for bus markets in Singapore and Ireland.

In London, we operate tendered bus contracts for Transport for London (TfL), running around 157 routes out of 16 depots. TfL specify the routes and service frequency with the Mayor of London setting fares. Contracts are tendered for five years with a possible two year extension, based on performance against punctuality targets. In addition to earning revenue for the mileage we operate, we have the opportunity to earn Quality Incentive Contract bonuses if we meet these targets. Internationally, Go-Ahead Singapore has provided bus services in the Loyang district of the city since 2016 through a tendered contract for the Land Transport Authority. Go-Ahead Ireland has operated bus services in Dublin since September 2018, for the National Transport Authority. Our second bus contract in Ireland will begin operation in late 2019, taking the total number of routes to 30. Our contracts in Singapore and Ireland which operate under a similar model to TfL's in London, are five years in length with a two-year extension option based on punctuality performance.

## Rail

### UK rail market share (%)




Market share data not yet reported for German rail market.

In the UK, Go-Ahead operates two UK rail franchises, GTR and Southeastern, for the Department for Transport. Around 30% of all UK rail journeys are made on our services. GTR is a management contract, whilst Southeastern requires us to take revenue risk. Internationally, Go-Ahead Bahn and Bus began operating regional rail services in Germany in June 2019 through two 13-year contracts. A further three rail contracts in Germany have been awarded to Go-Ahead; one will begin operations in late 2019 while the remaining two are due to commence in 2021 and 2022 respectively. In Norway, Go-Ahead will start running its first eight-year rail contract in late 2019. The operation covers both long distance and suburban routes. Go-Ahead also provides rail consultancy services to Transport for New South Wales in Sydney, Australia. This small contract, which runs for five years is the first of its kind for the Group.

All of our bus operations and international rail businesses are fully owned by Go-Ahead. Our UK rail operation, comprising Southeastern and GTR, is operated through Govia, a 65% owned joint venture with Keolis.

# Taking care of every journey

## Non-financial information statement

The table below constitutes Go-Ahead's Non-Financial Information statement, produced to comply with Sections 414CA and 414BA of the Companies Act 2006 and also with the requirements of the Non-Financial Reporting Directive. The information listed is incorporated by cross reference.

| Reporting requirement | Policies and standards which govern our approach | Information necessary to understand our business and its impact, policy due diligence and outcomes |
|---|---|---|
| **Environmental matters** | • Sustainability policy<br>• Environment policy<br>• Energy and climate change | Communities, **pages 30 to 32**<br>GHG emissions, **page 31** |
| **Employees** | • Whistleblowing policy<br>• Conflicts of Interest<br>• Equals Opportunity policy<br>• Code of Conduct & Ethics policy | Our people, **pages 25 to 27**<br>Audit committee report, **pages 84 to 89**<br>Directors report, **pages 116 to 118** |
| **Human rights** | • Human rights policy<br>• Modern slavery policy<br>• Code of Conduct<br>• Sustainable supply chain charter* | Our people, **pages 25 to 27**<br>Strategic partners and suppliers **page 28** |
| **Social matters** | • Charity and Community policy<br>• Sustainable supply chain charter* | Communities, **page 30**<br>Strategic partners and suppliers **page 28** |
| **Anti-corruption and anti-bribery** | • Anti-bribery and corruption policy | Our people, **pages 25 to 27**<br>Audit committee report, **pages 84 to 89** |

* Available on go-ahead.com/sustainability/sustainability-reports

**In this report, the financial year ended 29 June 2019 is referred to as 2019 and the financial year ending 27 June 2020 is referred to as 2020.**

## In this report

# We are one of the UK's leading public transport providers with a compelling investment case...

1 Stable cash generative UK bus business
2 Value adding UK rail expertise
3 Growing international operations
4 Devolved customer focused management and engaged colleagues
5 Focus on sustainability and innovation
6 Strong financial profile

# 1 Stable cash generative UK bus business

- Well established regional bus operator with a focus on urban areas with prospects for growth
- Largest bus operator in London with strategically located depots providing competitive advantage
- Efficient operations supported by consistent investment in high quality fleet
- Good cash generation in our regional and London bus businesses

Read more on **page 40**

**Go North East**
Employees: **2,086**
Buses: **679**

**go southcoast**
Employees: **1,923**
Buses: **803**

**Plymouth citybus**
Employees: **557**
Buses: **190**

**Go-Ahead London**
Employees: **6,955**
Buses: **2,169**

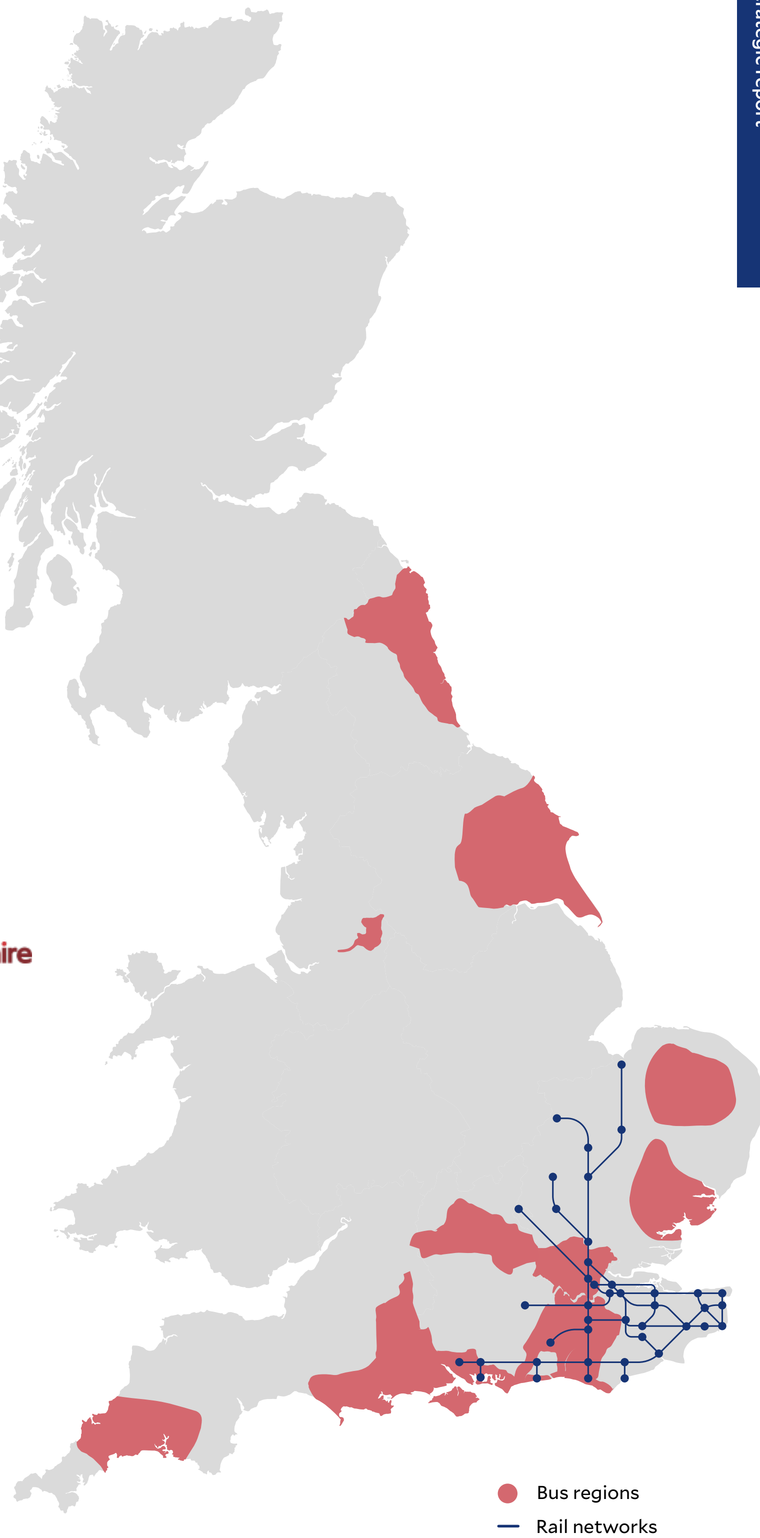
**oxford bus company**
Employees: **841**
Buses: **286**

**goeastanglia**
Employees: **372**
Buses: **190**

**Brighton & Hove**
Employees: **1,513**
Buses: **438**

**Go North West**
Employees: **563**
Buses: **177**

**East Yorkshire**
Employees: **696**
Buses: **292**




# 2 Value adding UK rail expertise

- 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 cashflows
- Low levels of capital deployment

Read more on **page 42**

**GTR**
Employees: **7,220**
Daily services: **3,419**
Contract end date:
**September 2021**

**southeastern**
Employees: **4,383**
Daily services: **1,792**
Contract end date:
**April 2020**

# 3 Growing international operations

- Clear and disciplined strategy for low risk international diversification
- Ten international contracts won to date in five countries
- Strong pipeline of opportunities in targeted markets
- Target to deliver 15–20% of Group operating profits from international activities by 2022

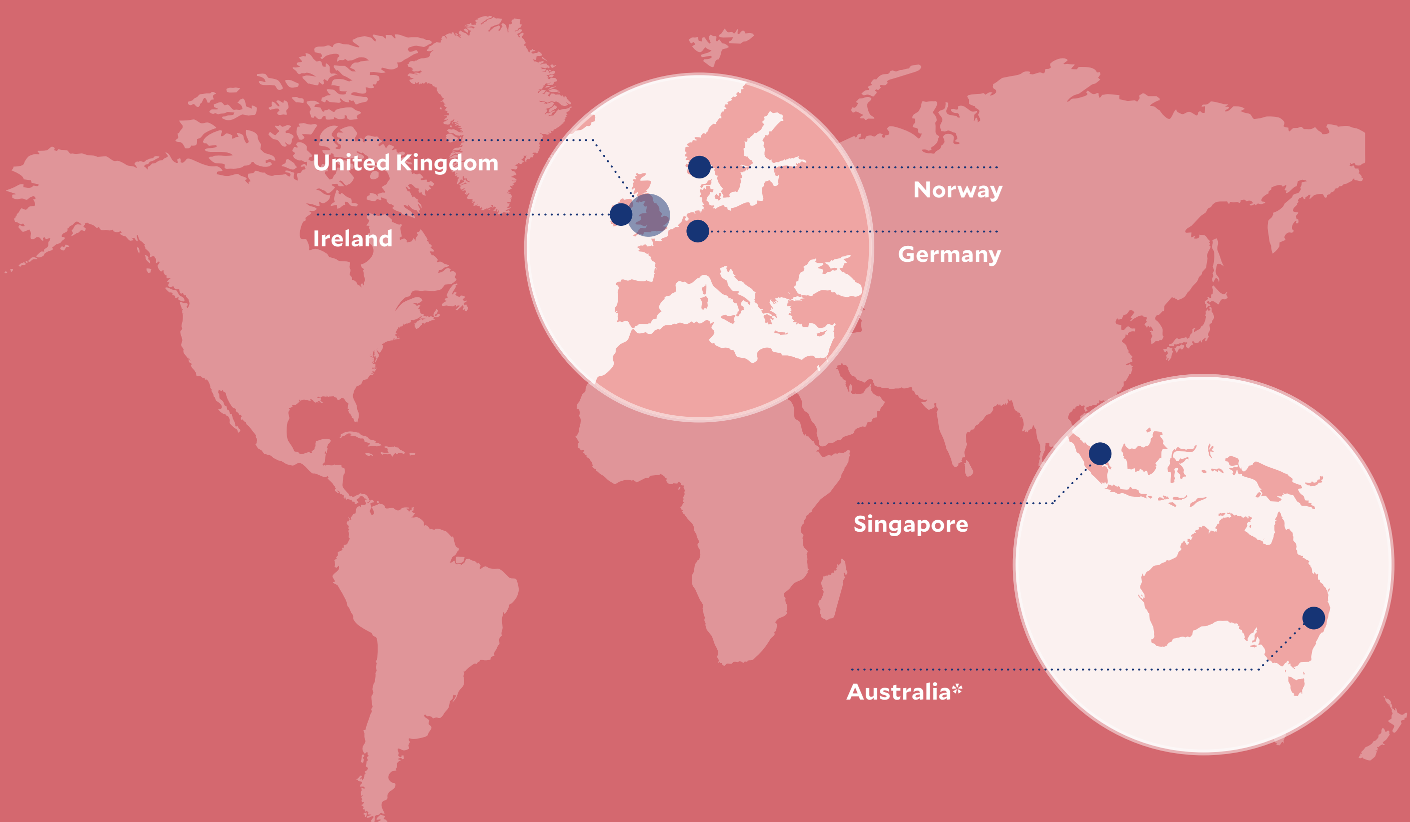
Read more on **page 14**

**Go-Ahead Singapore**
Employees: **1,020**
Buses: **433**
Contract end date:
**September 2021**

**Go-Ahead Ireland**
Employees: **421**
Buses: **140**
Contract end date:
**Late 2023 and 2024**

**Go-Ahead BAHN & BUS**
Employees: **118**
Contract end dates:
**Late 2031 to 2034**

**Go-Ahead NORDIC**
Contract duration:
**December 2019 to November 2027**




* Our small consultancy contract in Australia is scheduled to end in 2024.

# 4 Devolved customer focused management and engaged colleagues

- Devolved local management teams embedded in their local communities to optimise performance and service
- Award winning customer service with an industry leading 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
- Our inclusive culture empowers our people to be accountable for delivering excellent customer service

Read more on **pages 23 to 27**


# 5 Focus on sustainability and innovation

- Addressing socio-economic dynamics impacting public transport
- Continued innovation and deployment of technology to make passenger transport easier and more efficient
- Committed to minimising our impact on climate change and improving the environment and air quality, and maximising the benefits public transport offers
- Focus on remaining a sustainable and responsible business

Read more on **page 14**

# 6 Strong financial profile

- Robust balance sheet with low levels of net debt
- Disciplined approach to capital allocation and risk management
- Committed to paying an attractive dividend, having never reduced it

Read more on **page 38**

**Andrew Allner**
Chairman

# Creating value for all our stakeholders

This will be my last statement as your Chairman as I will be retiring from the Board at the AGM in October after 11 years, including six as Chairman.

In my first report to you in 2013, I wrote that the Group had strong and experienced management, a clear strategy, good values and high integrity, a strong commitment to high standards of health and safety and considerable opportunity for the future. Building on this strong foundation, my time as Chairman has indeed seen a period of opportunity and also of challenge for Go-Ahead. The Group has developed a new strategy for growth, moved into international markets and reinvigorated its purpose and culture. We have positioned ourselves for the future of transport, whilst facing the most challenging period in the history of our rail business as we have supported the major Thameslink infrastructure changes needed to build resilience and facilitate growth in a key part of the UK's rail network.

This has all been made possible by the people within Go-Ahead who diligently strive to deliver better service, greater value for all our stakeholders, and a more sustainable business. Without their outstanding commitment, the one billion journeys made on our services every year would not be possible.

Today, the Group is in a strong position. We have an important and worthwhile purpose, strong values and culture, a clear strategy addressing the short, medium and longer term, a well defined business model serving the interests of all our stakeholders, a robust balance sheet, and a strong leadership team, all of which position us well for the opportunities and challenges that lie ahead.

### A changing world

At Go-Ahead we have a set of values that we live and breathe each day, underpinning everything we do. They are designed for a world of rapid change and increasing demand for high quality services. Now is a time of great political transformation, which creates uncertainty for businesses, individuals and society alike. The way people live and work continues to change and the way they engage with businesses is different to even a few years ago. These changes, together with increasing customer expectations, more engaged colleagues and accelerating climate change, require us to evolve our business at the same pace. We see public transport as an important contributor and force for good in this changing world, a prospect we face with commitment and enthusiasm.

We place great importance on innovation in all we do. This often involves working in collaboration with industry partners, experts in new markets and young, entrepreneurial businesses, such as those participating in our Billion Journey Project, which I've been proud to support.

It is our sustained focus on customer experience and innovation that enables us to deliver the services that make us Britain's most loved bus operator, with levels of customer satisfaction unseen by some industries at 92%. This approach has also enabled us to significantly improve the performance of our GTR and Southeastern rail franchises.

As well as recognising the value we bring to individuals and society through our convenient and reliable services, it is critical that decision makers at local and national levels understand the role we, as mass transit providers, can play in tackling climate change and improving air quality. By attracting more people on to public transport, we can significantly reduce the number of cars on the roads, thereby minimising the adverse environmental impact associated with travel.

Of course we recognise that our operations themselves have an environmental impact. We are therefore continually investing in upgrading our bus fleet and working practices to increase the net environmental benefit our activities create. These actions have resulted in our carbon emissions per vehicle mile reducing by 35% over four years.

### Looking after the interests of our stakeholders and creating sustainable value

Looking after the interests of all our stakeholders is inextricably linked to creating long term value for our shareholders. When we talk about operating in a sustainable way, we mean that in the broadest sense of the word; our actions and approaches today determine the success of our business into the future. In my experience, doing the right thing for one stakeholder group results in better outcomes for all. Our business model (set out on pages 20 to 21) illustrates how we deliver financial and non-financial value to all our stakeholders through our strategy and by doing business in the right way. It is a model that gives me great confidence that Go-Ahead will continue to provide excellent transport solutions for the long term.

Read about our sustainability strategy and stakeholders on **pages 22–33**

The Board has long understood the value and importance of dividends to our shareholders, who have provided capital to support the Group, and for this reason Go-Ahead has never reduced its dividend. In line with our dividend policy, the Board is recommending a final dividend of 71.91p per share, bringing the full year dividend to 102.08p per share reflecting the resilient performance for the year and the Board's confidence in the Group's outlook.

Subject to shareholder approval, the final dividend will be paid on 22 November 2019 to shareholders on the register on 1 November 2019.

### Board changes

I welcome Clare Hollingsworth, who joined the Board on 1 August 2019 as Non-Executive Chairman Designate and will succeed me as your Chairman with effect from the conclusion of our Annual General Meeting (AGM) on 31 October 2019. Clare brings a wide range of experience from both within and outside the transport sector and I have every confidence that she will be an excellent Chairman.

I am also very pleased to welcome Elodie Brian to the Board as Group Chief Financial Officer. Elodie's experience, intellect and style will be of great value to the Group and I am particularly pleased that we have been able to make an internal appointment for this important role, demonstrating our successful succession planning in action.

Katherine Innes Ker has served more than nine years on the Board and must now be considered as not independent.

She will be replaced by Adrian Ewer as Senior Independent Director and by Leanne Wood as Remuneration Committee Chair after the 2019 AGM. Katherine will, however, remain on the Board as a non-independent non-executive director for a further period to ensure continuity following my retirement and to support the transition of Chairman, whose recruitment process she led.

Further details of these Board changes can be found in the nomination committee report on **pages 80 to 83**

### Inclusion and diversity

We have a diverse Board, comprising directors with a broad spectrum of complementary skills, personalities and competencies. With the recent changes to Board composition, our female representation has increased from 29% to 50%, exceeding the 33% target set by the Hampton-Alexander Review. This will further increase to 57% when I step down from the Board.

The Board remains committed to improving diversity in all its forms and it has been encouraging to see the wide range of inclusion and diversity initiatives and strategy now being embedded across the business.

Read about these initiatives on **page 27**

### Effective corporate governance

The importance of strong and effective corporate governance both at Board level and throughout the Group is not underestimated by the Board and we pride ourselves on clear and transparent reporting. Our corporate governance report on pages 56 to 119 sets out our robust governance framework and describes the excellent progress we have made in adopting early many provisions of the new UK Corporate Governance Code 2018. Additionally, it sets out the results of the internal Board evaluation led by the Group Company Secretary and our progress against outputs from last year's review such as the development of a new Board Mandate.

Read about our Board Mandate on **page 64**

### Looking to the future

I believe the Group's strong foundations in the UK will provide a solid base to respond to changing social, political and environmental factors, whilst also enabling the Group to develop and thrive in new international markets. I am absolutely convinced that private operation of public transport with close community and local authority partnerships can and should be a force for good in society and that Go-Ahead will continue to be a vital part of the communities it serves into the future.

It has been a privilege to be your Chairman. I have been extremely well supported by an excellent Board and by dedicated colleagues across the Group. I have also been fortunate to work with a Chief Executive, who has strong values, integrity and resilience. I would like to thank David and all colleagues at Go-Ahead for their support and wish them good luck and future success.

I am leaving Go-Ahead in good shape and I look forward to watching the Group's progress as it continues on its journey.

**Andrew Allner**
Chairman

4 September 2019

**Section 172**

**The Board considers the interests of the Group's employees and other stakeholders, including the impact of its activities on the community, environment and the Group's reputation, when making decisions. The Board, acting fairly between members, and acting in good faith, considers what is most likely to promote the success of the Group for its shareholders in the long term.**

Read more about:

- how the views and interests of all our stakeholders were represented in the boardroom during the year together with the key topics raised and how we responded on pages 72 to 75
- the Group's goals, strategy and business model in the Strategic report on pages 8 to 21
- how we manage risks on pages 46 to 55
- corporate governance on pages 56 to 79 including how governance supported the delivery of our strategic objectives in 2019 and how we are responding to the UK Corporate Governance Code 2018

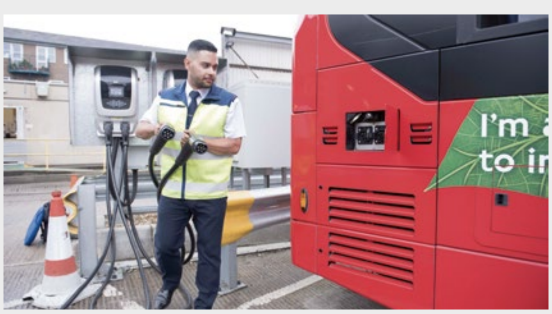
# Responding to a changing environment

Within our bus and rail markets changes in economic, political, societal and environmental trends affect how we operate, interact with our stakeholders and shape our strategy for the future.

### Economic and political

### Societal

### Environmental



## Economic and political

**The change taking place**

There are a number of changes taking place in global economic and political arenas. Politics in our main UK market is dominated by the Government's preparations to leave the European Union (EU) in October 2019, which in turn is creating economic uncertainty and limiting gross domestic product (GDP) growth.

Transport remains a topical political issue brought more into focus by the recently appointed Secretary of State for Transport and the soon-to-be published Williams Rail Review. Internationally, a number of transport markets are becoming more open to foreign operators.

**Potential impact and Go-Ahead approach**

We are an agile, forward looking business which takes a long term view and allows us to respond to economic and political changes. We operate in markets that have growth potential and we prioritise customer service delivery which we believe is vital to our success.

While lower economic growth has the potential to reduce the demand for our services as fewer people travel for work and leisure, this could be offset by a modal shift away from the private car as costs of motoring become prohibitive.

In relation to Brexit, our risk management considerations have led us to make extensive preparations, as a disruptive departure from the EU by the UK could impact our supply chains and increase competition for a declining pool of EU workers.

Significant changes in UK transport policy, such as increased regulation in the regional bus market, could present challenges to the way we operate but may also offer opportunities for growth. Similarly, we have contributed to the Williams Rail Review. As a long standing operator in the UK, we actively engage with policy makers both directly and through industry groups.

The opening up of certain international markets provides us with opportunities to expand and diversify our activities. We adopt a disciplined and targeted approach to our international expansion.

**£143.7m** contributed directly to the Government through tax and National Insurance

## Societal

### The change taking place

Society is changing in many ways from broad trends such as an ageing population through to changes in work patterns and in customer, leisure and spending behaviour, often facilitated through technology. There is a trend towards an increase in working from home and part time working; more home entertainment through online gaming, social media and streaming services like Netflix; and more online shopping with 20% of all UK retail sales now online and parcel volumes up 13% year on year. Technological change is evident with more people using mobile technology for transacting and communicating through their smartphones, and an increase in customer demand for convenience, flexibility and ease of doing business. There is also an increase in awareness and desire to tackle air quality, congestion and public health issues in our cities with these factors moving up the public and government policy agenda.

### Potential impact and Go-Ahead approach

These changes provide us with both challenges and opportunities. An ageing demographic, combined with increasing numbers of younger urban dwellers choosing not to drive, provides scope for additional demand for our services provided we meet evolving customer needs. A greater appreciation of mass public transport being a solution to air quality and congestion should also play a part in encouraging modal shift away from private vehicles that account for over 60% of trips and over 75% of distance travelled in the UK. Conversely, some of the other trends are a dampener of demand. All of these drivers impact the way we think about our business, how we target different market segments and how we adapt and deliver our customer offering. Within the first pillar of our strategy to protect and grow the core, we focus on improving our offering to meet evolving customer demands. We continually use technology to make travel easier and more convenient with all of our buses now accepting contactless payment, and many offering free WiFi and USB ports, improved Delay Repay on our train services, and apps providing real time passenger information. The third pillar of our strategy is directed specifically to develop for the future of transport. We have launched demand responsive transport trials in Oxford and Sutton, and our Billion Journey Project is helping to develop improving transport solutions. We are extending this further by developing Mobility as a Service as a pilot scheme in Brighton to enable easier end to end journeys across different transport modes. We have also been promoting the wider benefits of public transport, including through our Active Travel and Chatty Bus campaigns, and we are working in partnership with other companies under a Business in the Community initiative aiming to regenerate local High Streets and communities.

**100%** of our buses now accept contactless payment

## Environmental

### The change taking place

The world is facing rapid climate change with rising temperatures, changing weather patterns, and detrimental effects on ecosystems and human health. It has been well documented that unless the trajectory of global warming significantly changes there will be irreversible effects. $CO_2$ in the atmosphere is the main cause of global warming and it is at its highest level in history, having risen by around 30% since 1960. Global legislation and society's impetus for change have created an accelerated agenda to slow the rate of climate change.

### Potential impact and Go-Ahead approach

We all have a part to play in ensuring the world's sustainability. We take our role in this very seriously and have made a commitment to effect meaningful change. We are part of the solution and continually seek innovative ways to maximise the benefits we bring and minimise our adverse impacts on the environment. Examples include our first air-filtering bus which cleans the air as it drives, and hybrid vehicles that switch to electric power in the areas most in need of protection, such as around schools. As the UK works towards its net zero 2050 targets, and concern around air quality increases, the volume and nature of vehicles in our towns and cities need to change with more people travelling in fewer less polluting vehicles. Go-Ahead has the opportunity to reduce the number of vehicles on the roads by carrying more people on our services leading to fewer journeys made in private cars.

However, if the benefits created by public transport operators in tackling climate change aren't fully recognised by local and national decision makers, provision of bus and rail services in certain areas could be impacted by future regulations. It is important that the benefits public transport brings to this agenda are understood. Go-Ahead aims to influence and educate decision makers, through initiatives such as our involvement in the campaign for a national bus strategy to encourage greater bus use.

While over 99% of our train fleet is electric and we operate an all-electric bus depot in London, electric power isn't always possible or practical for bus services. A good alternative is Euro 6 diesel. We are continually increasing the proportion of these less polluting vehicles in our fleet while aiming to increase the number of passengers each bus carries. By making our services as convenient and reliable as possible, we provide an attractive alternative to the private car, reducing the number of vehicles on the roads.

One double decker bus can reduce the number of cars on the road by **75**

Our vision

# A world where every journey is taken care of

## Delivered by our three strategic objectives

**Protect and grow the core**

**Win new bus and rail contracts**

**Develop for the future of transport**

## 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, leisure 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.

## Underpinned by our core beliefs and attitudes

**We believe in**

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

**We are**

- Accountable
- Down to earth
- Collaborative
- Agile

# Adapting to a changing world

"As well as our continual focus on providing attractive returns for our shareholders, we take our corporate responsibilities seriously and are committed to providing both financial and non-financial value to all our stakeholders."

**David Brown**
Group Chief Executive

I am pleased to report the good progress we have made during the year. Our commitment to provide better services for our customers has delivered improvements in reliability and satisfaction in both our bus and rail divisions, many of which reached record levels during the period. We began contracts in three new countries and won four more international contracts. Our financial performance for the year exceeded our initial expectations in both our bus and rail businesses, and our balance sheet remains strong.

### Operating responsibly

As well as our continual focus on providing attractive returns for our shareholders, we take our corporate responsibilities seriously and are committed to providing both financial and non-financial value to all our stakeholders.

Safety is our priority and our policies and processes throughout the Group reflect this.

Playing our part in protecting the environment is also of paramount importance to us. Not only do our services minimise emissions and congestion through reducing car journeys, but we are also active in lowering our own carbon footprint, and over the last four years we have reduced carbon emissions per vehicle mile by 35%. We are the largest operator of electric buses in the UK and run an all-electric bus garage in London. We will be introducing 30 new electric buses next year in our Brighton & Hove and Go North East bus businesses.

In Southampton, we operate the UK's first air filtering bus which cleans the air as it travels and we will be introducing more of these buses into our fleet in the next few months. I was pleased to be awarded European CEO of the Year for Sustainable Transportation in the 2019 CEO Magazine Awards, which is recognition of the commitment with which we all approach sustainability across the Group and across our supply chains.

→ Read more on our approach to sustainability in our stakeholder engagement section on **pages 22–33**

### Customer and community focus

We aim to innovate in all areas of our business and use technology to deliver improvements for customers, drive efficiencies and position us for the future. In Brighton, we will soon be launching a pilot Pay As You Go bus payment system outside of London. This allows passengers to pay by tapping their phone or bank card on the reader, simplifying the customer experience and speeding up the boarding process.

Our businesses are at the heart of the communities they serve; connecting people with friends and family, work and leisure, and supporting local economies. We promote health, wellbeing and inclusion and during the year launched a range of initiatives, such as 'Active Travel' and 'Chatty Bus' which support better physical and mental health.

→ Read more on our communities in our stakeholder engagement section on **pages 30–32**

### Our people

Our ability to meet the needs of our stakeholders is only possible through the hard work and dedication of our people. I would like to thank my 29,000 colleagues across the Group who are integral to the success of our business. Colleague engagement is a key focus for us and we continue to invest in training and development.

We want to be considered as a great company that people want to work for. Our inclusive culture plays a big part in this and we're working hard to make a career in public transport a great choice for all irrespective of gender, age, ethnicity, sexual orientation, religion or disability. In particular, there's a lot of great work taking place around the Group to redress the gender imbalance in bus and rail. We are heavily involved in the industry wide Women In Rail movement and recently launched our own Women In Bus network.

→ Read more on our people in our stakeholder engagement section on **pages 25–27**

## Protect and grow the core

Our core bus and rail activities, which take care of more than a billion passenger journeys a year, remain at the heart of the Group. We are the largest bus operator in London and have a well established regional bus business. We are responsible for around 30% of all train journeys in the UK and have a growing presence in international markets. The first pillar of our strategy centres around protecting and growing these activities through a collaborative and agile culture, an intense customer focus and by using our financial strength to continue investing in these businesses to ensure long term success.

**£95.7m**

Bus division operating profit (pre-exceptional items)

## Bus

Operating profit before exceptional items in our bus division grew to £95.7m (2018: £91.4m) with a significant improvement in our London & International bus division offsetting a slightly lower result in our regional bus business.

### Regional bus

In regional bus, we increased like for like growth in passenger journeys by 3.3%, with each of our operating companies reporting higher volumes than last year. Once again, this represented a clear outperformance against the broader UK bus market which saw a 0.7% decline in volumes for the year to March 2019.

We have introduced targeted campaigns to grow passenger volumes often aimed at younger passengers to get them into the bus habit so they continue using our services as they get older. We have invested in a number of initiatives including utilising cleaner vehicles and technology, rolling out Lean engineering, and introducing new routes and frequencies where volumes and revenues take time to build. These initiatives will all help to deliver an improved performance in the future, but during this implementation period, they impacted regional bus operating profit which reduced to £44.5m before exceptional items this year (2018: £45.8m).

We have plans in place to gradually improve yields whilst continuing to grow our passenger numbers alongside active management of our cost base.

Our approach to target attractive markets serving local communities with customer focused services delivered the industry's highest ever customer satisfaction score of 92% in the annual survey by Transport Focus, with Go-Ahead topping the league table for punctuality and journey time.

Towards the end of the year, we completed the acquisition of the Queens Road bus depot, along with 163 buses, in Manchester. This acquisition, under the new branding Go North West, provides us with an exciting opportunity to participate in Britain's second largest urban area. We look forward to working in partnership with Transport for Greater Manchester (TfGM) to deliver operational excellence, innovation and great customer service. It also provides us with a platform to explore further opportunities in the region.

We continually consider opportunities for growth in the regional bus market ensuring alignment with our risk appetite and strong financial discipline. East Yorkshire, acquired in June 2018, is performing well and in the year made a positive contribution to our profitability that was ahead of our initial expectations, demonstrating our ability to improve the performance of our newly acquired businesses.

### London & International bus

Our London & International bus division, which comprises our contracted bus activities in London, Singapore and Ireland, reported an operating profit before exceptional items of £51.2m (2018: £45.6m), with its pre-exceptional operating margin expanding to 9.0% (2018: 8.3%).

In London, our operated mileage reduced as anticipated due to previous contract losses. The impact of this was more than offset by better service performance leading to an increase in Quality Incentive Contract income (QICs). Far less of our own contracted mileage and revenues was retendered during the reporting period than in the previous two financial years, so our bidding activity has focused on new contracts. We continue to bid with financial discipline and have had an encouraging level of success. In the coming year we expect operating mileage to return to levels similar to those in the second half of 2018.

During the year, our London bus operations supported the major rail infrastructure works on the Brighton mainline, keeping passengers moving on replacement bus services.

Our bus operation in Singapore also performed well in the year, with improvements in both operational and financial performance.

On-time performance during the year improved by over four percentage points to 93.5% and we have contributed to the significant improvement in bus customer satisfaction in Singapore over the past three years.

In Ireland, the first of our two contracts, which operates 24 routes, began in September 2018 and made a small positive contribution to operating profitability in the year. Our second contract, covering a further six commuter routes around Dublin, is planned to start at the end of the calendar year.

## Rail

As expected operating profit in our rail division at £25.4m (2018: £44.5m) declined significantly from last year primarily due to the expiry of the London Midland franchise in December 2017.

**£25.4m**
Rail division operating profit

Following the year end, we were disappointed that the Department for Transport (DfT) took the decision to terminate the new South Eastern franchise competition. We submitted a strong bid designed to provide value for both passengers and taxpayers and to build on the significant improvements we have delivered in our period of operating the franchise. In our 13 years of operation passenger numbers have grown 36%, and we have added 5,000 extra seats. Customer satisfaction as reported in the latest National Rail Passenger Survey (NRPS) for Spring 2019 also improved by five percentage points to 80% as we grew passenger journeys by 3.7%.

The existing Southeastern franchise has been extended to 1 April 2020 and we are engaging with the DfT about the future of the franchise beyond that date. We continue to focus on colleague engagement, punctuality, reliability and excellent customer service. We are also strengthening our partnership with Network Rail which is the most integrated and collaborative in the industry, operating on one of the UK's most complex networks.

GTR reached agreement with the DfT during the year to settle contractual issues, significantly reducing the uncertainty over the future of the franchise and providing funding for £15m of passenger benefits. Through focused interventions on operational and customer service delivery we have seen significant improvements, with punctuality reaching a record level of 89.3% in April 2019. Southern services achieved a year on year increase in customer satisfaction of 12 percentage points in the latest NRPS to 81% whilst Gatwick Express also improved further to reach its highest level for seven years. Customer satisfaction on Thameslink services was also at its second highest ever level.

Looking ahead, we await the details of the rail industry review being led by Keith Williams and we hope to see reforms that will deliver value for money for passengers and taxpayers, and improvements for customers.

## Win new bus and rail contracts

We have had a busy year in our international markets and made good progress with our strategy in this area. We were pleased to secure several new contracts, including our fourth and fifth rail contracts in Germany. The fourth contract covers the E-Netz Allgau routes and the fifth covers the Augsburger Netze routes awarded by the Bavarian rail authority and the Baden-Württemberg public transport authority. These two awards will run almost 10 million train kilometres per year using electric trains. When the final contract commences in 2022, the five German rail contracts that we have secured to date will operate around 20 million train kilometres per year.

In October, we were awarded our first contract in Norway to run the Oslo South package of rail services – the first rail contract to be let by the country. It covers a combination of long distance and suburban routes comprising 5.5 million train kilometres. Mobilisation is well underway for operations to begin in December 2019.

In December, we were awarded our first contract in Australia, bringing our extensive expertise in signalling and train control systems to New South Wales by supporting the Network Rail Consulting team. Work on this modernisation programme, which will improve frequency and reliability for passengers of Sydney Trains, began in January.

The first two of our five German rail contracts started operating in June 2019. Mobilisation continued for our third German rail contract, our first rail contract in Norway, and our second bus contract in Ireland, all of which are scheduled to begin at the end of the calendar year.

To date, we have secured ten international contracts across five countries. We expect these to deliver combined annualised turnover of over £400m when they are all fully operational. There remains a strong pipeline of contract opportunities in our target markets, and our international development teams are continuing to pursue these in line with our well defined framework for overseas activity. We are making good progress towards our goal of generating 15–20% of our Group operating profit from international activities by 2022.

## Develop for the future of transport

As a forward looking business, we believe being prepared for the future of transport, and helping to shape changes in travel patterns, are crucial to our long term sustainability. We continue to invest in innovation to ensure that we remain relevant to customers as their lifestyles and mobility needs evolve.

Our Demand Responsive Transport (DRT) trial in Oxford, PickMeUp, celebrated its first anniversary in June. During the first year, it provided more than 140,000 rides for its customers whilst contributing to a reduction of traffic, noise and carbon pollution in the Oxford area. PickMeUp currently has over 30,000 registered users and is averaging around 600 rides per day. On the back of this successful pilot, we are working with TfL and ViaVan on a year long contract to trial an on-demand bus service across the London borough of Sutton which began operating in May.

Our Billion Journey Project, which is the largest privately funded transport accelerator programme in Europe, has partnered with eight small companies to develop a raft of innovative new services for passengers.

We are piloting Citi Logik which provides crowding information to Thameslink passengers as well as Airportr which provides a service that collects and carries air travellers' luggage from home to their destination.

We are developing a pilot of Mobility as a Service that will provide customers with more convenient access to multi-mode journeys in and around Brighton.

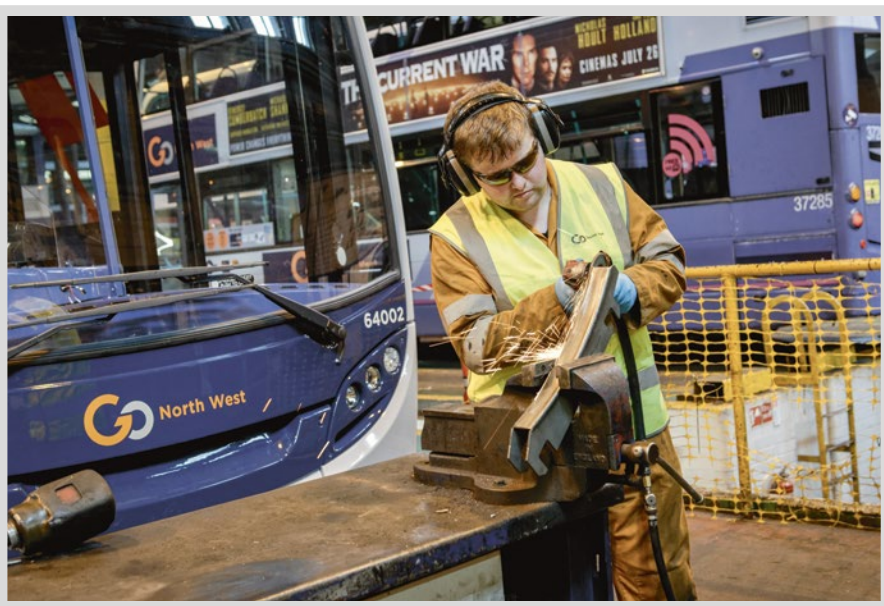
Hammock, our consulting business that specialises in retail solutions for the transport sector, completed several projects in the year.

The Group continues to explore new ways of meeting changing customer needs and improving the use of digitisation across the business.

### Outlook

The world is changing rapidly and so is the way that we get around. With a rise in flexible working, working from home and self-employment, the traditional daily commute is increasingly no longer the norm. Markets for online shopping, take-away food deliveries and home entertainment mean people are making fewer journeys in their free time. It is vital that we adapt our services to meet the changing travel patterns of our customers.

Amidst these changes, climate change and air quality are moving up the public and political agenda and the volume of traffic on the roads is having a detrimental effect on the environment. Public transport




has an important role to play in tackling these challenges, providing a solution by carrying more people in fewer vehicles.

We are calling for a national bus strategy to address these issues and collectively leverage the benefits bus travel can bring to the UK. Go-Ahead is committed to remaining at the forefront of public transport provision and I am confident that we are well positioned to face the opportunities and challenges ahead.

My confidence is underpinned by a portfolio of bus businesses that have again demonstrated resilience during the year. In our regional bus businesses, we will concentrate on delivering excellent service to our customers and converting passenger growth to the bottom line. In our new Manchester business, we will focus on providing better services to passengers and attracting more people onto our buses. In London bus, amidst the backdrop of TfL's budgetary constraints, we have good visibility for 2020 and we expect the route wins, which we have secured during the past year, to contribute to an increase in volumes and revenues. Overall, we expect to deliver consistent profitability from the bus division compared with 2019.

In rail, we are focused on building on the operational improvements that we have made in the past year in both Southeastern and GTR. While Southeastern's profitability will be lower year on year, GTR is expected to generate a modest profit margin in 2020. Over its franchise term, GTR is still expected to achieve an operating margin of between 0.75 and 1 percent.

We are engaging with the DfT regarding the future of the Southeastern franchise beyond 1 April 2020.

Internationally, we will continue to progress against our strategy for growth. In the first half of the year, our emphasis will be on the start of new operations and the introduction of additional services in Ireland, Norway and Germany. In conjunction with those activities, our bid teams continue to pursue other targeted opportunities.

Our Chairman, Andrew Allner, will retire from the Board in October 2019. I would like to thank Andrew for his contribution to the Group, especially bringing our values to life at Board level. I wish him all the best for the future. Clare Hollingsworth will succeed Andrew as Chairman. I am pleased to welcome Clare to the Board and look forward to working with her. She brings a wide range of experience that will be invaluable as we continue to deliver value for all our stakeholders.

Overall for 2020, we expect the Group to deliver another robust performance as we continue to execute our clear and well defined strategy; strengthening our core business, diversifying into international markets and developing new ways of responding to a changing world. By striving to deliver our strategy and by doing business in the right way we can provide the best possible services for customers and generate sustainable value for all our of stakeholders. We have strong management teams across the business, leading our people and inspiring commitment and passion as we position ourselves for the future and move closer to achieving our vision.

Read more in our Business and finance review on **pages 38–45**

**David Brown**
**Group Chief Executive**

4 September 2019

## What we achieved in 2019

### Protect and grow the core

- Strategies further developed to grow passenger numbers, resulting in an increase of 3.3% in regional bus
- Invested £50.0m in bus division, including 123 new low or zero emission buses
- Southeastern achieved record punctuality of 89.4%
- GTR performance improved significantly with contract agreement reached with the DfT in December 2018
- Purchase of a FirstGroup bus depot in central Manchester

### Win new bus and rail contracts

- Positive momentum in our international expansion, with ten contract awards to date
- Awarded first contract in Norway, fourth and fifth contract in Germany and a first small consultancy contract in Australia
- Remain on track to deliver 15% to 20% of Group operating profit from international operations by 2022
- Mobilised and launched first two contracts in Germany, with ongoing mobilisation of three other contracts
- Ongoing mobilisation of operations in Ireland, with a further tendered contract won due to begin in late 2019

### Develop for the future of transport

- PickMeUp, our Demand Responsive Transport operation in Oxford, has grown to 30,000 registered users and is providing 4,000 weekly rides
- Launched a further demand responsive pilot in Sutton
- Two pilots commenced under our Billion Journey Project, creating opportunities with dynamic start-up businesses
- Hammock, our IT consultancy, completed two contracts
- Plans progressed to pilot Mobility as a Service in Brighton & Hove

# Q&A

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

**Q What is your appetite and criteria towards consolidation in the UK public transportation market given the potential sales in the industry?**
We believe that there is scope for consolidation within the UK bus market. While we do not comment or speculate on any potential opportunities unless there is something specific to announce, our general approach is to consider opportunities that may arise and make sensible, rational decisions with due regard to capital allocation, financial returns and shareholder value. Our purchase of the Queens Road depot in Manchester along with 163 buses from FirstGroup in June is an exciting example for us, as was the acquisition of our East Yorkshire bus business in June 2018. We are interested in opportunities that bolt-on to our existing businesses and create synergies, or that enable us to enter vibrant new markets at an attractive price.

**Q When can we expect a resumption of dividend increases?**
The provision of an attractive dividend is important to us and we recognise that it is also important to our current and potential future shareholders. Our dividend policy announced a year ago provides greater certainty and flexibility around continuing to pay an attractive dividend, and the level is determined as a percentage of our pre-exceptional net earnings in the range of 50–75%. The Board considers this on a six-monthly basis taking into account cash generation, balance sheet strength, and potential future cash requirements for the business. We are proud to have never cut our annual dividend since privatisation 25 years ago in 1994 and aim to build on this record in the years ahead.

**Q Is your net debt to EBITDA target still appropriate given that you are consistently below the desired range, and what will bring you within the range?**

It is worth noting that our target and covenant are expressed on a pre-IFRS 16 basis and we – and our lenders – continue to think about it in those terms. We have a robust balance sheet and are comfortable with a conservative level of gearing, particularly as there are uncertainties around the economic environment and the future of the Southeastern franchise. If we cease operation of Southeastern when the current franchise ends in April 2020, the ratio could naturally fall into the target range. We are also keen to retain some balance sheet headroom to provide us with the scope to invest in value creating opportunities.

> "We are still in the early stages of our international expansion and we have made good progress in securing contracts that have combined annualised revenues of over £400m when they are fully up and running."

**Q Why are you continuing to allocate capital to the regional bus business where the market appears to be in structural decline and your margins are falling?**

We take a long term view and focus on areas where we believe there are longer term profitable growth opportunities. Yes, the broader market has seen volumes decline for several years, but we have consistently outperformed the market. There is a growing need for urban centres to reduce congestion to achieve net zero targets and comply with the requirements of Ultra Low Emission Zones. This can only be achieved through reducing private car use and increasing mass transit. We are convinced that there is a future for bus and believe that there are opportunities for improved, better connected networks and so we have been going through a period of adding mileage and associated cost up front where the revenue builds more slowly. We also firmly believe that providing safe, reliable, convenient and easy-to-use services is paramount to longer term success and so continue to invest in cleaner buses, technology and customer service that we are confident will deliver value for all of our stakeholders.

**Q Have the risks associated with UK rail franchises changed fundamentally and why don't you seek to exit these activities as your peers seem to be doing?**

We continue to believe that UK rail, when bid for sensibly, can be an attractive business. It has provided us with good levels of profitability and returns in recent years as well as enhanced credibility when bidding for international contracts, particularly when we're able to demonstrate our record breaking punctuality. Our approach remains to bid on contracts that we believe will bring value to customers, shareholders and to the taxpayer over the contract lives. Following the DfT's decision to extend Southeastern to 1 April 2020, we are engaging with them about plans for the franchise and we await the outcome of the Williams Rail Review.

Read more in our risks on **pages 46–55**

**Q Wouldn't it make more sense for rail to be nationalised as proposed by the Labour Party?**

We firmly believe that private sector operation, with its customer focus and expertise along with the access to private investment that it can bring, provides the best model for running rail services. Whilst the number of passenger journeys on rail was stagnant or falling whilst in the public sector, it has more than doubled since privatisation. We also continue to have one of the safest railways in the world and customer satisfaction across the UK rail network has improved since last year and remains amongst the highest for a major railway in Europe. The train operating companies also continue to make net contributions to the Government with 2018 representing the eighth consecutive year of such contributions that have totalled around £3.3bn over that period.

**Q How much do you invest on your future of transport activities and when will they contribute to the bottom line?**

Our financial investment in this strategic area has not been extensive to date, and while some of our ventures, such as Hammock, have delivered low level profitability, this strategy is less about short term gains and more about building strategic opportunities and partnerships to leverage our strengths into the future. Our aim is to seek new ways to use our skills, knowledge and assets to enable sustainable growth for the long term. Across all areas of our business we are exploring a range of initiatives, often working in partnership with others who bring expertise outside of our skillset or experience of a new market.

**Q What is the proportion of operating profit from international activities and when will you split these out so that we can monitor progress towards your 2022 target?**

We are still in the early stages of our international expansion and have made good progress in securing contracts that have combined annualised revenues of over £400m when they are fully up and running. With the first two of our German rail contracts having only started operating three weeks before the year end, the only international contracts to have been operating for any significant period through the year were our bus contracts in Singapore and Ireland. Both of these have made a positive contribution to profitability. Some contracts, notably our German rail contracts, have significant mobilisation periods between contract award and start of operations which is why our target relates to 2022. When our international activities are operating at a scale that we believe is sufficient to separate them, we will do so.


**Do you see the possibility of regulation in UK regional bus markets as more of a threat or an opportunity and why?**
Our view on the prospect of reregulation hasn't changed over the number of years it has been on the political agenda. We believe that the regional bus network best serves customer and communities through a model of partnership working between private operators and local authorities.

Our customer satisfaction levels have averaged 90% since independent records began, demonstrating that Go-Ahead's approach in these markets works. Our focus is on delivering for our customers; we have the flexibility to make changes that benefit passengers and the capacity to invest capital into improvements. We have also operated very successfully within the regulated London bus market for decades and have demonstrated our ability to transfer the value of our experience and expertise to recently regulated bus markets in Singapore and Ireland. Should selective UK regional bus markets become more regulated in the future, we are well placed to transfer our skillsets and gain a greater share of the market, delivering excellent service for more customers.

Read more in our market review on **page 8**

**How are you managing the risks associated with your international expansion?**
Managing risk effectively starts with having a solid strategy. Our international growth strategy clearly sets out our disciplined approach to diversification in our target markets. We're taking an inherently low risk approach, targeting countries with stable political and legal systems, and preferring to grow in open markets through medium term contracts rather than through acquisition. By nature, many of these contracts are relatively capital light and share characteristics with contracts we have decades of experience operating in the UK. Through this approach, the risk we're taking is on the terms of the contract, not on the market, and we're comfortable with this. We always bid with financial discipline and will not waiver from this approach. One of the keys to our success is the roll-out of our successful devolved management structure to our new international businesses, with teams comprising both local individuals who understand the market and local culture and have established relationships with key stakeholders; and experienced Go-Ahead colleagues who have worked within our businesses and can share our best practice and embody our values. By only bidding for work that plays to our strengths, we minimise execution risk as we set up new depots, recruit new people and introduce new services.

Read more in our risks on **pages 46–55**

**What are your hopes and expectations in relation to outcomes from the Williams Rail Review?**
We're keen to hear Keith Williams' recommendations for the rail industry and share his view that the review should lead to improvements for customers and value for taxpayers. Through the Rail Delivery Group we have contributed our views which would see simplification and devolution across the industry.

We would like to see the introduction of different franchise models for different customer markets, including changes to the size of contracts and an overhaul of the fares and ticketing structure. Furthermore, we believe there should be a rebalance of risk and reward for operators through different contract models designed to drive accountability.

**What are you doing to contribute to the UK's net zero target by 2050?**
We are supportive of the net zero target and are working towards our own target for our bus fleet to be emission free by 2035. Over the last four years, we've delivered a 35% reduction in carbon emissions per vehicle mile through measures including increasing the proportion of cleaner Euro 6 buses in our fleet, introducing zero emission electric buses and reducing energy use on our premises.

While we, of course, acknowledge that we need to work faster to decarbonise our fleets and improve our environmental credentials, it's important that people understand the net benefit that a good public transport network delivers as we all work together towards the 2050 net zero target.

We are part of the solution to the worrying issue of climate change. We have the ability to reduce the number of cars on our roads, lowering emissions, improving air quality and minimising congestion. It's important that UK public transport is supported at a national and local level to enable these benefits to be realised.

Read more in our environment section in our stakeholders **pages 30–32**

### What preparations have you made for a no-deal Brexit?

In response to the uncertainty around the terms of the UK's departure from the EU, we conducted a risk review during the year and put practical mitigation measures in place against identifiable risks. The most significant internal risks associated with a no deal Brexit that we've identified relate to our supply chain and driver recruitment. We have accelerated procurement of operation critical supplies in our bus and rail businesses to ensure we have adequate parts and materials to maintain our fleets.

In order to mitigate recruitment risk we have schemes across the business designed to attract candidates. These include building on the success of our graduate programme, promoting a career as a bus driver to people who have been unsuccessful in their applications for train driving roles and developing apprenticeship schemes.

A no deal Brexit is not expected to have any impact on our international expansion strategy or the way we operate our business in the UK and outside of it.

Read more on our Brexit case study on **page 48**

### What progress are you making on inclusion and diversity?

Our aim is for Go-Ahead's people to reflect the diversity of the communities we serve. We believe this enables us to provide the highest possible levels of customer service, and make our bus and train services more inclusive and accessible for all. Our commitment to inclusion and diversity starts at the top of the organisation with the Board, which, following our AGM in October, will have 57% female representation. While we have longer term goals across the business to increase diversity in all its forms, we have chosen to initially focus predominately on gender diversity.

We have specific targets in our bus and rail businesses aligned with the U.N. Sustainable Development Goal of 'Gender Equality'. As part of a historically male dominated industry, we recognise we have a long way to go to address the imbalance but progress is already being made through bus and rail driver recruitment diversity targets and networks designed to support the development of our female colleagues. As well as striving to boost the number of women in our industry, we're also working towards reducing the gender pay gap.

Read more about our approach to addressing the gender pay gap on **page 82**, and about our wider commitments to inclusion and diversity on **page 27**

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

## Delivered through our strategy

Read about our strategy on **page 10**

## Supported by a strong financial profile

### Revenue generation

We generate revenue in two main ways:

- Through the fares we receive from our bus and rail passengers
- Through contract payments we receive from our transport authority customers for which we operate services

### Cost control

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

### Capital allocation

Our capital principles ensure our focus on maintaining an investment grade rating, paying a dividend in line with our policy and remaining in the lower half of our target gearing range.

Read more about our capital allocation principles and priorities on our website

## Reasons we're successful

### Approach

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

### Resources and relationships

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

### Management

- Devolved structure
- Financial discipline
- Risk appetite and management

# Creates financial and non-financial value for all our stakeholders

| Financial value | | Non financial value |
|---|---|---|
| We provide value for money services, offering convenient alternatives to car travel against a backdrop of rising costs of private motoring. | **Customers** | Our services facilitate our customers' lives; connecting people with friends and family and enabling access to services, facilities, work and education. Our buses and trains provide safe and convenient places for people to use their travel time as they wish. |
| We look after our people, paying competitive salaries and offering attractive benefit packages. | **Our people** | We create safe and enjoyable inclusive working environments in which people are empowered and enabled to develop personally and professionally. We offer occupational health and other wellness services for both physical and mental health. |
| We support suppliers in the UK and internationally through the procurement of goods and services. Our payment practices are aligned with the Prompt Payment Code. | **Strategic partners and suppliers** | Through our Sustainable Supply Chain Charter we demonstrate high standards of integrity, responsibility and professional conduct. We endeavour to support our suppliers to improve the sustainability of their business. |
| Our contribution to the Government includes corporate tax, national insurance contributions and contracted income generated through our rail operations. We are accredited by the Fair Tax Mark. | **Government** | Through our experience and expertise we help shape policies at national and local levels through our contribution to reviews and consultations. Through our activities we support government targets and objectives in areas such as climate change, diversity and social inclusion. |
| Our services enable and promote economic activity in our communities; providing access to retail and leisure facilities, and work and education. | **Communities** | We strive for our services to be accessible and inclusive. We promote social inclusion in our communities, often providing vital transport links to vulnerable people. We operate responsibly and are committed to maximising the role we play in slowing global climate change and improving air quality for our communities. |
| We are committed to driving strong shareholder returns. We have never cut our dividend. | **Investors** | Shareholders' interests are safeguarded through the Board's strong commitment to good governance. Investor confidence in the long term sustainability of the Group is built through our approach to operating responsibly, such as measuring and reducing our impact on climate change. |

Read about our engagement with stakeholders on **pages 22–33**

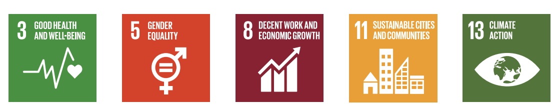
# Stakeholder partnerships

- **Customers**
- **Our people**
- **Strategic partners and suppliers**
- **Government**
- **Communities**
- **Investors**

**Our business impacts the lives of million of people, each with different needs. Our relationship with these stakeholders are key to our success.** We play an important role providing a vital service for the communities we serve, through to 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. By engaging our key stakeholders meaningfully, we gain insights into their needs and expectations and identify the material issues they have. This feedback forms part of our decision making process and helps us continuously improve, and progress towards our vision and long term ambitions.

**How we run our business has a direct impact on our stakeholders.** We operate with responsibility for safer and; Better teams, Happier customers, Stronger communities, Smarter technology and a Cleaner environment. This approach enables us to run a profitable, sustainable and responsible business to deliver long term benefits for all our stakeholders.

## Sustainable Development Goals




As a responsible business, we play an important role in society and can contribute positively to the United Nations (UN) vision for a more sustainable planet. From the UN's Sustainable Development Goals (SDGs) goals, we have identified five where we believe we can make a positive impact for all our stakeholders.

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

# Customers

Customers are at the heart of Go-Ahead and it is our goal to provide them with a safe, convenient and reliable service.

**Responsible business pillars**

- Better teams
- Happier customers
- Stronger communities
- Smarter technology
- Cleaner environment

**Sustainable Development Goals**


We build relationships with our customers through our passenger-facing colleagues, customer ambassadors and social media channels. These interactions and customer research 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.

## Simplifying travel

We have continued to work on a range of flexible and easy payment options to make travelling with us simple. All our buses across the country accept contactless payment and we have a range of mobile apps with real time information that make planning and paying for journeys easy and convenient. As users plan their route, tickets are suggested and can be bought using a full range of payment options, often with promotional offers.

From Autumn 2019, customers on our Brighton & Hove buses are able to pay via a Pay As You Go method. This, the first payment scheme of its kind outside of London, is made possible using geolocation technology which tracks customers' journeys using the tap-on, tap-off method, automatically charging the best value fare. Capping means customers can make unlimited daily journeys and never pay more than the cost of a day ticket.

During the year, Southeastern also delivered smart ticketing initiatives including the availability of day tickets on its smartcard known as 'the Key', making travel better value and more convenient. In 2018, Southeastern also invested in the on-board customer experience, introducing free on-board WiFi and updating one third of its train fleet in a £30m refurbishment programme.

## Harnessing innovation

Our Demand Responsive Transport service in Oxford, PickMeUp, was the largest of its kind when it was introduced in June 2018. The service is tailored to customer demand and passengers can conveniently request a minibus pick-up within 15 minutes at a virtual bus stop. Using a real time app, passengers can receive updates on arrival time, driver and route details, as well as an estimated time of arrival. In May 2019, the Group launched GoSutton, a year long trial of a new responsive transport service, similar to PickMeUp, across the borough of Sutton, working with TfL and ViaVan, Europe's leading provider of on-demand transport.

We are also investing in research and development and looking at how we can harness the latest technological developments in transport to improve services for our customers.

### Harnessing innovation continued

Our landmark transport accelerator programme, Billion Journey Project, supports innovative start-up and scale-up businesses, bringing Go-Ahead's expertise in improving customer experience together with new technology and innovative thinking. Since launching last July, 20 scale-ups have been taken through the programme, with plans to pilot Citi Logik, an app offering train crowding information to Thameslink passengers and AirPortr, a service that collects and carries air travellers' luggage from home all the way to their destination.

### Punctual service, satisfied customers

We are passionate about delivering great public transport and were pleased to see our performance improvements on our rail services recognised by our passengers over the last year.

Southeastern was one of only three train operators to show a significant year on year improvement in passengers' overall satisfaction, according to the National Rail Passenger Survey (NRPS). The improvements were driven by record breaking punctuality, investment in station improvements and the introduction of free WiFi on board.

GTR's performance has also seen significant improvements with the latest figures from the Office of Rail and Road reporting the highest levels of punctuality on record for GTR.

The introduction of the new timetables throughout the year significantly improved the number and performance of train services across the network, giving our customers more flexibility and travel options.

In regional bus, we have maintained our sector leading position in the annual Bus Passenger Survey from Transport Focus. Go-Ahead scored the highest level any UK national bus operator has ever achieved at 92%.

Go South Coast – National Transport Awards Bus operator of the year

While we've delivered improvements in punctuality and reliability, we acknowledge that sometimes things do go wrong and people's journeys can be delayed. We want to make it as easy as possible for customers to be compensated if they do experience disruption. Having been the first train operator to introduce Delay Repay 15 last year on our GTR network, Southeastern also introduced the scheme meaning passengers delayed by 15 minutes or more can claim compensation.

### Transport for everyone

We are committed to providing an inclusive service. All our bus and rail operators strive to make their services as accessible as possible to everyone. Last 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.

We are leading the transport industry in active travel by looking at ways that our customers can improve their health while using our services. We partnered with active travel experts RunFriendly and the University of Leeds, to publish a study examining the health benefits of active travel combined with public transport, offering a compelling alternative to driving for all or part of daily commutes.

# People

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

### Responsible business pillars

- Better teams
- Happier customers
- Stronger communities
- Smarter technology
- Cleaner environment

### Sustainable Development Goals

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

## Engagement and recognition

We are committed to creating safe environments which promote high levels of engagement and a sense of belonging. We use a range of methods across the Group to ensure our colleagues are engaged. We keep them informed through internal media, newsletters and functional and business updates. We also conduct an independent survey annually across our whole organisation. This allows colleagues to voice their views and opinions on all aspects of their workplace environment, leadership, training and development. The results provide a measure of colleague engagement and help us identify areas where we can improve as an employer.

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.

**29,000**

people employed across the Group

## Learning and development

We recognise the importance of learning and development, aimed at growing talent from within, and have a culture of continuous improvement to support ongoing development. We have biannual performance reviews and encourage regular discussions with line managers to identify any training requirements, discuss future objectives, career aspirations or challenges.

Our high potential programmes provide the tools to enable participating colleagues to become the future leaders of our business. This year we redesigned the Executive and Senior Management Development programmes increasing the degree of experiential learning to accelerate personal development to enable 'ready now' candidates for promotion.

We also have a responsibility to ensure no physical harm comes to our people while they are at work. We take preventative actions and invest in training and awareness activities to ensure the safety of our colleagues. It is important to us that we not only support our people in relation to occupational health related issues, but also in any non work related health matters which may arise.

### Learning and development continued

Our head office colleagues have access to an Employee Assistance Program (EAP) which provides information, advice, training and services to help them deal with events and issues in both their work and personal lives. Go-Ahead is also a signatory of the ‘Time to Change’ pledge – a major commitment to recognising and supporting mental illness. Southeastern has rolled out new Mental Health Advocates, who provide an invaluable peer support service to colleagues across the network.

### Graduates and apprenticeships

We have made a significant commitment to the recruitment of the next generation of our future leaders.

Our Graduate Programme enables employees to learn on the job through placements in different parts of the business and formal training programmes, focusing on self awareness, business skills and technical understanding. Last year, Go-Ahead became the first transport operator to be accredited as a provider of apprenticeships across bus and rail. This year, Go-Ahead London opened a new recruitment and training academy in South London. The academy is the first of its kind and delivers all aspects of apprenticeships, from traditional engineering and technical programmes to customer service and business administration.

As part of the National Apprenticeship Week, Southeastern became a signatory of the ASLEF Apprenticeships Charter, a robust framework to validate and ensure that their apprenticeships are of the highest value to colleagues and the wider community. GTR currently hires more engineering apprentices than any other train company in the UK, with most joining the scheme after completing A-Levels as an alternative to going to university. All apprenticeships at GTR combine college study with hands-on experience, resulting in UK recognised qualifications.

### Our performance

**73%**
increase of graduate applications over the year

**96%**
graduate retention rate during the programme

**500**
apprentices training with Go-Ahead’s bus and rail companies

### Our targets

**1,000**
apprentice target by the end of the year

**20%**
commitment to increase the number of women employees in rail by 2020

### Get into Railways programme

GTR and The Prince’s Trust have a seven year partnership, committed to delivering the ‘Get into Railways’ programme, which aims to support young people aged between 18 and 25, who are facing barriers to move into employment. We were pleased have won the award for ‘Advancing Social Mobility in the Workplace’ at this year’s Employers Network for Equality & Inclusion awards for our work on the programme. To date, 182 young people have taken part in the programme, with the majority securing a customer service role across Southern, Great Northern, Gatwick Express and Thameslink. 14% of GTR colleagues based at London Bridge station graduated through the programme.

## Inclusion and diversity

Equality, inclusion and diversity are important to us. We believe that the best teams are diverse and inclusive and that our workforce should reflect the diverse communities that we serve.

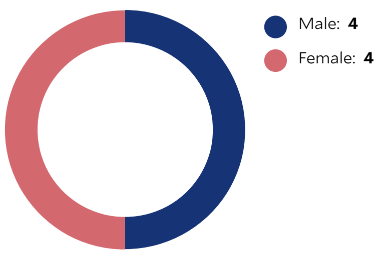
We have developed a Inclusion and Diversity Steering committee to increase integration of inclusion and diversity into our policies and procedures and reflect our commitment to this. We actively promote the inclusion of females across the business and have set ourselves a range of diversity targets. In July 2019, we launched an industry first 'Women in Bus' colleague led network event, designed to support and empower our 1,550 female colleagues across our bus divisions. The purpose of the network is to create a workplace where women feel free to be their true selves at work and is underpinned by our workforce strategy to have 20% female representation in our bus division by 2025.

Go-Ahead was a finalist at the 2019 International Association of Public Transport Awards, in the Improving Diversity category for the industry leading work in recruiting female train drivers. The project goal was to significantly increase the number of female train drivers across GTR and Southeastern. As a result, we have seen a 32.5% increase in female trainee drivers in the past two years.

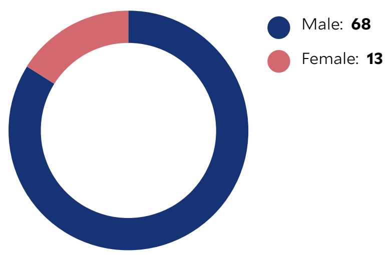
Both Southeastern and GTR's overarching target is that by 2021, at least 40% of applicants for train driver roles will be female.

Of course, diversity is not only about gender and we recognise that building an inclusive culture is key to our future success. In June, GTR, Southeastern and Network Rail held the first joint Rail Inclusion and Diversity conference. The conference highlighted how the industry can do more to improve inclusion and diversity, which includes engaging with schools, advertising jobs in BAME networks and ensuring that the industry offers a safe and inclusive environment for people.

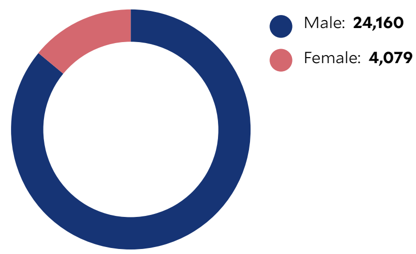
### Board gender diversity




### Senior management gender diversity




### Overall Group gender diversity




### Our policies

We believe in equal opportunities regardless of gender, age, religion or belief, sexual orientation, race and, where practicable, disability. This approach is underpinned by our commitment to providing equal opportunities to our current and potential employees and applying fair and equitable employment practices. 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. Our Equal Opportunity policy forms part of our Code of Conduct and Ethics policy.

Our respect for human rights is embedded in how we operate. Our Code of Conduct provides that all employees are to be treated with respect, and their health, safety and basic human rights protected and promoted. All colleagues within Go-Ahead are expected to act with integrity as well as treat people with respect and communicate openly. We also expect our suppliers to comply with the provisions of our code or meet the same standard through their own operations.

Go-Ahead has a zero tolerance approach to bribery and corruption and all our employees are expected to adhere to our Anti-bribery and Corruption policy. The policy prohibits the giving or receiving of bribes in any form. Colleagues are expected to act with honesty, integrity and fairness and adhere to the highest ethical and legal standards in business dealings. Conflicts of interest that interfere with proper performance or independent judgement are prohibited. We also have well established whistleblowing procedures where employees can, in confidence, raise legitimate concerns about wrongdoing within their workplace, without fear of criticism, discrimination or reprisal.

Further information on our policies can be found on our website:
**www.go-ahead.com/sustainability/policies**

# Strategic partners & suppliers

**We work collaboratively with strategic partners and build professional relationships with core suppliers to deliver efficient, high quality services.**

**Responsible business pillars**

- Better teams
- Happier customers
- Stronger communities
- Smarter technology
- Cleaner environment

**Sustainable Development Goals**


## Strategic partners

Our strategic partners include local authorities, TfL and Network Rail. They provide the public sector infrastructure on which we rely such as railway tracks and local authority bus and train stations and road networks.

### Working collaboratively

A collaborative approach is essential to ensure that we meet our stakeholders' expectations. We believe that the only way to achieve successful outcomes and meet our stakeholders needs is through mutually beneficial relationships. By finding common objectives, listening with open minds and building trust, we can achieve more.

In London, we have developed a strong working relationship with TfL where our combined efforts ensure we can identify and investigate matters raised by local councillors or MPs and collectively achieve a positive outcome. We work in partnership with local authorities where our bus operating companies are delivering locally designed services for passengers. We support councils in helping with their broader economic development and social priorities, and on how public transport can help to deliver in these areas.

During the year we expanded our working relationship with Network Rail to take our rail expertise abroad and are currently working on a Digital Systems Programme which will improve rail frequency and reliability for passengers of Sydney Trains. We are also working with UGL, an Australian asset management company to utilise comprehensive local knowledge of the sector, to deliver the best solution for our stakeholders.

## Suppliers

Suppliers play an essential role in our business; providing the fleet and the infrastructure parts we need to ensure our customers receive a reliable service. We operate in accordance with the ISO 20400:2017 standard on sustainable procurement including accountability, transparency, respect for human rights and ethical behaviour. We engage with our suppliers 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. Contract managers are assigned to work closely with core suppliers, holding regular meetings to ensure effective delivery of the contract. We are members of the Prompt Payment Code and are committed to paying our suppliers fairly and on time.

### Prioritising sustainability

We held our annual Sustainable Supplier Awards, recognising suppliers that support us in delivering social, economic and environmental benefits. Since launching last year, the awards have built on Go-Ahead's commitment to sustainability within our supply chain. Further demonstrating this commitment we launched an industry first Sustainable Supply Chain Charter in the UK that establishes minimum criteria in core areas of corporate social responsibility. Under the charter, suppliers must demonstrate a commitment to sustainable innovation, employee wellness and diversity. It also encourages innovative solutions to improve air quality, with health and safety as a critical priority. The Sustainable Supply Chain Charter ensures closer alignment of values between us and our suppliers, leading to better relationships and outcomes.

# Government

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

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### Sustainable Development Goals

3 GOOD HEALTH AND WELL-BEING

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11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Working closely with both central and local government we can align our private sector experience and expertise with the public agenda and produce better policy outcomes and service delivery.

## Active approach

We engage with and respond to government directly and through our involvement with industry organisations. For example, the Group Chief Executive, David Brown, sits on the Board of the Rail Delivery Group (RDG) which governs all activities carried out by the organisation. RDG brings together passenger freight and infrastructure providers to give the industry one voice.

We participate in a number of technical committees within the Confederation of Passenger Transport (CPT) covering areas including engineering, road operations, skills and training, insurance and risk. Go-Ahead's Managing Director of Bus Development, Martin Dean, is President and acting Chairman of the CPT. In this role, he has led the review and reorganisation of the liaison process with the DfT on policy issues.

## Regulatory change

Throughout the year we actively engaged with the Transport Select Committee calling for the creation of a national strategy for buses to provide a framework for effective delivery of local solutions. We believe national government, supported by the bus industry, needs to set a framework that can encourage effective collaboration at the local level to increase bus use for the benefit of all communities.

Also during the year we were involved in the Government's rail review, being led by Keith Williams, contributing our views to further our shared aim of ensuring that our vital rail system continues to benefit passengers and support a stronger economy.

Go-Ahead awarded with the Fair Tax mark for a fifth consecutive year. We were the first FTSE 350 company to to receive the award in 2014

Fair Tax

Our stakeholders
continued

# Communities

As an operator of public transport, we provide a vital service to communities and support local economies.

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## Our local approach

Being part of local communities underpins Go-Ahead's devolved management approach and enables our bus and rail companies to respond directly to customers' needs. Our services transport millions of passengers to work, education and services every day. We also help encourage social inclusion and signed the Government's Employers Pledge committing firms to improving social connections and tackling loneliness at all levels. In response to this, we launched a 'Chatty Bus' campaign across our operations, encouraging passengers to talk to someone new every day. We are part of the three year Business in the Community Place campaign, aimed to bring together and build trust between businesses and their neighbours in communities across the UK. The campaign is about mutual benefit and helping our local communities whilst adding value to our business.

## Charity and community support

Our businesses regularly join in national fundraising events and work to raise awareness of important causes. Many of our colleagues raise funds for good causes in their spare time, and we aim to match those fund-raising efforts wherever possible.

At a group level, Go-Ahead supports two UK based charities which have a transport focus; Railway Children and Transaid, and our operating companies support local charities often selected by our people. We have implemented the London Benchmarking Group model to measure and evaluate our community investment and have more than doubled our contributions to over £1m since incorporating this measurement in 2015.

## Improving on our environmental impact

Bus and rail travel is a force for good and we take our role seriously as being part of the solution in tackling climate change and poor air quality, as well as continuously seeking to enhance the benefits we bring by taking more cars off the roads and reducing congestion.

This year, we became the first transport company to secure the ISO 50001 certification for best practice in energy management after reducing carbon emissions by 30% in just three years and by nearly 70% over the past ten years.

**25%**

target reduction in carbon emissions per vehicle mile by 2021

## Greenhouse gas emissions

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

### Performance and targets

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

Overall, in absolute terms, equivalent carbon dioxide ($CO_2e$) emissions in 2019 were 7.1% lower year on year and are 19.3% lower than in our baseline year 2017. The absolute reduction in $CO_2e$ emissions in 2019 compared to the previous year and our 2017 baseline year is partly due to the loss of the London Midland franchise in December 2017, although this has been offset by the additional energy consumption and $CO_2$ emissions caused by the acquisition or start-up of Go-Ahead Singapore, Go-Ahead Ireland, East Yorkshire and Go North West, and a significant expansion of GTR operations. Lower $CO_2e$ conversion factors for UK grid electricity also contributed.

We have set ourselves a target to achieve a 25% reduction on $CO_2e$ per vehicle mile by 2021 from our 2017 baseline performance. This target is supported by secondary targets over the same timescale to improve bus fuel efficiency (fleet average miles per gallon) by 5% and to improve traction electricity energy efficiency (fleet average vehicle miles/kwh) at GTR by 15%, (not including Southeastern which is scheduled to end in April 2020).

In 2019 we achieved a 10.2% year on year reduction in $CO_2$ emissions per vehicle mile; a reduction of 21.8% against our 2017 baseline.

| | **2019 Tonnes $CO_2e$** | 2018 Tonnes $CO_2e$ | 2017 (current baseline) Tonnes $CO_2e$ |
|---|---|---|---|
| **Scope 1** | | | |
| Total | **395,474** | 406,564 | 426,153 |
| **Scope 2*** | | | |
| Total Scope 2 – location | **371,449** | 422,644 | 520,541 |
| Total Scope 2 – market | **32,719** | 35,269 | 38,406 |
| **Scope 3** | | | |
| Electricity – Transmission and distribution (total) | **31,508** | 36,012 | 48,669 |
| Out of scopes – biogenic content of bio-diesel | **12,447** | 7,858 | 9,373 |
| **Scope 1, 2 & 3 and out of scopes** | | | |
| Total – location | **810,878** | 873,078 | 1,004,736 |
| Total – market | **472,148** | 485,703 | 522,601 |

| **Total bus and rail mileage** | | | |
|---|---|---|---|
| All scopes kgs$CO_2e$/vehicle mile | **1.1476** | 1.2779 | 1.4678 |
| YoY % change | **(10.19%)** | (12.94%) | (7.95%) |
| % change on 2017 baseline | **(21.81%)** | (12.94%) | n/a |

We report our emissions on both a 'location' and a 'market' basis. This dual reporting applies to $CO_2e$ emissions arising from our electricity consumption only. The location-based method uses the national average carbon factors for UK mains electricity that are issued annually by the Department for Business, Energy and Industrial Strategy (BEIS) and take the whole mix of fuels used to generate UK electricity into account. The market-based method uses supplier-specific carbon factors that reflect supply contract specifications agreed between supplier and customer, e.g. if the customer specifies that electricity must be generated from renewable sources or a green tariff is chosen. In these circumstances, the carbon factor/$CO_2e$ emissions using the market-based method will be much lower than if using the location-based method.

Read more on **pages 207 and 208**


## Improving on our environmental impact continued

We participate in the Carbon Disclosure Project (CDP) Climate Change Survey. This year we improved our score to B which is higher than the transport services average of C. During the year we started the process of exploring our climate-related risks and opportunities in the medium and long term. We conducted a number of workshops to establish the financial, operational and reputational risks that come with climate change and the likelihood of occurrence and the potential impact of them on our business. Following these workshops, we developed appropriate business responses in the form of adaptation and mitigation measures in line with recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). We are developing processes around building climate change resilience into our businesses and are considering the incorporation of the financial implications of climate change in our reporting going forward. This year we are seeking to maintain or improve on our B score and will be conducting a gap analysis to highlight opportunities for future improvements.

As part of our long term commitment for a cleaner environment, we have started work on developing a new and ambitious Science-Based Target for our GHG emissions. The target we set will be in line with the GHG reduction pathways required to limit global warming to 1.5°C and will help frame Go-Ahead's climate mitigation actions in the short, medium and long term.

Go-Ahead's Chief Executive, David Brown, was named the Best CEO in Sustainable Transportation Industry by the 2019 European CEO Awards

Read more about our formal assessment in line with TCFD on the sustainability section of our website.

## Greener travel

In September 2018, Go-Ahead company, Bluestar, unveiled the UK's first air filtering bus that removes ultrafine particles from the air and traps them as the bus moves through streets. The specially designed filter, fitted onto the roof of the bus, drew 65g of particulates from the air over 100 days – just over the weight of a tennis ball. This pilot showed that buses not only help reduce congestion, but can also provide a solution to poor air quality and the pilot has been expanded to another five buses in Southampton.

Our Demand Responsive Transport (DRT) service, PickMeUp, in Oxford seeks to alleviate congestion and offer a more environmentally friendly transport alternative to high numbers of low occupancy cars. With nearly 600,000 miles covered by the buses so far, the service is actively contributing to reducing traffic, noise and carbon emissions in the Oxford area.

We run the UK's only all-electric bus depot in London and across our regional bus network, we have continued to roll out more environmentally friendly buses. Go North East is investing in 54 high specification buses including 34 of the latest low emission Euro 6 double decker buses. Carrying 100 people these buses can take dozens of cars off the roads.

Brighton & Hove has started to build a network of local expertise in climate change that can enable the sharing of research, expertise, resilience strategies and risk planning by working with local councils, universities and community groups. They have set a target of running a zero emission fleet by 2035 and recently introduced 30 electric buses on some of their most popular city routes. At our recently acquired business, Go North West, a number of our fleet is currently being retrofitted to Euro 6 engine standard – the cleanest available.

# Investors

We operate our business responsibly and with strong financial discipline to deliver sustainable value to shareholders.

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**Sustainable Development Goals**

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We remain committed to retaining a strong balance sheet, maintaining financial discipline and monitoring our leverage. We are thoughtful in our approach to capital allocation and carefully evaluate investment opportunities to support income and returns for investors. With an experienced management team, we aim to deliver a level of growth and returns that enables us to provide a reliable dividend which is a key priority for us and many of our shareholders.

### Maintaining high levels of engagement

We place great importance on our relationships with our shareholders and understand the mutual benefit of engaging with our investors to maintain high levels of transparency and to build trust. Feedback from the investors and analysts forms part of strategic Board discussions. The Group's dedicated Investor Relations team advises the Board on its engagement with the investment community. 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, broker conferences and roadshows through the year.

In June 2019 we also held a site visit for analysts and institutional investors to our London Waterloo bus depot. Waterloo was the first bus depot in Europe to become fully electric and emissions free.

## Investor timeline

**> September 2018**

- Full year results presentation
- Investor roadshows: London and Edinburgh
- Broker conference
- Sales desk briefings

**> November 2018**

- AGM
- Trading update

**> February 2019**

- Half year results presentation
- Investor roadshows: London and Edinburgh

**> April 2019**

- Sales desk briefings

**> June 2019**

- Trading update
- Investor and analyst site visit
- Sales desk briefing
- Broker conference

# Measuring our performance

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

## Protect and grow the core

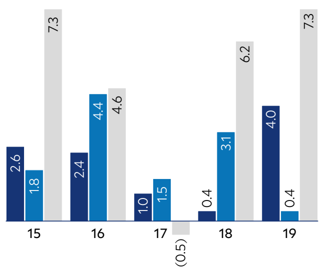
### Financial

**Like for like revenue growth (%)**

**4.0** Regional bus

**0.4** London & International bus

**7.3** Rail

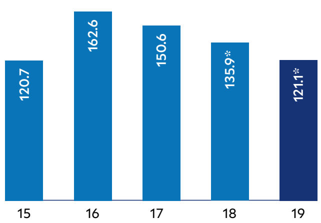



**Description:** For our rail operations, we measure revenue generated through the provision of passenger transport services. In our bus division, we measure total revenue as non-passenger revenue is less material.

**Performance:** Each of the divisions delivered growth which was particularly marked in the regional bus and rail businesses. Growth in London & International bus in the year was more muted as a result of lower contracted mileage in London, as expected, reflecting the timing of contract end dates.

**Operating profit* (£m)**

**121.1**



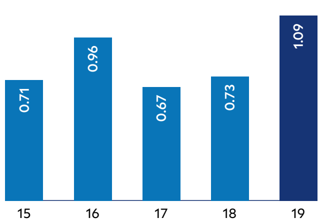

* Pre-exceptional items.

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

**Performance:** Reduction from the previous year reflects lower profit in rail primarily due to the expiry of the London Midland franchise in December 2017 partially offset by better performance at Southeastern and higher operating profit from our London bus operations.

**Cashflow/EBITDA (X)**

**1.09**

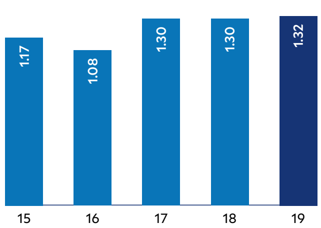



**Description:** The cashflow to EBITDA ratio is used to monitor the conversion of profit into cash. Cashflow is the cash we generate from our operations, after working capital movements and after cash tax paid during the year.

**Performance:** Cash conversion improved significantly from last year and exceeded 1x helped by a significant improvement in working capital.

**Adjusted net debt/ EBITDA (X)**

**1.32**

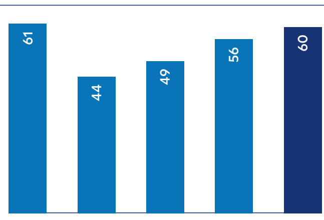



**Description:** The adjusted net debt/ EBITDA ratio is used to indicate the Group's ability to pay down its debt from earnings. Adjusted net debt, which is total net debt excluding restricted cash in our rail division, is measured against earnings before interest, tax, depreciation and amortisation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

**Performance:** Stable at 1.3x and remains below our target range of 1.5x to 2.5x and well below our bank covenant limit of 3.5x. A conservative level provides protection against possible headwinds and the ability to take advantage of potential market opportunities.

**Dividend payout ratio (%)**

**60**




**Description:** 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.

**Performance:** Slight increase from the prior year and within our dividend policy of a payout in the range of 50% to 75%.

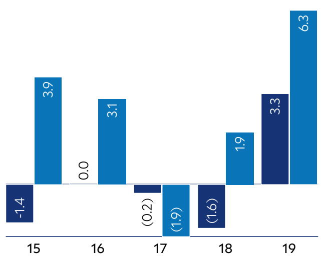
## Protect and grow the core

### Non-financial

**Like for like passenger volume growth (%)**

**3.3** Regional bus

**6.3** Rail



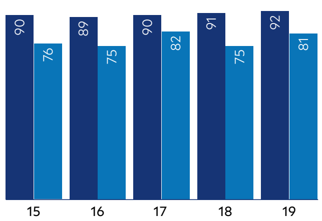

**Description:** We measure the number of passenger journeys taken on our regional bus and rail services compared with the previous year. This is measured on a like for like basis, adjusting for significant acquisitions and new franchises. For our London & International bus division, we are contracted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

**Performance:** Growth delivered in regional bus for the first time in five years and well above broader industry trends which saw passenger numbers decline by 0.7% in the year to March 2019. Very strong growth in rail at both GTR, boosted by additional services, and at Southeastern, helped by resumption of full services at London Bridge in January 2018.

**Customer satisfaction (%)**

**92** Regional bus

**81** Rail

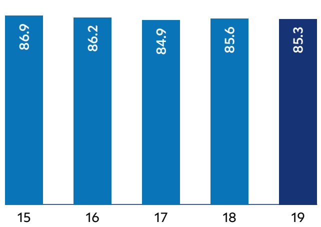



**Description:** Customer satisfaction is measured by the independent passenger watchdog Transport Focus. Surveys are conducted twice a year for our rail franchises and annually for our regional bus operations. Our primary customer in London bus is TfL. We measure satisfaction by performance against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

**Performance:** Our continuing drive to deliver high quality locally focused services enabled us to achieve an improved industry leading score in regional bus that set a new record. In rail, our score also showed a significant improvement of six percentage points from the prior year level.

**Regional bus punctuality (%)**

**85.3**

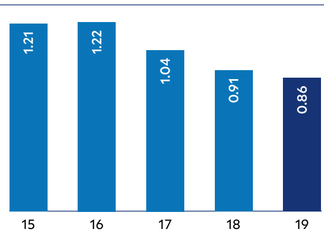



**Description:** The punctuality of our regional bus operations is measured as the percentage of buses which arrive at their stop between one minute before and five minutes after their scheduled time. Therefore, the higher the percentage the better.

**Performance:** Stable performance compared to last year with the Group also receiving the highest score in the industry for punctuality as part of the Transport Focus survey on passenger satisfaction.

**London bus punctuality (minutes)**

**0.86**

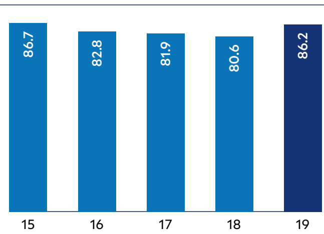



**Description:** The punctuality of London bus operations is measured by excess waiting time. This is the time passengers have to wait for a bus above the average scheduled waiting time. The lower the excess waiting time, the better the performance.

**Performance:** Continued focus on operational performance and working in partnership with TfL helped to deliver further improvement during the year with excess waiting time now having been reduced by 30% over the past three years.

**Rail punctuality (%)**

**86.2**




**Description:** 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.

**Performance:** Significant improvement of 5.6 percentage points achieved compared to last year with GTR and Southeastern both performing better and both hitting all-time monthly records during the year. Overall rail punctuality reached its best level for four years.

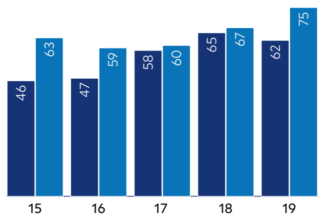
## Protect and grow the core continued

### Non-financial continued

**Employee engagement index (%)**

**62** Bus

**75** Rail

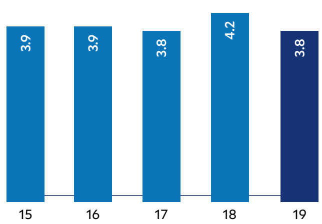



**Description:** We measure how engaged our people are through annual independent employee surveys, conducted independently by ORC, across all of our businesses.

**Performance:** Our rail operations recorded a second consecutive year of strong improvement reflecting the focus we have on colleague involvement, personal development and performance management. Whilst a similar approach is adopted in our bus operation, our score dipped slightly reflecting a time lag between action being taken and colleague feedback. To address this, the timing of the next survey will be delayed.

**Absenteeism (% of working hours)**

**3.8**

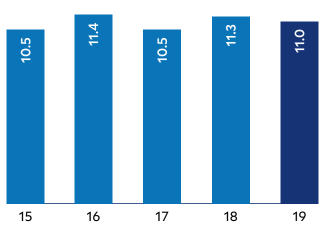



**Description:** We measure employee absence by the percentage of scheduled hours not worked due to unplanned absence from work, across the whole Group.

**Performance:** Absenteeism fell in the year largely due to an improvement at GTR.

**Employee turnover (%)**

**11.00**

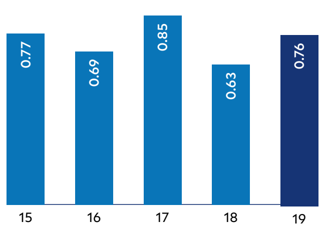



**Description:** Employee turnover is measured by the percentage of employees who leave the Group during the year.

**Performance:** The slight improvement in the year was driven primarily by lower levels of employee turnover at GTR.

**SPADs (per million miles)**

**0.76**

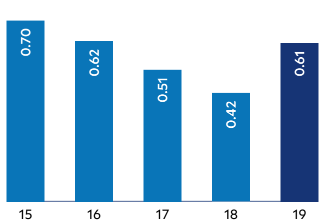



**Description:** Across the rail industry train operating companies report signals passed at danger (SPADs). Many SPADs happen each year and most have little or no potential to cause harm. All SPADs are given a risk ranking which considers the actual and possible consequences of each incident.

**Performance:** After a substantial reduction in the prior year, SPADs increased but remained below the levels of two years ago. Our performance is significantly better than industry average of 1.2 SPADs per million miles.

**RIDDOR accidents (per 100 employees)**

**0.61**




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

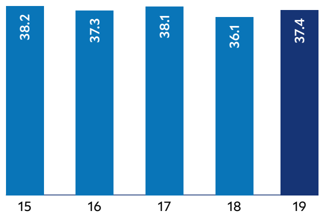
**Performance:** After last year's significant fall, RIDDOR accidents increased but were 20% below five years ago. We maintain a high priority in ensuring that our people have the necessary tools and training to do their jobs safely.

## Protect and grow the core

### **Non-financial** continued

**Bus accidents (per million miles)**

# 37.40

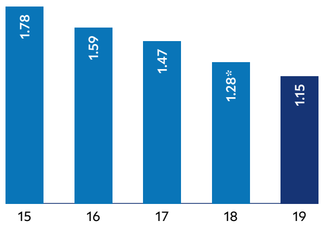



**Description:** We monitor the number of bus accidents which result in a notification to a claims handler for every million miles we operate, including cases where we are not at fault.

**Performance:** A slight increase from last year but remains lower than two years ago. Our investment in training and monitoring the performance of our drivers continues, and we are looking at technological solutions to improve this further.

**Carbon emissions per vehicle mile (kgs)**

# 1.15




* Restated.

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

**Performance:** Further reduction of around 10% during the year as we continue to improve the efficiency of our bus and rail fleet, invest in low carbon vehicles and reduce energy used in our premises. Carbon emissions per vehicle mile have reduced by around 40% over the past five years. We have a target to achieve a 25% reduction in $CO_2$ emissions per vehicle mile by 2021 from our 2017 baseline performance.

## Win new bus and rail contracts

**Annualised revenue secured on international contracts**

# £400m

**Description:** Annualised revenue consists of revenue secured through international contracts we have won in our target markets as part of our international strategy. Many of these contracts have not yet begun so this revenue has not yet been earned.

**Performance:** Increase to over £400m from the £250m that had been secured a year ago reflecting an additional four contracts awarded during the year in Germany, Norway and Australia. We continue to see an attractive pipeline of opportunities in our target markets.

## Develop for the future of transport

**Projects and initiatives actively being tested and trialled**

We have several initiatives and projects underway as we continue to look ahead to the transport needs of the future. These projects which include Demand Responsive Transport (DRT) in Oxford and Sutton, the Billion Journey Project which is our transport accelerator programme, our consultancy business Hammock, and Mobility as a Service (MaaS) are at various stages of development or implementation. All projects are monitored and measured using a range of metrics in a way that is relevant for each specific project.

**Elodie Brian**
Chief Financial Officer

# Resilient financial performance

"Operating profit has been better than expected, we have had good cash generation, a healthy dividend, a reduction in debt, and a balance sheet that remains in good shape".

Elodie Brian
Group Chief Financial Officer

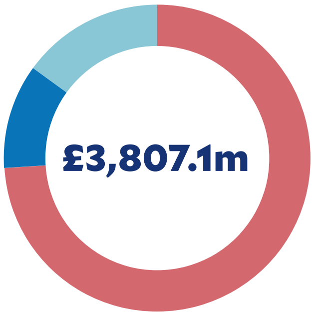
**Group revenue**
**£3,807.1m**
2018: £3,461.5m

**Group operating profit (pre-exceptional items)**
**£121.1m**
2018: £135.9m

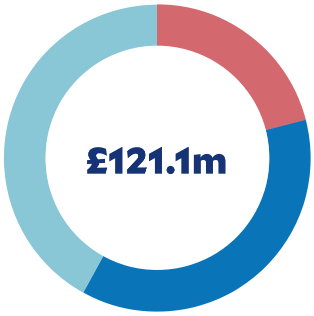
**Group operating profit (post-exceptional items)**
**£104.3m**
2018: £161.0m

**Adjusted net debt**
**£270.3m**
2018: £289.0m

## Revenue




## Operating profit*




* Pre-exceptional items

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

### Financial overview

Revenue for the year was £3,807.1m, up £345.6m, or 10.0%, on last year (2018: £3,461.5m). This increase was primarily attributable to additional services operated by GTR within the rail division partially offset by the end of the London Midland franchise.

Excluding exceptional items, profits attributable to shareholders decreased by £5.2m or 6.7% to £72.8m (2018: £78.0m) and earnings per share by 6.7% to 169.4p (2018: 181.6p). Profit attributable to shareholders for the year decreased by £30.2m, or 33.9%, to £58.8m (2018: £89.0m) and earnings per share fell by 34.0% to 136.8p (2018: 207.2p) with exceptional losses following the GMP equalisation in bus pensions and lower rail profit. The prior year had included an exceptional gain relating to a change in the reference inflation index for the purpose of annual increases to the majority of pensions payable by the Group's bus pension schemes.

Adjusted net debt (excluding restricted cash) at the year end was £270.3m (2018: £289.0m), as reconciled below the cashflow statement on page 135. The lower net debt largely reflects improved free cash generation, lower capital expenditure reflecting the timing of contract renewal commitments in London, vehicle purchases in regional bus and working capital requirements in the rail business. The adjusted net debt (excluding restricted cash) to EBITDA ratio of 1.32x (2018: 1.30x) remains below our target range of 1.5x to 2.5x.

## Group overview

| | **2019 £m** | 2018 £m | Increase/ (decrease) £m | Increase/ (decrease) % |
|---|---|---|---|---|
| **Group revenue** | **3,807.1** | 3,461.5 | 345.6 | 10.0 |
| Regional bus operating profit | **44.5** | 45.8 | (1.3) | (2.8) |
| London & International bus operating profit | **51.2** | 45.6 | 5.6 | 12.3 |
| **Total bus operating profit** | **95.7** | 91.4 | 4.3 | 4.7 |
| Rail operating profit | **25.4** | 44.5 | (19.1) | (42.9) |
| **Group operating profit (pre-exceptional items)** | **121.1** | 135.9 | (14.8) | (10.9) |
| Exceptional operating items | **(16.8)** | 25.1 | (41.9) | (166.9) |
| **Group operating profit (post-exceptional items)** | **104.3** | 161.0 | (56.7) | (35.2) |
| Share of result of joint venture | **(0.5)** | (1.1) | 0.6 | 54.5 |
| Net finance costs | **(6.8)** | (14.2) | 7.4 | 52.1 |
| **Profit before tax** | **97.0** | 145.7 | (48.7) | (33.4) |
| Total tax expense | **(21.9)** | (36.4) | 14.5 | (39.8) |
| **Profit for the period** | **75.1** | 109.3 | (34.2) | (31.3) |
| Non-controlling interests | **(16.3)** | (20.3) | 4.0 | (19.7) |
| **Profit attributable to shareholders** | **58.8** | 89.0 | (30.2) | (33.9) |
| Profit attributable to shareholders (pre-exceptional items) | **72.8** | 78.0 | (5.2) | (6.7) |
| **Weighted average number of shares (m)** | **43.0** | 43.0 | — | — |
| Earnings per share (pre-exceptional items) (p) | **169.4p** | 181.6p | (12.2)p | (6.7) |
| Earnings per share (post-exceptional items) (p) | **136.8p** | 207.2p | (70.4)p | (34.0) |
| Proposed dividend per share (p) | **102.08** | 102.08 | — | — |

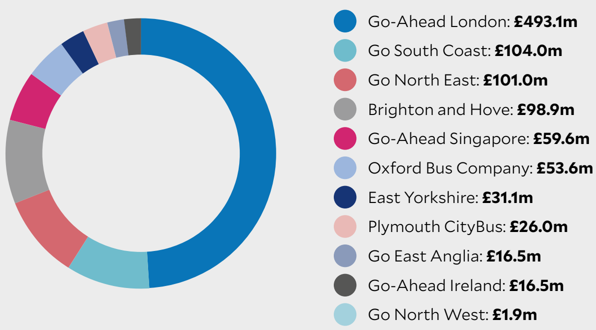
# Bus

## Go-Ahead is a leading bus operator. Over two million passenger journeys are made on our services every day in the UK, Singapore and Ireland.

## Our bus financial highlights

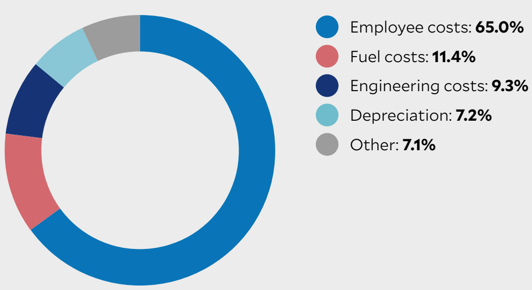
### Bus revenue

**£1,002.2m** (2018: £934.2m)



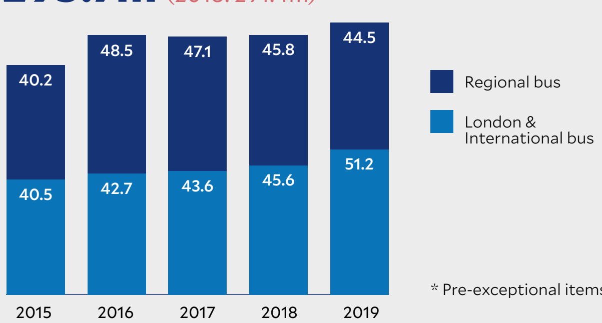

### Bus operating cost base

**£906.5m** (2018: £842.8m)




### Bus operating profit*

**£95.7m** (2018: £91.4m)




* Pre-exceptional items.

### Bus overview

| | 2019 | 2018 | Increase/ (decrease) £m | Increase/ (decrease) % |
|---|---|---|---|---|
| **Total bus operations** | | | | |
| Revenue (£m) | **1,002.2** | 934.2 | 68.0 | 7.3 |
| Operating profit (£m) | **95.7** | 91.4 | 4.3 | 4.7 |
| Operating profit margin | **9.5%** | 9.8% | n/a | (0.3ppt) |
| **Regional bus** | | | | |
| Revenue (£m) | **433.0** | 383.7 | 49.3 | 12.8 |
| Operating profit (£m) | **44.5** | 45.8 | (1.3) | (2.8) |
| Operating profit margin | **10.3%** | 11.9% | n/a | (1.6ppt) |
| **London & International bus** | | | | |
| Revenue (£m) | **569.2** | 550.5 | 18.7 | 3.4 |
| Operating profit (£m) | **51.2** | 45.6 | 5.6 | 12.3 |
| Operating profit margin | **9.0%** | 8.3% | n/a | 0.7ppt |
| **Like for like revenue growth** | | | | |
| Regional bus | **4.0%** | 0.4% | n/a | 3.6ppt |
| London & International bus | **0.4%** | 3.1% | n/a | (2.7ppt) |
| **Like for like volume growth** | | | | |
| Regional bus passenger journeys | **3.3%** | (1.6%) | n/a | 4.9ppt |
| London & International bus miles operated* | **(3.4%)** | (1.0%) | n/a | (2.4ppt) |

* Miles operated does not include operations in Singapore and Ireland.

### Overall bus performance

Total bus revenue increased by 7.3%, or £68.0m, to £1,002.2m (2018: £934.2m) including the contribution of acquisitions and nine months of trading in Ireland. While operating profit was ahead of the prior year at £95.7m (2018: £91.4m), the operating profit margin decreased slightly by 0.3ppts to 9.5%. This reflected a good performance in London & International bus and a lower level of profit in the regional bus business.

### Regional bus

Regional bus revenue was £433.0m (2018: £383.7m), up £49.3m, or 12.8%, including the contribution of acquisitions. Like for like revenue growth of 4.0% was broadly in line with our expectations reflecting our local yield management strategies. Growth in passenger journeys across all businesses delivered an increase in like for like passenger volumes of 3.3%. Reported growth in revenue and passenger journeys was 12.8% and 11.6% respectively following the acquisitions of Go North West in June 2019, East Yorkshire in June 2018 and Oxford City Sightseeing in December 2017.

Operating profit in the regional bus division fell £1.3m, or 2.8%, to £44.5m (2018: £45.8m), with operating profit margin down 1.6ppts to 10.3% (2018: 11.9%). The lower level of operating profit in regional bus compared to last year reflects passenger yields rising by less than the aggregate of general net cost inflation including higher engineering costs and additional depreciation resulting from our continued investment.

| | £m |
|---|---|
| **2018 operating profit** | 45.8 |
| Changes: | |
| Net impact of acquisitions and new ventures | 1.1 |
| Passenger volume | 1.3 |
| Net cost inflation exceeding passenger yield | (2.4) |
| Depreciation | (1.3) |
| **2019 operating profit** | **44.5** |

### London & International bus

Results for the London & International bus division include our bus operations in London, Singapore and Ireland. Divisional revenue grew by 3.4%, to £569.2m in the year (2018: £550.5m).

Operating profit in the London & International bus division was £51.2m (2018: £45.6m), up £5.6m, or 12.3%, with operating profit margin slightly higher at 9.0% (2018: 8.3%). Quality Incentive Contract bonuses (QICs) in London rose to £18.3m (2018: £13.2m) as a result of improved performance against quality targets. This has been achieved through a further strengthening of our service control capabilities and TfL's approach to implementing more bus prioritisation measures and fewer roadworks on our routes. As anticipated, like for like mileage for the division decreased by 3.4% mainly due to the timing of contract renewals and TfL's route restructuring. We also benefited from some additional contract work contributing around £2.0m that is not expected to repeat in the following year. Our bus operations in Singapore continue to perform well, both operationally and financially. We also successfully began bus operations in Ireland during the year which have made a small positive contribution to the reported result.

| | £m |
|---|---|
| **2018 operating profit** | 45.6 |
| Changes: | |
| QIC bonuses | 5.1 |
| Additional contract work | 2.0 |
| Volume reductions | (3.6) |
| Net cost inflation | (0.1) |
| Singapore and Ireland | 2.2 |
| **2019 operating profit** | **51.2** |

### Capital expenditure and depreciation

| | **2019 £m** | 2018 £m |
|---|---|---|
| Regional bus fleet (inc. vehicle refurbishment) | **27.1** | 41.1 |
| London & International bus fleet (inc. vehicle refurbishment) | **5.4** | 46.2 |
| Technology and other | **10.4** | 8.4 |
| Depots | **7.1** | 3.9 |
| **Total capital expenditure** | **50.0** | 99.6 |

The average age of our buses is 7.3 years (2018: 6.5 years). In London, the purchase of 14 new buses (2018: 135 buses) reflects the timing of contract renewals. In regional bus, in line with our commitment to maintain a young and increasingly greener fleet, 109 new buses (2018: 173 buses) were bought.

Depreciation for the division was £65.1m (2018: £61.8m), reflecting the increased capital spend in recent years.

In 2020, we expect total capital expenditure for the bus division to be around £90m with a higher level in London due to the timing of known contract wins and renewals as well as continued investment in our regional bus services including improvements in our recent acquisitions in East Yorkshire and Manchester.

### Fuel

In the year, the bus division required around 143 million litres of fuel, with a net cost of £103.2m.

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

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

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| % hedged | Fully | 50% | 25% |
| Price (pence per litre) | 36.8 | 36.7 | 38.9 |

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

### Bus financial outlook

In regional bus, we expect market conditions to remain challenging. We will also face some external cost pressures, for example, on fuel. However, with our focus on gradual yield improvement and cost containment, we expect to mitigate those headwinds and deliver a similar operating result.

Within London & International bus, our London bus business has already secured all its expected revenue for the current year through successful contract bidding. While this remains a challenging and competitive market, new contract awards during 2019 are expected to result in an increase in mileage and revenues for 2020. We also have the opportunity to bid for around £20m of additional annual revenue in 2020, most of which will begin to be realised in the following year.

In Singapore, we remain focused on building on the improved operational and financial performance we have delivered to date. In Ireland, we look forward to introducing our second contract in late 2019 and will see a full year of operating the first contract.

Overall, we expect the London & International bus division to deliver an operating result in 2020 that is consistent with the level achieved in 2019.

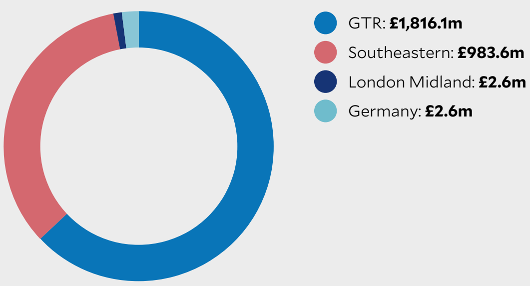
# Rail

Go-Ahead's rail operations carry more train journeys than any other operator in the UK, responsible for around 30% of all passenger journeys.

## Our rail financial highlights

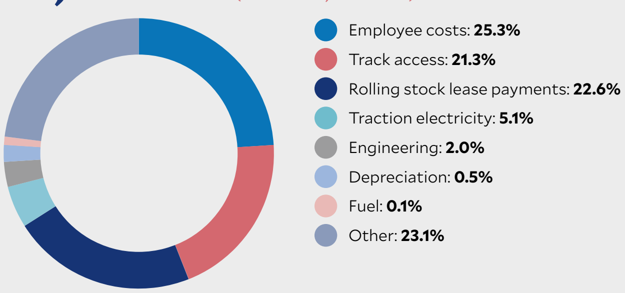
**Rail revenue**

**£2,804.9m** (2018: £2,527.3m)



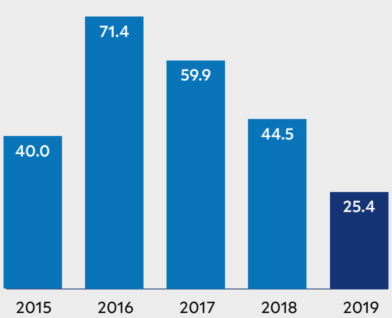

**Rail operating cost base**

**£2,779.5m** (2018: £2,482.8m)




**Rail operating profit**

**£25.4m** (2018: £44.5m)




### Rail performance

The rail division has delivered a financial result slightly ahead of the Board's expectations, but behind that of the prior year. Overall margins have remained at historically low levels, impacted in particular by GTR.

### Rail overview

| | 2019 | 2018 | Increase/ (decrease) £m | Increase/ (decrease) % |
|---|---|---|---|---|
| **Total rail operations** | | | | |
| Total revenue (£m) | **2,804.9** | 2,527.3 | 277.6 | 11.0 |
| Operating profit (£m) | **25.4** | 44.5 | (19.1) | (42.9) |
| Operating profit margin | **0.9%** | 1.8% | n/a | (0.9ppt) |
| **Like for like revenue growth** | | | | |
| Southeastern | **6.0%** | 3.8% | n/a | 2.2ppt |
| GTR | **8.0%** | 7.7% | n/a | 0.3ppt |
| **Like for like passenger growth** | | | | |
| Southeastern | **3.7%** | 1.4% | n/a | 2.3ppt |
| GTR | **7.7%** | 2.1% | n/a | 5.6ppt |

### Revenue

Total revenue increased by 11.0%, or £277.6m, to £2,804.9m (2018: £2,527.3m), consisting of:

| | 2019 | 2018 | Increase/ (decrease) £m | Increase/ (decrease) % |
|---|---|---|---|---|
| **Passenger revenue** | | | | |
| GTR | **1,643.6** | 1,271.3 | 372.3 | 29.3 |
| Southeastern | **828.3** | 786.3 | 42.0 | 5.3 |
| Germany | **0.7** | — | 0.7 | n/a |
| London Midland | **—** | 156.2 | (156.2) | n/a |
| **Total passenger revenue** | **2,472.6** | 2,213.8 | 258.8 | 11.7 |
| **Other revenue** | | | | |
| GTR | **172.9** | 139.5 | 33.4 | 23.9 |
| Southeastern | **23.0** | 34.1 | (11.1) | (32.6) |
| Germany | **1.3** | 0.3 | 1.0 | 3.3 |
| London Midland | **2.6** | 35.1 | (32.5) | (92.6) |
| **Total other revenue** | **199.8** | 209.0 | (9.2) | (4.4) |
| **Subsidy and revenue support** | | | | |
| Southeastern subsidy | **132.2** | 67.3 | 64.9 | 96.4 |
| Southern revenue support* | **(0.4)** | 0.6 | (1.0) | (166.7) |
| Germany revenue support | **0.7** | — | 0.7 | n/a |
| London Midland subsidy | **—** | 36.6 | (36.6) | n/a |
| **Total subsidy and revenue support** | **132.5** | 104.5 | 28.0 | 26.8 |
| **Total revenue** | **2,804.9** | 2,527.3 | 277.6 | 11.0 |

* Southern revenue support relates to the Southern franchise which ended in July 2015.

### Premium, profit share and revenue share payments

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

| | 2019 | 2018 | Increase/ (decrease) £m | Increase/ (decrease) % |
|---|---|---|---|---|
| Southeastern profit share | **19.7** | 16.2 | 3.5 | 21.6 |
| London Midland profit share | **–** | 4.4 | (4.4) | n/a |

### Operating profit

Operating profit in the rail division was down £19.1m at £25.4m (2018: £44.5m), with the operating profit margin decreasing to 0.9% (2018: 1.8%) as expected. The operating profit reduction was driven by the London Midland franchise ending in December 2017 and the impact of the GTR settlement with the DfT with a resulting passenger enhancement charge. These factors were partially offset by an improvement in Southeastern following continued strong passenger growth and operational performance.

| | £m |
|---|---|
| **2018 operating profit** | 44.5 |
| Changes: | |
| London Midland | (21.1) |
| Southeastern | 4.4 |
| GTR/Southern | (3.2) |
| Bidding, international development and other costs | 0.8 |
| **2019 operating profit** | **25.4** |

### Individual franchise performance

#### GTR

The business reported like for like growth in passenger journeys of 7.7% (2018: 2.1%) and in passenger revenue of 8.0% (2018: 7.7% rise).

Agreement was reached in December 2018 with the Department for Transport (DfT) regarding contractual matters. This agreement resolved the matters relating to the industry wide failures concerning the introduction of the May 2018 timetable, as well as bringing to a close, discussions around other outstanding contractual variations.

As part of the agreement, a plan for the remainder of the franchise term to September 2021 was agreed, aimed at building on recent performance improvements and delivering a better customer experience. As part of this agreement GTR provided for £15m of funding during the year for passenger enhancements and separately accounted for the fine from the Office of Rail and Road (ORR).

A profit-sharing mechanism with the DfT is now in place for the remainder of the franchise. As part of this mechanism, no profit was made in the year. The operating profit margin over the whole franchise term is expected to be between 0.75 and 1 per cent.

#### Southeastern

Southeastern recorded good trading performance and has delivered excellent operating performance in recent months, with a marked improvement in customer satisfaction and punctuality.

On a like for like basis, passenger revenue rose by 6.0% (2018: 3.8%) while passenger numbers increased by 3.7% (2018: 1.4%). The improvement was supported by a full year of complete service operation through London Bridge station from January 2018, following three years of partial closure.

Southeastern's strong financial performance enabled a contribution of £19.7m to be made to the DfT during the year through the contract's profit sharing mechanism included in the directly awarded contract that it has operated under since October 2014.

### Bidding and international developments

Bidding and international development cost in the year were £16.0m (2018: £15.9m), primarily relating to bidding for Southeastern, bids in Germany and Nordic countries, and preparation for the start of secured rail contracts in Germany and Norway.

### Capital expenditure and depreciation

Capital expenditure for the rail division was £22.6m (2018: £27.1m), predominantly relating to the building of a depot in Germany as part of the mobilisation of the first two contracts there. Depreciation was £14.2m (2018: £20.9m), reflecting the timing of capex which is being depreciated over the life of the franchises.

In 2020, capital expenditure for the rail division is expected to be around £20m, including mobilisation of and continued investment in our international rail operations.

### Rail financial outlook

In August 2019, we were informed by the DfT of its decision to terminate the competition for the new South Eastern franchise Following the DfT's decision to extend the current Southeastern franchise term, we will operate the franchise until 1 April 2020. We are engaging with the DfT regarding the future of the operation beyond that date. Passenger journeys and revenue growth for Southeastern is expected to continue the improvement shown in the second half of 2019.

GTR is expected to return a modest operating profit margin for 2020 following the break even result reported in 2019. Over its franchise term, GTR is still expected to achieve an operating margin of between 0.75 and 1 per cent.

In Germany, following a four year mobilisation period, two of the five secured rail contracts have now started operating. In December 2019, additional services associated with these first two contracts will begin, along with the introduction of the third contract. In the same month we will also begin operating rail services in Norway.

Overall for the rail division, we expect lower operating profit for 2020 with increased profitability at GTR being more than offset by a reduction in Southeastern reflecting its new contractual arrangements and a part year of operation.

# Financial review

**Group capital expenditure**
**£72.6m**
2018: £126.7m

**Free cashflow**
**£74.1m**
2018: £57.7m

## Earnings per share

Excluding exceptional items, earnings were £72.8m, resulting in decrease of pre-exceptional earnings per share from 181.6p in 2018 to 169.4p. Earnings were £58.8m (2018: £89.0m), resulting in a decrease in earnings per share from 207.2p to 136.8p. 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.

| | 2019* | 2018* | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Earnings per share | **169.4p** | 181.6p | 207.7p | 218.2p | 147.9p |

* Pre-exceptional items.

## Dividend

The Board is proposing a total dividend for the year of 102.08p per share (2018: 102.08p), consistent with the prior year. This includes a proposed final payment of 71.91p per share (2018: 71.91p) payable on 22 November 2019 to shareholders registered at the close of business on 1 November 2019. Dividends of £43.8m (2018: £43.8m) paid in the year represent the payment of the prior year's final dividend of 71.91p per share (2018: 71.91p) and the interim dividend in respect of this year of 30.17p per share (2018: 30.17p). Dividends paid to non-controlling interests were £12.7m (2018: £13.9m), and dividend payout was 60% (2018: 56%) on a pre-exceptional earnings basis.

## Summary cashflow

| | 2019 | 2018 | Increase/ (decrease) £m |
|---|---|---|---|
| EBITDA | **205.5** | 221.9 | (16.4) |
| Working capital/other items (excluding restricted cash movements) | **4.4** | 10.9 | (6.5) |
| Cashflow generated from operations | **209.9** | 232.8 | (22.9) |
| Tax paid | **(32.5)** | (28.7) | (3.8) |
| Net interest paid | **(9.5)** | (13.3) | 3.8 |
| Net capital investment | **(81.1)** | (119.2) | 38.1 |
| Dividends paid – minority partner | **(12.7)** | (13.9) | 1.2 |
| Free cashflow | **74.1** | 57.7 | 16.4 |
| Net acquisitions | **(11.5)** | (7.5) | (4.0) |
| Other | **0.4** | (9.1) | 9.5 |
| Net cash on issue/purchase of shares | **(0.5)** | (0.5) | — |
| Dividends paid | **(43.8)** | (43.8) | — |
| Increase/decrease in adjusted net debt* | **18.7** | (3.2) | 21.9 |
| Opening adjusted net debt* | **(289.0)** | (285.8) | n/a |
| Closing adjusted net debt* | **(270.3)** | (289.0) | 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 £209.9m (2018: £232.8m). This decrease of £22.9m is largely due to reduction in EBITDA due to the London Midland franchise ending. Tax paid of £32.5m (2018: £28.7m) comprised payments on account in respect of the current and prior years' liabilities. Net interest paid of £9.5m (2018: £13.3m) was higher than the net charge for the period of £6.8m (2018: £14.2m) including the impact of non-cash interest on pensions, the unwinding of discounting on provisions and the payment of the interest accrued on the HMRC Capital Allowances settlement. Capital expenditure, net of sale proceeds, was £38.1m lower in the year at £81.1m (2018: £119.2m), predominantly due to lower investment in our London bus fleet from the prior year's elevated level, and timing of vehicle purchases in regional bus. Net Group capital investment is expected to be around £110m in 2020.

During the year, as part of a planned programme of monthly share purchases to satisfy future share awards, the Group purchased 56,482 ordinary shares for a total consideration of £1.0m (2018: 64,012 ordinary shares for a total consideration of £1.1m).

At the year end, significant medium-term finance was available through a £280m five year syndicated facility, and a £250m sterling bond. The syndicated facility had a maturity of July 2023 with two one year extension options. On 9 July 2019, one of the additional one year extensions was exercised extending the maturity of the facility to July 2024.

## Capital expenditure

Expenditure on capital during the year can be summarised as:

| | 2019 £m | 2018 £m |
|---|---|---|
| Regional bus | **40.4** | 47.9 |
| London & International bus | **9.6** | 51.7 |
| **Total bus** | **50.0** | 99.6 |
| Rail | **22.6** | 27.1 |
| **Group total** | **72.6** | **126.7** |

## Net cash

Net cash of £214.6m (2018: £149.9m) comprised debt arising from the £250m sterling bond, amounts drawn down against the £280m five year syndicate facility of £144.7m (2018: £136.0m), amounts drawn down against the Euro loan facilities of £15.4m (2018: £11.2m), and hire purchase and lease agreements of £6.1m (2018: £9.4m), offset by cash and short term deposits of £630.8m (2018: £556.5m) including £484.9m of restricted cash in rail (2018: £438.9m). There were no overdrafts in use at the year end (2018: £nil).

Our primary financial covenant under the syndicated facility is an adjusted net debt to EBITDA ratio of not more than 3.5x. Adjusted net debt (excluding restricted cash) to EBITDA of 1.32x (2018: 1.30x) remains below the target range of 1.5x to 2.5x.

### Capital structure

| | **2019 £m** | 2018 £m |
|---|---|---|
| Syndicated facility 2024 | **280.0** | 280.0 |
| 7 year £250m 2.5% sterling bond 2024 | **250.0** | 250.0 |
| Euro financing facilities | **16.7** | 16.5 |
| Total core facilities | **546.7** | 546.5 |
| Amount drawn down at 29 June 2019 | **410.1** | 397.2 |
| Balance available | **136.6** | 149.3 |
| Restricted cash | **484.9** | 438.9 |
| Net cash | **(214.6)** | (149.9) |
| Adjusted net debt | **270.3** | 289.0 |
| EBITDA | **205.5** | 221.9 |
| Adjusted net debt/EBITDA | **1.32x** | 1.30x |

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

### Exceptional items

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. As a result, pension scheme trustees will be obliged to adjust benefit payments in order that benefits received by male and female members with equivalent age, service and earnings histories are equal. The judgement has implications for many defined benefit schemes, including those in which the Group participates.

We have worked with our actuarial advisors to understand the implications of the judgement and the £16.8m pre-tax exceptional, non-cash expense in the year reflects our best estimate of the effect on our reported pension liabilities.

The exceptional gain in the prior year of £25.1m relates to changes made by the Group and the Trustee of The Go-Ahead Group Pension Plan in relation to the reference inflation index for the purpose of annual increases to the majority of pensions payable by the bus pension schemes and to the carrying value of goodwill and associated tangible assets on its regional bus businesses.

### Amortisation

The amortisation charge for the year was £4.8m (2018: £3.3m), 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 lower than the prior year at £6.8m (2018: £14.2m) including finance costs of £11.9m (2018: £16.7m) less finance revenue of £5.1m (2018: £2.5m). Finance costs do not include any exceptional items (2018: £2.6m cost in respect of a HMRC enquiry). The average net interest rate for the period was 3.4% (2018: 4.1%).

### Taxation

Net tax for the year was £21.9m (2018: £36.4m), equivalent to an effective rate of 22.6% (2018: 25.0%). A provision in the prior year in relation to a HMRC enquiry was shown as exceptional and was settled during the current year. Excluding the impact of this one-off provision and the impact of exceptional items, the prior year tax rate would have been 21.0%. In the reporting period, the effective tax rate was higher due to the non-deductible items such as bid costs in Germany and other international areas.

The statutory rate in the UK will reduce to 17.0% in 2020. We expect our effective tax rate to be 2% to 3% above the UK statutory rate in future years.

### Non-controlling interest

The non-controlling interest in the income statement of £16.3m (2018: £20.3m) arises from our 65% holding in Govia Limited, which owns 100% of our current UK rail operations and therefore represents 35% of the profit after taxation of these operations.

### Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the year of £35.3m (2018: £35.5m) consisting of bus costs of £2.0m (2018: £1.8m) and rail costs of £33.3m (2018: £33.7m). Group contributions to the schemes totalled £41.5m (2018: £40.3m).

An exceptional charge of £16.8m (2018: £35.2m gain) 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 £40.2m (2018: a surplus of £30.3m), consisting of pre-tax assets of £48.7m (2018: assets of £36.8m) less a deferred tax liability of £8.5m (2018: deferred tax liability of £6.5m). The pre-tax asset consisted of assets of £858.8m (2018: £829.3m) less estimated liabilities of £810.1m (2018: £792.5m). The percentage of assets held in higher risk, return seeking assets was 35.3% (2018: 48.5%).

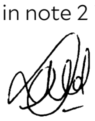
### Rail pensions

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 (2018: £nil).

### IFRS 16

A new accounting standard has been introduced that will have a significant impact on the financial statements going forward. IFRS 16 'Leases' will affect the accounting for the Group's operating leases and will result in an increase in the number of leases being recognised on the balance sheet as the distinction between operating and finance leases is removed and operating leases will be recognised as right-of-use assets. Prior periods will not be retrospectively restated.

The new standard will come into effect for the Group for the accounting year ending 27 June 2020. On the date of implementation, right-of-use assets and lease liabilities of around £0.8bn were recognised. Based on the current lease portfolio, this is expected to be closer to £0.4bn at 27 June 2020, and the impact on EBITDA is expected to be an increase of around £350m and operating profit to be higher by less than £10m. Further details are provided in note 2 in the financial statements.



**Elodie Brian,**
**Group Chief Financial Officer**

4 September 2019

# Identifying and managing our risks and uncertainties

**Adrian Ewer**
Audit Committee Chair

"The Board has overall responsibility for measuring, managing and monitoring the Group's existing and emerging principal risks."

## How we manage risk

### Our governance

Ultimate accountability for risk management lies with the Board, supported by the audit committee and executive directors. The Board is mindful of the detrimental impact that the Group's principal risks and uncertainties, including emerging risks, could have on its strategic objectives. The Board's means of mitigating and managing these risks are set out within the Group's policies and procedures manual. Compliance with these policies and procedures is mandatory, with local senior management tasked with ensuring compliance, and confirming this as part of their bi-annual risk reporting to the executive directors.

### Our risk management framework

Our approach combines a top down strategic assessment of risk and risk appetite, with a bottom up operational identification and reporting process.

The risk management framework includes a robust means of measuring risks associated with bids, contract mobilisation and acquisitions. This disciplined approach to bidding for future rail and bus opportunities ensures risks are identified and, where possible, mitigated.

Through our vision and culture, we empower all our colleagues to manage risk. This approach is designed to highlight potential problems at an early stage, so prompt action can be taken to minimise any negative impact to our customers and stakeholders. For more information on the Group's culture, please see pages 56 to 79.

### Emerging risks

The assessment of emerging risks is embedded within the day-to-day operations of each operating company. Such assessments are consolidated and reviewed as part of their monthly board reporting, as well as being reported to management on a bi-annual basis. The reporting includes an explanation of the procedures in place to mitigate and manage such risks.

### Our risk appetite

Risk appetite is the level of risk the Group is willing to take to achieve its strategic objectives, together with the level of risk shock that it can withstand. The Board is responsible for setting and monitoring the Group's risk appetite, which is communicated through its risk appetite statement outlined on page 50. During its annual Strategy Day held in May 2019, the Board considered the risk appetite of the Group in the context of its regulatory environment, its culture and the sectors in which it operates, as well as its three strategic pillars. Following this review, and the subsequent review of the Group's principal risks and uncertainties as at the period ended 29 June 2019, the Board discussed and approved the Group's risk appetite statement during their August 2019 meeting.

The Group risk appetite statement provides a reference point against which the operational companies can benchmark their bi-annual risk management reporting, with any key risks being identified by management and discussed with the audit committee and Board. Those key risks are aggregated and reported as the Group's principal risks, as outlined on pages 51 to 55.

## Focus during the year

During the year, the Board spent time discussing a number of key risk focus areas, with scheduled in-depth presentations provided by the executive directors and senior management. The Board regularly discussed GTR's operational performance and financial forecasts and was kept up to date on a wide range of matters including the agreement reached between GTR and the Department for Transport (DfT) on the implementation of the December 2018 and May 2019 timetable revisions. Cyber security also remained a key focus area. Specifically, this included an increased focus around General Data Protection Regulation (GDPR) and Network and Information System (NIS) compliance, as well as the formalising of an information security management system framework. Monthly KPI reporting into all operating companies was introduced, with initiatives planned to increase awareness of cyber risk, including phishing.

Regular health and safety updates from the Group Corporate Services Director, with an emphasis on Go-Ahead's new and international operations, remained a critical element of the Board's ongoing risk analysis during the year. During the Board's December 2018 meeting, this included an overview of the Group's recent Safety Leadership Conference. For further information on this conference and the Group's safety culture, please see page 89.

As part of the Board's assessment of the key risks and uncertainties for the half year ended 29 December 2018, the updated risk disclosures submitted by each operating company were reviewed. This resulted in a new principal risk in relation to the failure to mobilise international rail contracts within timescales. Further information on this new principal risk can be found on page 55.

In response to the uncertainty around the terms of the UK's departure from the EU, the Board also assessed the Group's risks and uncertainties relating to Brexit and put practical mitigation measures in place against identifiable risks. For further information on this review, read about our preparations for the United Kingdom's (UK) exit from the European Union (EU) on page 48.

## Risk management framework

Implementation and compliance responsibility

Risk identification and reporting responsibilities

**Board**

**Ultimate accountability for risk management**

- Sets strategic priorities
- Agrees the Group's appetite for risk
- Assesses risks and tolerance levels
- Top down risk identification
- Sets delegated levels of authority
- Approves Group policy and procedures

**Audit committee**

**Monitors risk management and assurance arrangements**

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

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

**Executive directors**

**Monitors performance and changes in key risks**

- Provide regular reports and updates to the Board
- Report to the Board and the audit committee on the status of key risks
- Provide guidance and advice to operating companies to assist with:
  - Identifying risks, assessing extent of risks' impact and implementing mitigating actions
  - Health and safety auditing
  - Insurance

**Operating companies**

**Identify, manage and report local risks**

- Maintain local risk management plans
- Assessment of emerging risks
- Implement mitigating actions

## Viability statement

### Assessment of prospects

In accordance with the provision of the UK Corporate Governance Code, and having considered the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the Financial Reporting Council in September 2014, the directors have assessed the Group's viability over a three-year period to June 2022. 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.

### The assessment process and key assumptions

In making its assessment, the Board took account of the Group's current financial position, operational performance, banking covenants, other key financial ratios (including those maintaining the Group's existing investment grade status), committed and future funding and both its contracted and anticipated capital expenditure. 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 51 to 55, 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 and its impact on the Group's regional bus business in the period under review
2. The Williams Rail Review, its anticipated impact on the structure of the British rail industry and the way passenger rail services are delivered. This includes the failure to retain the Southeastern franchise and to deliver an acceptable profit margin for GTR
3. A risk that a reduction in punctuality is reflected in the financial performance of London Bus
4. Failure to effectively mobilise on our international contracts.

### Conclusion

Based on their assessment of the prospects and viability of the Group, the directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet all of its liabilities as they fall due during the viability review period.

### Going concern

The directors also assessed, in light of current and anticipated economic conditions, the Group's ability to continue as a going concern. For further information on the directors' going concern assessment and confirmation, please see page 119 within the directors' report.

## Preparations for the UK's departure from the EU

To ensure appropriate preparations were made in the event of a no-deal Brexit, the Board undertook a review of the associated risks and noted the practical mitigation measures in place against identifiable risks. As part of the review, the following risks and mitigating actions were identified and agreed.

**Risks:**

- General economic slowdown could adversely impact demand for our services
- Supply chain risks (short term material supply risk, i.e. engineering spares and ticket stocks, shorter term labour supply risk and medium term cost inflation)
- Tightening of the labour market
- Congestion and logistical disruption, specifically traffic disruption in East Kent, where Southeastern operates.

**Group-wide mitigating initiatives:**

- Brexit-related risks have been captured as part of our regular risk management process
- A specific supply chain working group is being led by the Group Procurement team

**Supply chain risk mitigations:**

- A risk analysis was undertaken on the rail and bus supply chain and we worked with high risk suppliers to establish their preparedness
- Ensuring we have adequate parts and materials to maintain our fleets, we have accelerated procurement of operation-critical supplies in our bus and rail businesses
- Work ongoing with suppliers to improve resilience of engineering repairable component stock
- Extra engineering consumable stockholding ordered to hold on bus operating company sites for greater resilience
- We have written to our bus and train suppliers as part of this process

**People risk mitigations:**

- Communicated with our EU colleagues across the businesses about the Government's Brexit-related arrangements
- We have schemes across the business designed to attract candidates, including promoting a career as a bus driver to people who have been unsuccessful in their applications for train driving roles
- Developed apprenticeship and graduate programmes in rail and bus

**Southeastern operational risk mitigations:**

- A cross functional working group has been set up in Southeastern, due to the specific risk associated with the proximity of our operations to the key border entry point of Dover
- Active involvement in the Kent Resilience Forum, working with Network Rail, HS1 and the DfT on operational planning supporting Operation Fennel, a multi-agency contingency plan, in East Kent
- Identification of opportunities to increase fleet availability to cope with potential demand for the additional freight paths that have been requested to ease traffic in Kent

**Conclusion:**

While there remains considerable uncertainty regarding the UK's planned exit from the EU on 31 October 2019, as a business we have reviewed a range of potential scenarios and are satisfied that they can be appropriately managed.

## Risk management plan for the year ahead

| Q1 2020 (July 2019–September 2019) | Q2 2020 (October 2019–December 2019) | Q3 2020 (January 2020–March 2020) | Q4 2020 (April 2020–June 2020) |
|---|---|---|---|
| **Board** | | | |
| • Review and approval of the principal risks and uncertainties at the year ended 29 June 2019<br>• Review of the Group's internal risk management and control procedures and processes<br>• Review and approval of the Group's risk appetite statement<br>• Internal audit update from PwC | • Internal audit update from PwC | • Assessment and approval of the key risks and uncertainties for the half year ending 28 December 2019<br>• Internal audit update from PwC | • Internal audit update from PwC |
| **In-depth risk reviews**<br>The in-depth risk review areas approved for the year ahead include the following:<br>• Rail pensions<br>• Climate change<br>• Cyber security and GDPR | | | |
| **Audit committee** | | | |
| • Review of each non-executive director's top ten principal risks<br>• Health and safety audit review<br>• Recommendation to the Board for the principal risks and uncertainties at the year ended 29 June 2019 | • Health and safety audit review | • Recommendation to the Board for the principal risks and uncertainties at the year ending 28 December 2019<br>• Health and safety audit review | • Health and safety audit review |
| **Executive directors** | | | |
| • Consolidation of the risks submitted by each operating company and a review of the aggregate risks and uncertainties across the Group<br>• Principal risks for the year under review are included within the Group Board and audit committee meeting papers | • Undertake a Group wide review of the operating company risk report templates | • Consolidation of the risks submitted by each operating company and a review of the aggregate risks and uncertainties across the Group<br>• Principal risks for the year under review are included within the Group Board and audit committee meeting papers | • Review non-executive directors' top ten risks |
| **Operating companies** | | | |
| • Year end risk reporting: identify and report local risks to executive directors<br>• Ongoing management and mitigation of risk<br>• Compliance sign-off | • Ongoing management and mitigation of risk | • Half year risk reporting: identify and report local risks to executive directors<br>• Ongoing management and mitigation of risk<br>• Compliance sign-off | • Ongoing management and mitigation of risk |

### 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.

### 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 29 June 2019. Further details of the key risks within each of the Group's principal risk areas is shown on pages 51 to 55.

**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 investment
5 Competition

**Operational risks**

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

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

## External risks

### 1. Economic environment and society

Lower economic growth or reduction in economic activity, changing travel patterns.

Risk movement: No change

Strategic objectives impacted:

#### Potential impact

Reduced revenue as:

- Customers make fewer journeys (due to flexible working, online shopping etc)
- Changes in passenger travel patterns reduce passenger revenue
- Customers switch mode (to walking, cycling, private car, etc)

Note: Commercial revenue exposure is limited on Southeastern due to its limited life span and not relevant in GTR or Go-Ahead London due to the nature of those contracts

#### Mitigating actions

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

#### Opportunity

- Maximise geographic and product diversification opportunities
- There are variances between geographical areas in the rate of recovery

#### Change in risk in the year

No material change in risk during the year, as UK growth rates remain volatile and the UK is at risk from political instability.

- Passenger growth has, however, been higher than expected in Southeastern and resilient in regional bus

### 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.

Risk movement: Increased

Strategic objectives impacted:

#### Potential impact

- If bus services are nationalised, 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
- The impact of Brexit on economic growth, material supply and availability of employees, especially in a no-deal scenario

#### Mitigating actions

- Maintain strong levels of punctuality and customer satisfaction
- Limit exposure to local authority funding, through largely commercial operations
- Active participation in key industry, trade and government steering and policy development groups, including the Williams Rail Review
- Collaboration and partnership working with local authorities
- Devise strategy for bus franchising

#### 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 ongoing campaign for rail and regional bus nationalisation
- Failures or known financial difficulties in rail franchises run by other operators
- Ongoing political and economic uncertainty prior to the UK's scheduled departure from the European Union on 31 October 2019 and increasing risk of a no-deal Brexit
- Increased budget pressure for our client Transport for London
- Moves by some local authorities (e.g. Oxford and Brighton) to implement zero or ultra low emission zones
- Following the Group's acquisition of the Queens Road bus depot in June 2019, exposure to Greater Manchester's aspirations for bus franchising

## Strategic risks

### 3. Sustainability of rail profits or loss of franchise

Failure to retain Southeastern franchise on acceptable terms and deliver target profit range in GTR.

Risk movement: Reduced

Strategic objectives impacted:

#### Potential impact

- Group profitability and cashflow could fall over the next three years

#### 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
- Regular Board review of rail performance, and Board approval of overall rail bidding strategy
- Compliance with franchise conditions closely monitored
- Reduce head office costs
- Develop international rail profit stream

#### Opportunity

- Growing portfolio of German rail contracts
- Growth opportunities within the Nordic region
- GTR two year extension option and further extension of Southeastern

#### Change in risk in the year

Reduction in risk during the year due to:

- GTR settlement with the DfT in December 2018
- Organic international expansion, including winning the 12-year "Augsburger Nets" rail contract in Germany
- Southeastern franchise extension to April 2020, with competition for the next South Eastern franchise terminated following the year end
- The Pension Regulator's investigation into rail pensions is underway and led to a resubmission of the Southeastern franchise bid

### 4. Inappropriate investment

Failure to deliver strategy or make appropriate investment decisions.

Risk movement: No change

Strategic objectives impacted:

#### 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 the UK, Singapore, Ireland, Australasia, 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, as evidenced in successful bids and start of operations in Ireland and Germany
- Go-Ahead has a clear strategy, communicated at all levels of the organisation

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

## Strategic risks continued

### 5. Competition

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

Risk movement: Increased

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

#### Potential impact

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

#### 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, demand responsive transport or Mobility as a Service
- Further acquisition opportunities may arise through market consolidation

#### Change in risk in the year

Increase in risk during the year, as innovative forms of competition (for example, the expansion of Uber into rural areas) 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

## Operational risks

### 6. Catastrophic incident or severe infrastructure failure

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

Risk movement: No change

Strategic objectives impacted: Protect and grow the core

#### Potential impact

- Serious injury to the public, our passengers or our people
- Service disruption with financial losses and reputational damage
- Acts of terrorism, even if not directly targeting public transport, may discourage travel and tourism

#### Mitigating actions

- Rigorous, high profile health and safety programme throughout the Group
- Promotion of safety culture and Go-Ahead Safety Conference held in December 2018
- Crisis management policy updated and rolled out across the operating companies
- Appropriate and regularly reviewed and tested contingency and disaster recovery plans
- Thorough and regular training of colleagues
- Work closely with our industry partners, such as rail infrastructure provider Network Rail and government agencies
- 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 colleagues 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 changed

- The threat level is currently "severe" as the likelihood of terrorist-related attacks remains high

## Operational risks

### 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.

Risk movement: Reduced

Strategic objectives impacted:

#### Potential impact

- Reduced capacity decreases resilience and creates congestion causing lower reliability which impacts service levels and contractual performance
- Inadequate planning or execution can cause severe disruption
- Slowdown in passenger numbers 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

Reduction in risk during the year, following the implementation of the December 2018 and May 2019 rail timetable changes

### 8. Employee relations, resource planning and talent management

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

Risk movement: No change

Strategic objectives impacted:

#### Potential impact

- Failure to attract, retain and develop the diverse talent required for robust succession planning
- Ageing workforce leading to a shortage in labour supply, skills and knowledge
- Service disruption, costs and reputational damage arising from industrial action
- 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
- Slowdown of labour resources from Europe and increase in labour turnover from employees returning to Europe
- Inability to recruit enough employees in Go-Ahead Singapore to meet required ratios set by the Land Transport Authority
- Due to the increased economic activity in Ireland there is a considerable expansion in bus services; which is placing pressure on the market for the number of bus drivers and resulting in increased competition for ready trained employees at Go-Ahead Ireland

#### Mitigating actions

- Work to maintain good relationships with colleagues 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
- Proactive management of pension risks
- Employee engagement surveys across all businesses to identify and address issues
- Engaging all our people in the Group's vision, beliefs and attitudes
- Apprenticeship, graduate and leadership development programmes
- Widening the recruitment pool through initiatives aimed at attracting diverse talent, for example the launch of the Women in Bus network and active recruitment of female drivers

#### Opportunity

- Through fostering positive employee relations and offering good employment packages we have a motivated and committed workforce, with low employee 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; however the Pension Regulator's review into rail pensions could lead to changes in the scheme

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



## Operational risks continued

### 9. Information technology failure/interruption/ security breach

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

Risk movement: Increased

Strategic objectives impacted: Protect and grow the core

#### Potential impact

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

#### Mitigating actions

- Implementation of the Group-wide GDPR project, to ensure compliance
- Appointment of a Group Data Protection Officer with data protection officers now in place in all operating companies
- 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
- Design Authority Board in place for change control
- Clear and tested business continuity plans
- Achieved Cyber Essentials, a Government backed cyber security certification scheme, and undertaking external maturity assessment
- GTR and Southeastern successfully audited against the NIS framework
- Continued investment in and maintenance of IT systems across the Group
- Test scenarios conducted across the Group
- Adoption of a cyber security strategy and information security management system (ISMS) framework across the Group, with the publication of monthly KPIs measuring mitigating measures (laptop encryption, USB port lockdown, anti-virus protection, etc)

#### 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 considering significant cyber-attacks, including ransomware attacks, across the public and private sector during the year

### 10. Mobilisation of international rail contracts

Failure to fully mobilise contracts within contractual timescales, especially driver recruitment and delivery of rolling stock.

Risk movement: New risk introduced during the year

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

#### Potential impact

- Financial losses
- Reputational damage impacting future international business opportunities
- Safety incident

#### Mitigating actions

- Experienced local teams
- Strong governance processes in place
- Building strong relationships with local authorities
- Compliance with strong local regulation, established Safety Management Systems and Group Safety Audits

#### Opportunity

- Further international opportunities arising from strong reputation based on successful mobilisation and operation of services

#### Change in risk in the year

New risk introduced in the year due to international contract wins and phased start of operations. Both rail contracts in Germany, Baden-Württemberg started operations in June 2019. Our third German rail starts operations in December 2019 with two further German contracts starting between 2022 and 2023. Our first rail contract in Norway starts operations in December 2019. Mobilisation is progressing well for all contracts

**Andrew Allner**
Chairman

"Business done the right way should be a force for good in society."

## Key responsibilities

- Strategy development and objectives
- Corporate planning and KPIs
- Health and Safety
- Stakeholder and workforce engagement
- Purpose and culture
- Contracts, bids and acquisitions
- Risk management and appetite
- Board development and effectiveness
- Governance and regulatory compliance

## Key focus areas during the year

- Strategic challenge and oversight
- International strategy
- GTR
- In-depth risk reviews
- Purpose and culture
- Governance
- Sustainability

See **page 57**

## Key focus for next year

- Strategy development and objectives
- Purpose, strategy and culture
- 2018 Code compliance
- Chairman's induction
- Continued Board development
- Strengthen the employee voice
- Build upon stakeholder relationships

### Dear Shareholder

I am a firm believer that business done the right way should be a force for good in society. At Go-Ahead, this has been central to our thinking as the Board seeks to ensure that we are at the forefront of best governance practice and have the framework and processes in place to fulfil our role effectively.

### Corporate governance

The successful development and execution of Go-Ahead's strategy cannot happen without the support of a strong and effective system of governance throughout the Group. This starts with the Board and permeates throughout all levels of the organisation.

Our review of the new UK Corporate Governance Code 2018 (the 2018 Code) has highlighted that we already comply with many of the changes introduced. This is encouraging as the Board prides itself on ensuring the highest standards of corporate governance. Excellent progress is also being made where we need to enhance our governance practices and I am pleased to report that we anticipate complying in full next year. For further information on the work we have undertaken during the year, please read pages 70 and 71.

Board effectiveness and development are always of utmost importance, with the internal evaluation led by the Group Company Secretary this year highlighting that the Board continues to develop and build upon its success. The results of this review can be found on pages 78 and 79. One of the key outputs from last year's review was the development of a new Board Mandate, which has helped us to articulate collectively the Board's purpose and accountabilities in delivering the Group's strategy. Our Board Mandate also ensures that our governance and risk management framework effectively supports the Board in fulfilling its responsibilities. For more information, please read page 64.

### Purpose, values and culture

The Board recognises that strong governance supports a healthy culture which, in turn, brings benefits to the Group, our colleagues and other stakeholders.

One of the Board's key responsibilities is to assess and monitor culture, to ensure it is aligned to the Group's purpose, values and strategy. In recent years, considerable progress has been made embedding a culture across the Group which supports our vision and strategy. In addition to measuring and monitoring our key cultural indicators such as inclusion and diversity initiatives, colleague engagement survey results, succession planning and talent pipelines, our rolling programme of visits to local operating companies allow the Board to get a real sense of the culture that exists at the heart of our business. These visits also provide an opportunity for the non-executive directors to engage in a way which models and reinforces the Group's values and supports the message from executive management. Read more about the Board's rolling programme of visits to operating companies on pages 76 and 77.

### Board changes and planning for the future

In June 2019, I announced my intention to stand down as Chairman. I am grateful to Katherine Innes Ker, our Senior Independent Director, for leading a rigorous process with the nomination committee to appoint my successor. Clare Hollingsworth joined the Board as Non-Executive Chairman Designate on 1 August 2019 and will succeed me with effect from the conclusion of the forthcoming Annual General Meeting (AGM).

In June 2019, Elodie Brian was appointed as Group Chief Financial Officer, having been the Group's Interim Group Chief Financial Officer since December 2018.

As Katherine Innes Ker has served on the Board for over nine years, she must no longer be considered independent. Katherine will continue to serve as a non-independent Non-Executive Director to ensure continuity immediately following my retirement and to support the transition to the new Chairman. Katherine will be succeeded as Senior Independent Director by Adrian Ewer and as Remuneration Committee Chair by Leanne Wood at the conclusion of the 2019 AGM. On behalf of the Board, I thank Katherine for her long standing and extensive contribution to the Board in both of these important roles.

Further information on these Board changes together with an overview of the search and recruitment process involved for the new Chairman Designate and Group Chief Financial Officer can be found in the nomination committee report on pages 80 to 83.

### Inclusion and diversity

The Board remains committed to improving inclusion and diversity in the broadest sense and our approach is detailed in the nomination committee report on pages 80 to 83. Information on our Group wide inclusion and diversity initiatives can also be found on page 27.

### Stakeholder engagement

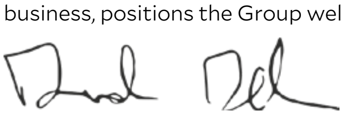
The Board continues to listen and engage with our stakeholders. We believe it is important to work collaboratively, and in partnership, so we can address expectations, needs and concerns. Our relationships with our stakeholders are central to our long term success and the Board always has due regard to its duties under Section 172 of the Companies Act 2006 to promote the success of the Group.

We also believe that it is important to continually review and improve how we engage with our stakeholders, with the 2018 Code providing a timely opportunity to do so this year. For workforce engagement in particular, we have carefully considered how this will most effectively work within our devolved management framework. It is particularly important that our local operating companies retain autonomy and responsibility for engagement with their own colleagues and external stakeholders. The work we have undertaken during the year has therefore sought to preserve this, whilst also ensuring there is an effective two-way mechanism for engagement with colleagues across all of our operating companies. For further information, please read pages 72 to 75.

### Looking ahead

During my time at Go-Ahead, we have always strived to deliver best practice corporate governance. This year our policies and practices have further evolved, particularly as we have worked towards ensuring compliance with the 2018 Code.

The Board has a clear purpose and is ever mindful of the Group's contribution to society. Our focus on reputation and colleague engagement, a positive and healthy culture and developing a sustainable business, supports the creation of long term value for all our stakeholders. This, together with the Board's robust governance framework and clearly defined strategy, reinforced by the strength and the quality of the people we have in our business, positions the Group well for the future.



**Andrew Allner**
Chairman

4 September 2019

## Key focus areas for the Board during the year:

### Strategic challenge and oversight

The Board developed and monitored progress against strategy through regular updates and discussion, a clear forward looking agenda and the annual Board Strategy Day. Focus on innovation and resilience has remained a key focus area with the Group's culture, reputation, workforce and stakeholder engagement continuing to be an integral part of the Board's deliberations.

### International strategy

The Board monitored the development and implementation of our international strategic targets. Recommendations to explore new contract opportunities in the Nordic countries and Australasia were endorsed as well as providing governance and oversight for the mobilisation of the German rail and Irish bus operations.

### GTR

In the first half of the year the Board scrutinised management's progress in stabilising and improving GTR's operational performance and monitored progress towards reaching the contractual agreement with the Department for Transport in December 2018. This resolved the majority of past issues relating to GTR.

### In-depth risk reviews

In-depth risk reviews were undertaken on matters such as Brexit, GDPR and reputation. The Board also continued to monitor developments around IT-related risks, including resilience and cyber security.

### Governance

The Board developed a new Board Mandate articulating the Board's role in delivering the Group's purpose through our governance and risk management framework. The Board also established plans to address the key implications of the 2018 Code, with particular emphasis on workforce and stakeholder engagement.

### Sustainability

The Board's oversight of our sustainability strategy included a review of progress against our five key priority areas of climate change, air quality, local communities, inclusion and diversity, and sustainable procurement.

### Allocation of time

# Governance at a glance

## Compliance with the UK Corporate Governance Code

Go-Ahead complied in full with the provisions of the UK Corporate Governance Code published in April 2016 (the Code) which applied throughout the financial year ended 29 June 2019. The Code is issued by the Financial Reporting Council (FRC) and is available for review on the FRC's website: www.frc.org.uk.

The UK Corporate Governance Code issued by the FRC in July 2018 (the 2018 Code) will be applied by the Group during the 2020 financial year. We already comply with many of the changes introduced and excellent progress is also being made where we need to enhance our governance practices.

## Board changes

Board succession planning was a key priority during the year.

- Andrew Allner will retire from the Board with effect from the conclusion of the AGM on 31 October 2019
- On 1 August 2019, Clare Hollingsworth was appointed as Non-Executive Chairman Designate, a position she will hold until the conclusion of the 2019 AGM when she will become Chairman in succession to Andrew Allner
- On 5 June 2019, Elodie Brian was appointed as Group Chief Financial Officer, having served as Interim Group Chief Financial Officer since December 2018
- As Katherine Innes Ker is now a non-independent Non-Executive Director having served nine years on the Board, Adrian Ewer and Leanne Wood will succeed her as Senior Independent Director and Remuneration Committee Chair respectively at the conclusion of the 2019 AGM

Read more on **pages 80 to 83**

## Governance highlights of the year

- Evolved Group strategy and purpose
- Developed a new Board Mandate
- Embraced corporate governance best practice
- Improved quality of colleague and stakeholder engagement
- Assessed key cultural indicators
- Increased focus on sustainability
- Improved inclusion and diversity reporting
- Built upon Board effectiveness

Read more on **pages 64 to 83**

**Our governance framework (described in this report) facilitates the monitoring, review, development and implementation of the policies, procedures and culture that support our high governance standards.**

## Highlights at a glance

**Dividend per share**

**102.08p**

(2018: 102.08p)

**Female representation on our Board as at 4 September 2019**

**50%**

(2018: 29%)

**Total single remuneration figure for the Group Chief Executive for the year ended 29 June 2019**

**£1,269k**

(2018: £1,175k)

**Colleague engagement score**

**66%**

(2018: 66%)

# A robust governance framework

## Board of directors

Our Board is led by highly skilled professionals who bring the right skills, experience and behaviours to the Boardroom and business. Biographical details of the Board can be found on **pages 60 and 61**.

## Governance in action

Our robust governance framework is set out on **pages 62 and 63** and underpins our culture and values, with the Board committed to leading by example. It establishes a clear division of responsibilities for the Board and supports management in delivering the Group's strategy.

## Board leadership and purpose

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

**Pages 64 to 77** describe the role of the Board and its key activities during the year. It also sets out how the Board ensures that the views and interests of all stakeholders, including the workforce, are represented in the Boardroom and considered as part of the Board's deliberations.

## Evaluation

Ensuring the Board is as effective as it can be is always a priority with the Board's annual review providing an opportunity to reflect on the effectiveness of the Board and its committees.

To read more on the outcome of this year's internal Board effectiveness review, see **pages 78 and 79.**

## Board composition and succession

The nomination committee has responsibility for ensuring that the Board has a diversity of skills, background and personal strengths and that succession planning supports the progressive refreshing of the Board. To read more, see pages **80 to 83**.

## Accountability and transparency

The audit committee report demonstrates how it has ensured that the annual report is fair, balanced and understandable on pages **84 to 89**. It also describes the support the audit committee provides to the Board in relation to risk management and the system of internal controls.

## Remuneration

The directors' remuneration report on **pages 90 to 115** sets out how executive remuneration is aligned to our strategy and supports our culture.

# Board of directors

## **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. Andrew will retire from the Board with effect from the conclusion of the 2019 AGM.

**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, Moss Bros Group plc and Northgate plc. Former Non-Executive Chairman of Marshalls plc.

**Other appointments:** Non-Executive Chairman of SIG plc (Chairman of the nomination committee) and Non-Executive Chairman of Fox Marble Holdings plc (Chairman of the nomination committee and member of the remuneration committee)

## **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.

**Independent:** Not applicable

**Skills, experience and qualifications:** Over 36 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 appointments:** Director of Rail Delivery Group Limited, Director of ATOC Limited (Chairman of the remuneration committee) and Non-Executive Director of Renew Holdings plc (Chairman of the remuneration committee)

## **Elodie Brian,** Group Chief Financial Officer

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

**Independent:** Not applicable

**Skills, experience and qualifications:** Wealth of understanding of the rail business with a proven track record of driving and delivering results. Over ten years with Southeastern, latterly as the Finance and Contracts Director, leading the financial negotiations with the Department for Transport resulting in the current Direct Award contract. Knowledge and technical experience of accounting principles, financial planning and analysis to support operating/commercial decisions.

**Other appointments:** 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. Following nine years on the Board, Katherine will step down as Senior Independent Director and Remuneration Committee Chair from the conclusion of the Group's 2019 AGM and will continue to serve on the Board as a non-independent Non-Executive Director.

**Independent:** No

**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. Former Non-Executive Chairman of Readypower Group Limited.

**Other appointments:** Non-Executive Chairman of The Mortgage Advice Bureau (Chairman of the remuneration and nomination committees and member of the audit committee), Non-Executive Director of Forterra plc (Chairman of the remuneration committee and member of the audit and nomination committees) and Non-Executive Director of Bovis Homes Group PLC (member of the remuneration, audit and nomination committees)

## **Adrian Ewer,** Non-Executive Director

N A R

**Appointment:** Adrian Ewer joined the Board in April 2013. Adrian will succeed Katherine Innes Ker as Senior Independent Director with effect from the conclusion of the 2019 AGM.

**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 appointments:** None

## **Harry Holt,** Non-Executive Director

N A R

**Appointment:** Harry Holt joined the Board in October 2017.

**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. Former Non-Executive Chairman of the Royal Foundation's Endeavour Fund.

**Other appointments:** Chief People Officer at Rolls-Royce plc

## **Leanne Wood,** Non-Executive Director

N A R

**Appointment:** Leanne Wood joined the Board in October 2017. Leanne will succeed Katherine Innes Ker as Remuneration Committee Chair with effect from the conclusion of the 2019 AGM.

**Independent:** Yes

**Skills, experience and qualifications:** Extensive corporate experience working in several senior international executive roles at Diageo plc from 2000 to 2015, Burberry Group plc from 2015 to 2019 and, more recently, Vodafone Group plc. An international career background with significant experience of leading corporate strategy and organisational transformation.

**Other appointments:** Chief Human Resources Officer at Vodafone Group plc and non-independent Non-Executive Director of Vodacom

## **Carolyn Ferguson,** Group Company Secretary

N A R

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

**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 appointments:** None

# Statutory appointment after the year ended 29 June 2019

## **Clare Hollingsworth,** Chairman Designate

N R

**Appointment:** Clare Hollingsworth was appointed to the Board as Non-Executive Chairman Designate on 1 August 2019. Clare will succeed Andrew Allner as Non-Executive Chairman following the conclusion of the 2019 AGM.

**Independent:** On appointment

**Skills, experience and qualifications:** Extensive Board experience both at executive and non-executive level across a range of sectors. Former Non-Executive Chairman of Eurostar International Ltd, former Non-Executive Director at Savills plc and Assura plc and former Managing Director of Caledonian Airways. A wealth of experience within the healthcare sector serving previously as CEO of Spire Healthcare and Bupa Hospitals, and previously as Non-Executive Director of Virgin Healthcare Holdings Ltd.

**Other appointments:** Non-Executive Director of UK Government Investments and Molnlycke AB and Senior Independent Director of The LTA (Chairman of the audit committee and member of the nomination committee).

**Key**

- Executive directors
- Chairman and non-executive directors
- Group Company Secretary and Committee Secretary
- N Nomination committee
- A Audit committee
- R Remuneration committee
- Committee Chair

# Governance framework

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

## Experienced leadership

As illustrated in our governance framework on pages 62 and 63, the Group operates a devolved management approach. Day-to-day management of the Group's activities, governance and oversight has been delegated to the executive directors. They are supported in this role by a team of highly skilled senior managers who are empowered to operate our companies as autonomous business units.

The senior management team comprises individuals responsible for the key centralised Group functions and the managing directors in each operating company.

The executive directors meet with the senior management leadership team on a monthly basis, through local operating company board meetings and Group executive team meetings. These more formal meetings are supported by a number of cross-business forums that serve to facilitate the sharing of knowledge, ideas and best practice. These meetings and forums are an essential part of the Group's devolved management approach, facilitating quality discussion and decision making while also preserving the management and autonomy of local operations. We believe that this approach allows the right balance between local and Group initiatives and the sharing of best practice and expertise across the Group, while ensuring that collectively we can deliver more than operating independently.


Delegation

## The Board

Go-Ahead is headed by a Board which 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.

## Board committees

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

## Senior management team

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

## Roles and responsibilities

### Chairman
- Leads the Board, sets the agenda and promotes a culture of open and constructive debate
- Ensures individual director and collective Board effectiveness and Board succession planning
- Promotes the highest standards of corporate governance, in line with best practice
- Ensures effective engagement with all stakeholders, including shareholders and colleagues

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

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

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

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

### Group Company Secretary
- Acts as an independent advisor
- Responsible for corporate governance, good information flows, ensuring best practice and that the decisions of the Board are implemented
- Provides a sounding board for all directors
- Supports the Chairman to facilitate induction programmes, Board development and effectiveness

## Roles and responsibilities

### Nomination committee
Ensures the Board and its committees have the correct balance of skills, experience and behaviours and that adequate succession plans are in place.

Read more on **pages 80 to 83**

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

Read more on **pages 84 to 89**

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

Read more on **pages 90 to 115**

## Roles and responsibilities

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

### Cross-business rail and bus steering groups
- Comprise the managing directors in each operating company
- Meet with the executive directors on a regular basis to explore and identify new opportunities and initiatives
- Share knowledge, experience and best practice across operations
- Supported by cross-business forums such as health and safety, engineering, HR, and inclusion and diversity

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

Accountability

# Board leadership and purpose

### The Board's role
The Board has ultimate responsibility for setting the Group's strategic direction, leading and overseeing culture, delivering value sustainably, understanding the risks the Group faces and ensuring that we uphold the highest standards of corporate governance.

A full description of the Board's role, including its specific responsibilities, is available on our website.

### Board meetings
The Board agenda is set in collaboration between the Chairman, Group Chief Executive and Group Company Secretary.

The Board holds nine scheduled formal face-to-face meetings a year including a meeting dedicated to discussing the Group's strategy.

Informal meetings and Board dinners are held usually either before or after Board meetings. Unscheduled meetings are held as required where topics warrant more time or decisions need to be made outside of the normal cycle of meetings.

The table on the next page sets out the Board and committee attendance for the year ended 29 June 2019. Attendance is shown as the number of meetings attended out of the total number of meetings possible for the individual director during the year.

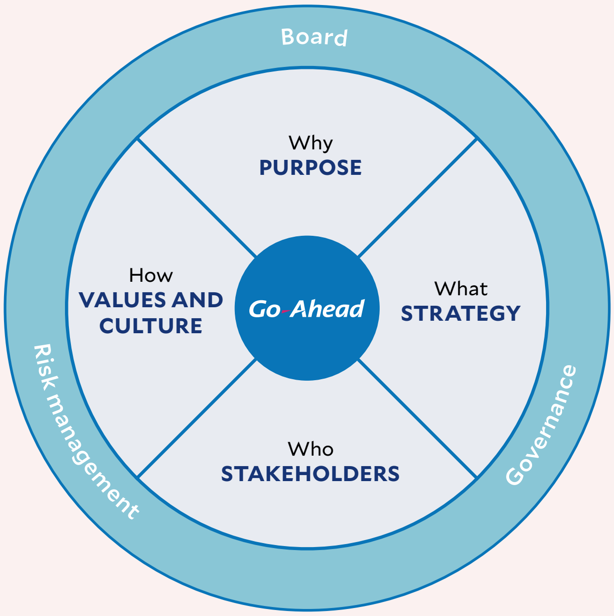
### All directors are expected to:
- Attend all meetings of the Board and of those committees on which they serve
- Attend the AGM
- Devote sufficient time to the Group's affairs to enable them to fulfil their duties as directors

### Board Mandate

During the year, a new Board Mandate was adopted which helped the Board to articulate its purpose and accountabilities in delivering our strategy. In developing the mandate, the Board spent time reviewing the Group's governance and risk management framework, how we engaged with colleagues and key stakeholders and the culture of the business. Director duties under Section 172 of the Companies Act 2006 and the Board's development and effectiveness were also key considerations.

The Board Mandate is now an important reference for the Board in its deliberations and decision making, also supporting effectiveness reviews and the induction of new Board members.

A full copy of the Board Mandate can be found on our website.



## Board and committee meeting attendance

| | Board | | Audit committee | | Remuneration committee | | Nomination committee | |
|---|---|---|---|---|---|---|---|---|
| Board attendance | Scheduled | Unscheduled[4] | Scheduled | Unscheduled | Scheduled | Unscheduled[5] | Scheduled | Unscheduled[6] |
| **Total meetings** | **9** | **2** | **4** | **—** | **6** | **3** | **2** | **6** |
| Andrew Allner[1] | 9/9 | 2/2 | — | — | 6/6 | 2/2 | 2/2 | 5/5 |
| David Brown[2] | 9/9 | 2/2 | — | — | — | — | — | — |
| Elodie Brian[2,3] | 5/5 | 1/1 | — | — | — | — | — | — |
| Katherine Innes Ker | 9/9 | 2/2 | 4/4 | — | 6/6 | 3/3 | 2/2 | 6/6 |
| Adrian Ewer | 9/9 | 2/2 | 4/4 | — | 6/6 | 3/3 | 2/2 | 6/6 |
| Harry Holt | 9/9 | 2/2 | 4/4 | — | 6/6 | 3/3 | 2/2 | 6/6 |
| Leanne Wood[7] | 8/9 | 1/2 | 3/4 | — | 5/6 | 3/3 | 2/2 | 6/6 |
| Patrick Butcher[2,8] | 4/4 | — | — | — | — | — | — | — |

1. The Chairman attends audit committee meetings by invitation as appropriate, which have not been included. The Chairman was not eligible to attend one unscheduled nomination and remuneration committee meeting given these meetings related to the appointment and remuneration of the new Chairman Designate.
2. The executive directors attend committee meetings by invitation as appropriate, which have not been included.
3. Elodie Brian attended five scheduled Board meetings as Interim Group Chief Financial Officer prior to her permanent statutory appointment on 5 June 2019. Between 5 June 2019 and 29 June 2019, one unscheduled Board meeting was held which she attended in her formal capacity as statutory director.
4. Unscheduled Board meetings were held on 4 June 2019 and 26 June 2019 to approve the appointment of the new Group Chief Financial Officer and Chairman Designate respectively.
5. Unscheduled remuneration committee meetings were held on 6 December 2018, 4 June 2019 and 18 June 2019 to discuss executive and non-executive remuneration.
6. Unscheduled nomination committee meetings were held on 31 October 2018, 6 December 2018, 14 February 2019, 22 May 2019, 4 June 2019 and 18 June 2019 primarily to discuss Board succession planning.
7. Leanne Wood was unable to attend one scheduled Board, audit and remuneration committee meeting on 12 July 2018 due to this date conflicting with the Burberry Group plc 2018 annual general meeting, the date for which had been set before Leanne's appointment to Go-Ahead. Leanne was also not able to attend one unscheduled Board meeting on 26 June 2019 due to this meeting being held at short notice and conflicting with a long standing prior commitment.
8. Patrick Butcher resigned as Group Chief Financial Officer with effect from 30 November 2018.

### Training and development

The Chairman is responsible for ensuring that all non-executive directors receive ongoing training and development to ensure they have the relevant knowledge, expertise and skills for their role on the Board and its committees. During the year, ongoing development included:

- Regular presentations from senior management. Examples included presentations on health and safety, IT resilience and cyber security, stakeholder engagement and sustainability
- Regular updates on corporate governance, legislative and regulatory issues. A key example was the changes arising from the new UK Corporate Governance Code 2018
- A planned programme of non-executive director visits to operating companies
- Opportunity to attend the Group's annual management conference
- Participation in formal and informal training. An example was all Board members completing anti-bribery and corruption and competition law training

In addition, individual directors are expected to fully participate in the internally facilitated Board effectiveness review. As part of this process, directors are also 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.

### Information and support

The Board is supplied with high quality information, presented in a form designed to enhance Board effectiveness. In addition to the Board Mandate, a comprehensive Board Procedures Manual is maintained. This 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 ensures all Board procedures are complied with and that Board and committee papers are circulated to all directors in a timely manner by secure electronic means.

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.

# Board induction programme

All new directors receive an extensive and tailored 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.

## Group Chief Financial Officer's induction

"My induction process has been well paced, thorough and tailored to my needs. It has enabled me to quickly develop my knowledge and I have valued the opportunity to meet with key stakeholders."

**Elodie Brian**
Group Chief Financial Officer

With over ten years of experience in our Southeastern business (latterly as the Finance and Contracts Director), Elodie Brian knows the business well and brings a wealth of understanding, particularly with respect to the Group's rail division. While Elodie's ongoing induction programme followed a similar structure to those undertaken by Harry Holt and Leanne Wood last year, particular focus was given to Elodie's role and responsibilities as director of a listed company, investor relations and ensuring she was well informed about the Group and bus divisions.

### Overview of induction programme

- Access to Board and audit committee meeting papers
- Meetings with members of the Board, the Group Company Secretary and the senior management team
- Meeting independently with both the internal and external auditors and the key advisors to the Group and the Board
- Meeting with key financial stakeholders, providing the opportunity to discuss investor views on Go-Ahead and the public transport sector
- Attending investor roadshow meetings, sales desks briefings and conferences, in addition to meeting with covering analysts
- Reviewing investor feedback reports and introductory meetings with a number of major shareholders

### Key focus areas

- Board – how we lead by example, perform our directors' duties and strive for excellence
- 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

# How governance supported the delivery of our strategic objectives in 2019

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 29 June 2019. The Board also ensures that the key performance indicators specific to each strategic objective are incorporated into our executive directors' performance-related remuneration targets.

## Board governance role

### Protect and grow the core

- Ensure our core businesses are safeguarded
- Understand market developments and changing trends
- Track evolving strategic opportunities
- Approve and monitor strategy and delivery
- Oversee and approve organic growth initiatives, bolt-on acquisitions and strategic partnerships

### Win new bus and rail contracts

- Assess and agree the viability, including risk of rail and bus contract opportunities
- 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

### 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 support innovation

→ Read more about what we achieved in 2019 in our Group Chief Executive's review on **pages 11 to 15**

# Our Board Strategy Day

**The Board values the opportunity to discuss in detail Go-Ahead's strategy and implementation of plans at our annual Board Strategy Day.**

This year's Board Strategy Day took place in May 2019, the agenda for which was set through collaboration between the executive and non-executive directors, with the key strategic questions being agreed in advance.

The Group Chief Executive provided an overview of the day which involved setting the context and background. The Group's financial advisor, Rothschild, then presented a market and valuation update and the Group Chief Financial Officer provided an update on 2019 financial performance. The Board then discussed the macro trends and competitive landscape facing the business. Debate focused on the challenges that these changing trends presented, how the Group was responding and the level of risk the Board was prepared to take in pursuit of its objectives.

The morning concluded with an overview of UK rail industry trends including the UK rail franchising schedule, the general market dynamics and the anticipated impact of the Williams Rail Review.

The afternoon's discussions focussed on our three strategic objectives.

## Protect and grow the core

For this strategic objective, the Board discussed the wide range of initiatives underway to safeguard and develop our core businesses. The potential financial returns and risks were assessed and the Board discussed the market disruptors and new competition impacting the transport industry.

## Win new bus and rail contracts

For this strategic objective, presentations were given on target opportunities and strategy, acquisition, bidding and pipelines. Progress against our international target was also assessed by the Board.

## Develop for the future of transport

The Board discussed the progress made against this strategic objective. Building upon last year's work, the Board considered the key workstreams that would be focused on over the year ahead to deliver innovative and sustainable growth for the long term.

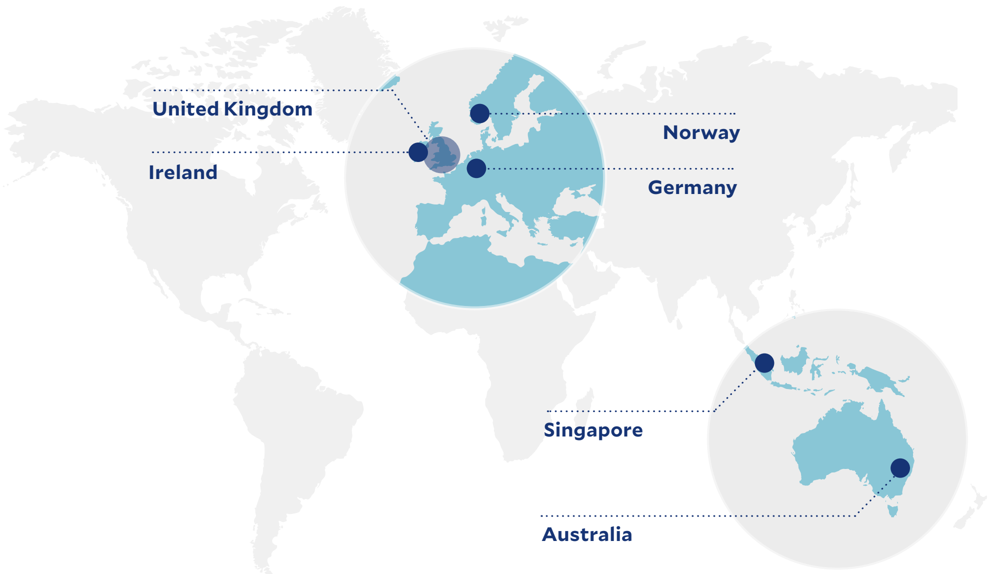
Throughout the Board Strategy Day, the interests of all stakeholders were at the forefront of the Board's considerations. The non-executive directors contributed personal perceptions and views, based on their own business experience. The participation of external advisors and senior managers also provided 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.

# Board considerations when implementing our international strategy

We have a clear international strategy to win new bus and rail contracts. As the business has grown it has become more geographically dispersed and more complex. The Board's main considerations during the year are summarised below:

- Reviewing the target geographies, in the current and future pipeline, to ensure they remain consistent with our selection criteria. This year the Board agreed to add Australasia to the existing target markets
- Approving the allocation of investment resources to support the growth plan including resource costs, bid costs and the creation of new corporate entities
- Ensuring new corporate structures are compliant with our tax policies
- 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
- 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
- Ensuring post-live reviews are recorded and disseminated to ensure that lessons learnt are shared from project to project and country to country
- Integrating the new businesses and/or contracts into the wider corporate governance architecture
- Monitoring compliance with Group requirements and stakeholder expectations, including safety management, regulatory compliance, financial reporting requirements and operational performance



# Preparing for the 2018 UK Corporate Governance Code

## Leading in governance

The 2018 Code applies to the Group from the 2020 financial year. To ensure appropriate preparations were made in advance of the effective date, the Board received an early briefing from the Group Company Secretary addressing the key themes and initial response to the changes. More detailed discussions were then incorporated into the Board's Forward Planner during the year.

Given our devolved management structure, we have also spent time working with our local operating companies to establish the most effective way of gathering and assessing the information required for the wider workforce. Some of the key highlights from the year are as follows:

### Workforce engagement

Our devolved management structure means it is important that our operating companies retain autonomy and responsibility for engagement with their own colleagues. The work we have undertaken during the year has therefore sought to preserve this. Acting as intermediary with the Board, operating companies have been delegated responsibility for ensuring that there is an effective mechanism for genuine two-way engagement between their operating company boards and colleagues. Feedback will be generated from each operating company on a biannual basis and reported up to the Board. In turn, the Board will review the feedback and consider what Board information should be cascaded back down to the operating companies for them to share with their colleagues.

The Board will also designate a non-executive director to review and support these arrangements as they evolve and become embedded across the business, to ensure they are effective and provide a genuine means of two-way engagement with the workforce.

More details will be included in next year's Annual Report.

### Workforce and remuneration policies

It has been an important part of our work this year to ensure that management within our local operating companies understand what the 2018 Code means to them and the value it can add. Briefings have therefore been provided by the Group Company Secretary to senior management and new reporting processes introduced to gather the information the Board needs. Over the year ahead, the Board will review this information in conjunction with our operating companies to ensure that workforce and remuneration policies and practices are consistent with our values and support a healthy culture.

## Our purpose

With a lot of work already undertaken to develop vision and values as part of our wider culture change programme, a project was recently undertaken to articulate a new Group purpose. Our purpose statement, which was developed in partnership with colleagues from across the business is *"to be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world"*. The Board will monitor the culture, policies and behaviours across the business to ensure that these are aligned with our purpose, values and strategy.

## Stakeholder engagement

The Board already listens and interacts with stakeholders in a way which informs decision making and is consistent with the ethos of Section 172 of the Companies Act 2006. During the year, we explored how we could build upon the engagement strategies already in place to strengthen the stakeholder voice in the Boardroom.

One of the changes we made was to increase the regularity of updates to the Board and improve the quality of briefings received from senior management on the key views and areas of focus for each of our stakeholder groups.

This has enabled more constructive and meaningful input into the Board's decision-making process. Read more about how the Board listens to our stakeholders and the outcome of doing so on pages 72 to 75.

### Early adoption of remuneration provisions from the 2018 Code

Separately, the Board has also already made the following key decisions in response to the 2018 Code:

**Executive pensions**

- With the appointment of our new Group Chief Financial Officer, we have aligned executive director pension contributions with the majority of employees who are auto-enrolled into the Workplace Savings Section of The Go-Ahead Group Pension Plan. Members of the Workplace Savings Section receive an employer contribution rate of 3% of qualifying earnings

**Senior management remuneration policy**

- We have adopted a new policy which consolidates and formalises all the information already reviewed by the remuneration committee. While the committee has always had more than an oversight role in senior management remuneration, this will help facilitate its new extended obligation of "setting" senior management remuneration going forward

**Malus and clawback policy**

- We have adopted a new policy which aligns our malus and clawback provisions with best practice. In addition to providing more adequate protection for the Group, our new policy has been extended to include the recovery of remuneration in circumstances such as corporate failure and/or reputational damage

**Long Term Incentive Plan**

- While already operating in practice, we have updated our Plan Rules to include a discretionary power to override formulaic outcomes and ensure that the holding period extends to the fifth anniversary of the award grant

# Listing to our stakeholders

At Go-Ahead, listening to and engaging effectively with our wide variety of stakeholders is key to ensuring responsible decisions are made. At the same time, the Board understands its duties under Section 172 of the Companies Act 2006. The following pages provide some insight into how the views and interests of all our stakeholders were represented in the Boardroom during the year together with the key topics raised and examples of how we responded.

- Our people
- Customers
- Strategic partners and suppliers
- Government
- Communities
- Investors

## Our people

**People are the core of our business. Our people strategy is to build a culture which enables our people and business to thrive. Go-Ahead places a premium on an inclusive and diverse workforce, enabling all colleagues to reach their full potential, to be empowered and engaged with a strong commitment to personal development.**

### How did we listen to our stakeholders?

- Annual management conference
- Colleague engagement survey
- Investors In People
- Leadership and talent development review
- Training and needs analysis
- Colleague forums, groups and panels
- Colleague-led networks
- Site visits

### What key topics were raised?

- Southeastern franchise
- Assaults on colleagues
- Inclusion and diversity
- Personal development
- Health and wellbeing
- Line manager contact and communication
- Colleague recognition

### How did we respond?

- Colleague empowerment and enablement initiatives
- Review of communication and feedback channels
- Launch of colleague-led networks
- Review of how the Board engages with the wider workforce
- Regular business updates, with a particular focus on the Southeastern franchise
- Managers empowered to deliver local engagement survey action plans
- Inclusion and diversity initiatives, including the introduction of diversity KPIs
- Greater focus on health and wellbeing
- Training for colleagues, with a particular focus on customer service

## Customers

**We understand our local markets and strive to exceed our customers' expectations. A core part of our strategy is to make travel on our services better and easier for our customers.**

### How did we listen to our stakeholders?

- 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 consumer research
- Customer-facing colleague feedback
- Customer panels, especially for special interest groups such as people with disabilities

### What key topics were raised?

- Overall on-board experience
- Reliability and punctuality of services
- Value for money, including ticket price
- Quality and amount of delay and disruption information including timetable changes
- Station amenities
- Contactless payment
- Colleague helpfulness

### How did we respond?

**In rail:**

- Capital investment of £22.6m with improvements to stations and facilities
- Improved operational reliability at GTR
- £75k upgrade made to passenger information systems in Southeastern during the year, with a further £106k of enhancements to be delivered by Autumn 2019
- Trial of a new passenger assistance app to improve customer experience
- Customer ambassadors introduced at more stations
- Introduced Delay Repay 15 and improved awareness of compensation

**In bus:**

- £50.0m of investment in our bus operations including 128 new buses
- Rolled out contactless payment systems to 100% of our regional bus fleet
- Simpler fares, including flat rate under 18 fares, rolled out at all bus companies
- Ongoing updates to bus app to improve journey planning
- Enhanced coaching and training for drivers
- Improved connects between services and other transport modes

## Strategic partners and suppliers

**We work collaboratively with strategic partners, including Transport for London (TfL), Network Rail and Keolis, and build strong relationships with core suppliers.**

### How we listen to our stakeholders

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

### What key topics were raised?

- Open and equitable relationships
- Working in partnership to deliver the best customer outcomes
- TFL's "Central London Bus Services Review"
- Results of the supplier surveys

### How did we respond?

- Supported Network Rail on the development of capacity studies, timetabling modelling and providing a more resilient infrastructure
- Secured further progress with suppliers in delivering value, consistency, engagement and better planning
- Introduced a comprehensive Sustainable Procurement Charter
- Worked together with our suppliers to tackle sustainability challenges
- Stakeholder newsletter introduced across the Group

## Government

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

### How did we listen to our stakeholders?

- 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 with relevant departments to improve policies on loneliness, active travel and health benefits of public transport

### What key topics were raised?

- The Williams Rail Review including the structure of the rail industry passenger service delivery
- Timetable changes and industrial relations
- The Transport Select Committee investigation into the health of the bus market and calls for national bus strategy
- GTR passenger disruptions following the May 2018 timetable changes
- Bus franchising

### How did we respond?

- Contributed to the Williams Rail Review to further our shared aim of ensuring that the rail system continues to benefit passengers and support a stronger economy
- Rolled out and shared campaigns on loneliness, active travel and air quality
- Ongoing engagement with the DfT Ministerial team
- Continued development of bus strategy and response to the Transport Select Committee's inquiry into the health of the bus market
- Enhanced communication strategy around GTR service improvements, including December 2018 and May 2019 timetable changes
- Meetings with key government departments
- Developed bus mandate to explain the benefits of a partnership model for buses

## 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.**

### How did listen to our stakeholders?

- Two-way communication stream with local businesses and organisations
- Stakeholder conferences
- Open days at depots
- Surgeries in community centres
- Participation in local community groups such as low emission zone (LEZ) networks

### What key topics were raised?

- Communications around GTR December 2018 timetable changes
- Go-Ahead's air filtering bus
- "Access for All" funding consultation
- "Oxford Zero Emission Zone" debate
- Investment priorities and how the bus division can support them

### How did we respond?

- Regular stakeholder newsletters from Southeastern and GTR to local MPs and Transport Focus on the December 2018 timetable changes
- Local meetings with MPs, Chamber of Commerce and Local Economic Partnership Boards
- Joined a multisector working group which engages with our communities on three key areas – economic growth and high streets, health and air quality and positive social impact
- Launched the "Chatty Bus" initiative
- Developed active travel plans for customers at bus and rail stations
- Ran 'how to use a bus' learning sessions at schools and charities for adults with learning difficulties

## 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 the strategic Board discussions.**

### How did we listen to the stakeholders?

- Annual General Meeting
- Analyst and broker meetings
- Individual investor meetings
- Feedback from results announcements and trading updates
- Participation in investor relations forums and best practice events
- Attendance at broker conferences
- Online communications
- Site visits

### What key topics were raised?

- Dividend sustainability
- Scope for recurring earnings growth
- Sustainability of bus profitability
- Rail industry challenges
- International expansion
- Capital structure
- Political backdrop

### How did we respond?

- Dividend policy updated last year, providing the appropriate flexibility to safeguard an attractive dividend
- Clear presentation of our initiatives, innovation and aggregation of marginal benefits
- Bus division profitability supported by plans to translate volume growth into profit
- Maximised value from existing rail franchises
- Clear international strategy with defined target markets
- Disciplined approach to bidding in the UK and internationally
- Progress achieved against our international profit target
- Engaging with industry bodies and Government to influence policy and regulatory developments

## Engagement with shareholders

The Board believes that effective communication and proactive engagement with shareholders is paramount in establishing a mutual understanding of both the Group's and shareholders' objectives.

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

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

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

Institutional investors and analysts receive regular communications from the Group. This includes formal full year and half year results presentations followed by face-to-face meetings to promote a better understanding of the business and its strategic plans. In the intervening periods, Go-Ahead continues its dialogue with the investor community by meeting key investor representatives and attending conferences. This year, our investor relations activity also included a site visit for investors and analysts to our all-electric bus depot in Waterloo, London.

We communicate with the wider investment community, including our smaller shareholders, through regulatory news releases and trading updates via the London Stock Exchange, which are also published on our website. Our corporate website was relaunched in July 2019 and now provides a more interactive experience and user-friendly navigation system. In particular, the investor relations section provides a wealth of information including a dedicated results centre, access to reports, factsheets, latest news and presentations, as well as a share price analysis. Investors, and other interested parties, can subscribe to receive news through email updates by registering their details on our website, which is fully responsive to mobile devices.

### Annual General Meeting (AGM)

The AGM 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 31 October 2019 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 last year's AGM, all resolutions were passed with votes in support ranging from 87% to 100%.

## How the Board focused on colleague engagement during the year

**> July 2018**

- A visit to Oxford Bus Company enabled the Board to meet colleagues operating our new demand responsive transport operation, PickMeUp
- The Group's Annual Management Conference provided an opportunity for the Board to meet with senior management from across the Group and operating companies

**> September 2018**

- It was important for the Board to visit GTR to meet with customer-facing colleagues who were working hard to deliver the best customer service for our passengers

**> October 2018**

- A key focus area of the October 2018 Board meeting was the Board's engagement with colleagues across the business
- As part of the visit to Southeastern, there was a tour of Victoria Station where the Board met with both colleagues and customers

**> November 2018**

- A visit to Go South Coast enabled the Board to meet with local company directors and gain a valuable insight into the company's approach to stakeholder engagement

**> December 2018**

- During their visit to Brighton & Hove, the Board enjoyed meeting with colleagues working on maintenance systems as they toured the depot

**> February 2019**

- A highlight of the visit to Go-Ahead London's Waterloo Garage was meeting drivers of the new electric buses

**> April 2019**

- At the Board's April 2019 meeting, an update was given on the Group wide colleague engagement survey results and action plans in each operating company

# Board visit to Go-Ahead London

**Site visits are an important part of the Board's engagement with colleagues across the business and the Board has a rolling programme of visits to Go-Ahead's operating companies. In February 2019, Andrew Allner, Katherine Innes Ker and Adrian Ewer visited Go-Ahead London's Waterloo and Camberwell Garages.**

John Trayner, Go-Ahead London's Managing Director, met the Board at Victoria Station. From there, they travelled by electric bus to Waterloo Garage, where they were welcomed by other senior management and the local team. The Board were updated on the recent conversion works, garage performance, lessons learned and application elsewhere in the business. This was followed by a tour of the depot, providing the Board with the opportunity to speak with colleagues at all levels in the business.

The Board then travelled to Camberwell Garage, where they were given a tour of the training school facility and were able to review recent building works. The training school management provided an update on year one of Go-Ahead London's driver apprenticeship scheme. The visit concluded with a tour of Camberwell Garage itself before returning to Waterloo by electric bus.

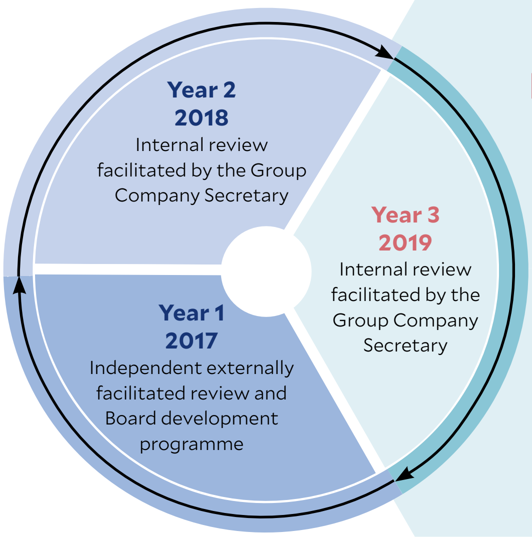
The Board found the visit very informative. By spending time with management, customer-facing and operational colleagues, they were able to hear first hand about the work and initiatives underway and gain valuable insight into how Go-Ahead's vision and culture were being demonstrated in a day-to-day setting.

**"It is so important for the Board to meet our colleagues who are at the heart of our Group and see all of the good work that is going on in our local operations. The advancement of our electric buses provides an excellent example of how we as an organisation can reduce our environmental impact and improve air quality. The valuable insight gleaned from these visits is taken back to the Boardroom where it helps us with our consideration of other environmental initiatives as we work towards progressing our sustainability strategy."**

**Andrew Allner**
Chairman

# Evaluation

## Board evaluation cycle




**Process**
The Group Company Secretary met with each Board member on a one-to-one basis. 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 working of the Board and its committees.

**Reflection**
Progress was reviewed against the actions from the previous year's internal review. Directors then shared their observations of Go-Ahead's Board and its governance and dynamics, with specific discussion on how the Board can leverage the skills and experience each individual director brings into the Boardroom.

**Focus**
Discussion centred around where the principal areas of Board focus should be over the year ahead to improve Board effectiveness. Deliberations took into account the recent changes to Board composition, the Group's evolving strategy and best practice corporate governance.

### Progress against actions arising from the 2018 Board effectiveness review

| Area of focus | Progress |
|---|---|
| **Sustainable value creation** | There was now a more structured focus on developing the key drivers of sustainable value creation. This was delivered through executive reporting and the Board spending more time on key focus areas, both in scheduled meetings and as part of the annual Board Strategy Day. The Board also developed a Board Mandate which collectively articulates the Board's role in delivering sustainable long term value. |
| **Stakeholder engagement** | There was more focus on evolving the engagement strategy with stakeholders, measuring progress and ensuring their interests were considered as part of Board discussion and decision making. A particular focus area was workforce engagement, where new processes and reporting have been introduced during the year. It was agreed that a non-executive director would be appointed to oversee this work going forward. |
| **Culture** | There was a continued assessment of cultural indicators throughout the business to ensure that the Group's culture continues to evolve and remains aligned to our values. The new processes put in place during the year also provided the Board with increased oversight in support of ensuring workforce policies and practices were consistent with values and aligned to promote a healthy culture. |
| **Inclusion and diversity** | There was an increased quality of reporting on people strategy during the year with more comprehensive inclusion and diversity updates in particular. Group wide diversity KPIs were also introduced, with clear action plans to be monitored by the Board. In accordance with the 2018 Code, work was underway to ensure the Board takes an even more active role in this area going forward. |
| **Governance** | The Board had undertaken a detailed review of the changes arising from the 2018 Code and have adopted them early wherever possible. The Board anticipates complying in full with the 2018 Code next year. |

### 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.

Key topics for discussion

Discussions with the Group Company Secretary focused on a number of key topics relating to the 2018 Code, examples of which included:

- **Leadership and purpose**
- **Division of responsibilities**
- **Composition and evaluation**
- **People strategy**
- **Diversity and culture**
- **Remuneration policy**
- **Governance**

The Group Company Secretary then shared the findings with the Chairman on an anonymous basis, ahead of a full discussion at the July 2019 Board meeting. An action plan was then agreed for the year ahead.



# 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 are as follows:

## Key strengths

**The Board continues to operate effectively and to a high standard**
The Chairman's stewardship of meetings was viewed highly positively, actively encouraging an open and transparent style in Board meetings. The small size of the Board was cited as a positive, primarily as it provided the opportunity for everyone to contribute and enabled the non-executive directors to draw parallels, based on their experience.

**Board discussions were supportive, constructive and well balanced**
Board members felt well supported, with comprehensive pre-reads to support discussions sent out in a timely manner. The quality of Board reporting continued to improve, ensuring a more focused and better balanced discussion. The non-executive directors welcomed the updates they received from the senior management team.

**The Board's governance framework was considered robust**
Governance support was of a very high standard, with the work undertaken on the Board Mandate during the year being a valuable exercise in collectively articulating the Board's purpose. Board development and effectiveness remained a key priority, in addition to maintaining a good reputation for best practice and transparent reporting.

**Board committees were all considered to work well**
Committees were considered to be well chaired and managed, with the Board able to rely on its committees to ensure focus on key areas as delegated by the Board. In particular, the nomination committee's work during the year which led to the recommendation of two important Board appointments was cited as being positive, supportive and well managed. Risk reporting and assurance through the audit committee was also identified as being effective and robust.

## Principal areas of Board focus for 2020

**Composition and succession planning**
Ensure a well managed transition and induction of the new Chairman. Continue to focus on Board succession planning so that the Board is well positioned for the future, with the right balance of skills, experience and diversity to support the achievement of the Group's strategic objectives.

**Colleague and stakeholder engagement**
Maintain the focus on developing two-way channels of communication with stakeholders. Particular focus will be on colleague engagement, to support effective decision making and the Board's fulfilment of responsibilities under Section 172 of the Companies Act 2006.

**People strategy and culture**
Develop the work undertaken to date to support an even broader oversight of the Group's wider workforce. This will involve ensuring that (i) policies and practices are aligned to culture; (ii) diversity policy and targets are progressive; and (iii) the processes supporting leadership development and the executive pipeline are robust.

**Strategy and structure**
Continue to review the impact of new business and international expansion on the current organisational model to ensure that the governance framework and resourcing can support the development and delivery of strategy.

**Governance**
Building upon the progress made during the year, continue to focus on ensuring full compliance with the 2018 Code over the year ahead.

# Board composition and succession

**Katherine Innes Ker**
Nomination committee member

"Board composition supports our evolving strategy."

### Key responsibilities

- Board composition, structure and size
- Balance of skills, knowledge, experience and diversity
- Board and senior management succession planning
- Board inclusion and diversity policy
- Oversight of Group wide inclusion and diversity initiatives
- Gender pay gap results
- Oversight of the leadership talent development pipeline
- Committee effectiveness, including terms of reference

### Key focus areas during the year

- Succession planning for Group Chief Financial Officer and Chairman
- Succession planning for Senior Independent Director and Remuneration Committee Chair
- Inclusion and diversity
- Gender pay gap
- Leadership and development pipeline
- Tailored induction for Interim Group Chief Financial Officer

### Key focus for next year

- Tailored induction for the new Chairman Designate
- Ensure the changes arising from the 2018 Code are implemented effectively
- Board and senior management succession planning
- Oversight of talent management and leadership development
- Review of diversity KPIs and the impact of strategic initiatives



## Nomination committee report

### Dear Shareholder

I have been asked by Andrew Allner to report on the work undertaken by the nomination committee during the year, given that a key focus over the latter part of the year was to identify a suitable successor to Andrew, who will retire from the Board at the conclusion of the 2019 AGM.

It has been a busy and productive year for the nomination committee. In addition to appointing a Chairman Designate to succeed Andrew, we also appointed a new Group Chief Financial Officer. In conjunction with these appointments, a key focus area for the committee was to ensure we had the appropriate balance of skills, experience, diversity and capability on the Board. The behaviours and values of our new Board members were also important considerations to ensure that they were aligned to the Group's values and culture.

#### Appointment of new Chairman

We were pleased to recommend to the Board the appointment of Clare Hollingsworth as Non-Executive Chairman Designate with effect from 1 August 2019. Clare will succeed Andrew Allner as Chairman with effect from the conclusion of the 2019 AGM. Clare brings extensive commercial and Board experience to Go-Ahead, both as an executive and a non-executive director and as a Chairman in transport and across a range of sectors. This is particularly important as our strategy evolves, with Clare's expertise and knowledge being invaluable as we continue to create value for all of our stakeholders.

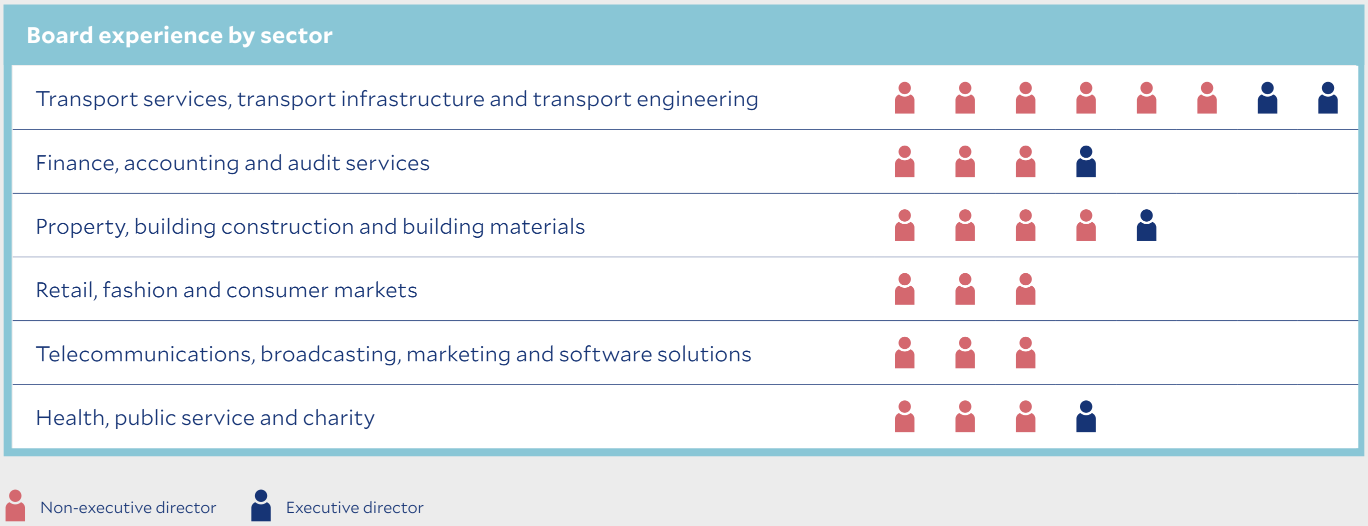
#### Appointment of new Group Chief Financial Officer

Having served as Interim Group Chief Financial Officer since December 2018, the Board was pleased to appoint Elodie Brian as permanent Group Chief Financial Officer with effect from 5 June 2019. Elodie worked previously as Finance and Contracts Director at Southeastern and brings a wealth of experience, particularly in the rail business, which will contribute considerably in ensuring our strategic and financial commitments are met. This appointment is also a testament to Elodie's leadership skills and evidence of the strength of the talent we have within Go-Ahead's executive pipeline.

Details of the search and recruitment process carried out for the appointments of our new Chairman and Group Chief Financial Officer can be found on page 83.

#### Other Board changes

As July 2019 marked my ninth anniversary of serving on the Board, in accordance with best practice, I must now be considered as non-independent. I will therefore be stepping down as Senior Independent Director and Remuneration Committee Chair with effect from the conclusion of the 2019 AGM, to be succeeded by my fellow non-executive directors, Adrian Ewer and Leanne Wood respectively. The Board has agreed that I will continue to serve as a non-independent Non-Executive Director for a period to ensure continuity and to support the transition of our new Chairman.

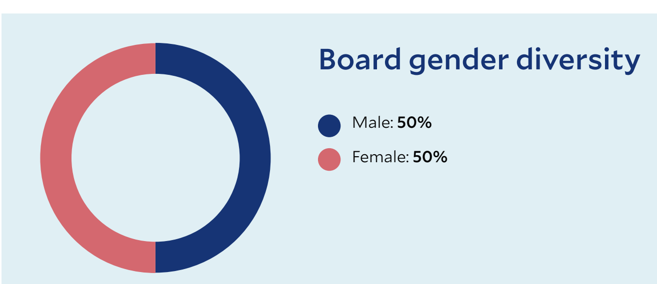



## Time commitments and independence

The committee has reviewed the time commitments for the Chairman Designate and received assurance that she has the capacity to fulfil this role. It has also been established that there are no conflicts of interest.

The committee also reviews the time commitment of each non-executive director on at least an annual basis. This is to ensure that 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. Following the review this year, which includes the guidance from the Institutional Shareholder Services (ISS) on overboarding, the committee was satisfied that each non-executive director had sufficient time to meet their Board responsibilities.

The committee is satisfied that all non-executive directors are independent non-executive directors in accordance with the UK Corporate Governance Code's recommendations. This year, a more detailed review of Adrian Ewer's independence was undertaken, as he had served on the Board for six years.




## Inclusion and diversity

The nomination committee is committed to achieving diversity in its broadest sense in the composition of the Board and senior management. Our approach to inclusion and diversity on the Board is set out in the Board's diversity policy which is reviewed annually by the committee. For our recent Board appointments, we discussed the Board's policy with the external search consultancies to ensure that diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths were promoted in the selection of candidates.

Following Clare Hollingsworth's appointment as Non-Executive Chairman Designate on 1 August 2019 and Elodie Brian's appointment as Group Chief Financial Officer on 5 June 2019, 50% of our Board roles are held by women. This will further increase to 57% when Andrew Allner steps down from the Board at the conclusion of the 2019 AGM. This exceeds the 25% and 33% targets set out in the Davies Report and Hampton-Alexander Review respectively.

The nomination committee is also responsible for overseeing the inclusion and diversity strategies across the Group. We are developing our senior talent pipeline and culture to support career progression and improve the representation of women, disabled, LGBT+ and BAME people, specifically in senior management positions. We have been encouraged by the enthusiasm and progress made during the year and in particular the introduction of diversity KPIs in each of our operating companies. The committee looks forward to taking on a more active role in setting and meeting diversity objectives and strategies for the wider Group, and in monitoring the impact of such initiatives, as is required by the 2018 Code. Read more about our Group wide inclusion and diversity initiatives on page 27 together with our Board and senior management gender diversity statistics.

### Gender pay gap

In April 2019, we published our second tranche of gender pay gap data for our bus and rail divisions. Our median pay gap across the UK bus business is 7.5%, which is substantially lower than the UK average of 17.9%. Our median pay gap in UK rail is 20.1%. More information on the gender pay gap analysis results is available on our website.

The committee's role was to review the results and, as the data was independently calculated, obtain assurance regarding the accuracy of the published data. The committee also reviewed the strategies underway to improve the representation of women throughout our bus and rail divisions and narrow the gender pay gap. Read more about these initiatives on page 27.

### Leadership and talent pipeline

A key area of focus for the committee has been ensuring the Group has a diverse leadership and talent pipeline. Through our annual leadership review, we are able to assess succession plans in place for the senior management positions below Board level. This includes understanding the current leadership profile compared with future leadership requirements as well as the key age, ethnicity and gender influencer demographics across the Group. The committee was also updated on the inclusion and diversity initiatives underway to promote gender balance, which included, increasing the number of female apprentices in key roles. Additionally, the committee discussed the increased mobility initiatives now available to support leadership and talent development, particularly in relation to the Group's joint venture contracts and international bids.

During the year, the committee reviewed the initiatives underway to provide a more aligned and better consistency approach to assessing talent across the business. Our Graduate Programme, now in its eighth year, is an important way of introducing talent into both bus and rail operations and the committee tracks the careers of graduate entrants. It is pleasing to note that retention during the programme is higher than the industry average, with 96% of graduate entrants choosing to stay with the Group. Additionally, 100% of all retained graduates have progressed into management positions within two years of starting the programme.

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 that we continue to attract high calibre and diverse talent into senior roles both in the UK and internationally.

Read more about our Graduate Programme and our initiatives to attract talent on pages 25 and 26.

**Katherine Innes Ker**
Nomination committee member

4 September 2019

## Membership, meetings, terms of reference and effectiveness

### Membership

- During the year, the nomination committee comprised the Chairman and four independent non-executive directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience
- The Senior Independent Director chaired nomination committee meetings which related to the appointment of the Chairman's successor

### Meetings

- The committee usually meets at least twice a year, excluding meetings held to review its effectiveness as part of the annual performance evaluation. This year, a number of additional meetings were held to focus on the search process for the new Group Chief Financial Officer and Chairman
- By invitation, the Group Chief Executive and Group Chief Financial Officer attend meetings and there are regular presentations from the Group People Director

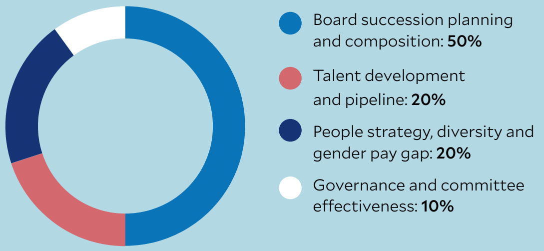
### Terms of reference

- 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 the 2018 Code and a copy is available on our website or upon request from the Group Company Secretary

### Effectiveness

- 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, with the process followed for both the appointment of Group Chief Financial Officer and Chairman, being cited as positive. The committee also welcomed the increased quality of reporting on people strategy, including more comprehensive inclusion and diversity updates and the introduction of diversity KPIs across the business. The committee has agreed that it will be important to monitor the impact of these KPIs over the year ahead, in addition to considering whether more in-depth focus reviews should be given to key initiatives during the year

### Allocation of time



## Search and recruitment process for Chairman Designate and Group Chief Financial Officer

Set out below is the process we followed for the appointment of the new Chairman Designate and Group Chief Financial Officer. The incumbent Chairman did not attend any committee meetings at which the process for his succession was discussed and he was not involved in the selection or appointment of his successor.

| Step | Chairman Designate/Chairman | Group Chief Financial Officer |
|---|---|---|
| **Objective** | To find a candidate with the skills, experience, values and capability to lead the Board and the delivery of the Group's strategy and create long term sustainable value for all our stakeholders | To find a candidate with the skills, experience, values and capability to provide strategic support to the Group Chief Executive and to provide financial guidance, discipline and integrity to the Board |
| **External search consultancy appointed to assist committee with search** | MWM Consulting (no other connection to the Group) | Russell Reynolds (no other connection to the Group) |
| **Key elements of candidate profile** | Ability to lead and manage the business of the Board and ensure the Board's contribution to strategy creation and development<br>Familiarity with the regulated sector and customer-facing businesses<br>Experience of complex governance and contractual arrangements<br>Strong business ethics and values, with a natural authority<br>Facilitator of Board relationships, development and effectiveness | Proven and credible track record of driving and delivering results<br>Experience of commercial finance and complex contractual arrangements<br>Knowledge and technical experience of accounting principles, financials planning and analysis to support operating/commercial decisions<br>Commercial acumen, innovative thinker and influencer<br>Strong business ethics and values and experience of leadership and people development |
| **Search process led by** | Senior Independent Director | Group Chief Executive |
| **Selection** | Nomination committee and sub-committee meetings held with MWM Consulting to agree a "long list" and then a "short list" of candidates. A comparator of each candidate's characteristics was provided against the requirements of the candidate brief | Meetings held between the Group Chief Executive, Board committee members and Russell Reynolds to agree a "long list" and a "short list" of candidates. A comparator of each candidate's characteristics was provided against the requirements of the candidate brief |
| **Interviews** | Candidates initially interviewed by the Senior Independent Director, Audit Committee Chair and/or Non-Executive Director, Leanne Wood, before meeting all other Board members, including the Group Company Secretary | Candidates initially interviewed by the Group Chief Executive, Audit Committee Chair and Group Company Secretary, before meeting with all other Board members |
| **Appointment** | Clare Hollingsworth identified as preferred candidate, committee recommendation, Board approval, agreement of letter of appointment and announcement | Elodie Brian identified as preferred candidate, committee recommendation, Board approval, agreement of letter of appointment and announcement |
| **Induction** | The committee will play an active part in providing an induction that will be tailored to the skills and experience of the new Chairman. Full details will be disclosed in next year's Annual Report | The new Group Chief Financial Officer is following a structured and tailored induction process, details of which are set out on page 66 |

# Accountability and transparency

**Adrian Ewer**
Audit Committee Chair

"The committee protects shareholder interests by ensuring robust and transparent financial reporting."

### Key responsibilities

- Monitoring the integrity of the Group's financial reporting
- Reviewing the system of risk management and internal controls
- Reviewing and monitoring the external auditor's independence and effectiveness
- Setting and monitoring the internal audit plan and internal auditor effectiveness
- Monitoring and reviewing whistleblowing and anti-bribery procedures
- Committee effectiveness, including terms of reference

### Key focus areas during the year

- Integrity of reporting
- Guaranteed Minimum Pension
- IFRS 16 Leases
- GTR financial reporting
- Risk management and internal controls
- Health and safety standards
- IT-related risks and mitigation controls

### Key focus for next year

- Effectiveness of risk management and internal controls
- Continued focus on IT-related risks, including resilience and cyber security
- Overview of accounting in international operations
- Assess external and internal auditors' effectiveness
- Continued oversight of significant financial judgements
- Challenge external auditor to continue to audit the Group's financial statements robustly
- Ensure continued committee effectiveness

## Audit committee report

### Dear Shareholder

As Audit Committee Chair, I am pleased to present the committee's report for the year ended 29 June 2019. This report aims to give you some insight into the committee's activities and the key governance role it plays in protecting shareholder interests by ensuring robust and transparent financial reporting.

**Financial reporting**

As in previous years, one of the committee's utmost priorities has been to ensure that the nature of the relationship between the external auditor and the Group is rigorous, objective and not in any way compromised. Further details on how we do this can be found on pages 88 and 89.

In conjunction with the external auditor, the committee spent considerable time discussing those significant judgements that could have a material impact on the financial statements. Again this year, these were in relation to GTR and the discussions with the DfT regarding a number of contractual matters. The agreement reached between GTR and the DfT in December 2018 resolved matters relating to the industry-wide failures concerning the introduction of the May 2018 timetable, as well as bringing to a close discussions around other contractual variations.

The committee has also spent time considering the potential impact of the new International Financial Reporting Standards accounting standard on leases (IFRS 16). This will represent a material change to the Group's financial statements for the year ending 27 June 2020 onwards and our assessment has included understanding how the new standard impacts the Group's leasing arrangements, its financial impact and the appropriate new accounting policy. Further details of all the Group's critical accounting judgements and the key sources of estimation certainty discussed during the year are disclosed on pages 136 and 137.

As reported at the half year, the impact of the recent High Court ruling on the Guaranteed Minimum Pension was assessed in the context of the Group's pension schemes. For the bus division's defined benefit pension schemes, this resulted in a charge of £16.8m as an exceptional item, as estimated by the actuaries. This reflects the pension scheme trustees' obligation to equalise the benefit payments between men and women, the work for which is now progressing with our pension scheme administrators.

**Risk management and internal controls**

We believe that an effective risk management and internal controls system is key to the long term sustainable growth of the Group.

The Board has delegated responsibility to the audit committee for monitoring the Group's risk management and assurance arrangements. The committee also recommends the in-depth risk areas for Board review, with a key focus this year continuing to be around IT-related risks, including resilience and cyber security.

Using our robust risk framework as a basis for discussion, the committee has assessed the Group's risks and uncertainties as set out on pages 46 to 55 including the controls in place to ensure they are adequately managed and mitigated. These are kept under regular review by management and the committee to ensure that prevailing and emerging risks are appropriately identified and prioritised and kept within the Group's risk appetite.

**Health and safety**

We remain committed to continually improving our health, safety and environmental standards. During the year, the committee reviewed the findings from the audit programmes in each of our operating companies, with a particular focus on the international and new business audit arrangements. A key focus area again this year was contractor safety management, where there has been an extensive review of contractor management procedures to validate supplier competence and provide corporate assurance. In December 2018, the Group also held a Safety Leadership Conference, which senior managers from across the business attended. More details can be found on page 89.

### Whistleblowing

During the year, the committee reviewed the whistleblowing policies in place across the Group. In the spirit of the 2018 Code, we also extended our review to establish what other channels for raising concerns were in place in each of our operating companies. Our findings were positive, confirming that colleagues have access to a wide range of alternative and more informal channels through which to raise concerns. We believe that this is a positive reflection of our culture, which also supports the formal whistleblowing policies we have in place.

### Engagement with the FRC

The Group has received correspondence, as part of a wider review, from the Financial Reporting Council regarding the Group's accounting treatment for its sections of the Railways Pension Scheme which has been actively considered by me as Audit Committee Chair and the comments received discussed with the audit committee. Whilst not changing the accounting treatment adopted and announced on 29 November 2016 we were requested to enhance the disclosure provided so that the impact of the accounting approach could more clearly be identified and understood. We have included this on pages 134, 142 and 143 reflecting that we concur that the suggested enhancements would be helpful to the users of the financial statements.

### Prompt payment of suppliers

The committee welcomes the Government's ongoing review into the prompt, fair and effective payment of suppliers. The latest payment performance data published by the Group, in accordance with the Reporting on Payment Practices and Performance Regulations 2017, evidenced 96% of invoices received having been paid within 60 days.

### Fair, balanced and understandable

As requested by the Board, the committee has reviewed the content of this Annual Report and Accounts and advised that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. A more detailed analysis of the committee's review can be found within this audit committee report on page 88.

### New Group Chief Financial Officer

During the year, it was important to oversee the arrangements for the appointment and induction of the new Group Chief Financial Officer, specifically with regard to the committee's remit and requirements.

**Adrian Ewer**
**Audit Committee Chair**

4 September 2019

## Membership, meetings terms of reference, and effectiveness

### Membership

- Adrian Ewer is a Fellow of the Institute of Chartered Accountants and has chaired the committee since April 2013. He has recent and relevant financial experience in the UK listed environment, enabling him to fulfil his role
- During the year, the committee comprised four independent non-executive directors. Detailed information on the experience, skills and qualifications of all committee members can be found on pages 60 and 61. The Board has confirmed it is satisfied that the committee members have the appropriate range of financial, commercial and sectoral expertise

### Meetings

- Meetings of the committee generally take place immediately prior to a Board meeting to maximise the effectiveness of Board meetings
- 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 Audit Committee Chair holds pre-audit committee meetings with management and key advisors between scheduled committee meetings
- At least once a year, the committee members hold separate meetings with the external and internal auditors, without the executive directors being present

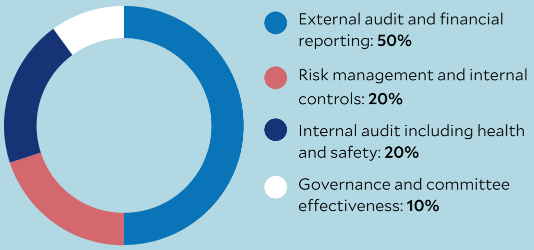
### Terms of reference

- 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 the 2018 Code, and a copy is available on our website or upon request from the Group Company Secretary

### Effectiveness

- A review of the committee's effectiveness was carried out internally this year as part of the Board's evaluation. The review concluded that committee continued to be thorough and fully effective in discharging its duties and responsibilities. In particular, the Group's risk process and reporting was viewed as effective and robust, with in-depth risk reviews continuing to be undertaken on a regular basis.

### Allocation of time



## Risk management and internal controls

A summary of the key features of the Group's risk management and internal controls system is set out below:

**Group structure**

The Group's devolved organisational structure supports an effective top down/bottom up approach to risk management and control

**Leadership**

Clear leadership from the Board with the executive directors playing an integral role in working with operating companies

**Board reporting**

Regular review of reports received from the Group's internal auditor, external auditor, executive directors and senior management

**Health and safety reporting**

Regular review of health and safety reports and audits, including best practice and standards across operating companies

**Financial reporting**

A comprehensive Group wide system of financial reporting, budgeting and cash forecasting and control through which the consolidated financial accounts are prepared and submitted to the Board and from which the consolidated financial reporting is derived

**Compliance management**

Annual certification by each operating company that it has adhered to the Group's Policies and Procedures Manual, which reinforces the Group's corporate governance, internal control processes and management of risk

**Assessment of the Group's risk management and internal control system**

The Board has confirmed that, through the committee's review of the key financial and internal control matters for 2019 as detailed on page 87, 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

The Group's internal audit function has been outsourced to PricewaterhouseCoopers LLP (PwC), with overall responsibility and direction being retained by the audit committee. PwC provides assurance over the effectiveness of key internal controls as identified as part of the risk assessment process. In addition to meetings with local management, PwC reports to the committee at least four times a year.

In accordance with the previously agreed internal audit plan for the year ended 29 June 2019, 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. In addition to our rolling programme of financial control reviews in all operating companies, examples of some of the other reviews undertaken during the year included bus maintenance and inventory reviews, cyber security, payroll and claims and incident management. Reviews are often scheduled where there has been significant change in operational or financial teams so that areas of expected increased internal control risk can be speedily identified. This also enables a focus on monitoring and swift resolution.

During the year, the committee also approved the internal audit plan for the year ending 27 June 2020. The detail of the plan was developed through a number of discussions with the committee, the Group Chief Financial Officer and the Group Financial Controller. Meetings were also held with operating companies, finance and business assurance teams to understand key focus areas before finalising the plan with the committee.

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

### Internal audit function effectiveness

The committee monitors the effectiveness of the internal audit function throughout the year and undertakes a more formal review on an annual basis. This review is led by the Audit Committee Chair, supported by the Group Chief Financial Officer 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 auditor on an annual basis, without management present.

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

### Competition law, anti-bribery and corruption

The Group is committed to the highest standards of ethical conduct, honesty and integrity in our business practices and has zero tolerance of corruption, fraud, criminality (including financial crime), or the giving or receiving of bribes for any purpose.

The Group's Code of Conduct sets out what is expected from our colleagues and stakeholders to ensure that they protect themselves as well as the Group's reputation and assets. Additionally, the Group has tailor-made online training for competition law, anti-bribery and corruption, which colleagues in high risk areas (including the Board and senior management) are required to complete each year. Any breaches of procedures will be regarded as serious misconduct, potentially justifying immediate dismissal.

## Key financial and internal control matters

During 2019, 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 2019 | How the committee addressed these key financial and internal control matters |
|---|---|
| Compliance with franchise terms and conditions relating to the rail components of the Group, specifically relating to the accounting for related income and costs arising from franchise agreements. See **page 136** 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 and other properties and measurement of uninsured liabilities. See **note 23** 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 12** 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 cash flows. The committee also reviews historical 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 6** 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. |
| Preparing for the introduction of IFRS 16 which applies for the first time for the year ending 27 June 2020. | IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. A full assessment has been carried out and concluded that IFRS 16 does have a material impact on the Group's balance sheet. Further details can be found in note 2 of the consolidated financial statements. |
| Ensuring operating company compliance with Group policies and procedures and maintaining the required financial control environment. | The committee, together with the Group Chief Executive and the Group Chief Financial Officer, approves the scope of internal audit including the cycle of visits to test operating company compliance and financial controls, based on a risk assessment. The results of the internal audit visits are considered by the committee, together with management's responses to any improvement points. Control matters and reporting issues identified as part of the external auditor interim and year end audits are also reviewed by the committee which considers the adequacy of any management responses, which in particular, was in respect of IT controls during the period. In addition, management ensures that the recruitment and review process for operating company directors gives confidence in the calibre of the operating company teams and their management, and the control environment in which they operate. |

## Fair, balanced and understandable

**At the request of the Board, the committee has considered whether, in its opinion, the 2019 Annual Report and Accounts (collectively the Annual Report), taken as a whole, are fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.**

The process was led by the internal Annual Report Team (ART), consisting of members drawn from the Group Finance, Group Company Secretariat and Investor Relations teams. The inclusion of these various departments, with input from the executive directors and senior management within the Group and its operating companies as appropriate, ensures the balance, completeness and accuracy of the Annual Report. The ART was responsible for regularly reviewing work and ensuring balanced reporting with appropriate links between key messages and sections of the Annual Report.

The committee reviewed the Annual Report in its later stages and advised of any areas which would benefit from further clarity. Feedback was then incorporated ahead of final approval by the Board.

When forming its opinion, the committee reflected on the information it had received and its discussions throughout the year. In particular, the committee considered:

### Is the Annual Report fair?

- Is the whole story presented, has equal weight been given to all messages and has any sensitive material been omitted which should have been included?
- Is the narrative reporting consistent with the financial reporting, with key messages reflected in both?
- Is the description of the business, principal risks and uncertainties, strategy and objectives in the Annual Report consistent with the Board's understanding?
- Are KPIs disclosed at an appropriate level?

### Is the Annual Report balanced?

- Is there a good level of consistency between the narrative reporting in the front and the financial reporting in the back of the Annual Report and does the messaging reflected in each remain consistent when read independently of the other?
- Is the Annual Report a comprehensive document for shareholders?
- Are the key judgements referred to in the narrative reporting and the key financial and internal control matters reported in this audit committee report consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?
- How do these compare with the risks which the external auditor Deloitte includes in its report?

### Is the Annual Report understandable?

- Is there a clear and understandable framework to the Annual Report with the important messages highlighted appropriately throughout?
- Is the layout clear with good linkage throughout in a manner which reflects the whole story?

### Conclusion

Following its review, the committee was able to provide assurance to the Board that the Annual Report for the year ended 29 June 2019 is representative of the year and presents a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

### External audit

The committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making the recommendation as to the appointment, reappointment and removal of the external auditor, assessing its independence on an ongoing basis and negotiating the audit fee.

During the year, the committee agreed parameters of how the annual audit effectiveness review would be undertaken in advance of the 2019 audit. As always, the approach taken was fully independent and objective. The process was based on constructive, honest and open dialogue with the external auditor to ensure that optimum assurance was being derived from the audit.

The process of assessment was divided into five key areas:

| | |
|---|---|
| **Objectives** | Clear objectives and desired outcomes were agreed at the outset. |
| **Timing** | A timetable with appropriate milestones was agreed, with assessments being incorporated at both the planning and completion stages. |
| **Resources** | The committee considered whether the external auditor had appropriate resources and expertise to conduct the audit. |
| **Evaluation and assessment** | The committee challenged and scrutinised the external auditor's strategy based on its own internal assessment. Key risks to audit quality were discussed with assurance provided by the external auditor on how these risks would be mitigated. |
| **Reporting** | The committee reviewed the quality of reporting from the external auditor and its recommendations. |

Using the FRC's Audit Quality Practice Aid as guidance to support the committee, effectiveness was also assessed against a range of valuation components including mindset and culture, quality control, judgement and skills and knowledge.

The committee's assessment took into account views from the Group Chief Financial Officer, the Group Company Secretary and Group Financial Controller. Deloitte also provided feedback on its own performance, measured against its internal performance objectives. Feedback arising from the 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 and it was concluded that Deloitte had performed its 2018 audit effectively. Appropriate focus had been given to understanding the key areas of audit risk and Deloitte had applied robust challenge throughout the audit.

The committee continues to review the external auditor appointment and the need to tender the audit, ensuring the Group's compliance with the UK Corporate Governance 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. Consequently, the committee has recommended to the Board that Deloitte be reappointed at the 2019 AGM.

### 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 its audit work or there are other overriding reasons that make it the most suitably qualified to undertake the work
- The auditor will not provide certain categories of non-audit services to the Group, such as internal audit and litigation support, the full list of which can be found in the committee's terms of reference
- The provision of certain non-audit services (including accounting and tax services if the fees exceed a cumulative £50,000) is subject to approval by the audit committee
- The ratio of the external auditor's audit to non-audit fees during the year, as a proportion of the annual external audit fee, is kept under review by the committee

During the financial year, the Group external auditor's fees were £0.9m (2018: £0.8m); in addition non-audit fees of £0.1m (2018: £0.1m) were payable to the Group's external auditor.

## Safety Leadership Conference

**The audit committee was provided with an update on Go-Ahead's recent Safety Leadership Conference, where the focus had been on the influence leaders had on safety behaviours across the Group.**

Over 60 senior managers attended the day, including managing directors and colleagues from overseas. Opening the conference, the Group Chief Executive emphasised that ensuring the health, safety and wellbeing of our colleagues, passengers, contractors and visitors was a key function of leadership.

The Group Health, Safety and Security Director for Merlin Entertainments Group was invited to speak at the conference. A thought-provoking and honest review of the events leading up to, and following, the accident on the Smiler rollercoaster ride at Alton Towers amusement park in June 2015 was provided. This generated a good deal of debate amongst the delegates.

A number of Go-Ahead operating company managing directors then showcased safety-related projects and initiatives within their own businesses. These included presentations on Southeastern's Railway's Safety Week, Plymouth Citybus' experience of effective contractor management and Go-Ahead London's annual risk and safety competition, which is now in its 16th year.

In the final session of the day, the leadership group worked in teams to come up with "Five Golden Rules" of great safety leadership, with the following Go-Ahead Leadership Safety Pledge developed:

**As a senior leader I will...**

**Always**
1. **Set the example**
2. **Make time for safety**
3. **Recognise great behaviours**

**Never**
4. **Walk past a problem**
5. **Duck the difficult question**

## Auditor rotation timeline

**2016**
Deloitte appointed following full competitive tender, with Chris Powell as lead audit partner

**2020**
Five-year rotation of lead audit partner, following completion of the 2020 audit

**2025**
Competitive tender to take place unless required earlier

**Katherine Innes Ker**
Remuneration Committee Chair

"We are committed to ensuring that executive pay remains aligned with the Group's strategic objectives and best practice."

### Key responsibilities

- Designing and implementing executive director remuneration policy
- Assessing effectiveness of the remuneration policy
- Approving the design, targets and total payments for performance-related pay
- Setting the remuneration for the Chairman and new directors
- Engaging with shareholders on remuneration matters
- Operating within the recognised principles of good corporate governance
- Ensuring adherence to the executive remuneration policy, including recruitment and departing executive director policies

### Key focus areas during the year

See **page 93**

### Key focus for next year

- Ensure the changes arising from the 2018 Code are implemented effectively
- Review the alignment of executive directors' remuneration arrangements to support and deliver Go-Ahead's strategy
- Review and determine remuneration for senior management
- Greater oversight of wider pay practices across the Group
- Review the effectiveness and transparency of remuneration reporting

# Directors' remuneration report

## Dear Shareholder

On behalf of the Board, I am pleased to present the directors' remuneration report for the year ended 29 June 2019. The report is divided into three principal sections:

- This annual statement, which provides the context for the committee's decisions during the year
- The remuneration policy, which was adopted at the 2018 AGM
- The annual report on remuneration, which provides details of remuneration paid to the Board during the 2019 financial year and how we will apply the remuneration policy for the forthcoming year 2020

### Group Chief Executive – 2019 pay outcome

The committee assessed the 2019 annual performance-related bonus against financial (75%) and strategic (25%) measures. Based on this assessment, details of which can be found on pages 105 and 106, the committee concluded that an annual performance-related bonus of 75.8% of maximum bonus (113.6% of salary) should be payable to the Group Chief Executive shortly after the 2019 AGM.

The Long Term Incentive Plan (LTIP) award, granted to the Group Chief Executive in November 2016, will lapse in full from November 2019 as none of the performance measures were achieved following the completion of the three year performance period ended 29 June 2019.

The Group Chief Executive received an inflationary increase of 2.5% to his base salary from 1 April 2019, this being the same or less than the average inflationary increase awarded to all employees across the Group.

The total single remuneration figure for our executive directors for the year ended 29 June 2019 is shown below:

**Total single remuneration figure for 2019 (£'000)**

| | 2019 | 2018 |
|---|---|---|
| Group Chief Executive, David Brown | **1,269** | 1,175 |
| Group Chief Financial Officer, Elodie Brian (from 5 June 2019) | **46** | N/A |
| Former Group Chief Financial Officer, Patrick Butcher (to 30 November 2018) | **195** | 630 |

### Departure of former Group Chief Financial Officer

The former Group Chief Financial Officer, Patrick Butcher, resigned on 30 November 2018 and continued to receive salary and benefits until that date. In accordance with our remuneration policy, all LTIP and deferred shares lapsed upon his cessation of employment, including half of the 2018 annual performance-related bonus, the deferred share element of which was not awarded.

### Appointment and remuneration – Group Chief Financial Officer

Elodie Brian was appointed as Group Chief Financial Officer on 5 June 2019, following six months in post as Interim Group Chief Financial Officer. In conjunction with her permanent statutory appointment, the committee reviewed her remuneration, taking into account factors such as experience, the pay level of her predecessor and the principles of our remuneration policy. The committee determined that the remuneration package for the Group Chief Financial Officer should comprise the following:

**Group Chief Financial Officer remuneration***

| | |
|---|---|
| **Base salary** | £335,000 per annum |
| **Annual performance-related bonus** | Maximum of 150% of base salary, half being paid in cash and half paid in shares which are deferred for a period of three years |
| **LTIP** | Maximum of 100% of base salary |
| **Shareholding requirement** | 200% of base salary |
| **Pension** | Eligibility to join Go-Ahead's Workplace Savings Section (which is the pensions auto-enrolment vehicle for the majority of employees) or receive a cash alternative equivalent |

* Elodie Brian was appointed as a statutory director of The Go-Ahead Group plc with effect from her permanent appointment on 5 June 2019. No compensation was paid for incentives lost from her previous role. Disclosures in relation to the annual performance-related bonus and LTIP are therefore not applicable for the year ended 29 June 2019.

### Executive remuneration policy and engagement with shareholders

The current remuneration policy was approved by shareholders at last year's AGM and received 99% votes in favour. The current intention is that this policy will apply until the 2021 AGM and, as such, we will not be asking shareholders to vote on the policy at the 2019 AGM.

During the year, in conjunction with its independent remuneration advisors, New Bridge Street, the committee spent time exploring alternative options to the current LTIP for the executive directors, concluding that the LTIP remained fit for purpose. The committee is therefore not proposing any changes to the remuneration policy for the year ended 29 June 2019. However, the committee does have the discretion to vary the weighting and choice of LTIP metrics prior to each award and will shortly be consulting with the Group's major shareholders and shareholder representative bodies on proposed changes to the LTIP's performance targets and weightings for the next award to be granted in November 2019. The outcome of this consultation will be confirmed before the 2019 AGM, in addition to being disclosed in next year's Annual Report.

### Performance in 2019

The Group is in a strong financial position and has delivered good strategic progress in the year against all three core strategic pillars: protect and grow the core, win new bus and rail contracts and develop for the future of transport.

Key highlights include:

- Resilient financial performance, with operating profit higher than initial expectations and solid financial profile
- Highest ever Bus Passenger Survey satisfaction score of 92% in regional bus
- Growth in passenger volumes and revenues in all regional bus businesses
- Southeastern remained the best performing large UK train franchise, with the highest levels of punctuality in its history
- Further sixth extension granted to the Southeastern franchise which will now run to 1 April 2020 rather than expiring on 10 November 2019
- Continued improvements in GTR operational performance
- Completed acquisition of FirstGroup bus depot in central Manchester
- Successful mobilisation of first contract in Ireland, with a second contract commencing prior to the end of the calendar year
- International bus operations in Singapore and Ireland traded higher than expectations
- Continued progress in our international strategy: won our fourth and fifth rail contracts in Germany, first rail contract in Norway and first consultancy contract in Australia
- Operations mobilised for two of five secured rail contracts in Germany
- PickMeUp in Oxford has continued to grow in popularity, with a further demand responsive pilot being launched in Sutton in partnership with TfL and leading shared transport provider Via
- Proposed full year dividend to be maintained at 102.08p

To read more about our achievements against each of our strategic objectives during the year, **see page 15**

Corporate governance

### New accounting standard IFRS 16

During the year, the Committee considered the impact of the new statutory accounting standard IFRS 16 on outstanding and future executive remuneration measures and targets. It was agreed that the impact on executive remuneration should be neutralised (by converting IFRS 16 outturns back to IAS 17) to ensure that the executive directors were neither rewarded or penalised vis-à-vis the basis on which their awards were based.

### Executive remuneration reforms

The past year has seen the publication of the revised UK Corporate Governance Code 2018 (the 2018 Code) and The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations), both of which will apply to Go-Ahead for the first time from next year. We welcome the greater stakeholder focus and development of UK corporate governance in a way that supports existing good business practice.

A key focus for the committee this year has been preparing for the changes arising from remuneration related elements of the 2018 Code and I am pleased to say we have made good progress in many areas, which you can read about on page 97. In addition to aligning executive pension provision with our wider workforce, we have approved a new malus and clawback policy and senior management remuneration policy. As evidence of our commitment to best practice reporting, we have also chosen to adopt early the share price impact and scenario reporting as well as an early indication of the CEO pay ratio requirements on pages 101 and 113 respectively.

We have also already started to address how both wider colleague pay alignment and cultural context can be woven into the committee's remit. To read more about how the committee addresses the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture, see pages 94 and 95.

### Focus for the year ahead

With effect from the conclusion of the 2019 AGM, Leanne Wood will succeed me as Remuneration Committee Chair. Under Leanne's chairmanship, the committee will continue to ensure that executive pay remains aligned with the Group's strategic objectives and best practice. 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.

We intend to build upon the progress we have made in relation to the changes arising from the 2018 Code and Regulations, to ensure we are in a position to comply in full by next year. Continuing our work to understand how the policies in each of our businesses are aligned to culture and reward will also be a key focus. The committee believes it is important for our colleagues to understand how the remuneration of executive directors is determined, with the work we are doing on wider colleague engagement assisting the Board in establishing what information will add most value to colleagues.

**Katherine Innes Ker**
Remuneration Committee Chair

4 September 2019

## Membership, meetings, terms of reference and effectiveness

### Membership

- During the year, the remuneration committee comprised the Chairman and four independent non-executive directors. Following the conclusion of the 2019 AGM, Katherine Innes Ker will step down as Remuneration Committee Chair and be succeeded by Leanne Wood, who has served on the Board and remuneration committee since October 2017. Katherine will continue to serve the committee as a non-independent Non-Executive Director
- 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 29 June 2019, no individual was present when his or her own remuneration was being determined

### Meetings

- The committee met nine times during the year. Six of these meetings were scheduled, with three additional meetings held to discuss the review of executive remuneration policy and the remuneration for new Board members

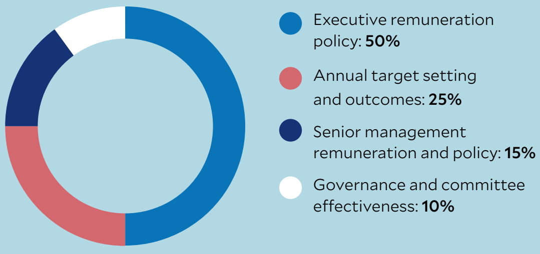
### Terms of reference

- 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 the 2018 Code and a copy is available on our website or upon request from the Group Company Secretary

### Effectiveness

- 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 continued to work effectively. In particular, it was noted that the additional meetings held throughout the year, where discussion around alternative options to the LTIP warranted more time, proved very effective at arriving at the right outcome.

### Allocation of time



## Key focus areas for the remuneration committee during the year

**July 2018**

- Set targets for 2019 annual performance-related bonus taking into account long term strategy and review outcomes
- Set targets for 2018 Long Term Incentive Plan (LTIP) award

**August 2018**

- Approved 2018 annual performance-related bonus payout
- Approved nil vesting of the 2015 LTIP award
- Approved the directors' remuneration report for the year ended 30 June 2018
- Received update on CEO pay ratio disclosure requirements
- Approved remuneration payable to former Group Chief Financial Officer
- Reviewed remuneration committee related changes arising under the 2018 Code

**October 2018**

- Reviewed overall remuneration policy for senior management including structure and related payout of annual performance-related bonuses for the year ended 30 June 2018

**December 2018**

- Detailed review of executive remuneration policy, including the continued appropriateness of the current LTIP

**February 2019**

- Continued review of executive performance-related pay policy
- Considered and noted senior management salary review from 1 April 2019
- Considered and approved Chairman's fees from 1 April 2019
- Considered and approved Group Chief Executive's salary from 1 April 2019
- Approved recommendation of annual share plans hedging review

**April 2019**

- Continued review of executive performance-related pay policy
- Noted indicative CEO pay ratio for the year ended 29 June 2019

**May 2019**

- Continued review of executive performance-related pay policy
- Approved the alignment of executive and workforce pension contribution rates

**June 2019**

- Concluded review of executive remuneration policy
- Approved final remuneration package for new Group Chief Financial Officer
- Approved fees payable to new Chairman

**July 2019**

- Adopted a new malus and clawback policy
- Approved and adopted a new senior management remuneration policy
- Reviewed and approved amendments to the LTIP and DSBP Rules in accordance with the 2018 Code

# Alignment of remuneration policy with the 2018 Code

## Leading in governance

When determining executive remuneration policy, the remuneration committee takes into account a wide range of factors including legal and regulatory requirements, associated guidance and views of shareholders and their representative bodies. Below is how the committee addresses the following principles as set out in the revised 2018 Code.

| 2018 Code provision: Clarity | |
|---|---|
| **Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce** | • Overall remuneration 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<br>• Go-Ahead's Board is committed to reporting in a fair, balanced and understandable way and places great importance on transparent, relevant and timely communication with all of our stakeholders, including shareholders. To read more about how we engage with our stakeholders, see pages 72 to 75 |
| **2018 Code provision: Simplicity** | |
| **Remuneration structures should avoid complexity and their rationale and operation should be easy to understand** | Go-Ahead's remuneration framework is simple, with three main elements:<br>• Fixed element: comprises base salary, taxable benefits (e.g. family healthcare) and pension scheme membership which is aligned to that offered to the majority of the workforce<br>• 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<br>• Long term element: a Long Term Incentive Plan (LTIP) which incentivises financial performance over a three year period, promoting long term sustainable value creation |
| **2018 Code provision: Risk** | |
| **Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target based incentive plans, are identified and mitigated** | • The combination of a capped reward for short term and longer term strategic decisions, with holding periods and malus and clawback, drive the right behaviours to incentivise the executive directors to deliver long term sustainable shareholder returns<br>• Remuneration incentives are designed to be aligned with the Group's risk policies and systems<br>• The remuneration committee has discretion to override formulaic outcomes |
| **2018 Code provision: Predictability** | |
| **The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy** | • The charts on page 101 provide estimates of the potential future reward opportunity for the executive directors split between fixed, target and maximum remuneration scenarios. In addition, the effect of future share price increases on the LTIP has been illustrated assuming share price growth of 50% over the period |

| 2018 Code provision: Proportionality | |
|---|---|
| **The link between individual awards, the delivery of strategy and the long term performance of the Company should be clear and outcomes should not reward poor performance** | • The committee assesses performance through a balanced range of measures to ensure all aspects of our executive directors' performance are covered<br>• There is a clear link between the performance of the Group and the payments made to the executive directors and senior managers<br>• Performance-related elements of remuneration are relevant, transparent, stretching and rigorously applied<br>• Care is taken to avoid paying more than necessary and due regard is given to pay and employment conditions elsewhere in the Group<br>• The committee has the power to apply certain operational discretions as set out on page 100 |

| 2018 Code provision: Alignment to culture | |
|---|---|
| **Incentive schemes should drive behaviours consistent with the Company purpose, values and strategy** | In reviewing the alignment between our executive directors' incentives and rewards, and the Group's culture, the committee considers the following elements:<br><br>**Metrics**<br>The committee ensures that metrics employed across executive incentive plans are not driving or over-emphasising behaviour which is counter-cultural. 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 included in recent years. For the LTIP, recent key performance indicators have been growth in adjusted earnings, total shareholder return and customer satisfaction ratings, all of which are reviewed on an annual basis in relation to their continued appropriateness.<br><br>**Governance**<br>It is important that the committee remains at the forefront of best practice. As reported on page 97, the committee has introduced a new malus and clawback policy, with a more substantial list of trigger events such as corporate failure and reputational damage. While already operating in practice, the LTIP rules have also been updated in line with best practice to introduce discretion to override formulaic vesting outcomes and the extension of holding periods. The LTIP and Deferred Share Bonus Plan (DSBP) Rules now also allow for the compulsory roll-over of awards in the event of a change of control.<br><br>Together, these initiatives enable the committee to satisfy itself that the right steps are being taken to ensure executive director and senior manager remuneration is appropriate from a cultural context.<br><br>**Engagement**<br>Understanding our wider workforce remuneration policies and ensuring pay decisions are aligned with culture forms part of the work we are undertaking on wider stakeholder and colleague engagement. We expect our practice in this area to continue to evolve over the year ahead. Progress made to date includes early adoption of the CEO pay ratio (see page 113), alignment of executive and workforce pension contribution rates and improved quality of stakeholder engagement (see pages 70 and 71). |

# Remuneration 2019 at a glance

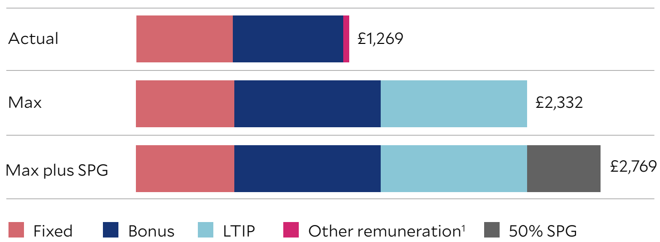
| | Group Chief Executive, David Brown | Group Chief Financial Officer, Elodie Brian (from 5 June 2019) | Former Group Chief Financial Officer, Patrick Butcher (to 30 November 2018) |
|---|---|---|---|
| **Basic salary and pension** | | | |
| Base salary (£'000) | £582 | £335 | £388 |
| % increase from prior year | 2.5% | N/A | N/A |
| Pension | Does not receive any form of pension provision | Eligible to receive 3% of qualifying earnings as pension provision[1] | Received a non-pensionable cash supplement of 13% of base salary |
| **2019 annual performance-related bonus** | | | |
| Maximum opportunity (% of salary) | 150% | N/A[2] | 150%[3] |
| Actual bonus (% of salary) | 113.6% | N/A | Nil |
| Cash amount | £330 | N/A | Nil |
| Amount satisfied in shares | £330 | N/A | Nil |
| **2016 LTIP award** | | | |
| Maximum opportunity (% of salary) | 150% | N/A[4] | 100%[5] |
| Number of shares initially granted | 39,698 | N/A | 18,073 |
| Number of shares vested | Nil vesting | N/A | Nil |
| Number of shares lapsed | 39,698 | N/A | 18,073 |
| **Total single figure remuneration** | | | |
| 2019 (£'000) | £1,269 | £46 | £195 |
| **Shareholding** | | | |
| Shareholding requirement | 200% of base salary | 200% of base salary | 200% of base salary |
| Current shareholding as at 29 June 2019 (as a % of base salary) | 290% | 0%[6] | N/A |

1. Under her remuneration package, the Group Chief Financial Officer is eligible to participate in the Workplace Savings Section of The Go-Ahead Group Pension Plan (which is the pensions auto-enrolment vehicle for the majority of employees) or receive a cash alternative equivalent.
2. The Group Chief Financial Officer will first be eligible for an annual performance-related bonus in respect of the 2020 financial year.
3. The former Group Chief Financial Officer was not eligible to receive any 2019 annual performance-related bonus on account of his resignation with effect from 30 November 2018.
4. The Group Chief Financial Officer's first LTIP award will be granted in November 2019 for the three year performance period 2020–2022.
5. The former Group Chief Financial Officer's 2016 LTIP award lapsed in full upon cessation of his employment
6. Excludes the Group Chief Financial Officer's 2014 and 2015 deferred share bonus awards which vested on 25 November 2017 and 19 November 2018 respectively but remain unexercised. For further information on the Group Chief Financial Officer's interests in outstanding share awards and options, see page 110.

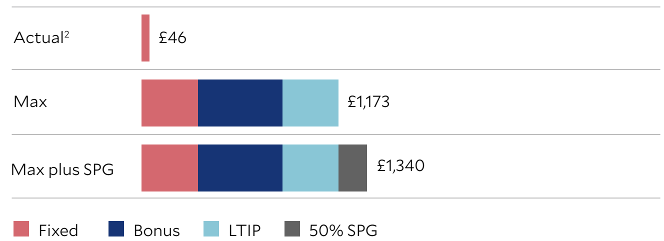
## Executive directors' remuneration – actual vs policy (£'000)

The charts show a comparison of the total single remuneration figure received by the executive directors for the year ended 29 June 2019 compared with the maximum opportunity that was available under Go-Ahead's remuneration policy. Pursuant to The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations), we have also included an illustration of the maximum opportunity available following 50% share price growth (SPG) on the maximum LTIP award value.

### David Brown – Group Chief Executive




### Elodie Brian[2] – Group Chief Financial Officer




1. The value of the gross cumulative dividend payment in relation to the 2015 deferred share bonus award which vested in October 2018 following the end of the three year deferral period.
2. Elodie Brian was appointed as a statutory director from 5 June 2019. Her salary for the role of permanent Group Chief Financial Officer was backdated to 1 April 2019 in recognition of the qualifying services she performed during April and May in advance of her formal appointment.

## About this report

This report sets out the Group's policy on remuneration for executive and non-executive directors (the Policy), describes the implementation of the approved Policy and sets out the remuneration received by the directors for the year ended 29 June 2019.

No changes have been made to our Policy since its approval at the 2018 AGM. Our approved Policy has therefore been reproduced on pages 98 to 103 exactly as it was set out in the 2018 Annual Report and Accounts with the exception of updating the following sections: service agreements of executive directors, letters of appointment for Chairman and non-executive directors, retirement and re-election of directors and external appointments.

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. Additionally, the committee has considered and, where possible, adopted early the new requirements set out in the revised UK Corporate Governance Code published in July 2018 (the 2018 Code) and The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations). The 2018 Code and Regulations apply to the Group for the first time for the year ending 27 June 2020.

## Leading in governance

As described on pages 70 and 71, in the spirit of the 2018 Code and Regulations, we have adopted a number of best practice changes early. Whilst the following changes will not be incorporated into the current remuneration policy until the next opportunity, they are immediately effective:

- **Pensions** – pension provision for executive directors has been aligned with the majority of the workforce. Executive directors are now only eligible to participate in the Workplace Savings Section of The Go-Ahead Group Pension Plan, with an employer contribution of 3% of qualifying earnings. Executive directors may also elect for an equivalent cash alternative. The existing Policy as approved at the 2018 AGM allowed for a cash allowance of up to 15% of salary
- **LTIP** – LTIP Plan Rules have been updated so that LTIP awards granted from 2019 will extend their holding periods to the fifth anniversary from grant and contain discretionary override provisions. Under the existing Policy, LTIP awards vest on the third anniversary of the grant date and are subject to a holding period which applies until the second anniversary of the vesting date. There is also no stated intention which refers to overriding formulaic outcomes, though in practice this has always been the case
- **Malus and clawback** – a new malus and clawback Policy has been adopted to include new additional malus and clawback triggers which apply in the event of corporate failure, serious downturn in financial or operational performance and serious reputational damage. Under the existing Policy, recovery and withholding provisions could only be applied as a result of misconduct, material misstatement or error in calculation of performance
- **Compulsory rollover** – DSBP and LTIP Plan Rules have been updated so that for awards granted from 2019, the committee will have discretion to require compulsory rollover of awards in the event of a change of control. Under the existing Policy, awards vest on the occurrence of a change of control and participants have a contractual right to receive their awards (in full, in the case of the DSBP, or subject to proration and performance testing, in the case of LTIP)
- **Performance remuneration scenarios** – the charts on page 101 have been updated to take into account current salary levels and the impact of 50% share price appreciation of the maximum LTIP award value
- **CEO pay ratio** – page 113 provides the CEO pay ratio

## Remuneration policy

The Group's remuneration policy (the Policy) is set out in this section. The Policy was approved by shareholders at the 2018 AGM, held on 1 November 2018, and is effective until the 2021 AGM. The table below provides detail on each key element of remuneration, including the maximum potential value of each element, a brief summary of how it works and details of any performance metrics.

### Remuneration policy for executive directors

| Element and maximum | Purpose and 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<br>• Base salary also reflects the individual's skills, expertise, experience and role within the Group | • Paid monthly in cash<br>• Salaries are set by the committee which reviews all the relevant factors, including:<br>– The scope of the role and responsibilities<br>– Experience in post, skills and potential<br>– Sustained performance in the role<br>– Pay and conditions elsewhere in the Group<br>– Appropriate market data<br>• Salaries are normally reviewed annually<br>• 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<br>• 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<br>• 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<br>• Based on the achievement of specific financial and non-financial objectives<br>• 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)<br>• Participation and individual award levels will be determined at the discretion of the committee within the Policy<br>• Vested awards must be retained (other than to pay tax or national insurance contributions due on receipt of the shares) for two further years<br>• Subject to recovery and withholding provisions, for three years following vesting[1]<br>• 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<br>• Dividend equivalents may be paid |
| Pension allowance[3] | • 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<br>• Any reasonable business-related expense (including tax thereon) can be reimbursed if determined to be a taxable benefit<br>• 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 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. For deferred share bonus and LTIP awards granted from 2019, the additional malus and clawback triggers of corporate failure, serious downturn in financial or operational performance and serious reputational damage will also apply.

| Maximum | Performance targets |
|---|---|
| • Annual salary increases for executive directors will not normally exceed the average increase awarded to other UK based employees<br>• However, larger increases may be awarded in certain circumstances, including but not limited to:<br>– Increase in scope of responsibilities of the role<br>– To apply salary progression for a newly appointed director<br>– 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<br>• 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<br>• A quality of earnings review applies to the full bonus<br>• 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<br>• 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<br>• 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<br>• The committee may introduce or reweight performance measures so that they are directly aligned with the Group's strategic objectives for each performance period<br>• 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 | • 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 |
| • No maximum | • N/A |

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 exceptional items), vesting will be determined by a calculation on an adjusted basis, based on reported Group operating profit adding back any exceptional items, which is consistent with prior years.

3. Pension provision for executive directors has been aligned with the majority of the workforce who are eligible to participate in the Workplace Savings Section of The Go-Ahead Group Pension Plan. Under her remuneration package, the Group Chief Financial Officer is eligible to participate in the Workplace Savings Section, with an employer contribution of 3% of qualifying earnings or receive an equivalent cash allowance.

### Considerations when determining remuneration policy

The committee considers shareholder feedback and guidance from shareholder representative bodies more generally when reviewing the remuneration policy, in addition to best practice and the UK Corporate Governance 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 are 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 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 Policy, the committee considers the remuneration packages offered to colleagues across the Group, as well as the senior management team. As a 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 Policy. However, the committee considers any informal feedback through colleague engagement surveys or other channels, with workforce engagement to continue to be a key focus area for the Board over the year ahead. 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 98 and 99)
- 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 109 to 110, 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. 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 DSBP is limited to executive directors and senior management.

It is an important part of Go-Ahead's values that all colleagues, not just management, have the opportunity to become shareholders in the Group. All 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.

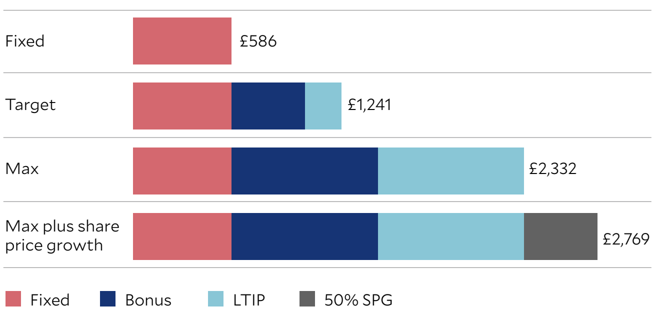
In choosing the performance metrics and targets we ensure that there is a strong and demonstrable link between management incentives and the Group's strategic objectives. We have also set a performance-based framework for remuneration which is consistent with the Group's scale and unique structure. This 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 LTIP 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.

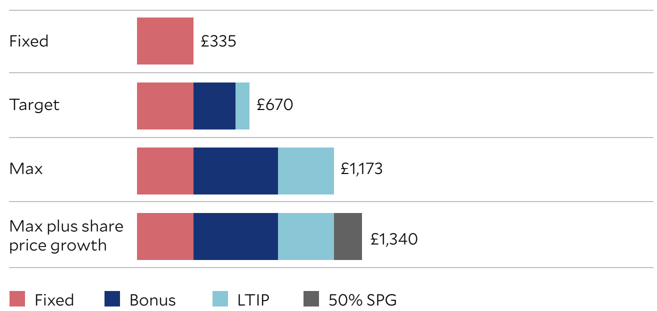
The charts below provide estimates of the potential future reward opportunity (excluding dividends) for the executive directors split between fixed, target and maximum remuneration scenarios. Pursuant to the Regulations, the scenarios also illustrate the maximum opportunity available following a 50% share price appreciation of the maximum LTIP award value.

**Total remuneration by performance scenario for 2020 financial year (£'000)**

**David Brown – Group Chief Executive**




**Elodie Brian – Group Chief Financial Officer**




The assumptions underlying each scenario are described below:

**Fixed remuneration:** for the Group Chief Executive this included base salary as at 1 April 2019 and benefits received in 2019. For the Group Chief Financial Officer this is base salary from her statutory appointment as a director on 5 June 2019.

**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 98 to 103. 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 newly appointed executive director 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.

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 newly appointed 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 5 June 2019 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 twelve 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 but 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 generally vest in accordance with the timetable. Exceptional cases of death or ill health retirement 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<br><br>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<br><br>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<br><br>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)<br><br>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 Chairs 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 |

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

| Director | Date of appointment | Notice period from the Group | Notice period from the director |
|---|---|---|---|
| Andrew Allner[1] | 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 |
| Clare Hollingsworth[2] | August 2019 | 6 months | 6 months |

1. Andrew Allner will retire from the Board at the conclusion of the 2019 AGM.
2. Clare Hollingsworth was appointed as Chairman Designate on 1 August 2019 until the conclusion of the 2019 AGM when she will become Chairman in succession to Andrew Allner.

## 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. At the 2019 AGM, all directors will be submitting themselves for re-election, with the exception of Andrew Allner, Clare Hollingsworth and Elodie Brian. Andrew Allner will retire from the Board at the conclusion of the 2019 AGM and Clare Hollingsworth and Elodie Brian will offer themselves for election by shareholders for the first time.

## 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 £45,000 for the period 1 July 2018 to 29 June 2019 (2018: £39,514). 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 Thursday 31 October 2019.

**The annual report on remuneration is divided into three sections:**

- **Section 1:** Single figure tables
- **Section 2:** Additional information on 2019 remuneration
- **Section 3:** Implementation of remuneration policy in 2020

The external auditor has reported on certain sections of this report and stated whether, in its opinion, those sections have been properly prepared. Those sections which have been subject to audit are clearly indicated.

## Section 1: Single figure tables

### Executive directors' single figure table (audited)

The table below summarises all remuneration that was earned by each executive director during the year.

The remuneration committee reviews all incentive awards prior to payment and uses judgement to ensure that the final assessments of performance are fair and appropriate.

| | | | | Short term incentives (Performance-related bonuses) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Salary[1] £'000 | Taxable benefits[2] £'000 | Cash bonus[3] £'000 | Deferred share bonus[3] £'000 | Long Term Incentive Plan (LTIP)[4] £'000 | Pension allowance[5] £'000 | Other remuneration[6] £'000 | Total single remuneration figure £'000 |
| **Executive directors** | | | | | | | | | |
| Group Chief Executive, David Brown | **2019** | **571** | **4** | **330** | **330** | **—** | **—** | **34** | **1,269** |
| | 2018 | 556 | 3 | 291 | 291 | — | — | 34 | 1,175 |
| Group Chief Financial Officer, Elodie Brian* (from 5 June 2019) | **2019** | **46** | **—** | **—** | **—** | **—** | **—** | **—** | **46** |
| | 2018 | N/A | — | — | — | — | — | — | — |
| **Former executive director** | | | | | | | | | |
| Group Chief Financial Officer, Patrick Butcher (to 30 November 2018) | **2019** | **172** | **1** | **—** | **—** | **—** | **22** | **—** | **195** |
| | 2018 | 380 | 2 | 198 | — | — | 50 | — | 630 |

* Elodie Brian was appointed as a statutory director from 5 June 2019. The salary received between 5 June 2019 and 29 June 2019 was backdated to 1 April 2019 in recognition of the qualifying services she performed during April and May in advance of her permanent statutory appointment.

## 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 2020 when they will be reviewed again:

| | From 1 April 2019 | From 1 April 2018 | % increase |
|---|---|---|---|
| **Executive directors** | | | |
| Group Chief Executive, David Brown | **£581,710** | £567,520 | 2.5 |
| Group Chief Financial Officer, Elodie Brian | **£335,000** | N/A | N/A |
| **Former executive director** | | | |
| Former Group Chief Financial Officer, Patrick Butcher | **N/A** | £387,590 | N/A |

### 2. Taxable benefits

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

### 3. Cash bonus and deferred share bonus (annual performance-related bonus)

The table below illustrates the components of the annual performance-related bonus award at maximum and actual payouts for business objectives set at the start of the year for the Group Chief Executive only.

Based on the assessment of performance against targets, the Group Chief Executive was awarded an overall bonus of 113.6%. 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 malus and clawback provisions for three years following vesting.

| Metric | Performance measure | Weighting (percentage of maximum) | Achieved | Actual payout (percentage of salary) |
|---|---|---|---|---|
| Group profit | Group operating profit 2019 | 65% | 45.8% | 68.6% |
| Group cashflow | Net debt after adding back restricted cash | 10% | 10% | 15% |
| Strategic KPIs | See page 106 | 25% | 20% | 30% |
| **Total** | | **100%** | **75.8%** | **113.6%** |

The following tables illustrate in more detail the actual performance against each individual metric.

### Group operating profit (65%)

For Group operating profit for the year ended 29 June 2019, target vesting was proportionately weighted between the operating profit contribution from bus (45.5%) and rail (19.5%), with payout on a sliding scale. The actual Group operating profit for bus, before exceptional items, was £95.7m resulting in the maximum payout for bus. The actual Group operating profit for rail was £25.4m resulting in a small payout for rail.

| Measure | Bus (70%) | Rail (30%) | Weighting (% of bonus) | Actual payout (Bus) | Actual payout (Rail) |
|---|---|---|---|---|---|
| Group operating profit 2019 | Threshold vesting: £84.2m | Threshold vesting: £25.2m | 0% | 70% | 0.4% |
| | Target vesting: £88.6m | Target vesting: £30.2m | 50% | | |
| | Maximum vesting: £93.0m | Maximum vesting: £40.2m | 100% | | |

### Cashflow (10%)

The target for Group cashflow (defined as net debt after adding back restricted cash) was £259.6m, with maximum vesting at £246.6m. Actual Group cashflow for the year ended 29 June 2019 was £237.4m (2018: £289.0m) and included unbudgeted cash outflows of £32.9m. This included the extension of the Southeastern franchise (£11.0m), the purchase of the trade and assets of Go North West (£11.2m) and the purchase of East Yorkshire Motor Services (£10.7m). In conjunction with the audit committee, an assessment was made of these non-budgeted cash flows and the remuneration committee agreed that discretion should be applied to take these into account.

| Measure | Target | Weighting (% of bonus) | Actual net debt | Adjusted actual net debt | Actual payout |
|---|---|---|---|---|---|
| Net debt 2019 | Target vesting: £259.6m | 0% | £270.3m | £237.4m | 100% |
| | Maximum vesting: £246.6m | 100% | | | |

### Strategic KPIs (25%)

The committee determined that 20% out of 25% should be payable for the strategic element of bonus. This took into account the committee's assessment of the five key strategic targets outlined below, with an additional 3% awarded in relation to the significant progress made across a range of other strategic objectives:

| Target | Weighting | Assessment |
|---|---|---|
| Stabilising GTR timetable operation/ satisfactorily concluding the 'Big Change' with DfT | 5%/5% | Agreement was reached during the year between GTR and the DfT to settle contractual issues, significantly reducing the uncertainty over the future of the franchise and providing funding for £15m of passenger benefits. Reliability had significantly improved during the year, in addition to the successful implementation of the December 2018 timetable change. |
| Winning the South Eastern franchise | 4%/5% | In August 2019 the DfT confirmed the final of six extensions for the current Southeastern franchise to 1 April 2020 and that the competition for the next South Eastern franchise had been terminated. It was the committee's decision that 4% of the 5% attributable to this strategic objective should be awarded on the basis that management, through extensive negotiations with the DfT, had retained the current franchise on good terms for six years beyond the original end date with many improvements for passengers. |
| Exploring opportunities, such as a major change or a major transaction | 4%/5% | A number of opportunities were considered by the Board during the year. |
| Mobilisation plans for Dublin and Germany | 2%/5% | Go-Ahead Ireland's first bus contract successfully mobilised operations from September 2018 and, in Germany, two rail contracts were mobilised in June 2019. Preparations are still underway to mobilise a second bus contract in Ireland, a third rail contract in Germany and a first rail contract in Norway by the end of the calendar year. |
| Lean Engineering | 2%/5% | Progress had been made rolling out Lean Engineering across a number of bus operating companies, with further efficiencies of operations to be targeted over the year ahead. |

### 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 2019 (as measured by the Transport Focus National Rail Passenger Survey (NRPS) averaged across the Group's rail operating companies) was less than the London and South East Sector NRPS score of 79% in Spring 2018. As the Spring 2019 NRPS score for the Group's train operating companies was 81% and higher than the NRPS threshold, the committee agreed that no scaling back of bonus was required.

### 4. Nil vesting of 2016 LTIP award – Group Chief Executive only

The table below summarises the performance conditions for the Group Chief Executive's 2016 LTIP award and the actual performance achieved. This award was subject to performance conditions measured over the three financial years ending with the 2019 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, the benchmark was the London and South East Sector National Rail Passenger Survey (NRPS) score, with the threshold being the Spring 2016 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 2019 score averaged for the Group's train operating companies was 81%.
- For the bus customer service target, the threshold was to maintain the 2015 and 2016 Bus National Passenger Survey (NPS) score of 90%, with the target to increase the score to 93% over the three year performance period. The 2019 score was 92%.

There was, however, an additional profit threshold for the overall customer service target, which was that earnings per share (EPS) growth over the three year period must be greater than RPI + 2% before any element of this award could vest. For the year ended 29 June 2019, EPS growth was -9.35% resulting in 0% vesting for the customer service element of the award.

**Performance conditions and actual performance achieved for the 2016 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 + 2% p.a. | 0% | Below median | 0% | Less than 78% | Less than 90% |
| Threshold | 10% | RPI + 2% p.a. | 25% | Median | 10% | 78% | 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 78% and 82% | Between 90% and 93% |
| Maximum | 100% | RPI + 10% p.a. | 100% | Upper quartile | 100% | 82% | 93% |
| Performance achieved | | Adjusted EPS of 169.4p. From a base of 225.4p this is equivalent to RPI -12.38% p.a. | | 85th out of 123 "live" companies | | 81% | 92% |
| **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 2016 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 Executive does not receive any form of pension provision from the Group. Under her remuneration package, the Group Chief Financial Officer is eligible to participate in the Workplace Savings Section of The Go-Ahead Group Pension Plan, with a contribution rate of 3% of qualifying earnings, or receive an alternative cash equivalent allowance.

### 6. Other remuneration

The value of the gross cumulative dividend payment is in relation to the Group Chief Executive's deferred share bonus award which was granted on 29 October 2015, for the year ended 27 June 2015, and which vested on 29 October 2018 following the end of the three year deferral period.

## Non-executive directors' remuneration for the year ended 29 June 2019 (audited)

The table below sets out the total single remuneration figure received by each non-executive director for the year ended 29 June 2019 and the prior year:

| | Committee membership and other responsibilities | | | | Total single remuneration figure | |
|---|---|---|---|---|---|---|
| Non-executive director | Nomination committee | Audit committee | Remuneration committee | Other | 2019 £'000 | 2018 £'000 |
| Andrew Allner | Chair | — | Member | Chairman | 185 | 181 |
| Katherine Innes Ker | Member | Member | Chair | Senior Independent Director | 65 | 63 |
| Adrian Ewer | Member | Chair | Member | — | 60 | 58 |
| Harry Holt* | Member | Member | Member | — | 52 | 35 |
| Leanne Wood* | Member | Member | Member | — | 52 | 35 |

* Harry Holt and Leanne Wood were appointed to the Board on 23 October 2017. Their 2018 total single remuneration figures reflect the fees paid during the period from 23 October 2017 to 30 June 2018.

## Fees payable to the Chairman and non-executive directors (audited)

The fee level for the Chairman was reviewed on 1 April 2019 and increased by 2.5%. The base fee levels for the non-executive directors were also reviewed on 1 April 2019 and similarly increased by 2.5% 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 for the role of Senior Independent Director.

The annual fees payable to the Chairman and non-executive directors from 1 April 2019 are set out in the table below.

| Chairman and non-executive directors' annual fees with effect from 1 April 2019 | £'000 |
|---|---|
| Chairman[1] | 189 |
| Non-Executive Director | 53 |
| Senior Independent Director[2] | 5 |
| Audit Committee Chair | 8 |
| Remuneration Committee Chair[2] | 8 |

1. Clare Hollingsworth joined the Board as Non-Executive Chairman Designate on 1 August 2019 and will succeed Andrew Allner as Chairman with effect from the conclusion of the 2019 AGM. Clare will receive the same fees as those paid to Andrew Allner, these being £188,800 per annum.
2. Katherine Innes Ker will step down as Senior Independent Director and Remuneration Committee Chair with effect from the conclusion of the 2019 AGM. At this time, Katherine will be succeeded in these roles by Adrian Ewer and Leanne Wood respectively. Katherine will continue to serve the Board as a non-independent Non-Executive Director.

## Section 2: Additional information on 2019 remuneration

### Directors' shareholdings and share plan interests (audited)

A summary of all directors' shareholdings and share plan interests as at 29 June 2019 are shown in the table below:

| | Outstanding scheme interests as at 29 June 2019 | | | | | Actual shares held[6] | | |
|---|---|---|---|---|---|---|---|---|
| | Unvested scheme interests (subject to performance measures)[1] | Unvested scheme interests (not subject to performance measures)[2] | 2016 LTIP award eligible for vesting 2019[3] | Vested but unexercised share options | Total shares subject to outstanding scheme interests | As at 1 July 2018 | As at 29 June 2019 | **Total of all share scheme interests and shareholdings as at 29 June 2019[8]** |
| **Executive directors** | | | | | | | | |
| David Brown | 143,603 | 18,612 | — | 94[4] | 162,309 | 80,528 | 86,583[7] | **248,892** |
| Elodie Brian | — | 1,276 | — | 1,163[5] | 2,439 | — | — | **2,439** |
| **Former Executive director** | | | | | | | | |
| Patrick Butcher[9] | — | — | — | — | — | 7,663 | — | **—** |
| **Non-executive directors** | | | | | | | | |
| Andrew Allner | — | — | — | — | — | 1,242 | 1,242 | **1,242** |
| Katherine Innes Ker | — | — | — | — | — | 116 | 116 | **116** |
| Adrian Ewer | — | — | — | — | — | 3,009[10] | 3,018[10] | **3,018** |
| Harry Holt | — | — | — | — | — | — | — | **—** |
| Leanne Wood | — | — | — | — | — | 294 | 294 | **294** |

1. LTIP awards still subject to performance measures. Excludes LTIP awards which will be granted in November 2019.
2. Deferred share bonus plan awards that have not vested.
3. Relates to the 2016 LTIP award, which would have been eligible to vest from November 2019 in respect of the three year performance period ended 29 June 2019. The remuneration committee has determined a nil vesting for this LTIP award as performance conditions have not been met. Further details can be found on page 107.
4. Relates to sharesave options which matured on 1 May 2019 but have not yet been exercised.
5. Relates to vested but unexercised 2014 and 2015 deferred share bonus awards which were granted on 25 November 2014 and 19 November 2015 respectively when Elodie Brian was Finance and Contracts Director of Southeastern.
6. 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.
7. During the year, David Brown's beneficial shareholding increased by 6,055 ordinary shares. This consisted of 5,951 ordinary shares acquired through the post-tax gain on the 2015 deferred share bonus award which vested in October 2018 and was exercised in March 2019. For further details of the vesting of the 2015 deferred share bonus award, please see page 110. During the period 1 July 2018 to 29 June 2019, David Brown purchased 104 shares under the Group's Share Incentive Plan. In the period 30 June 2019 to 4 September 2019, David Brown's ordinary shareholding increased from 86,583 to 86,597 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 30 June 2019 and the date of this Annual Report and Accounts.
8. All share plan interests, vested, unvested and unexercised, together with any holdings of ordinary shares.
9. Patrick Butcher resigned as Group Chief Financial Officer with effect from 30 November 2018. Patrick's shareholding disclosed in the above table is therefore reflective for the period 1 July 2018 to 30 November 2018.
10. Restated from 3,003 last year and increased by a further nine ordinary shares during the year following the reinvestment of dividend income.

### Directors' share ownership guidelines (audited)

All executive directors are required to hold shares equivalent in value to 200% salary. For the Group Chief Financial Officer, this is to be achieved within five years from the date of her appointment on 5 June 2019.

As at 29 June 2019, the Group Chief Executive beneficially held 86,583 shares equating to 290% of base salary (based on the average share price between the period 1 June 2019 and 29 June 2019) and therefore meets the shareholding requirement.

As the Group Chief Financial Officer does not currently hold any beneficial shares yet, her shareholding as a percentage of salary is nil.

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, LTIP awards must be retained for a further two years from the vesting (other than to pay tax and NICs due on receipt of shares). For LTIP awards granted from 2019, this holding period has been extended to the fifth anniversary from date of grant.

| | Shares held as at 29 June 2019 | Guideline on share ownership as % of salary | Share ownership as % of salary | Guideline met |
|---|---|---|---|---|
| David Brown | 86,583 | 200% | 290% | Yes |
| Elodie Brian | 0 | 200% | 0%* | No |

* Excludes Elodie Brian's 2014 and 2015 deferred share bonus awards which vested on 25 November 2017 and 19 November 2018 respectively but remain unexercised. For further information on the Group Chief Financial Officer's interest in outstanding share awards and options, see page 110.

## 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 2018 | Granted in year | Vested in year | Lapsed in year | Balance at 29 June 2019 | 2016 LTIP award eligible for vesting 2019[1] Vested | 2016 LTIP award eligible for vesting 2019[1] Lapsed | Balance post lapsing of 2016 LTIP award |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sharesave[2] | 22.03.16 | — | 19.11 | 94 | — | 94 | — | **94** | — | — | **94** |
| Deferred Share Bonus Plan | 29.10.15 | 24.13 | — | 11,331 | — | 11,331[3] | — | **—** | — | — | **—** |
| | 16.11.18 | 15.61 | — | — | 18,612 | — | — | **18,612** | — | — | **18,612** |
| LTIP | 04.11.15 | 25.46 | — | 32,618 | — | — | 32,618[4] | **—** | — | — | **—** |
| | 16.11.16 | 20.47 | — | 39,698 | — | — | — | **39,698** | — | 39,698 | **—** |
| | 17.11.17 | 16.58 | — | 49,993 | — | — | — | **49,993** | — | — | **49,993** |
| | 16.11.18 | 15.79[5] | — | — | 53,912 | — | — | **53,912** | — | — | **53,912** |
| Total | | | | 133,734 | 75,524 | 11,425 | 32,618 | **162,309** | — | 39,698 | **122,611** |

1. Relates to the 2016 LTIP award following the three year performance period ended 29 June 2019.
2. Sharesave is an all-employee share option plan and has no performance condition as per HMRC Regulations. David Brown's sharesave options were granted in 2016 and matured in May 2019.
3. The 2015 deferred share bonus award vested on 29 October 2018 and was exercised on 26 March 2019 with a share price of £20.0035. David Brown's gain on his 2015 DSBP was therefore £226,660.
4. As none of the performance conditions were achieved, the 2015 LTIP lapsed in full.
5. The number of shares over which the award was granted was calculated using a share price of £15.79, 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, Elodie Brian

| Plan | Date of grant | Mid-market price on date of grant (£) | Balance at 1 July 2018 | Granted in year | Lapsed in year | Balance at 29 June 2019 |
|---|---|---|---|---|---|---|
| Deferred Share Bonus Plan[1] | 25.11.14 | 24.74 | 505[2] | — | — | **505** |
| | 19.11.15 | 25.17 | 658[3] | — | — | **658** |
| | 15.11.16 | 20.81 | 374 | — | — | **374** |
| | 17.11.17 | 17.27 | 402 | — | — | **402** |
| | 16.11.18 | 15.61 | — | 500 | — | **500** |
| Total | | | 1,939 | 500 | — | **2,439** |

1. Relates to the deferred share bonus awards granted to Elodie Brian between 2014 and 2018, prior to her statutory appointment to the Board in June 2019, and during her employment as Finance and Contracts Director for Southeastern.
2. Relates to the 2014 deferred share bonus award which vested on 25 November 2017 and remains unexercised.
3. Relates to the 2015 deferred share bonus award which vested on 19 November 2018 and remains unexercised.

### Former Group Chief Financial Officer, Patrick Butcher

| Plan | Date of grant | Mid-market price on date of grant (£) | Balance at 1 July 2018 | Granted in year | Lapsed in year* | Balance at 29 June 2019 |
|---|---|---|---|---|---|---|
| Deferred Share Bonus Plan | 15.11.16 | 20.81 | 6,770 | — | 6,770 | **—** |
| LTIP | 16.11.16 | 20.47 | 18,073 | — | 18,073 | **—** |
| | 17.11.17 | 16.58 | 22,762 | — | 22,762 | **—** |
| Total | | | 47,605 | — | 47,605 | **—** |

* The former Group Chief Financial Officer resigned on 30 November 2018. All deferred share bonus and LTIP awards made in 2016 and 2017 lapsed upon his cessation of employment.

## Long Term Incentive Plan

### 2018 LTIP award granted during the year ended 29 June 2019 (audited)

An LTIP award was granted to the Group Chief Executive during the year ended 29 June 2019, structured as a nil cost option, exercisable at the end of a three year performance period. This commenced with the start of the 2019 financial period and is subject to the satisfaction of performance conditions. The vested award will then be 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 2019 grant policy was to grant an award with a face value of 150% of base salary 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 | £15.74 | 53,912 | 849 | 10% for EPS, 25% for TSR and 10% for each customer element | Three financial years ending on 3 July 2021 |

1. The number of shares over which the award was granted was calculated using a share price of £15.79, 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 £15.74. This was the share price on 16 November 2018, the date of grant.

### Performance conditions attaching to the 2018 LTIP award

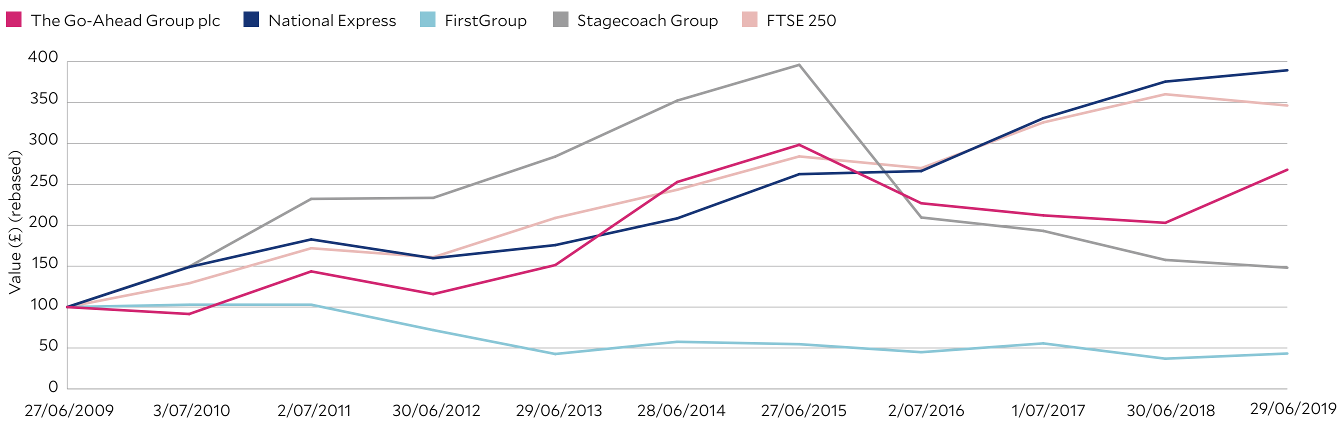
The EPS, TSR and customer service measures and targets for the 2018 LTIP award are detailed below:

| | EPS payout (% of each element) | Compound annual growth in adjusted EPS* | Payout (% of TSR element) | Relative TSR vs FTSE 250 (excluding certain sectors) | Payout (% of each customer element) | Rail customer service target | Bus customer service target |
|---|---|---|---|---|---|---|---|
| Weighting (% of total award) | — | 40% | — | 40% | — | 10% | 10% |
| Below threshold | 0% | Less than RPI + 2% p.a. | 0% | Below median | 0% | Less than 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% |

* 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 ten financial years to 29 June 2019. 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 29 June 2019, 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, FirstGroup 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 ten years

The table below shows the remuneration of the Group Chief Executive for the period from 28 June 2009 to 29 June 2019. The total remuneration figure includes the performance-related bonus and LTIP awards (and the percentage of the maximum opportunity that these represent).

### Group Chief Executive's remuneration history

| Year | Group Chief Executive | Single total remuneration figure £'000 | Annual performance-related bonus (actual award vs maximum opportunity) £'000 (and % vesting) | Long term incentive vesting (vesting vs maximum opportunity) £'000 (and % vesting) |
|---|---|---|---|---|
| 2019 | David Brown | 1,269 | 660 (75.8%)[1] | 0[2] |
| 2018 | David Brown | 1,175 | 582 (68.3%)[3] | 0[4] |
| 2017 | David Brown | 782 | Nil[5] | 220 (54%) |
| 2016 | David Brown | 1,214 | Nil[5] | 647 (90%) |
| 2015 | David Brown | 2,134 | 558 (69.6%) | 1,067 (100.0%) |
| 2014 | David Brown | 1,960 | 766 (97.5%) | 666 (80.0%) |
| 2013 | David Brown | 942 | 422 (55.3%) | — |
| 2012 | David Brown | 1,022 | 513 (68.0%) | — |
| 2011 | David Brown | 251[6] | 125 (100.0%) | — |
| 2011 | Keith Ludeman | 1,564 | 530 (100.0%) | — |
| 2010 | Keith Ludeman | 1,349 | 689 (100.0%) | 73 (21.7%) |

1. Based on the assessment of performance against targets, the Group Chief Executive was awarded an overall bonus of 75.8% of the maximum bonus opportunity (113.6% of base salary).
2. The 2016 LTIP award will lapse in full from November 2019 on account of none of the performance measures being met following the three year performance period ended 29 June 2019.
3. 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 2018 bonus by 25% resulting in an actual bonus of 68.3% of maximum bonus (102.4% of salary).
4. The 2015 LTIP award lapsed in full in November 2018 on account of none of the performance measures being met following the three year performance period ended 30 June 2018.
5. At the request of the Group Chief Executive, there were no annual performance-related bonuses paid for the years 2017 and 2016.
6. Following his appointment in April 2011, the Group Chief Executive was paid a pro-rata performance-related bonus for the financial year 2011.

## 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 2018 and 29 June 2019, compared to the average change for all employees of the Group.

| | % change from 2018 to 2019 | | |
|---|---|---|---|
| | Salary | Benefits | Bonus |
| Group Chief Executive | 2.5%[1] | 18.7[2] | 13.7%[3] |
| Average employees | 2.9%[4] | 0.0% | 4.2% |

1. From 1 April 2019, the Group Chief Executive's base salary increased from £567,520 to £581,710.
2. The Group Chief Executive received family healthcare membership in the amount of £4,030 for the year ended 29 June 2019 (2018: £3,395).
3. The Group Chief Executive was awarded an annual performance-related bonus of £660,822 for the year ended 29 June 2019 (2018: £581,000). Half of this bonus is payable in cash and half is awarded as deferred shares.
4. Reflects the average increase in salary for all employees across the Group, including overseas. This increases to 3.4% if salary increases offered but not yet accepted by employees are taken into consideration.

### Group Chief Executive pay ratio

The table below sets out the ratios of the Group Chief Executive to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a full time basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Requirements 2018 (the Regulations), which were published during 2018, and will first apply to Go-Ahead at the next financial year end. The disclosure will build up over time to cover a rolling ten-year period.

| Year | Method | 25th percentile pay ratio | 50th percentile pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2019 | Option A | 47:1 | 37:1 | 29:1 |

| Pay data (£'000) | Base salary | Total pay and benefits |
|---|---|---|
| Group Chief Executive remuneration | 571 | 1,269 |
| UK employees 25th percentile | 9 | 27 |
| UK employees 50th percentile | 32 | 34 |
| UK employees 75th percentile | 23 | 44 |

The Group Chief Executive's remuneration package comprises of a fixed element (base salary and family healthcare membership), an annual performance-related bonus (maximum of 150% of base salary with half paid in cash and half paid in shares deferred for a period of three years under the DSBP and LTIP (maximum of 150% of base salary). A significant proportion of the Group Chief Executive's potential remuneration is therefore performance-related and dependent on the achievement of a broad range of challenging financial and non-financial targets. In addition, a significant proportion of the Group Chief Executive's remuneration is delivered in Go-Ahead Group shares. This means that the ratios will depend significantly on the CEO's annual performance-related bonus and LTIP outcomes and may fluctuate significantly from year to year. Only the Group Chief Executive, participated in the LTIP during the year, however, other senior employees, including the Group Chief Financial Officer also receive part of their remuneration in shares through participation in the DSBP and all employees with at least six months' notice are eligible to participate in share-based incentives via the Company's HMRC approved Share Incentive Plan.

The committee believes that the median pay ratio is consistent with the Group's pay, reward and progression policies. Base salaries of all colleagues, including the executive directors, are set with reference to a range of factors including market comparators, individual experience and performance in role.

1. "Option A" methodology was selected on the basis that it provides the most robust and statistically accurate means of identifying the median, lower and upper quartile colleagues.
2. The Group Chief Executive remuneration is the total single figure remuneration for the year ended 29 June 2019 contained on page 104.
3. The workforce comparison is based on actual payroll data for the period 1 July 2018 to 31 March 2019, annualised to provide a full data set for the year ended 29 June 2019. This annualisation has been carried out for each employee using the ratio of contracted hours to their full time equivalent hours. Any employee who has been employed for less than 30 days has been excluded on the grounds that their annualisation is less likely to be accurate.
4. The total single figure remuneration calculated for each employee includes full time equivalent base pay, annual bonuses for the 2018 performance year, overtime, benefits, allowances and employer pension contributions.
5. Due to the timing constraints of when employee annual bonuses are determined and paid across the Group, the value of employee annual bonus payments included in the calculation is in respect of the year ended 30 June 2018.
6. Part time workers have been included by calculating the full time equivalent value of their pay and benefits.
7. All overtime earned during the period 1 July 2018 to 31 March 2019 has been annualised for all employees and included in the calculation.
8. Leavers, joiners and employees on reduced pay (due to sick pay, maternity leave, etc.) have been included.
9. Smart pension reductions have been excluded on the basis that these are a voluntary arrangement whereby a employee foregoes part of their salary in exchange for additional pension contributions rather than a reduction in the salary provided.

### Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the financial year being reported on compared with the previous year.

| | 2019 £m | 2018 £m | % change |
|---|---|---|---|
| Dividends | **£43.8** | £43.8 | 0 |
| Overall expenditure on pay | **£1,272.7** | £1,224.4 | 3.9 |

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 29 June 2019 (2018: £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) acts as an independent remuneration advisor to the committee. The advisor was selected through a thorough process led by the Remuneration Committee Chair and was appointed by the committee.

Neither Aon Hewitt Limited nor the wider Aon plc provided any other services to the Group during the year and therefore the committee was satisfied that it provided objective and independent advice. NBS is a member of the Remuneration Consultants Group and complies with its code of conduct. The fees payable to NBS for advice throughout the year were £64,300 (2018: £49,579).

### Statement of voting at Annual General Meeting

At last year's AGM (1 November 2018) the directors' remuneration report and policy received the following votes from shareholders:

| | Votes for and discretionary | Votes against | Total votes | Withheld |
|---|---|---|---|---|
| Remuneration policy | 30,249,362 | 307,034 | 30,556,396 | 19,230 |
| | 99.00% | 1.00% | 100.00% | |
| Remuneration report | 29,886,078 | 291,604 | 30,177,682 | 397,944 |
| | 99.03% | 0.97% | 100.00% | |

## Section 3: Implementation of remuneration policy in 2020

The committee is not proposing any changes to the remuneration policy for the financial year 2020.

### Executive directors' 2020 base salaries

The base salaries of the executive directors were last reviewed with effect from 1 April 2019 and will remain unchanged until the next annual review.

### Benefits

The benefits for both executive directors will be adopted in line with the remuneration policy, approved during the last AGM as outlined on pages 98 to 103.

### Pensions

Pension provision for executive directors has been aligned with the majority of the workforce which will remain effective for the forthcoming financial year.

### 2020 performance-related bonus

The performance measures and weightings for 2020, which remain unchanged from 2019, are as follows:

| Metric | Weighting (% of maximum bonus) |
|---|---|
| Operating profit | 65% |
| Group cashflow | 10% |
| Strategic KPIs | 25% |

Operating profit will be weighted between the bus and rail divisions. Operating profit, cashflow and strategic KPI targets will be stretching for the 2020 financial year and more information on the specific targets and performance against them will be provided retrospectively in next year's remuneration report to the extent that they are not commercially sensitive at the time. The key strategic KPIs will be in support of 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.

A health and safety underpin will continue to apply to the full bonus, with the remuneration committee having discretion to reduce or not pay the bonus if health and safety performance was not satisfactory.

A rail customer service underpin will also continue to apply to the bonus, with the remuneration committee having discretion to scale back the bonus if there was a significant decline in rail customer satisfaction.

Any bonus payable will be satisfied 50% in cash and 50% in deferred shares. Malus and clawback provisions will apply to the full performance-related bonus and the audit committee will undertake a formal end-of-year quality of profit and budget review in conjunction with the auditor before approval of any bonus payment.

### 2019 LTIP awards

For the year commencing 30 June 2019, the LTIP award for the Group Chief Executive and the Group Chief Financial Officer will have a face value of 150% and 100% of salary respectively.

The LTIP award will be subject to malus and clawback provisions for three years following vesting. Awards will also be subject to a holding period that applies until the later of (i) the fifth anniversary of the grant date (ii) or the second anniversary of vesting. During this time, 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.

The committee is not proposing any changes to the remuneration policy for the financial year 2020. However, the committee does have discretion to vary the weighting of and choice of LTIP metrics prior to each award. In accordance with best practice, the committee will be consulting with the Group's major shareholders and shareholder representative bodies on proposed changes to the LTIP's performance targets and weightings for the next award to be granted in November 2019. The outcome of this consultation will be confirmed to the Group's major shareholders and shareholder representative bodies before the 2019 AGM, in addition to being disclosed in next year's Annual Report.

### 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

4 September 2019

# Directors' report

**The directors present their report and audited financial statements for the year ended 29 June 2019. This directors' report forms part of the management report as required under the Disclosure Guidance and Transparency Rules.**

### Information incorporated by reference

The following information is provided in other appropriate sections of this Annual Report and Accounts and is incorporated by reference:

| Information | Reported in | Page(s) |
|---|---|---|
| Corporate governance | Corporate governance statement | 56 to 79 |
| | Directors' statement of responsibilities | 119 |
| Directors | Board of directors | 60 to 61 |
| | Directors' remuneration report – directors' shareholdings and share interests | 90 to 115 |
| Employees | Strategic report – employee policies (including those concerning the employment of disabled persons), employee engagement and information on the Group equal opportunities, inclusion and diversity policy | 25 to 27 |
| Business model | Strategic report | 20 to 21 |
| Likely future developments in the business | Strategic report | 6 to 55 |
| Important events since 29 June 2019 | Strategic report | 13 |
| Greenhouse gas emissions | Appendix to shareholder information | 207 to 208 |
| Risk factors and principal risks | Strategic report | 46 to 55 |
| Viability statement | Strategic report | 47 |
| Going concern | Directors' report | 119 |

### Listing Rule 9.8.4R disclosures

The table below sets out where information required to be disclosed under Listing Rule 9.8.4R can be found in this Annual Report and Accounts (to the extent applicable to the Group).

| Listing Rule 9.8.4 | 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 5 of the financial statements and directors' remuneration report on pages 90 to 115 |
| 4 | Waiver of emoluments by a director | Not applicable |
| 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 page 118 |
| 12 | Shareholder waivers of future dividends | Directors' report on page 118 |
| 13 | Agreements with controlling shareholders | Not applicable |

### Group's Articles of Association (Articles)

The Articles may 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' 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.

### Appointment and removal of directors

The appointment and removal of directors are governed by the Articles, the UK Corporate Governance Codes published in April 2016 and July 2018, the Companies Act 2006 (the Act) and related legislation. Directors may be appointed by the Company, by ordinary resolution or by the Board. A Director appointed by the Board holds office until the next Annual General Meeting (AGM) of the Company after their appointment and is then eligible to stand for election. In line with the Articles, they are then required to stand for re-election at every AGM thereafter. The Company may, by ordinary resolution, remove any director before the expiry of the director's period of office. The powers of the directors are set out in the Articles and the Act.

In accordance with the Board's succession plan, Andrew Allner will retire from the Board at the conclusion of the 2019 AGM and will therefore not be standing for re-election. All other directors will be submitting themselves for re-election at the 2019 AGM with the exception of Elodie Brian and Clare Hollingsworth, who will be offering themselves for election for the first time following their appointment to the Board on 5 June 2019 and 1 August 2019 respectively.

The Board is satisfied that each director is qualified for election/re-election by virtue of their skills, experience and contribution to the Board. Biographical details of all directors for the year ended 29 June 2019 can be found on pages 60 and 61.

### 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 29 June 2019 and continue to remain in force.

### Change of control

Details of the change of control provisions in place across the Group can be found on page 205.

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 targets a dividend payout ratio of 50% to 75% of net income. Details of the proposed final dividend payment for the year ended 29 June 2019 are shown on the consolidated income statement on page 129 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 (2018: £nil). Additionally, the Group did not incur any political expenditure as defined in the Act (2018: £nil).

### Post balance sheet events

On 7 August 2019, the Department for Transport confirmed a further extension to the current Southeastern franchise which will now run to 1 April 2020 rather than expiring on 10 November 2019. For further information on this post balance sheet event, please see page 186.

### Financial instruments

Details of the Group's financial risk management in relation to its financial instruments are available in note 21 of the consolidated financial statements.

### Auditor
Resolutions to reappoint Deloitte LLP as auditor of the Group and to authorise the audit committee to determine its remuneration will be proposed at the 2019 AGM. Further details are provided on page 89.

### Share capital and substantial shareholdings
All information relating to the Group's capital structure, rights attaching to shares, dividends, any restrictions on the transfer of shares, the policy to repurchase the Group's own shares, substantial shareholdings and other shareholder information is shown on pages 204 to 206.

### 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 56,482 ordinary shares at a total price of £965,969 (including all associated costs). The average price was £17.32 per share. As at 4 September 2019 (being the latest practicable date prior to the date of this report) the Trust held 172,299 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 and senior managers of the Group under the LTIP and DSBP. The voting rights in relation to these shares are exercised by the Trustee and dividends are waived while the shares are held by the Trustee.

#### Share Incentive Plan
The Group operated a Share Incentive Plan during the year under review, enabling employees of the Group to acquire shares in The Go-Ahead Group plc. In order to preserve certain tax benefits, these shares are held in a trust by EES Corporate Trustees Limited for participating employees. Whilst these shares are held in trust, the voting rights attached to them will not be exercised by the Trustee or the employees for whom they are held. As at 4 September 2019 (being the latest practicable 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 Go-Ahead Group plc 2013 Savings-Related Share Option Scheme which launched in February 2016 (Sharesave 2016) matured this year on 1 May 2019. 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 over a period of three years. At the end of the savings term, participants were given the choice of taking their money back, or to purchase Go-Ahead Group shares at a 20% discount of the market price set at the date of invitation. Sharesave 2016 participants have six months from the maturity date to exercise their options.

By order of the Board

**Carolyn Ferguson**
Group Company Secretary

4 September 2019

# Statement of directors’ responsibilities



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 the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law, the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable IFRSs as adopted by the European Union (EU) have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the Group financial statements and the directors’ remuneration report comply with the Companies Act 2006 (the Act) and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts, taken as whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 60 to 61 of the Annual Report and Accounts, confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with the IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group
- 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

### Disclosure of information to the auditor

Each person who is a director at the date of approval of this report confirms that:

- So far as the directors are aware, there is no relevant audit information (as defined in Section 418(3) of the Act) of which the Group’s auditor is unaware
- The directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group’s auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Act.

### 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 44 and 45. In addition, note 21 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 cashflow 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 2024, with a further one year extension available. 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 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 47.

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

4 September 2019

# Independent auditor's report to the members of The Go-Ahead Group plc

## 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 29 June 2019 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 cashflow statement;
- the critical accounting judgements and key sources of estimation uncertainty;
- the notes to the consolidated financial statements 1 to 29 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:<br>• Franchise compliance and associated income under rail contracts<br>• Rail franchise, dilapidation and other provisions and accruals<br>• Valuation of uninsured liabilities<br>• Valuation of pension scheme liabilities and related disclosures<br>• Revenue recognition for the bus division<br>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 £5.8m (2018: £6.0m) which was determined as 5% of pre-tax profit (pre-exceptional items). |
| **Scoping** | Full audit procedures were performed over 95.1% of the group's total assets, 97.6% of the group's revenue, and 99.1% of the group's profit before tax. |
| **Significant changes in our approach** | In the prior year, the key audit matter surrounding the GTR franchise was considered and disclosed separately in the audit report ("Govia Thameslink Railway – Ongoing operational and financial challenges"). Following the agreement reached with the Department for Transport (DfT) during the year and with the associated risk relating to the franchise provisions reduced, it is deemed appropriate to consolidate this risk into the "Other rail franchise, dilapidations, other accruals and provisions" key audit matter. |

## Conclusions relating to going concern, principal risks and viability statement

### Going concern

We have reviewed the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of going concern.

### Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 46–55 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 50 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 47 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 the directors' disclosure of principal risks and viability.

## 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 29 June 2019 totalled £2,804.9m (2018: £2,527.3m) 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 pages 136–137 of the Annual Report and in the key financial and internal control matters in the Audit Committee report on pages 86–87 of the Annual Report.<br><br>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 read the key elements of the franchise agreements to understand the critical elements, inform the audit approach and challenge the accounting treatments adopted.<br>• We tested all significant assets, provisions and accruals, significant being quantitatively or qualitatively material. We also tested the associated revenue or costs recognised to assess whether their recognition and quantum was appropriately stated, and whether there were any indicators that the balances held should no longer be recognised due to the passage of time, changes in contractual commitments, or legal requirements.<br>• 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 will not be delivered.<br>• We tested the supporting documentation for these balances as prepared by management to source information, evaluated whether it was compliant with the franchise agreements, and tested the calculations applied including recalculation where relevant.<br>• We held meetings with the Finance Directors and members of the finance team to assess on a case by case basis the movements in the provisions and accruals, during the period under audit, and challenged management both on the recognition of new provisions and accruals, and also the continued recognition of long standing provisions and accruals.<br>• We reviewed board minutes and board papers to assess whether there was any inconsistency in the determination of the provisions and accruals balances or any significant judgements which have not been accounted for by management.<br>• We reviewed relevant legal documentation and minutes of meetings held with the DfT.<br>• We assessed disclosure of this area within the financial statements as a critical judgement against the requirements of IAS 1. |
| **Key observations** | The results of our procedures were satisfactory. We concur with the judgements made which are based on industry practice and relevant supporting data. |

## 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 23 of the financial statements).<br><br>During the reporting period, GTR reached an agreement with the DfT which settles the majority of past issues and significantly reduces the uncertainty over the future of the franchise. This agreement incorporated a margin guidance of 0.75% to 1.0% over the remaining life of the franchise, with an agreement for GTR to make no profit in the current year. As a result, there is an increased focus on provisions and the recognition of costs during the year within GTR, due to the risk that provisions could be overstated and released in future periods.<br><br>Franchise commitments total £64.0m as at 29 June 2019 (2018: £51.9m) as shown in consolidated note 23.<br><br>This is noted in the critical accounting judgements and key sources of estimation uncertainty note on pages 136–137 and in the key financial and internal control matters in the Audit Committee report on pages 86–87 of the Annual Report. Due to the level of management judgement involved in determining the correct value of provisions to be held, 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, the basis of estimate and the range of possible outcomes with the Finance Directors and relevant members of the finance teams.
- We have completed a review of supporting documentation and evidence for the existence of the obligation, obtaining directly from third parties where relevant. We have re-performed management's calculations to assess the quantum of the obligation outstanding at year-end, challenging whether the obligation exists.
- We assessed whether the provisions meet the criteria for recognition per IAS 37 and whether they have been appropriately classified as provisions or as an accrual.
- 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.
- We reviewed reports from Rolling stock leasing companies (ROSCOs) and management's valuation experts on their inspections and surveys.
- We held a meeting with LSER external legal counsel in relation to the Collective Proceedings Application to assess whether this should be classified as a provision or contingent liability.
- We assessed the implications to GTR as a result of the agreement with DfT. Our audit procedures have included critically evaluating whether further provisions are held in the current year with a view to release these when GTR's profit will not be restricted by this agreement.
- We assessed disclosure of this area within the financial statements as a critical judgement against the requirements of IAS 1.

**Key observations**

The results of our procedures were satisfactory. We concur with the judgements made which are based on industry practice and relevant supporting data.

## 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 29 June 2019 was £43.4m (2018: £45.3m) (see note 23: Provisions). The IBNR element represents £8.3m (2018: £9.7m) of the £43.4m (2018: £45.3m) total self-insurance provision.

It is noted in the critical accounting judgements and key sources of estimation uncertainty note on pages 136–137 and in the key financial and internal control matters in the Audit committee report on pages 86–87 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 the documents to confirm these.
- We assessed the methodology used to calculate the claims incurred liabilities.
- We assessed the approach used to determine the provision for claims incurred but not received and tested this provision against historical trends.
- We tested completeness of the self-insurance claims provision by sampling individual claims reported to the individual operating companies and confirmed they appropriately flowed through to the claim handlers' reports, and the provision held at group.
- 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 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 settle claims for incidents which arose prior to the balance sheet date (including those for incidents incurred but not reported) for completeness and accuracy through discussions held with the finance team and a review and testing of third party reports.
- We assessed disclosure of this area within the financial statements as a critical judgement against the requirements of IAS 1.

**Key observations**

The results of our procedures were satisfactory and we concurred with the level of provisions held. Whilst we have historically considered the IBNR provision to have been conservatively derived, in the current year we consider the provision to fall within a reasonable benchmark range.

| 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 pages 136–137. Total defined benefit liabilities were £810.1m as at 29 June 2019 (2018: £792.5m). 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.<br><br>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. Judgement is also involved in assessing the impact of the High Court ruling relating to the guaranteed minimum pension (GMP) equalisation (£16.8m income statement charge) recognised as an exceptional item in the financial statements.<br><br>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 pages 86–87 of the Annual Report. The assessment of this balance as a key source of estimation uncertainty is discussed on page 137. |
| **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 and longevity of current and deferred members and the selection of a suitable discount rate.<br>• 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.<br>• We tested the membership data utilised by the actuaries to calculate the liabilities for the pension scheme.<br>• We reviewed the accounting treatment of the Rail Pension Scheme for compliance with the Group's accounting policy and IFRS.<br>• We assessed the pension disclosures in the financial statements and considered their compliance with the requirements of IAS19 revised.<br>• We engaged actuarial experts to assess the GMP provision recognised.<br>• We assessed disclosure of this area within the financial statements as a critical judgement against the requirements of IAS 1. |
| **Key observations** | The results of our procedures were satisfactory and we concurred with the assumptions applied in respect of the valuation of the scheme liabilities. These assumptions fall within the middle of our acceptable range. |

| Revenue recognition for the bus division | |
|---|---|
| **Key audit matter description** | In the bus division the key audit matter over revenue recognition has been focused on whether recognising revenue in relation to concessionary fare income, contract sales and most significantly Quality Incentive Contract premiums (QICs) in London Bus is appropriate. Judgement is involved in determining QICs revenue which is based on performance measures associated with the contract. QICs income reflects the area of most judgement in the Bus division reflecting that it requires an assessment of the likely additional revenue receivable under the contractual terms with Transport for London for performance in the period.<br><br>Revenue for the year ended 29 June 2019 totalled £1,002.2m (2018: £934.2m) for the bus operating segment (see segmental analysis note 3 of the Annual Report). Due to the management judgement involved in determining QICs revenue we deemed this a potential fraud risk for our audit. QICs revenue increased from £13.2m in the prior year to £18.3m in the current year as a result of improved performance. |
| **How the scope of our audit responded to the key audit matter** | • We assessed the process undertaken to recognise revenue in the bus businesses with the finance team and the associated reviews and controls performed.<br>• We evaluated the design and implementation of controls related to revenue processes determine whether they have been implemented regarding the correct recording of revenue.<br>• We performed detailed testing to supporting documentation, being third party where relevant, of the key revenue balances at each in scope bus business including a focus on the QICs premium income recognised in London Bus. |

| | |
|---|---|
| **Key observations** | The results of our procedures were satisfactory and we concurred with the recognition of revenue in the bus division. |

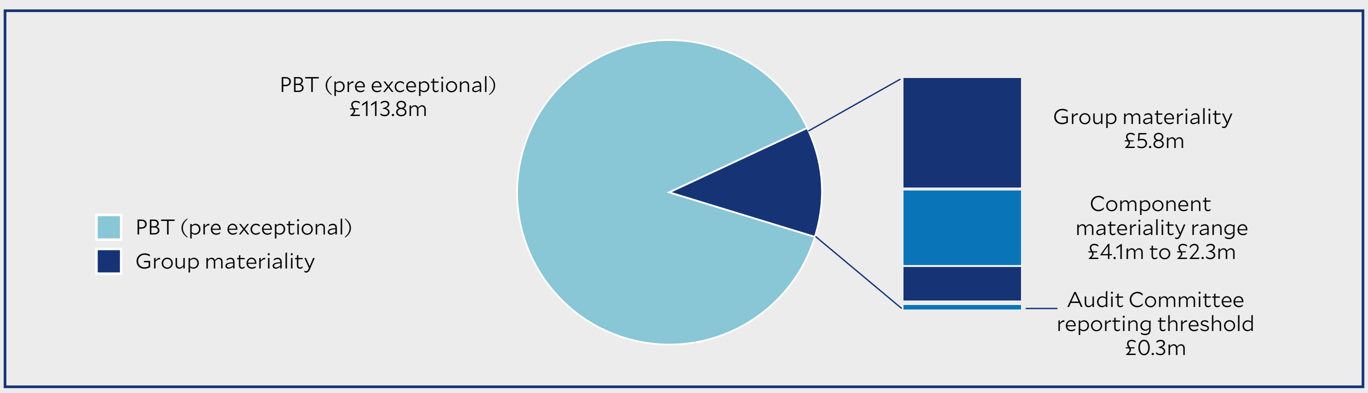
## Our application of materiality

### 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** | £5.8m (2018: £6.0m) | £2.3m (2018: £2.4m) |
| **Basis for determining materiality** | 5% of pre-tax profit (2018: 5%) pre-exceptional items. (Exceptional items have been defined in the critical accounting judgements and key sources of estimation uncertainty section of the Annual Report, amount disclosed in note 6). | Determined based on 3% of equity (2018: 3%) but capped at 40% of group materiality |
| **Rationale for the benchmark applied** | Pre-tax profit was selected as the appropriate measure on which to determine 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 removed volatility from the materiality determination. | Equity has been selected as an appropriate measure on which to determine materiality as the parent company is a Holding company. |




### Performance materiality

As part of our audit, we determine a performance materiality which is used to assess the risks of material misstatement for the audit and determine the nature, timing and extent of audit procedures to be performed.

Performance materiality has been determined at 70% of materiality, giving a performance materiality of £4.06m for FY19.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered the following factors:

- the quality of the financial reporting and control environment; and
- the level of unadjusted misstatements in the current and prior year.

### Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.3m (2018: £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 11 (2018: 12) principal locations including both of the UK rail businesses which were subject to a full audit. The change being reflective of our continued assessment of financial significance of each component to the Group. The locations in scope represent the principal business units and account for 95.1% of the Group's total assets, 97.6% of the Group's revenue and 99.1% 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.

Our scoping decisions considered a number of factors including the individual financial significance of a component, whether key audit matters were applicable to the components, newly acquired or newly operational components.

In the current year our audit scoping has risk assessed recent acquisitions in Dublin and Manchester and also the commencement of rail operations in Germany. Specified procedures have been performed in these locations where deemed appropriate.

A component materiality was used to perform the audit work at all component locations and for the FY19 this ranged from £2.3m to £4.1m (FY18: £2.6m – £4.4m). Component materiality is used to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the Group financial statements exceeds materiality for the Group financial statements as a whole.

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. In addition, we attended close meetings with them and component management teams, and reviewed their component reporting.

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.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

## 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. Our work is designed to identify errors that we consider are likely to be material to those that seek to rely on the financial statements either by their monetary value or because of their nature.

### Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, franchise compliance and communication with DfT of the train operating companies.
- the control environment and business performance including the design of the group's remuneration policies being driven by both financial and strategic measures;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  a. identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  b. detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  c. the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, pensions, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified potential for fraud in the following areas; revenue recognition and compliance with rail franchise and bus contracts, and in relation to key provisions and accruals such as rail franchise and dilapidation provisions and uninsured liabilities. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory 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 that had a direct effect on the financial statements included the UK Companies Act, Listing Rules, pension legislation and tax legislation. In addition, compliance with the terms of the Group's schedules of the franchise agreements for the train operating companies which are fundamental to the Group's business operations.

### 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
- 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

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 described above as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house/external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the DfT in relation to the rail operating franchises; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 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 on 22 October 2015 to audit the financial statements for the year ending 2 July 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ending 2 July 2016 to 29 June 2019.

#### 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

4 September 2019

# Consolidated income statement

**for the year ended 29 June 2019**

| | Notes | Pre-exceptional 2019 £m | Exceptional items 2019 £m | Post-exceptional 2019 £m | Pre-exceptional 2018 £m | Exceptional items 2018 £m | Post-exceptional 2018 £m |
|---|---|---|---|---|---|---|---|
| **Group revenue** | 3 | **3,807.1** | **—** | **3,807.1** | 3,461.5 | — | 3,461.5 |
| Operating costs | 4, 6 | **(3,686.0)** | **(16.8)** | **(3,702.8)** | (3,325.6) | 25.1 | (3,300.5) |
| **Group operating profit** | | **121.1** | **(16.8)** | **104.3** | 135.9 | 25.1 | 161.0 |
| Share of result of joint venture | | **(0.5)** | **—** | **(0.5)** | (1.1) | — | (1.1) |
| Finance revenue | 7 | **5.1** | **—** | **5.1** | 2.5 | — | 2.5 |
| Finance costs | 7 | **(11.9)** | **—** | **(11.9)** | (14.1) | (2.6) | (16.7) |
| **Profit before taxation** | | **113.8** | **(16.8)** | **97.0** | 123.2 | 22.5 | 145.7 |
| Tax expense | 8 | **(24.7)** | **2.8** | **(21.9)** | (24.9) | (11.5) | (36.4) |
| **Profit for the year from continuing operations** | | **89.1** | **(14.0)** | **75.1** | 98.3 | 11.0 | 109.3 |
| Attributable to: | | | | | | | |
| Equity holders of the parent | | **72.8** | **(14.0)** | **58.8** | 78.0 | 11.0 | 89.0 |
| Non-controlling interests | | **16.3** | **—** | **16.3** | 20.3 | — | 20.3 |
| | | **89.1** | **(14.0)** | **75.1** | 98.3 | 11.0 | 109.3 |
| **Earnings per share** | | | | | | | |
| – basic | 9 | **169.4p** | **(32.6)p** | **136.8p** | 181.6p | 25.6p | 207.2p |
| – diluted | 9 | **169.0p** | **(32.5)p** | **136.5p** | 181.2p | 25.5p | 206.7p |
| **Dividends paid (pence per share)** | 10 | | | **102.08p** | | | 102.08p |
| **Final dividend proposed (pence per share)** | 10 | | | **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 increased by 10.0% to £3,807.1m (2018: £3,461.5m). The rail operations comprised 73.7% of the total revenue and increased by 11.0% during the year to £2,804.9m. Regional bus comprised 11.4% of revenue, growing by 12.8% to £433.0m whilst London & International bus comprised the remaining 14.9%, growing by 3.4% to £569.2m. Divisional performance is shown in note 3.

### Operating profit

Overall, the operating profit, before exceptional items, decreased 10.9% from £135.9m to £121.1m with reduced profitability in rail and a slight increase in bus. Rail profit margins decreased from 1.8% to 0.9%, the regional bus margins declined from 11.9% to 10.3% whilst London & International bus increased to 9.0% from 8.3%. While cost control is a central focus across the business, rail profitability declined following the expiry of the London Midland franchise.

### Exceptional operating item

During the year, an exceptional charge of £16.8m arose on The Go-Ahead Group Pension Plan (the Go-Ahead Plan) following the High Court ruling on 26 October 2018 that Guaranteed Minimum Pensions (GMP) should be equalised between men and women.

### Finance costs

Net finance costs have decreased due to higher interest receivable from increased cash and cash equivalents and lower interest payable. In the prior year this included an accrued interest charge on an HMRC taxation enquiry, which has now been settled, and increased interest on the timing of the bonds.

### Tax expense

The tax expense decreased from £36.4m in 2018 to £21.9m. In the prior year, the tax expense included an amount accrued in relation to a HMRC taxation enquiry and the impact of exceptional items. The 2019 effective tax rate is 22.6% (2018: 25.0%). The effective rate is higher than the statutory rate in both years due to the impact of non-tax-deductible costs such as overseas bid costs and, in the prior year, the impact of an HMRC enquiry, which was settled during the current year.

# Consolidated statement of comprehensive income

**for the year ended 29 June 2019**

| | Notes | 2019 £m | 2018 £m |
|---|---|---|---|
| **Profit for the year** | | **75.1** | 109.3 |
| **Other comprehensive income** | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurement gains on defined benefit pension plans | 27 | **21.6** | 18.9 |
| Tax relating to items that will not be reclassified | 8 | **(3.7)** | (3.3) |
| | | **17.9** | 15.6 |
| Items that may subsequently be reclassified to profit or loss: | | | |
| Unrealised (losses)/gains on cashflow hedges | 22 | **(4.9)** | 30.5 |
| Gains on cashflow hedges taken to income statement – operating costs | 22 | **(8.8)** | (2.3) |
| Tax relating to items that may be reclassified | 8, 22 | **2.4** | (5.2) |
| Foreign exchange gain | | **—** | 0.8 |
| | | **(11.3)** | 23.8 |
| Other comprehensive gains for the year, net of tax | | **6.6** | 39.4 |
| **Total comprehensive income for the year** | | **81.7** | 148.7 |
| Attributable to: | | | |
| Equity holders of the parent | | **65.4** | 128.4 |
| Non-controlling interests | | **16.3** | 20.3 |
| | | **81.7** | 148.7 |

**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 £75.1m 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 £21.6m, which consisted of rail pension plans showing remeasurements of £nil and bus pension plans showing remeasurements of £21.6m.

**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 decreases in market prices a loss in the year arose.

# Consolidated statement of changes in equity

**for the year ended 29 June 2019**

| | 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 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 5) | — | — | — | — | — | 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 10) | — | — | — | — | — | (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 |
| Profit for the year | **—** | **—** | **—** | **—** | **—** | **58.8** | **58.8** | **16.3** | **75.1** |
| Net movement on hedges (net of tax) | **—** | **—** | **(11.3)** | **—** | **—** | **—** | **(11.3)** | **—** | **(11.3)** |
| Remeasurement on defined benefit retirement plans (net of tax) (note 27) | **—** | **—** | **—** | **—** | **—** | **17.9** | **17.9** | **—** | **17.9** |
| Total comprehensive income | **—** | **—** | **(11.3)** | **—** | **—** | **76.7** | **65.4** | **16.3** | **81.7** |
| Exercise of share options | **—** | **1.0** | **—** | **—** | **—** | **(1.0)** | **—** | **—** | **—** |
| Share based payment charge (and associated tax) (note 5) | **—** | **—** | **—** | **—** | **—** | **1.1** | **1.1** | **—** | **1.1** |
| Acquisition of own shares | **—** | **(1.0)** | **—** | **—** | **—** | **—** | **(1.0)** | **—** | **(1.0)** |
| Share issue | **0.5** | **—** | **—** | **—** | **—** | **—** | **0.5** | **—** | **0.5** |
| Dividends (note 10) | **—** | **—** | **—** | **—** | **—** | **(43.8)** | **(43.8)** | **(12.7)** | **(56.5)** |
| **At 29 June 2019** | **74.7** | **(71.3)** | **3.5** | **1.6** | **0.7** | **300.9** | **310.1** | **35.1** | **345.2** |

### The consolidated statement of changes in equity shows the movements in equity shareholders' funds and non-controlling interests

Equity shareholders' funds increased from £287.9m to £310.1m as a result of retained profit for the year exceeding dividend payments, plus gains on the remeasurement of defined benefit retirement plans offset by losses on the fuel hedge derivatives.

Non-controlling interests have increased from £31.5m to £35.1m 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 decrease is due to decreases in market prices resulting in a loss in the year.

# Consolidated balance sheet

**as at 29 June 2019**

| | Notes | 2019 £m | 2018 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **631.9** | 628.7 |
| Intangible assets | 12 | **108.8** | 91.5 |
| Deferred tax assets | 8 | **0.2** | 0.1 |
| Investments | 28 | **—** | 0.3 |
| Other financial assets | 22 | **1.5** | 8.1 |
| Retirement benefit obligations | 27 | **53.8** | 41.4 |
| | | **796.2** | 770.1 |
| **Current assets** | | | |
| Inventories | 15 | **16.8** | 15.2 |
| Trade and other receivables | 16 | **350.3** | 342.9 |
| Other financial assets | 22 | **4.4** | 10.0 |
| Assets classified as held for sale | 14 | **2.7** | 13.1 |
| Cash and cash equivalents | 17 | **630.8** | 556.5 |
| | | **1,005.0** | 937.7 |
| **Total assets** | | **1,801.2** | 1,707.8 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **(847.7)** | (804.8) |
| Other financial liabilities | 22 | **(0.8)** | — |
| Interest-bearing loans and borrowings | 19 | **(7.3)** | (8.4) |
| Current tax liabilities | 8 | **(13.1)** | (20.5) |
| Provisions | 23 | **(34.8)** | (29.6) |
| | | **(903.7)** | (863.3) |
| **Non-current liabilities** | | | |
| Trade and other payables | 18 | **(9.0)** | (1.0) |
| Other financial liabilities | 22 | **(0.8)** | — |
| Interest-bearing loans and borrowings | 19 | **(405.9)** | (394.8) |
| Retirement benefit obligations | 27 | **(5.1)** | (4.6) |
| Deferred tax liabilities | 8 | **(49.5)** | (51.0) |
| Provisions | 23 | **(82.0)** | (73.7) |
| | | **(552.3)** | (525.1) |
| **Total liabilities** | | **(1,456.0)** | (1,388.4) |
| **Net assets** | | **345.2** | 319.4 |
| **Capital and reserves** | | | |
| Share capital | 24 | **74.7** | 74.2 |
| Reserve for own shares | 24 | **(71.3)** | (71.3) |
| Hedging reserve | 24 | **3.5** | 14.8 |
| Share premium reserve | 24 | **1.6** | 1.6 |
| Capital redemption reserve | 24 | **0.7** | 0.7 |
| Retained earnings | 24 | **300.9** | 267.9 |
| **Total shareholders' equity** | | **310.1** | 287.9 |
| Non-controlling interests | | **35.1** | 31.5 |
| **Total equity** | | **345.2** | 319.4 |

The financial statements were approved by the Board of Directors on 4 September 2019 and were signed on its behalf by:

**Andrew Allner**
Chairman

**Elodie Brian**
Group Chief Financial Officer

## The consolidated balance sheet shows all of our assets and liabilities at the year end

Further details of the major movements of our assets and liabilities in the year are set out below:

### Assets

#### Property, plant and equipment

Overall, property, plant and equipment totalled £631.9m, up £3.2m on the prior year, with the vast majority held in the bus division in freehold land and buildings and bus vehicles. During the year, the Group spent £72.6m on assets, £50.0m in the bus division as part of our commitment to the investment in our bus fleet, and £22.6m in the rail division; offsetting this were depreciation charges of £79.3m, £65.1m in bus and £14.2m in rail.

#### Intangible assets

The total intangible balance of £108.8m is up £17.3m on the prior year. Other additions comprised £6.1m of software costs and £16.1m of franchise set-up costs. The amortisation charge for the year totalled £4.8m.

#### Other current assets

The Group's current assets totalled £1,005.0m, up £67.3m on the prior year. Of this increase, £74.3m was in cash, mainly as a result of cash held in the rail business.

#### Other financial assets and liabilities

Included in current assets is £4.4m and in non-current assets is £1.5m, offset by current liabilities of £0.8m and non-current liabilities of £0.8m. These represent the mark to market value of the fuel hedges, split between those due within one year and those due in more than one year.

#### Trade and other payables

Trade and other payables have increased by £42.9m to £847.7m, mainly attributable to the timing of year-end and the payment of trade payables within the rail division.

#### Interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings totalled £405.9m, up from £394.8m in 2018. Principal balances within this are amounts drawn on our revolving credit facility of £144.7m and the £250.0m corporate bond, offset by deferred debt issue costs. Current interest-bearing loans and borrowings totalled £7.3m, £8.4m in 2018. Interest rates and movements on these balances are shown in full in note 19.

#### 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 £48.7m 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 23, 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 £43.4m is £1.9m lower than in 2018. Rail franchise commitments are higher than prior year at £64.0m. The Group engages with external third party professionals to assist in the calculation of these provisions.

### Total equity

Movements in equity and reserves are described in the commentary on the consolidated statement of changes in equity.

# Consolidated cashflow statement

**for the year ended 29 June 2019**

| | Notes | 2019 £m | 2018 £m |
|---|---|---|---|
| **Profit after tax for the year** | | **75.1** | 109.3 |
| Net finance costs | 7 | **6.8** | 14.2 |
| Tax expense | 8 | **21.9** | 36.4 |
| Depreciation of property, plant and equipment | 11 | **79.3** | 82.7 |
| Amortisation of intangible assets | 12 | **4.8** | 3.3 |
| Investment/asset/goodwill impairment | | **0.3** | 10.1 |
| Share of result of joint venture | | **0.5** | 1.1 |
| Loss/(profit) on sale of assets held for sale | | **0.1** | (0.9) |
| Profit on sale of property, plant and equipment | | **(0.2)** | (7.3) |
| Share based payment charges | 5 | **1.0** | 2.2 |
| Difference between pension contributions paid and amounts recognised in the income statement | | **(7.1)** | (6.3) |
| Pension scheme exceptional items | 6 | **16.8** | (35.2) |
| (Increase)/decrease in inventories | | **(1.6)** | 1.5 |
| Increase in trade and other receivables | | **(10.6)** | (1.9) |
| Increase/(decrease) in trade and other payables | | **55.6** | (18.9) |
| Movement in provisions | | **13.5** | 0.7 |
| **Cashflows generated from operations** | | **256.2** | 191.0 |
| Taxation paid | 8 | **(32.5)** | (28.7) |
| **Net cashflows from operating activities** | | **223.7** | 162.3 |
| **Cashflows from investing activities** | | | |
| Interest received | | **5.0** | 2.5 |
| Proceeds from sale of property, plant and equipment | | **3.4** | 15.4 |
| Proceeds from sale of assets held for sale | | **12.4** | 1.7 |
| Purchase of property, plant and equipment | | **(72.6)** | (126.7) |
| Purchase of property, plant and equipment held for sale | | **(2.1)** | (11.4) |
| Purchase of intangible assets | | **(22.2)** | (10.1) |
| Purchase of businesses | 13 | **(11.5)** | (9.2) |
| Cash acquired with subsidiary | | **—** | 2.0 |
| Transferred with franchise | | **—** | (23.5) |
| Acquisition of investments | | **—** | (0.3) |
| **Net cashflows used in investing activities** | | **(87.6)** | (159.6) |
| **Cashflows from financing activities** | | | |
| Interest paid | | **(14.5)** | (15.8) |
| Dividends paid to members of the parent | 10 | **(43.8)** | (43.8) |
| Dividends paid to non-controlling interests | | **(12.7)** | (13.9) |
| Payment to acquire own shares | | **(1.0)** | (1.1) |
| Foreign exchange gain | | **—** | 0.8 |
| Repayments of borrowings | | **(0.7)** | (222.5) |
| Proceeds from borrowings | | **13.7** | 260.2 |
| Proceeds from issue of shares | | **0.5** | 0.6 |
| Payment of finance lease and hire purchase liabilities | | **(3.3)** | (0.9) |
| **Net cash outflows used in financing activities** | | **(61.8)** | (36.4) |
| Net increase/(decrease) in cash and cash equivalents | | **74.3** | (33.7) |
| **Cash and cash equivalents at 30 June 2018** | 17 | **556.5** | 590.2 |
| **Cash and cash equivalents at 29 June 2019** | 17 | **630.8** | 556.5 |

Cash balances of £484.9m (2018: £438.9m) were restricted at 29 June 2019; further details are shown in note 17.

## The consolidated cashflow statement shows the cashflows from operating, investing and financing activities for the year

### Net cash/debt

Closing adjusted net debt was £270.3m, a decrease of £18.7m from opening adjusted net debt of £289.0m.

### 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 | 2019 £m | 2018 £m | Increase/ (decrease) £m |
|---|---|---|---|
| EBITDA | **205.5** | 221.9 | (16.4) |
| Working capital/other items (excluding restricted cash movements) | **4.4** | 10.9 | (6.5) |
| Cashflow generated from operations (excluding restricted cash movements) | **209.9** | 232.8 | (22.9) |
| Tax paid | **(32.5)** | (28.7) | (3.8) |
| Net interest paid | **(9.5)** | (13.3) | 3.8 |
| Net capital investment | **(81.1)** | (119.2) | 38.1 |
| Dividends paid to non-controlling interests | **(12.7)** | (13.9) | 1.2 |
| Free cashflow | **74.1** | 57.7 | 16.4 |
| Net acquisitions | **(11.5)** | (7.5) | (4.0) |
| Other | **0.4** | (9.1) | 9.5 |
| Payments to acquire own shares | **(1.0)** | (1.1) | 0.1 |
| Proceeds from issue of shares | **0.5** | 0.6 | (0.1) |
| Dividends paid to members of the parent | **(43.8)** | (43.8) | — |
| Movement in adjusted net debt* | **18.7** | (3.2) | 21.9 |
| Opening adjusted net debt* | **(289.0)** | (285.8) | n/a |
| Closing adjusted net debt* | **(270.3)** | (289.0) | n/a |

* Adjusted net debt represents net cash less restricted cash.

EBITDA (earnings before interest, tax, depreciation and amortisation) decreased to £205.5m mainly due to reduced profits in rail following the cessation of the London Midland franchise.

Capital expenditure, net of sale proceeds, was £38.1m lower in the year at £81.1m (2018: £119.2m) predominantly due to reduced bus vehicle purchases in the London bus fleet.

Tax payments in the year increased by £3.8m to £32.5m primarily due to lower tax charge in the prior year, offset by the settlement of the HMRC taxation enquiry.

### EBITDA reconciliation

| | 2019 £m | 2018 £m |
|---|---|---|
| **Profit after tax for the year** | **75.1** | 109.3 |
| Exceptional operating items | **16.8** | (25.1) |
| Net finance costs | **6.8** | 14.2 |
| Tax expense | **21.9** | 36.4 |
| Depreciation of property, plant and equipment | **79.3** | 82.7 |
| Amortisation of intangible assets | **4.8** | 3.3 |
| Share of result of joint venture | **0.5** | 1.1 |
| Impairment of investment | **0.3** | — |
| | **205.5** | 221.9 |

# Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

No areas of critical accounting judgements or key sources of estimation uncertainty have been identified in relation to Brexit.

## Critical accounting judgements

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

### 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, a charge in relation to the impact of the Guaranteed Minimum Pensions (GMP) ruling on the Group defined benefit schemes has been classified as exceptional and further details are given in note 6. In the comparative year, a gain on the change in pension plan assumptions from RPI to CPI, certain goodwill and asset impairments and provisions in respect of an HMRC capital allowances taxation enquiry were classified as exceptional.

### Accounting for the rail pension schemes

The UK train operating companies participate in the Railways Pension Scheme (RPS), a defined benefit pension scheme which covers the whole of the UK rail industry. In contrast to the pension schemes operated by most businesses the RPS is a shared cost scheme which means that costs are formally shared 60% employer 40% employee. The Group only recognises amounts in relation to its share of costs in the income statement. The RPS is partitioned into sections and the Group is responsible for the funding of these sections whilst it operates the relevant franchise. At the end of the franchise term, responsibility for the funding, and consequently any deficit or surplus existing at that date, is passed to the next franchisee. At each balance sheet date a franchise adjustment is recognised to the IAS 19 net pension asset or liability to reflect that portion expected to pass to the next franchisee.

The directors view this arrangement as synonymous to the circumstances described in paragraphs 92–94 of IAS19 Employee Benefits (Revised), with a third party taking on the obligation for future contributions. As there is no requirement to make contributions to fund the current deficit, then it is assumed that all of the current deficit will be funded by another party and hence none of the deficit is attributable to the current franchisee. In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in the future, which is recognised as an adjustment to service cost in the income statement. As a result, any portion of service cost not expected to be covered by contributions paid during the franchise but expected to transfer at the end of the franchise is treated as an adjustment to the income statement. Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

The directors deem this to be the most appropriate interpretation of IAS19 to reflect the specific circumstances of the RPS where the franchise commitment is only to pay contributions during the period in which we run the franchise. An alternative approach would involve not limiting the measurement of the service cost through the recognition of an income statement franchise adjustment, but recognising all movements on the franchise adjustment as a movement in a reimbursement right in other comprehensive income. For the year ended 29 June 2019 the impact of this alternative treatment, on a post tax basis, would be an increase in costs of £59.5m (2018: £69.8m)to the income statement and a debit to other comprehensive income of £74.5m (2018: credit of £112.5m). Since the franchise contract only refers to the contribution requirements during the franchise term, and not any reimbursement rights, the directors consider that viewing the treatment as contribution sharing with the next franchisee is most appropriate.

### 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 23. 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 into 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.

As previously announced, an agreement was reached with the DfT during the year regarding contractual matters in relation to the GTR franchise. This agreement resolved matters relating to the industry-wide failures concerning the introduction of the May 2018 timetable, as well as bringing to a close the discussions around other outstanding contractual variations. As part of the agreement, a plan for the remainder of the franchise term to 2021 was agreed, aimed at building on recent performance improvement and improving customer journeys. GTR has provided £15m of funding this year for passenger enhancements and separately accounted for the impact of the fine from the Office of Rail and Road (ORR). The agreement reduces uncertainty around the future of the GTR franchise and its financial performance. A profit-sharing mechanism with the DfT has been introduced for the remainder of the franchise. The margin over the franchise term is now expected to be between 0.75 to 1 per cent (previously 0.75 to 1.5 per cent), with no profit expected in the current financial year.

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 23. 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. If the estimations were to change by 10% the impact would be c£6.4m.

### 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. Sensitivity analysis on the bus retirement defined benefit schemes are detailed in note 27.

# 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 29 June 2019 were authorised for issue by the Board of directors on 4 September 2019 and the balance sheet was signed on the Board's behalf by Andrew Allner and Elodie Brian. The Group 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. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union (EU) and therefore the Group financial statements comply with Article 4 of the EU IAS regulations.

The Group is required to comply with IFRSs under IAS 1 Presentation of Financial Statements, except in extremely rare circumstances where management concludes that compliance would be so misleading that it would conflict with the objective to "present fairly" its financial statements.

### 2. Summary of significant accounting policies

#### Basis of preparation

This note details the accounting policies which have been applied in the Group's consolidated financial statements. New accounting standards and interpretations which require adoption in future years have also been listed 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 29 June 2019:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IAS 40 (amendments) Transfers of Investment Property
- IFRIC 22 Foreign Currency and Advance Consideration

IFRS 9 and IFRS 15 came into effect on 1 January 2018 and have been applied by the Group for the first time in the current year.

The nature and effect of the changes from adopting these new accounting standards are described below. The other standards and interpretations also apply for the first time in the current year, but their adoption has not had any significant impact on the financial statements.

**IFRS 9 Financial instruments**

IFRS 9 is split into three areas: classification and measurement of financial assets and liabilities, impairment of financial assets and hedging.

The classification and measurement of the Group's financial assets and liabilities has not changed under the new standard. IFRS 9 states that impairment provisions should be based on expected credit losses rather than incurred credit losses and the impact of this change in accounting policy is not material to the Group.

The Group has also applied the standard on its hedging instruments, which comprise fuel derivatives; again there is no impact and the Group's hedging instruments continue to be effective and qualify as continuing hedges under IFRS 9.

The increased disclosure requirements of IFRS 9 have been reflected in these financial statements. The Group has applied the new rules prospectively from 1 July 2018.

**IFRS 15 Revenue from contracts with customers**

IFRS 15 establishes the principles that an entity is required to apply regarding the nature, amount, timing and uncertainty of revenue and cashflows 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 standard has been applied prospectively from 1 July 2018, the adoption of the standard has not had a material impact on the Group's revenue recognition for the period and no adjustments were required to opening retained earnings.

The disclosure requirements of IFRS 15 are set out in note 3 and the accounting policies in respect of each revenue stream are outlined in the revenue recognition policy.

**Other new standards**

Adoption of the other standards and interpretations had no material impact on the Group's financial position or related performance.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and the entities it controls (its subsidiaries) as at 29 June 2019. Control is achieved when the Group:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affects its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Group, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries for use in the consolidation are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

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, has joint control and rights to the net assets of the arrangement. Joint ventures are equity accounted in accordance with IAS 28 Investments in Associates and Joint Ventures (Revised). A joint arrangement is accounted for as a joint operation when the Group, along with other parties, has joint control of the arrangement, rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by including the Group's share of the assets, liabilities, income and expense on a line by line basis.

### Revenue recognition

The revenue of the Group mainly comprises income from road passenger transport and rail passenger transport.

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. An explanation of the main revenue streams is set out below:

### Passenger revenue

Passenger revenue mainly relates to revenue from ticket sales in the regional bus and rail divisions.

In regional bus, revenue generated from ticket sales is recognised in income on receipt of cash or card payment.

In 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 relation to the GTR franchise, passenger revenue is collected and remitted to the DfT net of management charges payable by DfT as revenue.

Passenger 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.

### Contract revenue

Contract revenue mainly relates to the London & International bus division and comprises contractual income from government bodies which are recognised in the period to which they relate. Quality incentive contracts (QICs) are received as part of the contract revenue and the potential premiums or penalties are assessed cumulatively on a contract by contract basis, at the end of each period based on key performance obligations. The whole of cumulative penalties/premiums are recognised in the income statement on a pro rata basis to the contract year.

In regional bus, revenue generated from services provided on behalf of local transport authorities is also recognised as income in the period to which it relates.

### Other revenue

Other revenue mainly relates to revenue for ancillary services to other bus and rail passenger service providers, for services such as rail replacement, maintenance and cleaning. Other revenue is recognised in the period to which it relates.

Other revenue also includes rental income which 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.

### 2. Summary of significant accounting policies continued

#### Franchise subsidy
Franchise subsidy revenue arises in the rail division and comprises receipts from the DfT and local Passenger Transport Executives (PTEs) which are receivable under the terms of the franchise agreements. The franchise agreements include minimum specifications of passenger services to be provided, which is the key performance obligation. Franchise premium payments to the DfT, for amounts due under the terms of the franchise, are recognised in operating costs. The subsidy is recognised in the period to which it relates.

#### 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 and bus and rail services internationally. In the UK, all franchise bid costs incurred prior to achieving preferred bidder status are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Internationally, all franchise bid costs incurred prior to a contract win are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Directly attributable, incremental costs incurred after achieving preferred bidder status, entering into a franchise extension or winning an international bid are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise/franchise extension, which ranges from 5 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 derecognition 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
- 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.

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.

## 2. Summary of significant accounting policies continued

### 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 remeasured at fair value at each balance sheet date.

Financial assets are accounted for in accordance with IFRS 9. 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 22.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or reassessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

When required, the Group presents the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, expected future cashflows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

The Group provides for property, station and fleet dilapidations, where appropriate, based on the future expected repair costs required to restore them to their fair condition at the end of their respective lease terms, where it is considered a reliable estimate can be made.

### Uninsured liabilities

The Group limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits for total claims within the excess limits. A 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 UK 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 passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable during the period over which it operates the franchise, these contributions being subject to change on consideration of future statutory valuations. The net liability reflects the Group's obligation to fund the statutory deficits of the relevant RPS sections over the franchise term.

The last statutory valuation of the RPS scheme sections in which the Group is involved, carried out on 31 December 2013 as noted in note 27, and its IAS 19 actuarial valuation are carried out for different purposes and may result in materially different amounts. There are ongoing funding deficits across the RPS schemes in which the Group participates and the IAS 19 valuation is set out in the disclosures below.

The accounting treatment for the time based risk-sharing feature of the Group's participation in the RPS is not explicitly considered by IAS 19 Employee Benefits (Revised). Since the contributions currently committed to being paid to each TOC section are lower than the share of the service cost (for current and future service) than would normally be calculated under IAS 19 Employee Benefits (Revised), the Group does not account for uncommitted contributions towards the sections current or expected future deficits. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current franchise and committed contributions. As a result, the Group consequently reduces any section deficit balance and reduces any service costs that would give rise to an increase in such deficit through the use of a franchise adjustment. The franchise adjustment reflects the extent to which third parties are expected to contribute towards the cost of the plan as a consequence of the deficit transferring at the end of the franchise, which is deemed, in the directors' view, in line with paragraphs 92–94 of IAS 19 Employee Benefits (Revised). Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

Please refer to note 27 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 16 Leases | 1 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to IFRS 9 Prepayment features with negative compensation | 1 January 2019 |
| Amendment to IAS 28 Long term interests in associates and joint ventures | 1 January 2019 |
| Amendments to IAS 19 Plan amendment, curtailment or settlement | 1 January 2019 |
| Amendments to references to conceptual framework in IFRS standards | 1 January 2020 |
| IFRS 17 Insurance contracts | 1 January 2021 |

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 16 Leases

IFRS 16 is effective for accounting periods commencing on or after 1 January 2019 and will be adopted by the Group on 30 June 2019 using the modified retrospective approach. The cumulative effect of adopting IFRS 16 will therefore be recognised as an adjustment to the opening balance of retained earnings at 30 June 2019, with no restatement of comparative information.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The new standard eliminates the operating lease classification and therefore lessees will be required to recognise right-of-use assets and lease liabilities for all leases on the balance sheet, unless they have a lease term of less than twelve months or are of low value. In the income statement, the operating lease expense will be replaced by a combination of depreciation and interest.

The Group has performed a detailed assessment of IFRS 16, focusing on the Group's existing lease portfolio as well as considering any wider contractual arrangements, to determine if they constitute a lease under the definitions of the new standard.

At 29 June 2019, the Group held a significant number of operating leases that are expensed over the lease term. The total non-cancellable operating lease commitments at 29 June 2019 was £2.6bn, which represents the gross value and is before the discounting of commitments to their present value, as required by IFRS 16.

Of these commitments, the following have been identified as not meeting the definition of a lease under IFRS 16:

- £0.8bn of commitments relate to track, station and depot charges within UK rail to which the Group does not have the right to obtain substantially all the economic benefit from the use of the asset throughout the period of use and the lessor directs how and for what purpose the assets are used
- £0.5bn of commitments relate to rolling stock leases in the international rail business which are not considered to be right-of-use assets
- £0.2bn of commitments relate to leases where the lease term ends within 12 months from the date of initial application
- <£0.1bn of commitments relate to leases the Group has entered into but where the commencement date is after 30 June 2019
- £0.3bn of commitments are components of leases which do not meet the definition of a lease under IFRS 16 as they relate to the ongoing maintenance of the assets

Taking the above into account, the remaining lease commitments discounted to present value will result in the Group recognising right-of-use assets and lease liabilities of approximately £0.8bn as at 30 June 2019.

### 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 & International 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 & International bus division comprises bus operations in London under the control of Transport for London (TfL), rail replacement and other contracted services in London, bus operations in Singapore under the control of the Land Transport Authority (LTA) of Singapore and bus operations in Ireland under the control of the National Transport Authority (NTA) of Ireland. These are aggregated as a segment for internal management purposes given the similar contractual nature of the businesses.

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 commenced on 9 June 2019 in Germany. A further three contracts in Germany and contracts in the Nordics are currently being mobilised. These operations are 100% owned by Go-Ahead. The international rail franchises are included with the UK rail operations for reporting purposes and will be considered in further detail during the next financial year.

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities and accordingly IFRS 8 does not require this information to be presented. Segment performance is evaluated based on operating profit or loss, on a pre and post exceptional basis below.

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

The following tables present information regarding the Group's reportable segments for the year ended 29 June 2019 and the year ended 30 June 2018.

#### Year ended 29 June 2019

| | Regional bus £m | London & International bus £m | Total bus £m | Rail £m | Total operations £m |
|---|---|---|---|---|---|
| Passenger revenue | 384.1 | — | 384.1 | 2,472.7 | 2,856.8 |
| Contract revenue | 69.1 | 592.4 | 661.5 | — | 661.5 |
| Other revenue | 14.4 | 4.5 | 18.9 | 242.8 | 261.7 |
| Franchise subsidy | — | — | — | 132.5 | 132.5 |
| Segment revenue | 467.6 | 596.9 | 1,064.5 | 2,848.0 | 3,912.5 |
| Inter-segment revenue | (34.6) | (27.7) | (62.3) | (43.1) | (105.4) |
| **Group revenue** | 433.0 | 569.2 | 1,002.2 | 2,804.9 | 3,807.1 |
| Operating costs | (388.5) | (518.0) | (906.5) | (2,779.5) | (3,686.0) |
| **Group operating profit (pre-exceptional items)** | 44.5 | 51.2 | 95.7 | 25.4 | 121.1 |
| Exceptional operating items | | | | | (16.8) |
| **Group operating profit (post-exceptional items)** | | | | | 104.3 |
| Share of result of joint venture | | | | | (0.5) |
| Net finance costs | | | | | (6.8) |
| **Profit before tax and non-controlling interests** | | | | | 97.0 |
| Tax expense | | | | | (21.9) |
| **Profit for the year** | | | | | 75.1 |

The exceptional operating items relate to central activities and therefore cannot be allocated between the operating segments.

| | Regional bus £m | London & International bus £m | Total bus £m | Rail £m | Total operations £m |
|---|---|---|---|---|---|
| **Other segment information** | | | | | |
| Capital expenditure: | | | | | |
| – Additions | **40.4** | **9.6** | **50.0** | **22.6** | **72.6** |
| – Acquisitions | **11.9** | **—** | **11.9** | **—** | **11.9** |
| – Intangible assets | **3.1** | **4.8** | **7.9** | **14.3** | **22.2** |
| Depreciation | **36.9** | **28.2** | **65.1** | **14.2** | **79.3** |

At 29 June 2019, there were non-current assets included within the London & International bus segment of £12.1m (2018: £7.2m) relating to operations in Singapore and Ireland. Operations in Singapore generated a revenue of £59.6m (2018: £52.1m) during the year. Operations in Ireland commenced in September 2018 and were fully operational by the end of the year. The revenue generated during the period of operation was £16.5m.

Non-current assets included within rail of £37.7m (2018: £11.0m) relate to operations being mobilised in Germany and the Nordics. Operations in Germany commenced on 9 June 2019 and the revenue generated in the period to 29 June 2019 was £2.6m

We have two major customers which individually contribute more than 10% of Group revenue, one of which contributed £1,643.6m (2018: £1,278.5m), and the other contributed £486.2m (2018: £491.8m).

### Year ended 30 June 2018

| | Regional bus £m | London & International bus £m | Total bus £m | Rail £m | Total operations £m |
|---|---|---|---|---|---|
| Passenger revenue | 348.6 | — | 348.6 | 2,213.8 | 2,562.4 |
| Contract revenue | 56.5 | 566.2 | 622.7 | — | 622.7 |
| Other revenue | 13.7 | 5.0 | 18.7 | 236.4 | 255.1 |
| Franchise subsidy | — | — | — | 104.5 | 104.5 |
| 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 |

| | Regional bus £m | London & International 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 |

## 4. Operating costs

Detailed below are the key amounts recognised in arriving at our operating costs. For accounting policies see 'Profit and revenue sharing/support agreements', 'Property, plant and equipment', 'Government grants' and 'Franchise set-up costs' in note 2.

| | 2019 £m | 2018 £m |
|---|---|---|
| Employee costs (note 5) | **1,272.7** | 1,224.4 |
| Operating lease payments (see below) | **1,247.2** | 1,165.2 |
| Energy costs (see below) | **262.7** | 249.5 |
| DfT franchise agreement payments/(receipts) | **89.9** | (24.6) |
| Depreciation of property, plant and equipment (see below) | **79.3** | 82.7 |
| DfT profit share | **19.7** | 20.6 |
| Intangible amortisation | **4.8** | 3.3 |
| Auditor's remuneration (see below) | **1.0** | 0.9 |
| Trade receivables not recovered | **0.9** | 0.2 |
| Loss on sale of assets held for sale | **0.1** | (0.9) |
| Other operating income | **(28.7)** | (24.0) |
| Government grants | **(2.7)** | (4.7) |
| Profit on disposal of property, plant and equipment | **(0.2)** | (7.3) |
| Other operating costs | **739.3** | 640.4 |
| Total operating costs (pre-exceptional operating items) | **3,686.0** | 3,325.6 |

Further analysis of the above operating costs is as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| **Operating lease payments** | | |
| – bus vehicles | **16.1** | 14.5 |
| – non-rail properties | **2.1** | 2.0 |
| – other non-rail | **0.1** | 0.1 |
| – rail rolling stock | **522.7** | 478.1 |
| – other rail | **173.9** | 188.1 |
| Total lease and sublease payments recognised as an expense (excluding rail access charges)[1] | **714.9** | 682.8 |
| – rail access charges | **532.3** | 482.4 |
| Total lease and sublease payments recognised as an expense[2] | **1,247.2** | 1,165.2 |
| **Depreciation of property, plant and equipment** | | |
| – owned assets | **78.0** | 82.1 |
| – leased assets | **1.3** | 0.6 |
| Total depreciation expense | **79.3** | 82.7 |
| **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 | **0.8** | 0.7 |
| Total audit fees for the audit of the financial statements | **0.9** | 0.8 |
| – other non-audit[3] | **0.1** | 0.1 |
| Total non-audit fees | **0.1** | 0.1 |
| Total auditor's remuneration | **1.0** | 0.9 |
| **Energy costs** | | |
| – bus fuel | **103.2** | 98.2 |
| – rail diesel fuel | **3.1** | 7.0 |
| – rail electricity | **140.9** | 128.1 |
| – cost of site energy | **15.5** | 16.2 |
| Total energy costs | **262.7** | 249.5 |

1. The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £727.3m (2018: £696.4m), net of sublease payments of £12.4m (2018: £13.6m) 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 £1,259.6m (2018: £1,178.8m), net of sublease payments of £12.4m (2018: £13.6m) relating to other rail leases.
3. Other non-audit services of £0.1m (2018: £0.1m) are detailed on page 89.

Government grant income of £2.7m (2018: £4.7m) is mainly attributable to the release of grants received to support the mobilisation of international business operations and service improvements including smart ticketing, deliverable over a period of up to five years.

## 5. 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.

| | 2019 £m | 2018 £m |
|---|---|---|
| Wages and salaries | **1,109.7** | 1,067.5 |
| Social security costs | **111.2** | 105.1 |
| Other pension costs | **50.8** | 49.6 |
| Share based payments charge | **1.0** | 2.2 |
| | **1,272.7** | 1,224.4 |

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

| | 2019 | 2018 |
|---|---|---|
| Administration and supervision | **3,489** | 3,263 |
| Maintenance and engineering | **2,581** | 2,583 |
| Operations | **22,125** | 22,308 |
| | **28,195** | 28,154 |

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 Savings-Related Share Option Scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (the Sharesave scheme) for employees of the Group and its operating companies.

The Sharesave scheme is open to all full time and part time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. Participants were given the choice of taking their money back, or to purchase Go-Ahead Group Shares at a 20% discount of the market price set at the date of invitation. Sharesave 2016 participants have six months from the maturity date to exercise their options. Sharesave 2016 matured 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 29 June 2019 as follows:

| Scheme maturity | 1 May 2019 |
|---|---|
| Option price (£) | **19.11** |
| No. of options unexercised at 29 June 2019 | **174,606** |
| No. of options exercised during the year | **21,938** |
| No. of options exercisable at 29 June 2019 | **174,606** |

The expense recognised for the scheme during the year to 29 June 2019 was £nil (2018: £0.6m).

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## 5. Employee costs continued

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | No. | WAEP £ | No. | WAEP £ |
| Outstanding at the beginning of the year | **249,242** | **19.11** | 589,744 | 18.32 |
| Granted during the year | **—** | **—** | — | — |
| Forfeited during the year | **(52,698)** | **19.11** | (306,148) | 17.79 |
| Exercised during the year | **(21,938)** | **19.11** | (34,354) | 17.36 |
| Outstanding at the end of the year | **174,606** | **19.11** | 249,242 | 19.11 |

The weighted average exercise price at the date of exercise for the options exercised in the period was £19.11 (2018: £17.36).

At the year end 174,606 (2018: no options) were exercisable and the weighted average exercise price of the options was £19.11 (2018: £nil).

The options outstanding at the end of the year have a weighted average remaining contracted life of nil years (2018: 0.83 years).

### Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2015 (LTIP). The LTIP provides for executive directors to be awarded nil cost shares in the Group conditional on specified performance conditions being met over a period of three years. Refer to the directors' remuneration report for further details of the LTIP.

The expense recognised for the LTIP during the year to 29 June 2019 was £0.4m (2018: £0.8m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 29 June 2019 and 30 June 2018 were:

| | 2019 % per annum | 2018 % per annum |
|---|---|---|
| The Go-Ahead Group plc: | | |
| Future share price volatility | **33.0** | 29.0 |
| FTSE Mid-250 index comparator: | | |
| Future share price volatility | **25.0** | 25.0 |
| Correlation between companies | **30.0** | 30.0 |

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

| | 2019 | 2018 |
|---|---|---|
| Outstanding at the beginning of the year | **163,144** | 111,724 |
| Granted during the year | **53,912** | 72,755 |
| Forfeited during the year | **(73,453)** | (9,815) |
| Exercised during the year | **—** | (11,520) |
| Outstanding at the end of the year | **143,603** | 163,144 |

The LTIP award granted to the Group Chief Executive in November 2016 will lapse in full from November 2019 as none of the performance measures were achieved following the three-year performance period ending 29 June 2019. The weighted average share price of the options at the year end was £19.72 (2018: £15.88).

The weighted average fair value of options granted during the year was £15.74 (2018: £12.92). The weighted average remaining contractual life of the options was 1.10 years (2018: 1.25 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2018: £16.23).

The estimated amounts due to the relevant tax authorities in relation to the above transactions are detailed in the Directors' remuneration report.

### Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for executive directors and certain other senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three-year period. Refer to the directors' remuneration report for further details of the DSBP. The DSBP options are not subject to any market based performance conditions. Therefore the fair value of the options is equal to the share price at the date of grant.

The expense recognised for the DSBP during the year to 29 June 2019 was £0.6m (2018: £0.8m).

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

| | 2019 | 2018 |
|---|---|---|
| Outstanding at the beginning of the year | 147,233 | 176,258 |
| Granted during the year | 59,677 | 34,804 |
| Forfeited during the year | (6,770) | (7,654) |
| Exercised during the year | (49,720) | (56,175) |
| Outstanding at the end of the year | 150,420 | 147,233 |

The weighted average fair value of options granted during the year was £15.74 (2018: £16.30). At the year end, 21,956 options related to DSBP awards, which vested before the year end, which have not yet been exercised by participants. Of these 21,956 options, 942 options related to the award granted in November 2013, 4,941 related to the award granted in November 2014 and 16,073 related to the award granted in November 2015. 34,254 options, relating to the DSBP award granted in November 2016, will be eligible to vest from November 2019 following the end of a three-year deferral period. The weighted average share price of the options at the year end was £19.72 (2018: £15.88).

The weighted average remaining contractual life of the options was 1.02 years (2018: 0.67 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £17.72 (2018: £16.01).

### Share incentive plans

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

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

## 6. Exceptional items

This note identifies items of an exceptional nature that have a significant impact on the results of the Group in the period. For accounting policies see 'Exceptional items' in note 2.

| | 2019 £m | 2018 £m |
|---|---|---|
| Charge in relation to GMP equalisation | **(16.8)** | — |
| Gain on change in RPI/CPI assumptions | **—** | 35.2 |
| Goodwill and asset impairment | **—** | (10.1) |
| Exceptional operating items | **(16.8)** | 25.1 |

### Year ended 29 June 2019

Total exceptional operating items in the year comprised a charge of £16.8m to the income statement.

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. As a result, pension scheme trustees will be obliged to adjust benefit payments in order that benefits received by male and female members with equivalent age, service and earnings histories are equal. The judgement has implications for many defined benefits schemes, including those in which the Go-Ahead Group participates.

We have worked with our actuarial advisors to understand the implications of the judgement and the £16.8m pre-tax exceptional expense in the year (2018: £nil) reflects our best estimate of the effect on our reported pension liabilities.

### Year ended 30 June 2018

Total exceptional operating items in the year were £25.1m.

During the year ended 30 June 2018, 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 Price Index (CPI) has been used to increase pensions in payment rather than the Retail Price Index (RPI). The change reduced 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 was recognised in respect of this change.

During the year ended 30 June 2018, goodwill of £8.4m was impaired relating to Konectbus, Thames Travel and Carousel bus operations, following a period of underperformance in all three individual cash-generating units. 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 HMRC taxation enquiry was £11.5m. In addition, an accrued amount of £2.6m was provided for within finance costs in relation to the interest payable on the enquiry. The enquiry was closed and fully settled during the year ended 29 June 2019.

## 7. Finance revenue and costs

Finance revenue mainly comprises interest received from bank deposits. Finance costs mainly arise from interest due on the bond and bank loans. For accounting policies see 'Finance revenue' and 'Interest-bearings loans and borrowings' in note 2.

| | 2019 £m | 2018 £m |
|---|---|---|
| Bank interest receivable on bank deposits | **4.1** | 2.5 |
| Interest on net pension asset | **0.9** | — |
| Other interest receivable | **0.1** | — |
| Finance revenue | **5.1** | 2.5 |
| Interest payable on bank loans and overdrafts | **(2.7)** | (2.5) |
| Interest payable on £200m sterling 7.5 year bond | **—** | (2.6) |
| Interest payable on £250m sterling 7 year bond | **(6.3)** | (6.3) |
| Other interest payable | **(1.7)** | (4.3) |
| Unwinding of discounting on provisions | **(0.8)** | (0.4) |
| Interest payable under finance leases and hire purchase contracts | **(0.3)** | (0.2) |
| Interest on net pension liability | **(0.1)** | (0.4) |
| Finance costs | **(11.9)** | (16.7) |

In the prior year, other interest payable included an exceptional accrued interest charge of £2.6m in relation to an HMRC taxation enquiry. The enquiry was closed and fully settled in the current year.

## 8. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note sets out the deferred tax assets and liabilities held across the Group. For accounting policies see 'Taxation' in note 2.

The Group taxation policy can be found at www.go-ahead.com.

### a. Tax recognised in the income statement and in other comprehensive income

Tax relating to items charged or credited in the income statement:

| | 2019<br>£m | 2018<br>£m |
|---|---|---|
| Current year tax charge | **26.4** | 23.9 |
| Adjustments in respect of current tax of previous years | **(1.3)** | 13.3 |
| Total current tax | **25.1** | 37.2 |
| Deferred tax relating to origination and reversal of temporary differences at 19.0% (2018: 19.0%) | **(3.3)** | 6.6 |
| Adjustments in respect of deferred tax of previous years | **0.1** | (7.4) |
| Impact of opening deferred tax rate reduction | **—** | — |
| Total deferred tax | **(3.2)** | (0.8) |
| Tax reported in consolidated income statement | **21.9** | 36.4 |

The tax reported in the consolidated income statement includes exceptional amounts arising on the GMP equalisation charge. In the prior year it included 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. See note 6 for further details.

Tax relating to items charged or credited outside of the income statement:

| | 2019<br>£m | 2018<br>£m |
|---|---|---|
| Tax on remeasurement gains on defined benefit pension plans | **3.7** | 3.3 |
| Deferred tax on cashflow hedges | **(2.4)** | 5.2 |
| Deferred tax on share based payments (taken directly to equity) | **(0.1)** | 0.5 |
| Tax reported outside of profit or loss | **1.2** | 9.0 |



### 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 29 June 2019 and 30 June 2018 is as follows:

| | 2019<br>£m | 2018<br>£m |
|---|---|---|
| Accounting profit before taxation | **97.0** | 145.7 |
| At United Kingdom tax rate of 19.0% (2018: 19.0%) | **18.4** | 27.7 |
| Share scheme costs not allowable for tax purposes | **—** | 0.7 |
| Non-qualifying depreciation | **0.7** | 1.1 |
| Expenditure not allowable for tax purposes | **1.8** | 2.0 |
| Adjustments in respect of deferred tax of previous years | **0.1** | (7.4) |
| Movement on unrecognised deferred tax on losses carried forward | **1.6** | (0.2) |
| Effect of the difference between current year corporation tax and deferred tax rates | **0.3** | (0.8) |
| Adjustments in respect of current tax of previous years | **(1.3)** | 13.3 |
| Overseas tax rate difference | **0.3** | — |
| Tax reported in consolidated income statement | **21.9** | 36.4 |
| Effective tax rate | **22.6%** | 25.0% |

The Group had subsidiary companies in Germany, Ireland, the Nordics and Singapore during the year. The tax residencies of these companies are the same as the countries of incorporation, which are disclosed in note 28.

Singapore and Ireland profits are generated through the provision of bus passenger services and have been taxed at the appropriate local taxation rates of 17.0% and 12.5% respectively and have been included in the total statutory tax charge. Germany commenced trading on 9 June 2019 and its trading result for the financial year is immaterial. The Nordics are currently in mobilisation and so have not made a profit in the financial year.

The Group has not recognised a deferred tax asset of £5.1m (2018: £1.1m) based on a taxation rate of 30.0% (2018: 30.0%) in respect of losses incurred in Germany carried forward.

## 8. Taxation continued

### c. Reconciliation of current tax liabilities

A reconciliation of the current tax liability is provided below:

| | 2019 £m | 2018 £m |
|---|---|---|
| Current tax liability at the start of year | **20.5** | 12.0 |
| Corporation tax reported in consolidated income statement | **25.1** | 37.2 |
| Paid in the year | **(32.5)** | (28.7) |
| Current tax liability at the end of year | **13.1** | 20.5 |

### d. Deferred tax

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

| | 2019 £m | 2018 £m |
|---|---|---|
| **Deferred tax liability** | | |
| Accelerated capital allowances | **(20.1)** | (20.2) |
| Other temporary differences | **(9.1)** | (9.6) |
| Revaluation of land and buildings treated as deemed cost on conversion to IFRS | **(10.9)** | (11.4) |
| Cashflow hedges | **(0.9)** | (3.3) |
| Retirement benefit obligations | **(8.5)** | (6.5) |
| Deferred tax liability included in balance sheet | **(49.5)** | (51.0) |
| **Deferred tax asset** | | |
| Share based payments | **0.2** | 0.1 |
| Deferred tax asset included in balance sheet | **0.2** | 0.1 |

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 29 June 2019 and 30 June 2018 are as follows:

**Year ended 29 June 2019**

| | At 1 July 2018 £m | Recognised in income statement £m | Recognised in other comprehensive income £m | Recognised directly in equity £m | Acquisitions £m | At 29 June 2019 £m |
|---|---|---|---|---|---|---|
| Accelerated capital allowances | (20.2) | 0.5 | — | — | (0.4) | (20.1) |
| Asset backed funding pension arrangement | (9.9) | 0.2 | — | — | — | (9.7) |
| Other temporary differences | 0.3 | 0.3 | — | — | — | 0.6 |
| Revaluation of land and buildings treated as deemed cost on conversion to IFRS | (11.4) | 0.5 | — | — | — | (10.9) |
| Retirement benefit obligations | (6.5) | 1.7 | (3.7) | — | — | (8.5) |
| Cashflow hedges | (3.3) | — | 2.4 | — | — | (0.9) |
| Share based payments | 0.1 | — | — | 0.1 | — | 0.2 |
| | (50.9) | 3.2 | (1.3) | 0.1 | (0.4) | (49.3) |

**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) |

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

| | **2019 £m** | 2018 £m |
|---|---|---|
| Accelerated capital allowances | **(0.5)** | 0.5 |
| Revaluation | **(0.5)** | (0.6) |
| Retirement benefit obligations | **(1.7)** | 6.7 |
| Other temporary differences | **(0.6)** | — |
| | **(3.3)** | 6.6 |
| Adjustments in respect of prior years | **0.1** | (7.4) |
| Deferred tax expense | **(3.2)** | (0.8) |

### 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 29 June 2019.

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 deferred tax relating to origination and reversal of temporary differences includes a movement of £2.8m which relates to the exceptional charge arising on the impact of the GMP equalisation ruling on the Group's bus pension schemes. The prior year included movements in relation to an exceptional gain arising on the change in RPI/CPI assumptions on The Go-Ahead Group Pension Plan and adjustments in respect of deferred tax of previous years in relation to an HMRC taxation enquiry.

In addition, in the prior year, the current tax charge reported in the consolidated income statement of £37.2m included amounts provided for in relation to this HMRC enquiry. The HMRC enquiry was closed and fully settled during the current year.

## 9. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

### Basic and diluted earnings per share

| | Pre-exceptional 2019 £m | Exceptional items 2019 £m | Post-exceptional 2019 £m | Pre-exceptional 2018 £m | Exceptional items 2018 £m | Post-exceptional 2018 £m |
|---|---|---|---|---|---|---|
| Net profit attributable to equity holders of the parent | **72.8** | **(14.0)** | **58.8** | 78.0 | 11.0 | 89.0 |

| | Pre-exceptional 2019 £m | Exceptional items 2019 £m | Post-exceptional 2019 £m | Pre-exceptional 2018 £m | Exceptional items 2018 £m | Post-exceptional 2018 £m |
|---|---|---|---|---|---|---|
| Basic weighted average number of shares in issue ('000) | **42,985** | **—** | **42,985** | 42,958 | — | 42,958 |
| Dilutive potential share options ('000) | **97** | **—** | **97** | 101 | — | 101 |
| Diluted weighted average number of shares in issue ('000) | **43,082** | **—** | **43,082** | 43,059 | — | 43,059 |
| Earnings per share: | | | | | | |
| Basic earnings per share (pence per share) | **169.4** | **(32.6)** | **136.8** | 181.6 | 25.6 | 207.2 |
| Diluted earnings per share (pence per share) | **169.0** | **(32.5)** | **136.5** | 181.2 | 25.5 | 206.7 |

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 29 June 2019 to 4 September 2019.

## 10. Dividends paid and proposed

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

| | 2019 £m | 2018 £m |
|---|---|---|
| **Declared and paid during the year** | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2018: 71.91p per share (2017: 71.91p) | **30.9** | 30.9 |
| Interim dividend for 2019: 30.17p per share (2018: 30.17p) | **12.9** | 12.9 |
| | **43.8** | 43.8 |

| | 2019 £m | 2018 £m |
|---|---|---|
| **Proposed for approval at the AGM (not recognised as a liability as at 29 June 2019)** | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2019: 71.91p per share (2018: 71.91p) | **31.0** | 31.0 |

Payment of proposed dividends will not have any tax consequences for the Group.

## 11. Property, plant and equipment

The Group holds significant investments in land and buildings, bus vehicles and plant and equipment, which form our tangible assets. All assets (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 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 |
| Additions | **17.6** | **1.1** | **1.5** | **32.5** | **19.9** | **72.6** |
| Acquisitions | **4.6** | **—** | **—** | **7.3** | **—** | **11.9** |
| Disposals | **—** | **—** | **—** | **(37.2)** | **(5.0)** | **(42.2)** |
| Transfer categories | **1.2** | **(1.2)** | **—** | **0.5** | **(0.5)** | **—** |
| **At 29 June 2019** | **217.5** | **3.1** | **19.2** | **707.2** | **234.4** | **1,181.4** |
| **Depreciation and impairment** | | | | | | |
| 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 |
| Charge for the year | **1.2** | **0.5** | **0.9** | **56.7** | **20.0** | **79.3** |
| Disposals | **—** | **—** | **—** | **(35.3)** | **(4.9)** | **(40.2)** |
| **At 29 June 2019** | **13.9** | **0.5** | **12.2** | **350.8** | **172.1** | **549.5** |
| **Net book value** | | | | | | |
| **At 29 June 2019** | **203.6** | **2.6** | **7.0** | **356.4** | **62.3** | **631.9** |
| At 30 June 2018 | 181.4 | 3.2 | 6.4 | 374.7 | 63.0 | 628.7 |
| At 1 July 2017 | 176.3 | 0.4 | 5.5 | 330.3 | 62.7 | 575.2 |

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

| | **2019 £m** | 2018 £m |
|---|---|---|
| **Bus vehicles** | **8.9** | 14.7 |

## 12. Intangible assets

The consolidated balance sheet contains significant intangible assets mainly in relation to goodwill, software, franchise set-up costs and customer contracts. Goodwill, which arises when the Group acquires a business and pays a higher amount than the fair value of the net assets primarily due to the synergies the Group expects to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise set-up costs are amortised over the life of the franchise/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 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 |
| Additions | **—** | **6.1** | **16.1** | **—** | **—** | **22.2** |
| Disposals | **—** | **(5.4)** | **—** | **—** | **—** | **(5.4)** |
| **At 29 June 2019** | **87.4** | **26.8** | **37.1** | **16.7** | **14.7** | **182.7** |
| **Amortisation and impairment** | | | | | | |
| 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 |
| Charge for the year | **—** | **2.8** | **1.7** | **—** | **0.3** | **4.8** |
| On disposal | **—** | **(5.3)** | **—** | **—** | **—** | **(5.3)** |
| **At 29 June 2019** | **13.3** | **18.7** | **12.6** | **16.7** | **12.6** | **73.9** |
| **Net book value** | | | | | | |
| **At 29 June 2019** | **74.1** | **8.1** | **24.5** | **—** | **2.1** | **108.8** |
| At 30 June 2018 | 74.1 | 4.9 | 10.1 | — | 2.4 | 91.5 |
| At 1 July 2017 | 81.5 | 4.2 | 4.5 | — | 1.3 | 91.5 |

### Software costs

Software costs capitalised exclude software that is integral to the related hardware. Software is amortised on a straight-line basis over its expected useful life of three to five years.

### Franchise set-up costs

A part of the Group's activities is the process of bidding for and securing franchises to operate rail and bus services in the UK and overseas. Directly attributable, incremental costs incurred after achieving preferred bidder status, entering into a franchise extension or winning an international bid are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise/franchise extension, currently between 5 and 13 years.

### 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 on a straight-line basis. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period. The unexpired terms range between 8 and 11 years.

## 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:

| | 2019 £m | 2018 £m |
|---|---|---|
| Go South Coast | **34.6** | 34.6 |
| Brighton & Hove | **12.7** | 12.7 |
| Plymouth Citybus | **13.0** | 13.0 |
| Go-Ahead London | **10.5** | 10.5 |
| Go North East | **2.7** | 2.7 |
| Oxford | **0.6** | 0.6 |
| | **74.1** | 74.1 |

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three-year period which have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long term stability of the relevant income streams. Growth has been extrapolated forward, using a growth rate of 2.0%, from the end of the three-year forecasts over a total period of 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 5.5% (2018: 5.2%). 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.

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 impairment reviews the 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.

## 13. 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 29 June 2019

On 2 June 2019, the Group acquired the Queen's Road bus depot in Manchester along with the associated trade and assets, from FirstGroup plc, in line with the Group's strategic vision and its objective to win new bus and rail contracts.

**Aggregate net assets at date of acquisition:**

| | Total acquisitions – provisional fair value to Group £m |
|---|---|
| Property, plant and equipment | 11.9 |
| Inventories | 0.2 |
| Trade and other receivables | 0.2 |
| Deferred tax liabilities | (0.4) |
| Net assets | 11.9 |
| Negative goodwill arising on acquisition | (0.4) |
| Cash | 11.5 |
| Total consideration | 11.5 |

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

Negative goodwill of £0.4m has been included within operating costs.

From the date of acquisition in the period, the acquisition recorded an operating profit of less than £0.1m and revenue of £1.9m. The trade and assets acquired were an integral part of First's overall Manchester operation and therefore included within its wider results. As a result, it cannot be assessed as to what the impact on operating profits and revenues would have been, had the acquisitions been completed on the first day of the financial period.

### Year ended 30 June 2018

As disclosed in the 2018 Annual Report, Go-North East Limited, a wholly owned subsidiary of the Group, acquired 100% of the East Yorkshire Motor Services Group of companies on 16 June 2018 and The City of Oxford Motor Services Limited, a wholly owned subsidiary of the Group, acquired 100% of Tom Tappin Limited on 7 December 2017. The total consideration paid was £9.2m and no significant changes to the fair value previously reported were subsequently identified. Given the size and prior year disclosures further detail is not replicated in this Annual Report.

## 14. Assets classified as held for sale

This note identifies any non-current assets or disposal groups that are held for sale. The carrying amounts of these assets will be recovered principally through a sale rather than through continuing use. For accounting policies see 'Non-current assets held for sale' in note 2.

At 29 June 2019, assets held for sale, with a carrying value of £0.6m, related to property, plant and equipment available for sale, and were included in the regional bus segment (2018: £1.7m). Assets held for sale with a carrying value of £2.1m related to bus rolling stock available for sale and were included in the London & International bus segment (2018: £11.4m).

The Group expects to sell £2.7m within 12 months of them going onto the "for sale" list and being actively marketed or reflecting contracts already in place for certain bus assets. Assets held for sale of £0.6m relate to land and buildings, within property, plant and equipment, whereby offers have been made which management is 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 29 June 2019, assets held for sale were sold for a loss of £0.1m (2018: profit of £0.9m), which is included within operating costs in the income statement.

## 15. 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.

| | **2019 £m** | 2018 £m |
|---|---|---|
| Raw materials and consumables | **16.8** | 15.2 |

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

## 16. 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.

| | 2019 £m | 2018 £m |
|---|---|---|
| Current | | |
| Trade receivables | **163.0** | 168.1 |
| Less: provision for impairment of receivables | **(2.1)** | (1.7) |
| Trade receivables – net | **160.9** | 166.4 |
| Other receivables | **18.9** | 10.8 |
| Prepayments | **27.8** | 76.7 |
| Accrued income | **42.0** | 29.2 |
| Receivable from central government | **100.7** | 59.8 |
| | **350.3** | 342.9 |

Accrued income and amounts receivable from central government principally comprises amounts relating to contracts with customers.

As at 29 June 2019 and 30 June 2018, the ageing analysis of trade receivables and the provision for impairment of receivables based on expected credit losses, was as follows:

### Year ended 29 June 2019

| | Total £m | Neither past due nor impaired £m | Less than 30 days £m | 30–60 days £m | 60–90 days £m | 90–120 days £m | Past due but not impaired – more than 120 days £m |
|---|---|---|---|---|---|---|---|
| Expected rate of credit losses | **1.3%** | **—** | **—** | **—** | **7.4%** | **—** | **82.6%** |
| Trade receivables | **163.0** | **149.3** | **4.7** | **3.3** | **2.7** | **0.7** | **2.3** |
| **Provision for impairment of receivables** | **2.1** | **—** | **—** | **—** | **0.2** | **—** | **1.9** |

### Year ended 30 June 2018

| | 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 |
|---|---|---|---|---|---|---|---|
| Expected rate of credit losses | 1.0% | — | — | — | 9.1% | — | 69.6% |
| Trade receivables | 168.1 | 152.5 | 9.5 | 1.6 | 1.1 | 1.1 | 2.3 |
| **Provision for impairment of receivables** | 1.7 | — | — | — | 0.1 | — | 1.6 |

Trade receivables at nominal value of £2.1m (2018: £1.7m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| At 1 July 2018 | **1.7** | 2.1 |
| Charge for the year | **0.9** | 0.2 |
| Utilised | **(0.6)** | (0.4) |
| Unused amounts reversed | **0.1** | (0.3) |
| On acquisitions | **—** | 0.1 |
| **At 29 June 2019** | **2.1** | 1.7 |

The credit risk associated with the Group's trade and other receivables and the impact of the adoption of IFRS 9 is explained in note 21.

## 17. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements. For accounting policies see 'Cash and cash equivalents' in note 2.

| | 2019 £m | 2018 £m |
|---|---|---|
| Cash at bank and in hand | **86.8** | 89.9 |
| Cash and cash equivalents | **544.0** | 466.6 |
| | **630.8** | 556.5 |

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 29 June 2019, balances amounting to £484.9m (2018: £438.9m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £167.8m at 29 June 2019 (2018: £162.8m).

## 18. 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.

| | 2019 £m | 2018 £m |
|---|---|---|
| Current | | |
| Trade payables | **152.8** | 240.9 |
| Other taxes and social security costs | **31.3** | 31.8 |
| Other payables | **61.8** | 53.0 |
| Deferred season ticket income | **167.8** | 165.9 |
| Accruals | **224.2** | 133.5 |
| Deferred income | **50.3** | 45.0 |
| Payable to central government | **156.6** | 130.9 |
| Government grants | **2.9** | 3.8 |
| | **847.7** | 804.8 |

Deferred season ticket income and deferred income principally comprise amounts relating to contracts with customers.

| | 2019 £m | 2018 £m |
|---|---|---|
| Non-current | | |
| Government grants | **9.0** | 1.0 |
| | **9.0** | 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

Movements in trade payables and accruals reflect the impact of the timing of year-end to certain settlements and invoicing within the UK rail division as well as other changes in the classification of certain items between the two balances.

## 19. Interest-bearing loans and borrowings

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. 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 29 June 2019

| | Current | | | Non-current | | |
|---|---|---|---|---|---|---|
| | Effective interest rate % | Maturity | Within one year £m | After one year but not more than five years £m | After more than five years £m | Total £m |
| Syndicated loans | 1.0 | Over 5 years | — | — | 144.7 | 144.7 |
| Debt issue costs on syndicated loans | | | (0.4) | (0.4) | — | (0.8) |
| £250m sterling seven-year bond | 2.5 | Over 5 years | — | — | 250.0 | 250.0 |
| Debt issue costs on £250m sterling seven-year bond | | | (0.6) | (1.6) | — | (2.2) |
| €8m revolving credit facility | 1.3 | 0–1 years | 5.7 | — | — | 5.7 |
| €10.6m financing facility | 2.79 | Over 5 years | 0.8 | 3.5 | 5.4 | 9.7 |
| Finance leases and HP commitments (note 20) | 7.6 | 0–4 years | 1.8 | 4.3 | — | 6.1 |
| **Total interest-bearing loans and borrowings** | | | 7.3 | 5.8 | 400.1 | 413.2 |
| Debt issue costs | | | 1.0 | 2.0 | — | 3.0 |
| Total interest-bearing loans and borrowings (gross of debt issue costs) | | | 8.3 | 7.8 | 400.1 | 416.2 |
| Cash and short term deposits (note 17) | | | (630.8) | — | — | (630.8) |
| **Net cash** | | | (622.5) | 7.8 | 400.1 | (214.6) |
| Restricted cash* | | | | | | 484.9 |
| Adjusted net debt | | | | | | 270.3 |

### Year ended 30 June 2018

| | Current | | | Non-current | | |
|---|---|---|---|---|---|---|
| | Effective interest rate % | Maturity | Within one year £m | After one year but not more than five years £m | After more than five years £m | Total £m |
| Syndicated loans | 1.00 | Over 5 years | — | — | 136.0 | 136.0 |
| Debt issue costs on syndicated loans | | | (0.3) | (0.3) | — | (0.6) |
| £250m sterling seven-year bond | 2.50 | Over 5 years | — | — | 250.0 | 250.0 |
| Debt issue costs on £250m sterling seven-year bond | | | (0.6) | (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 20) | 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 17) | | | (556.5) | — | — | (556.5) |
| **Net cash** | | | (547.2) | 7.5 | 389.8 | (149.9) |
| Restricted cash* | | | | | | 438.9 |
| Adjusted net debt | | | | | | 289.0 |

* 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.

## 19. 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 |
|---|---|---|---|---|---|---|---|---|
| At 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) |
| At 30 June 2018 | 556.5 | (136.0) | (9.4) | — | (250.0) | (6.5) | (4.7) | 149.9 |
| Cashflow | **74.3** | **(8.7)** | **3.3** | **—** | **—** | **0.8** | **(5.0)** | **64.7** |
| **At 29 June 2019** | **630.8** | **(144.7)** | **(6.1)** | **—** | **(250.0)** | **(5.7)** | **(9.7)** | **214.6** |

### 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 |
|---|---|---|---|---|---|---|---|
| At 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) |
| At 30 June 2018 | (136.0) | (9.4) | — | (250.0) | (6.5) | (4.7) | (406.6) |
| Cashflow | **(8.7)** | **3.3** | **—** | **—** | **0.8** | **(5.0)** | **(9.6)** |
| **At 29 June 2019** | **(144.7)** | **(6.1)** | **—** | **(250.0)** | **(5.7)** | **(9.7)** | **(416.2)** |

### Syndicated loan facility

On 16 July 2014, the Group refinanced 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. On 9 July 2019 a further one-year extension was agreed extending the maturity to July 2024. A further one-year extension is available which, if exercised, would extend the maturity to July 2025.

As at 29 June 2019, £144.7m (2018: £136.0m) 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 seven years maturing on 6 July 2024, with a coupon rate of 2.5%.

### €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, €12.0m of this facility was replaced with a €10.6m 10.5 year loan facility with the Group's subsidiary, Go-Ahead Facility GmbH, leaving an €8.0m RCF.

As at 29 June 2019, €6.4m or £5.7m (2018: €7.4m or £6.5m) 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 29 June 2019, €10.8m or £9.7m (2018: €5.2m or £4.7m) 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 was charged at 1.5% plus EURIBOR until 1 June 2019 from when interest is charged at a fixed rate of 2.79%.

### Debt issue costs

There are debt issue costs of £0.8m (2018: £0.6m) on the syndicated loan facility.

The £250m sterling seven-year bond has debt issue costs of £2.2m (2018: £2.8m).

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

## 20. Finance lease and hire purchase commitments

This note details finance lease and hire purchase commitments. 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:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Minimum payments £m** | **Present value of payments £m** | Minimum payments £m | Present value of payments £m |
| Within one year | **1.9** | **1.8** | 2.9 | 2.8 |
| After one year but not more than five years | **4.5** | **4.3** | 6.3 | 5.9 |
| Over five years | **—** | **—** | 0.7 | 0.7 |
| Total minimum lease payments | **6.4** | **6.1** | 9.9 | 9.4 |
| Less amounts representing finance charges | **(0.3)** | **—** | (0.5) | — |
| Present value of minimum lease payments | **6.1** | **6.1** | 9.4 | 9.4 |

## 21. 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 2017/18 and 2018/19, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk, credit risk and commodity price risk, managed via fuel derivatives.

### Brexit

In light of the uncertainty around the terms of the UK's departure from the EU, the Group has conducted a risk review process and has put practical mitigation measures in place against identified risks related to supply chain, people and Southeastern operations. Read about these risks and our mitigating actions on page 48.

## 21. 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 29 June 2019 and 30 June 2018 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 29 June 2019 and 30 June 2018 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 29 June 2019** | | | | | | | | |
| **Floating rate (assets)/liabilities** | | | | | | | | |
| Syndicated loans | **1.00** | **—** | **—** | **—** | **—** | **—** | **144.7** | **144.7** |
| Euro revolving credit facility | **1.30** | **5.7** | **—** | **—** | **—** | **—** | **—** | **5.7** |
| Gross floating rate liabilities | | **5.7** | **—** | **—** | **—** | **—** | **144.7** | **150.4** |
| Cash assets | | **(630.8)** | **—** | **—** | **—** | **—** | **—** | **(630.8)** |
| Net floating rate (assets)/liabilities | | **(625.1)** | **—** | **—** | **—** | **—** | **144.7** | **(480.4)** |
| **Fixed rate liabilities** | | | | | | | | |
| £250m sterling seven-year bond | **2.50** | **—** | **—** | **—** | **—** | **—** | **250.0** | **250.0** |
| €10.6m financing facility | **2.79** | **0.8** | **0.8** | **0.9** | **0.9** | **0.9** | **5.4** | **9.7** |
| Obligations under finance lease and hire purchase contracts | **7.60** | **1.8** | **1.4** | **1.4** | **1.0** | **0.5** | **—** | **6.1** |
| Net fixed rate liabilities | | **2.6** | **2.2** | **2.3** | **1.9** | **1.4** | **255.4** | **265.8** |

| | 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 seven-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 |

The expected maturity of the financial assets and liabilities in the table above is the same as the contractual maturity of the financial assets and liabilities.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are non-interest bearing and are therefore not subject to interest rate risk.

### Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) based on recent historic changes.

| | Increase/ decrease in basis points | Effect on profit before tax £m | Effect on equity £m |
|---|---|---|---|
| **2019** | | | |
| GBP | **50.0** | **(0.6)** | **0.6** |
| GBP | **(50.0)** | **0.6** | **(0.6)** |
| **2018** | | | |
| GBP | 50.0 | (0.6) | (0.6) |
| GBP | (50.0) | 0.6 | 0.6 |

### Liquidity risk

The Group has in place a £280.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range.

On 16 July 2014, the Group refinanced 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. On 9 July 2019 a further one-year extension was agreed extending the maturity to July 2024. A further one-year extension is 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 seven 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, €12.0m of this facility was replaced with a €10.6m 10.5 year loan facility with the Group's subsidiary, Go-Ahead Facility GmbH.

The level of drawdowns and prevailing interest rates are detailed in note 19.

Available liquidity as at 29 June 2019 and 30 June 2018 was as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| Syndicated loans | **280.0** | 280.0 |
| £250m seven year 2.5% sterling bond 2024 | **250.0** | 250.0 |
| Euro revolving credit facility | **7.2** | 7.1 |
| €10.6m financing facility | **9.5** | 9.4 |
| **Total core facilities** | **546.7** | 546.5 |
| **Amount drawn down at year end** | **410.1** | 397.2 |
| **Headroom** | **136.6** | 149.3 |

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.

### Currency risk

The Group has foreign exchange exposure in respect of cashflow commitments to its operations in Germany, Singapore, the Nordics and Ireland. These are currently not material to the Group.

### Credit risk

The Group's credit risk is primarily attributable to its financial assets, comprising trade and other receivables (see note 16), cash and cash equivalents (see note 17) and fuel hedge derivatives (see note 22). The maximum credit risk exposure of the Group as at the year end was £959.2m (2018: £840.8m) and comprises amounts from a number of unconnected parties.

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.

In relation to provisions for impairments of trade receivables, the Group applies the IFRS 9 simplified approach and provisions are made based on the expected credit losses at each reporting date. Expected credit losses are assessed based on the number of days past due, the customer type, customer rating and past experience. Provisions for the impairment of trade receivables are recorded within operating costs within the income statement, with any subsequent recoveries being offset against these.

## 21. Financial risk management objectives and policies continued

### Commodity price risk

The Group is exposed to commodity price risk as a result of fuel usage. The Group closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate. The Group operates a bus fuel hedging policy which uses fuel hedges to fix the price of diesel fuel in advance. The core policy is to be fully hedged for the next financial year before the start of that year, with at least 50% of the following year fixed and 25% of the year thereafter. This hedging profile is then maintained on a month by month basis. Additional purchases can be made to lock in future costs, subject to Board approval. Risk component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased fuel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the risk component and there is a strong correlation between the movements in the price of the derivative and the fuel price purchased. Variances in pricing between the derivative commodity and the purchased price relate to underlying costs such as duty and delivery and are excluded from the hedge relationship. Further details are given in note 22.

### Contractual payments

The tables below summarise the maturity profile of the Group's financial liabilities at 29 June 2019 and 30 June 2018 based on contractual undiscounted payments.

**Year ended 29 June 2019**

| | On demand £m | Less than 3 months £m | 3–12 months £m | 1–5 years £m | More than 5 years £m | Total £m |
|---|---|---|---|---|---|---|
| Interest-bearing loans and borrowings | **—** | **0.3** | **7.9** | **7.8** | **150.2** | **166.2** |
| £250m sterling seven year bond | **—** | **5.7** | **—** | **—** | **248.3** | **254.0** |
| Trade and other payables | **49.3** | **455.4** | **90.7** | **—** | **—** | **595.4** |
| | **49.3** | **461.4** | **98.6** | **7.8** | **398.5** | **1,015.6** |

**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 seven 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 |

### 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 24. Details of interest-bearing loans and borrowings are shown in note 19.

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 29 June 2019 and 30 June 2018.

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 29 June 2019 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 19 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 2024 syndicated loan facility is an adjusted net debt to EBITDA ratio of not more than 3.5x and at 29 June 2019 it was 1.32x (2018: 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. The majority of assets in the rail division are financed by operating leases, in particular rolling stock.

IFRS 16 Leases is effective for the Group from 30 June 2019. The impact that this standard will have on the Group is disclosed in note 2.

## 22. Derivatives and financial instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations. For accounting policies see 'Financial 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 29 June 2019 and 30 June 2018 and are as follows:

| | **2019 £m** | 2018 £m |
|---|---|---|
| Non-current financial assets: fuel price derivatives | **1.5** | 8.1 |
| Current financial assets: fuel price derivatives | **4.4** | 10.0 |
| | **5.9** | 18.1 |
| Current financial liabilities: fuel price derivatives | **(0.8)** | — |
| Non-current financial liabilities: fuel price derivatives | **(0.8)** | — |
| | **(1.6)** | — |
| Net financial derivatives | **4.3** | 18.1 |

The carrying value of the Group's financial assets and liabilities are as follows:

**Year ended 29 June 2019**

| | **Amortised cost £m** | **Derivatives used for cash-flow hedging £m** | **Total carrying value £m** | **Fair value £m** |
|---|---|---|---|---|
| **Financial assets and derivatives** | | | | |
| Trade and other receivables | **322.5** | **—** | **322.5** | **322.5** |
| Cash and cash equivalents | **630.8** | **—** | **630.8** | **630.8** |
| Fuel price derivatives | **—** | **5.9** | **5.9** | **5.9** |
| | **953.3** | **5.9** | **959.2** | **959.2** |
| **Financial liabilities and derivatives** | | | | |
| Interest-bearing loans and borrowings | **(413.2)** | **—** | **(413.2)** | **(411.7)** |
| Trade and other payables | **(626.7)** | **—** | **(626.7)** | **(626.7)** |
| Fuel price derivatives | **—** | **(1.6)** | **(1.6)** | **(1.6)** |
| | **(1,039.9)** | **(1.6)** | **(1,041.5)** | **(1,040.0)** |

**Year ended 30 June 2018**

| | Amortised cost £m | Derivatives used for cash-flow hedging £m | Total carrying value £m | Fair value £m |
|---|---|---|---|---|
| **Financial assets and derivatives** | | | | |
| Trade and other receivables | 266.2 | — | 266.2 | 266.2 |
| Cash and cash equivalents | 556.5 | — | 556.5 | 556.5 |
| Fuel price derivatives | — | 18.1 | 18.1 | 18.1 |
| | 822.7 | 18.1 | 840.8 | 840.8 |
| **Financial liabilities and derivatives** | | | | |
| Interest bearing loans and borrowings | (403.2) | — | (403.2) | (398.6) |
| Trade and other payables | (590.1) | — | (590.1) | (590.1) |
| Fuel price derivatives | — | — | — | — |
| | (993.3) | — | (993.3) | (988.7) |

## 22. Derivatives and financial instruments continued

The fair values of all other assets and liabilities in notes 16, 18 and 19 are not significantly different from their carrying amount, with the exception of the £250m sterling seven-year bond which has a fair value of £248.5 (2018: £245.4m) but is carried at its amortised cost of £250.0m (2018: £250.0m). The fair value of the £250m sterling seven-year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

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

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 29 June 2019 and 30 June 2018, 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.

There are a small number of foreign currency hedges in place as at 29 June 2019 (2018: none). The foreign currency hedge valuations are based on the external MtM valuations and are currently not material to the Group.

During the year ended 29 June 2019, there were no transfers between valuation levels.

### b. Hedging activities

**Fuel derivatives**

As discussed in note 21, the Group is exposed to commodity price risk as a result of fuel usage.

#### Bus

As at 29 June 2019, the Group had derivatives against bus fuel of 188 million litres for the three years ending June 2022. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 29 June 2019 the Group's external hedging profile is as follows:

| | < 1 year | 1–2 years | 2–5 years | Total |
|---|---|---|---|---|
| Actual percentage hedged | **100%** | **50%** | **25%** | |
| Litres hedged (million) | **108** | **54** | **26** | **188** |
| Average hedged rate (pence per litre) | **36.8** | **36.7** | **38.9** | **37.7** |

* Assuming consistent usage and that hedging is completed at June 2019 market price.

The changes in the fair values of the fuel derivatives during the year are as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| Changes in fair value of hedged item | **(13.7)** | 28.2 |
| Changes in fair value of hedging instrument | **13.7** | (28.2) |
| Changes in fair value through the hedging reserves (net of tax) | **(11.3)** | 23.0 |

The maturity of the hedge profile is between July 2019 and June 2022.

#### Rail

As at 29 June 2019 the Group had no derivatives against rail fuel for the 2019 financial year (2018: nil).

## 23. 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 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 |
| Provided (after discounting) | **33.7** | **15.1** | **3.6** | **52.4** |
| Utilised | **(19.6)** | **(11.8)** | **(0.2)** | **(31.6)** |
| Released | **(2.2)** | **(4.8)** | **(0.1)** | **(7.1)** |
| Unwinding of discounting | **0.2** | **(0.4)** | **—** | **(0.2)** |
| **At 29 June 2019** | **64.0** | **43.4** | **9.4** | **116.8** |

| | **2019 £m** | 2018 £m |
|---|---|---|
| Current | **34.8** | 29.6 |
| Non-current | **82.0** | 73.7 |
| | **116.8** | 103.3 |

### Franchise commitments

Franchise commitments comprise £64.0m (2018: £51.5m) dilapidation provisions on vehicles, depots and stations across our two (2018: two) active rail franchises, and £nil (2018: £0.4m) provisions relating to other franchise commitments. Of the dilapidations provisions, £21.6m (2018: £15.1m) are classified as current. In the prior year, all of the £0.4m provision relating to other franchise commitments is classified as current. During the year £2.2m (2018: £9.0m) 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, £12.6m (2018: £13.4m) are classified as current and £30.8m (2018: £31.9m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years. Both the estimate of settlements that will be made in respect of claims received as well as the estimate of settlements made in respect of incidents not yet reported are based on historical trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

### Other

The other provisions of £9.4m (2018: £6.1m) relate to dilapidations in the bus division of which £0.6m (2018: £0.7m) are classified as current, and £8.8m (2018: £5.4m) are classified as non-current. It is expected that the dilapidations will be incurred within two to six years. Reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year.

## 24. 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** | **2019 £m** | Millions | 2018 £m |
| As at 29 June 2019 and 30 June 2018 | **47.1** | **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 4,066,037 ordinary shares (8.6% of share capital), of which 163,807 are held for LTIP and DSBP arrangements.

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 29 June 2019 the Group has repurchased 56,482 shares for LTIP and DSBP arrangements (2018: 64,012 shares repurchased). The Group has not cancelled any shares during the year (2018: no shares cancelled).

### Hedging reserve

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

### Share premium reserve

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

### Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

### Translation reserve

The translation reserve records exchange differences arising from the translation of the balance sheets of foreign currency denominated subsidiaries.

## 25. 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

| | **2019 £m** | 2018 £m |
|---|---|---|
| Contracted for but not provided – acquisition of property, plant and equipment | **69.6** | 34.8 |

### 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 and DB netz AG for access to the railway infrastructure (track, stations and depots).

## 25. Commitments continued

Future minimum rentals payable under non-cancellable operating leases as at 29 June 2019 and 30 June 2018 were as follows:

### As at 29 June 2019

| | Bus vehicles and other £m | Bus property £m | Rail rolling stock £m | Rail access charges £m | Rail other £m | Total £m |
|---|---|---|---|---|---|---|
| Within one year | **15.7** | **4.4** | **558.1** | **376.3** | **150.8** | **1,105.3** |
| In the second to fifth years inclusive | **28.2** | **12.8** | **725.7** | **281.1** | **186.4** | **1,234.2** |
| Over five years | **—** | **7.9** | **267.8** | **6.7** | **22.9** | **305.3** |
| | **43.9** | **25.1** | **1,551.6** | **664.1** | **360.1** | **2,644.8** |

### 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 |

### 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 29 June 2019 and 30 June 2018 were as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Land and buildings £m** | **Other rail agreements £m** | Land and buildings £m | Other rail agreements £m |
| Within one year | **1.1** | **23.9** | 2.3 | 11.1 |
| In the second to fifth years inclusive | **1.6** | **39.2** | 0.4 | 62.7 |
| Over five years | **—** | **—** | — | — |
| | **2.7** | **63.1** | 2.7 | 73.8 |

## 26. Contingencies

### Performance bonds and other guarantees

The Group has provided bank guaranteed performance bonds of £67.1m (2018: £76.9m), a loan guarantee bond of £36.3m (2018: £36.3m), and season ticket bonds of £151.9m (2018: £154.1m) 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 (2018: £136.0m) to the DfT in respect of the Govia Thameslink Railway franchise, of which Group has a 65% share equating to £88.4m (2018: £88.4m). At the year end £nil (2018: £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 29 June 2019 is £58.0m (2018: £58.0m).

The Group has a bond of $4.2m SGD (2018: $4.2m SGD) to the Land Transport Authority (LTA) of Singapore in support of the Group's Singapore bus operations. At the year end exchange rate this equates to £2.5m (2018: £2.4m).

The Group has a bond of €5.0m (2018: €5.0m) in favour of the Ministry of Transport of BW, bonds of €1.1m (2018: €1.1m) in favour of the Ministry of Transport of BW and the Bavarian Rail Authority and €5.0m (2018: €nil) in favour of Bavarian Rail Authority. All are in support of the Group's German rail operations. At the year end exchange rate these equate to £9.9m (2018: £5.4m). The Group has provided a parental company guarantee to provide funds of €35.0m (2018: €35.0m) in respect of the Germany operations, of which €nil (2018: €nil) has been provided for at year end. At the year end exchange rate this equates to £31.3m (2018: £31.0m).

The Group has bonds of €10.0m (2018: €8.0m) in favour of the National Transport Authority in Ireland in support of the Group's Irish bus operations. At the year end exchange rate this equates to £9.0m (2018: £7.1m).

The Group has a bond of 200m NOK (2018: nil NOK) in favour of Jernbanedirectwatet in Norway in support of the Group's Nordic rail operations. At the year end exchange rate this equates to £18.4m (2018: £nil).

## 26. Contingencies continued

### Contingent liabilities

On 27 February 2019 a Collective Proceedings Application was filed at the Competition Appeal Tribunal under section 47B of the Competition Act 1998 against one of the Group's subsidiary companies, London and Southeastern Railway Limited. The Claim alleges that the company failed to make Boundary Zone Fares sufficiently available to those rail passengers who held TfL travelcards across its multiple sales channels and failing to ensure that customers are aware of these. Equivalent applications were made against South West Trains and South Western Railway.

The proceedings are at a very early stage with the next step being if the Competition Appeal Tribunal will initially decide whether this is a claim that meets the legislative criteria for this type of claim. A hearing in relation to this is scheduled for November 2019. If the criteria were met, it would allow the claim to proceed to a full trial.

The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot initially be substantiated. No provision associated with the claim (other than legal costs) has accordingly been made.

There is no legal precedent both in respect of this type of claim or how it would be valued if found to be a valid claim. Finally, determining how such a claim would be allocated amongst the various parties, and other stakeholders including the Department for Transport (DfT), is highly uncertain.

Accordingly the Group cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Annual Report and Accounts.

## 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:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Bus £m** | **Rail £m** | **Total £m** | Bus £m | Rail £m | Total £m |
| Pre-tax pension scheme asset | **48.7** | **—** | **48.7** | 36.8 | — | 36.8 |
| Deferred tax liability | **(8.5)** | **—** | **(8.5)** | (6.5) | — | (6.5) |
| Post-tax pension scheme asset | **40.2** | **—** | **40.2** | 30.3 | — | 30.3 |

The net surplus before taxation on the bus defined benefit schemes was £48.7m (2018: surplus of £36.8m), consisting of estimated assets of £858.8m (2018: £829.3m) less liabilities of £810.1m (2018: £792.5m). During the year an exceptional charge of £16.8m has been taken to the income statement as a result of the GMP equalisation ruling which directly impacted the bus pension scheme liabilities (2018: gain of £35.2m as a result of RPI/CPI change).

The net deficit before taxation on the rail schemes was £nil (2018: £nil). The nature of these schemes means at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates under the franchise.

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Bus £m** | **Rail £m** | **Total £m** | Bus £m | Rail £m | Total £m |
| Remeasurement gains/(losses) due to: | | | | | | |
| Experience on benefit obligations | **24.3** | **—** | **24.3** | (4.7) | (23.8) | (28.5) |
| Changes in demographic assumptions | **22.5** | **—** | **22.5** | — | 38.3 | 38.3 |
| Changes in financial assumptions | **(54.5)** | **(156.7)** | **(211.2)** | 16.4 | 58.5 | 74.9 |
| Return on assets greater than discount rate | **29.3** | **67.0** | **96.3** | 7.2 | 62.6 | 69.8 |
| Franchise adjustment movement | **—** | **89.7** | **89.7** | — | (135.6) | (135.6) |
| Remeasurement gains on defined benefit pension plans | **21.6** | **—** | **21.6** | 18.9 | — | 18.9 |

## Bus schemes

### The Go-Ahead Group Pension Plan

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

The defined contribution sections of the Go-Ahead Plan are not contracted-out of the State Second Pension Scheme. The Money Purchase Section is now closed to new entrants, except by invitation from the Company, and has been replaced by the Workplace Saving Section, which is also a defined contribution plan. The expense recognised for the Money Purchase Section of the Go-Ahead Plan is £9.3m (2018: £9.9m), being the contributions paid and payable. The expense recognised for the Workplace Saving Scheme is £6.4m (2018: £4.0m), 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 account on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2018, and the next will have an effective date of 31 March 2021.

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

### Other pension plans

Some employees of Plymouth Citybus Limited are members of a Devon County Council defined benefit scheme. This scheme is externally funded and no further entrants can join. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary.

Some employees of East Yorkshire Motor Services Limited are members of the EYMS Group pension defined benefit scheme. The scheme was closed to future accrual with effect from 6 January 2011 having previously been closed to new entrants with effect from 6 April 2001. Contributions to the scheme are based on advice from an independent qualified actuary. Existing contributions are based on the 5 April 2017 valuation.

The actuarial assumptions disclosed are in respect of both the Go-Ahead Plan and EYMS plan only, given the respective sizes of the three bus pension schemes.

### Summary of bus schemes year end assumptions

| | 2019 % | 2018 % |
|---|---|---|
| Retail price index inflation | **3.2** | 3.1 |
| Consumer price index inflation | **2.2** | 2.1 |
| Discount rate | **2.3** | 2.7 |
| Rate of increase in salaries | **n/a** | n/a |
| Rate of increase of pensions in payment and deferred pension | **2.3** | 1.8 |

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.

| | 2019 Years | 2018 Years |
|---|---|---|
| Pensioner | **21** | 21 |
| Non-pensioner | **23** | 22 |

## 27. Retirement benefit obligations continued
### Bus schemes continued
#### 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.

| | **2019 Pension deficit %** | 2018 Pension deficit % |
|---|---|---|
| Discount rate – increase of 0.1% | **(1.5)** | (1.7) |
| Price inflation – increase of 0.1% | **1.4** | 1.5 |
| Rate of increase in salaries | **n/a** | n/a |
| Rate of increase of pensions in payment – increase of 0.1% | **1.0** | 0.9 |
| Increase in life expectancy of pensioners or non-pensioners by one year | **4.3** | 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 29 June 2019.

| | **2019 £m** |
|---|---|
| June 2020 | **27.6** |
| June 2021 | **28.7** |
| June 2022 | **30.0** |
| June 2023 | **31.3** |
| June 2024 | **32.2** |
| June 2025 to June 2029 | **172.8** |

#### Category of assets at the year end

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **£m** | **%** | £m | % |
| Equities | **75.8** | **8.8** | 95.3 | 11.5 |
| Bonds | **77.6** | **9.0** | 109.3 | 13.2 |
| Property | **57.0** | **6.6** | 53.9 | 6.5 |
| Liability driven investment portfolio | **399.1** | **46.5** | 246.9 | 29.8 |
| Cash/other | **249.3** | **29.1** | 323.9 | 39.0 |
| | **858.8** | **100.0** | 829.3 | 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

| | **2019 £m** | 2018 £m |
|---|---|---|
| Employer's share of pension scheme: | | |
| Liabilities at the end of the year | **(810.1)** | (792.5) |
| Assets at fair value | **858.8** | 829.3 |
| Pension scheme asset | **48.7** | 36.8 |

### Pension cost for the financial year

| | 2019 £m | 2018 £m |
|---|---|---|
| Administration costs | **2.0** | 1.7 |
| Settlement charge/(gain) | **16.8** | (35.2) |
| Interest cost on net liabilities | **(0.8)** | 0.4 |
| Total pension costs | **18.0** | (33.1) |

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. As a result, pension scheme trustees will be obliged to adjust benefit payments in order that benefits received by male and female members with equivalent age, service and earnings histories are equal. The judgement has implications for many defined benefit schemes, including those in which the Group participates.

As a result of this change, a pre-tax, non-cash exceptional settlement charge of £16.8m has been recognised in the income statement.

In the prior year, the £35.2m settlement gain is due to the change from the Retail Price Index (RPI) to the Consumer Price Index (CPI) for the purpose of annual increases to the majority of pensions payable by the bus schemes.

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

| | 2019 £m | 2018 £m |
|---|---|---|
| Pension scheme liabilities – at start of year | **792.5** | 805.5 |
| Interest cost | **20.9** | 20.5 |
| Settlement loss/(gain) | **16.8** | (35.2) |
| Remeasurement (gains)/losses due to: | | |
| Experience on benefit obligations | **(24.3)** | 4.7 |
| Changes in demographic assumptions | **(22.5)** | — |
| Changes in financial assumptions | **54.5** | (16.4) |
| Benefits paid | **(27.8)** | (28.5) |
| On acquisition | **—** | 41.9 |
| Pension scheme liabilities – at end of year | **810.1** | 792.5 |

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

| | 2019 £m | 2018 £m |
|---|---|---|
| Fair value of assets – at start of year | **829.3** | 784.6 |
| Interest income of plan assets | **21.7** | 20.1 |
| Remeasurement gains due to return on assets greater than discount rate | **29.3** | 7.2 |
| Administration costs | **(2.0)** | (1.7) |
| Group contributions | **8.2** | 6.6 |
| Benefits paid | **(27.7)** | (28.5) |
| On acquisition | **—** | 41.0 |
| Fair value of plan assets – at end of year | **858.8** | 829.3 |

### Estimated contributions for future

| | £m |
|---|---|
| Estimated Group contributions in financial year 2020 | **8.0** |
| Estimated employee contributions in financial year 2020 | **—** |
| Estimated total contributions in financial year 2020 | **8.0** |

## 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 policy for the Railways Pension Scheme (RPS) is covered on page 134 and pages 142–3 above.

British Railways Additional Superannuation Scheme (BRASS) matching AVC Group contributions of £0.3m (2018: £0.6m) were paid in the year.

#### Summary of year end assumptions

| | 2019 % | 2018 % |
|---|---|---|
| Retail price index inflation | **3.2** | 3.1 |
| Consumer price index inflation | **2.2** | 2.1 |
| Discount rate | **2.4** | 2.7 |
| Rate of increase in salaries | **3.5** | 3.4 |
| Rate of increase of pensions in payment and deferred pension | **2.2** | 2.1 |

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.

| | 2019 Years | 2018 Years |
|---|---|---|
| Pensioner | **21** | 21 |
| Non-pensioner | **23** | 23 |

The mortality assumptions adopted as at 29 June 2019 and 30 June 2018 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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | £m | % | £m | % |
| Equities | **2,023.0** | **98.6** | 1,859.3 | 98.0 |
| Property | **26.7** | **1.3** | 34.1 | 1.8 |
| Cash | **2.0** | **0.1** | 3.8 | 0.2 |
| | **2,051.7** | **100.0** | 1,897.2 | 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

| | 2019 £m | 2018 £m |
|---|---|---|
| Employer's 60% share of pension scheme: | | |
| Liabilities at the end of the year | **(2,790.0)** | (2,474.1) |
| Assets at fair value | **2,051.7** | 1,897.2 |
| Gross deficit | **(738.3)** | (576.9) |
| Franchise adjustment | **738.3** | 576.9 |
| Pension scheme liability | **—** | — |

### Pension cost for the financial year

| | 2019 £m | 2018 £m |
|---|---|---|
| Service cost | **85.7** | 95.4 |
| Administration costs | **3.4** | 3.5 |
| Franchise adjustment to current period costs | **(55.8)** | (65.2) |
| Interest cost on net liabilities | **15.9** | 18.9 |
| Interest on franchise adjustments | **(15.9)** | (18.9) |
| Pension cost | **33.3** | 33.7 |

### Analysis of the change in the employer's 60% share of pension scheme liabilities over the financial year

| | 2019 £m | 2018 £m |
|---|---|---|
| Pension scheme liabilities less members' share (40%) of the deficit – at start of year | **2,474.1** | 3,010.9 |
| Franchise adjustment (100%) | **(576.9)** | (785.5) |
| | **1,897.2** | 2,225.4 |
| Liability movement for members' share of assets (40%) | **85.1** | 80.9 |
| Service cost (60%) | **85.4** | 95.4 |
| Interest cost (60%) | **47.0** | 49.6 |
| Interest on franchise adjustment (100%) | **(15.9)** | (18.9) |
| Franchise adjustment to current period costs (100%) | **(55.8)** | (65.2) |
| Remeasurement losses/(gains) due to: | | |
| Experience on benefit obligations (60%) | **—** | 23.8 |
| Changes in demographical assumptions (60%) | **—** | (38.3) |
| Changes in financial assumptions (60%) | **156.7** | (58.5) |
| Benefits paid (100%) | **(58.3)** | (61.3) |
| Transfer of franchise | **—** | (628.4) |
| Franchise adjustment on transfer of franchise | **—** | 157.1 |
| Franchise adjustment movement (100%) | **(89.7)** | 135.6 |
| | **2,051.7** | 1,897.2 |
| Franchise adjustment (100%) | **738.3** | 576.9 |
| Pension scheme liabilities less members share (40%) of the deficit – at end of year | **2,790.0** | 2,474.1 |

## 27. Retirement benefit obligations continued
### Rail schemes continued
### Analysis of the change in the pension scheme assets over the financial year

| | 2019 £m | 2018 £m |
|---|---|---|
| Fair value of assets – at start of year (100%) | **1,897.2** | 2,225.4 |
| Interest income of plan assets (60%) | **31.1** | 30.7 |
| Remeasurement gains due to return on assets greater than discount rate (60%) | **67.0** | 62.5 |
| Administration costs (100%) | **(5.7)** | (5.9) |
| Group contributions (100%) | **33.0** | 33.1 |
| Benefits paid (100%) | **(58.3)** | (61.3) |
| Transfer of franchise | **—** | (471.3) |
| Members' share of movement of assets (40%) | **87.4** | 84.0 |
| Fair value of plan assets – at end of year (100%) | **2,051.7** | 1,897.2 |

### Estimated contributions for future

| | £m |
|---|---|
| Estimated Group contributions in financial year 2020 | **26.6** |
| Estimated employee contributions in financial year 2020 | **17.8** |
| Estimated total contributions in financial year 2020 | **44.4** |

### Franchise adjustment
The effect of the franchise adjustment on the financial statements is provided below:

| | 2019 £m | 2018 £m |
|---|---|---|
| **Balance sheet** | | |
| Defined benefit pension plan | **(738.3)** | (576.9) |
| Deferred tax asset | **125.5** | 98.1 |
| | **(612.8)** | (478.8) |
| **Other comprehensive income** | | |
| Remeasurement losses/(gains) | **89.7** | (135.6) |
| Tax on remeasurement (losses)/gains | **(15.2)** | 23.1 |
| | **74.5** | (112.5) |
| **Income statement** | | |
| Franchise adjustment to current period costs | **(55.8)** | (65.2) |
| Interest on franchise adjustments | **(15.9)** | (18.9) |
| Deferred tax charge | **12.2** | 14.3 |
| | **(59.5)** | (69.8) |

### 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. Following the conclusion of The Pension Regulator's ongoing investigation into rail pensions, the risks associated with the Group's rail schemes will be reviewed.

**Bus schemes**

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

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

| Risk | Description | Mitigation |
|---|---|---|
| **Asset volatility** | The liabilities are calculated using a discount rate set with reference to bond yields with maturity profiles matching pension maturity; if assets underperform this yield, this 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 2018 financial year, changes in assumptions were made from RPI to CPI when looking at future pension payments, which have helped to 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. On 26 October 2018 the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. The judgement has had an impact on the Plan's defined benefit pension liabilities (see note 6 for further details). | 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 2019 | % equity interest 2018 |
|---|---|---|---|
| **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 |
| Tom Tappin, Limited | United Kingdom | **100** | 100 |
| EYMS Group Limited | United Kingdom | **100** | 100 |
| East Yorkshire Motor Services Limited | United Kingdom | **100** | 100 |
| Go-Ahead Verkehrsgesellschaft Deutschland GmbH | Germany | **100** | 100 |
| Go-Ahead Baden Württemberg GmbH | Germany | **100** | 100 |
| Go-Ahead Facility GmbH | Germany | **100** | 100 |
| Go-Ahead Bayern GmbH | Germany | **100** | — |
| Go-Ahead Seletar PTE. Ltd | Singapore | **100** | 100 |
| Go-Ahead Singapore PTE. Ltd | Singapore | **100** | 100 |
| Go-Ahead Sverige AB | Sweden | **100** | 100 |
| Go-Ahead Norge AS | Norway | **100** | 100 |
| Go-Ahead Finland Oy | Finland | **100** | — |
| Go-Ahead Transport Services (Dublin) Limited | Ireland | **100** | 100 |
| Go North West Limited | United Kingdom | **100** | 100 |
| **Jointly controlled entities** | | | |
| On Track Retail Limited | United Kingdom[3] | **50** | 50 |
| **Investments** | | | |
| Mobileeee GmbH | Germany[4] | **12** | 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 Bayern GmbH | Bahnhofstr. 6, 86150 Augsburg |
| 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 Finland Oy | Bulevardi 1A, 00100 Helsinki, Finland |
| Go-Ahead Seletar PTE Ltd and Go-Ahead Singapore PTE Ltd | 2 Loyang Way, Singapore 508776 |
| Go-Ahead Dublin Services (Transport) Limited | Holmes O'Malley Sexton Solicitors 2–4 Ely Place Dublin 2 |

| | | | % equity interest | |
|---|---|---|---|---|
| Name | Company number | Country of incorporation | **2019** | 2018 |
| **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 |
| 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 |

## 28. Related party disclosures and Group undertakings continued

| Name | Company number | Country of incorporation | % equity interest 2019 | 2018 |
|---|---|---|---|---|
| **Dormant subsidiaries** continued | | | | |
| Blue Triangle Buses Limited | 3770568 | United Kingdom | **100** | 100 |
| Go-Ahead Leasing Limited | 5262810 | United Kingdom | **100** | 100 |
| Go Northern Limited | 0132492 | United Kingdom | **100** | 100 |
| London Central Bus Company Limited | 2328565 | United Kingdom | **100** | 100 |
| Metrobus Limited | 1742404 | United Kingdom | **100** | 100 |
| Hants & Dorset Transport Support Services Limited | 8669065 | United Kingdom | **100** | 100 |
| Thamesdown Transport Limited | 1997617 | United Kingdom | **100** | 100 |
| Excelsior Coaches Limited | 4329621 | United Kingdom | **100** | 100 |
| Excelsior Transport Ltd. | 4329645 | United Kingdom | **100** | 100 |
| Excelsior Travel Limited | 4342549 | United Kingdom | **100** | 100 |
| East Yorkshire Concert Tours Limited | 2142740 | United Kingdom | **100** | 100 |
| East Yorkshire Coach Holidays Limited | 0243051 | United Kingdom | **100** | 100 |
| Bus UK Limited | 2232813 | United Kingdom | **100** | 100 |
| Buscall Limited | 3887602 | United Kingdom | **100** | 100 |
| Connor and Graham Limited | 0546796 | United Kingdom | **100** | 100 |
| East Yorkshire Buses Limited | 0254844 | United Kingdom | **100** | 100 |
| East Yorkshire Coaches Limited | 0331077 | United Kingdom | **100** | 100 |
| East Yorkshire Properties Limited | 2256485 | United Kingdom | **100** | 100 |
| East Yorkshire Tours Limited | 0172326 | United Kingdom | **100** | 100 |
| East Yorkshire Travel Limited | 3225828 | United Kingdom | **100** | 100 |
| East Yorkshire Holiday Tours Limited | 2140988 | United Kingdom | **100** | 100 |
| Frodingham Coaches Limited | 2135501 | United Kingdom | **100** | 100 |
| Hull and District Motor Services Limited | 2183936 | United Kingdom | **100** | 100 |
| Hull Park and Ride Limited | 3886603 | United Kingdom | **100** | 100 |
| Kingstonian Travel Services Limited | 3561955 | United Kingdom | **100** | 100 |
| EYMS Bus & Coach Training Limited | 2123369 | United Kingdom | **100** | 100 |
| Scarborough and District Motor Services Limited | 2133854 | United Kingdom | **100** | 100 |

| Name | Company number | Country of incorporation | % equity interest 2019 | 2018 |
|---|---|---|---|---|
| **Jointly controlled dormant entities** | | | | |
| South Tyneside Smartzone Limited | 09907829 | United Kingdom | **50** | 50 |
| Newcastle Smartzone Limited | 09907839 | United Kingdom | **33** | 33 |
| North Tyneside Smartzone Limited | 09907842 | United Kingdom | **33** | 33 |
| Sunderland Smartzone Limited | 09907836 | United Kingdom | **33** | 33 |

1. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.

The registered office of all dormant subsidiaries incorporated in the United Kingdom is: 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne, NE1 6EE.

The registered office of all jointly controlled dormant entities is: Kepier House, Belmont Business Park, Durham, DH1 1TH.

All dormant companies listed above, incorporated in the United Kingdom, have taken advantage of the UK Companies Act 2006, 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 (2018: £0.2m).

## Joint ventures

The Group's joint venture, On Track Retail Limited (OTR), has its principal place of business in the United Kingdom. The principal activity of OTR is the development and provision of web ticketing applications for the rail industry. The activities of the joint venture are strategically important to the business activities of the Group. The Group owns 50% of the ordinary share capital of OTR and the Group's share of OTR's result for the year is disclosed on the face of the income statement.

## 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.

| | **2019 £m** | 2018 £m |
|---|---|---|
| Short term employee benefits | **1.8** | 2.0 |
| Long term employee benefits[1] | **0.4** | 0.4 |
| Post-employment benefits | **—** | 0.1 |
| | **2.2** | 2.5 |

1. The long term employee benefits relate to LTIP and DSBP.

## Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

**Proportion of equity interest held by non-controlling interests:**

| | Country of incorporation and operation | **2019** | 2018 |
|---|---|---|---|
| Govia Limited | United Kingdom | **35%** | 35% |
| London and South Eastern Railway Limited[1] | United Kingdom | **35%** | 35% |
| Southern Railway Limited[1] | United Kingdom | **35%** | 35% |
| London and Birmingham Railway Limited[1] | United Kingdom | **35%** | 35% |
| Govia Thameslink Railway Limited[1] | United Kingdom | **35%** | 35% |
| Thameslink Rail Limited[1] | United Kingdom | **35%** | 35% |
| New Southern Railway Limited[1] | United Kingdom | **35%** | 35% |

1. Subsidiary of Govia Limited.

| | **2019 £m** | 2018 £m |
|---|---|---|
| **Accumulated balances of material non-controlling interest:** | | |
| Govia Limited | **33.0** | 31.1 |
| **Total comprehensive income allocated to material non-controlling interest:** | | |
| Govia Limited | **16.3** | 20.3 |

The summarised financial information of these subsidiaries is provided below. The information is based on amounts before inter-company eliminations:

### 28. Related party disclosures and Group undertakings continued

**Summarised income statement of Govia Limited and its subsidiary companies for the year ended 29 June 2019 and 30 June 2018:**

| | 2019 £m | 2018 £m |
|---|---|---|
| Revenue | **2,802.3** | 2,527.0 |
| Operating costs | **(2,745.6)** | (2,457.7) |
| Finance revenue | **4.1** | 2.4 |
| Finance costs | **(1.9)** | (1.8) |
| Profit before taxation | **58.9** | 69.9 |
| Tax expense | **(12.7)** | (11.9) |
| Profit for the year from controlling operations | **46.2** | 58.0 |
| Total comprehensive income | **46.2** | 58.0 |
| Attributable to non-controlling interests | **16.3** | 20.3 |
| Dividends paid to non-controlling interests | **12.7** | 13.9 |

**Summarised balance sheet of Govia Limited and its subsidiary companies as at 29 June 2019 and 30 June 2018:**

| | 2019 £m | 2018 £m |
|---|---|---|
| Current assets – inventories, trade and other receivables, cash | **873.6** | 807.1 |
| Non-current assets – property, plant and equipment, intangible assets, deferred tax | **41.1** | 46.5 |
| Current liabilities – trade and other payables, provisions | **(766.9)** | (704.4) |
| Non-current liabilities – provisions | **(53.4)** | (60.2) |
| Total equity | **94.4** | 89.0 |
| Attributable to: | | |
| Equity holders of the parent | **61.4** | 57.8 |
| Non-controlling interest | **33.0** | 31.1 |

These balance sheet amounts are shown before intercompany eliminations.

**Summarised cashflow information of Govia Limited and its subsidiary companies for the year ended 29 June 2019 and 30 June 2018:**

| | 2019 £m | 2018 £m |
|---|---|---|
| Operating | **103.4** | 12.9 |
| Investing | **(5.7)** | (9.4) |
| Financing | **(38.2)** | (41.4) |
| Net decrease in cash and cash equivalents | **59.5** | (37.9) |

### 29. Post balance sheet events

On 7 August 2019, the Department for Transport (DfT) confirmed a further extension to the current Southeastern franchise which will now run to 1 April 2020 rather than expiring on 10 November 2019.

The commitments in note 25 in relation to future minimum rentals payable and receivable under non-cancellable operating leases as at the balance sheet date do not include amounts for the further 5 period extension.  The estimated future contributions payable in relation to the Railways Pension Schemes (RPS) in note 27 also excludes the additional periods.

In addition, there is no impact in relation to the IFRS 16 Leases disclosures in note 2 as all leases are less than 12 months and therefore out of scope.

# Company balance sheet

**as at 29 June 2019**

**Registered No. 02100855**

| | Notes | 2019 £m | 2018 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 5 | **5.3** | 3.9 |
| Property, plant and equipment | 6 | **185.6** | 181.2 |
| Investments | 7 | **215.1** | 215.1 |
| Trade and other receivables | 8 | **11.6** | 10.8 |
| Financial assets | 11 | **1.5** | 8.1 |
| Retirement benefit obligations | 14 | **53.8** | 42.1 |
| | | **472.9** | 461.2 |
| **Current assets** | | | |
| Trade and other receivables | 8 | **737.4** | 709.9 |
| Cash and cash equivalents | | **9.7** | 0.9 |
| Assets held for sale | | **0.6** | — |
| Financial assets | 11 | **4.4** | 10.0 |
| | | **752.1** | 720.8 |
| **Total assets** | | **1,225.0** | 1,182.0 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 9 | **(68.0)** | (71.5) |
| Current tax liabilities | | **—** | (2.7) |
| Financial liabilities | 11 | **(0.8)** | — |
| | | **(68.8)** | (74.2) |
| **Non-current liabilities** | | | |
| Trade and other payables | 9 | **(314.2)** | (321.4) |
| Provisions | 12 | **(8.0)** | (9.7) |
| Financial liabilities | 11 | **(0.8)** | — |
| Deferred tax liabilities | 13 | **(37.1)** | (27.0) |
| | | **(360.1)** | (358.1) |
| **Total liabilities** | | **(428.9)** | (432.3) |
| **Net assets** | | **796.1** | 749.7 |
| **Capital & reserves** | | | |
| Share capital | 15 | **4.7** | 4.7 |
| Share premium | | **70.0** | 69.5 |
| Revaluation reserve | 15 | **63.7** | 67.1 |
| Share premium reserve | 15 | **1.6** | 1.6 |
| Capital redemption reserve | | **0.7** | 0.7 |
| Reserve for own shares | | **(71.3)** | (71.3) |
| Retained earnings | | **726.7** | 677.4 |
| **Total equity** | | **796.1** | 749.7 |

Profit for the year ended 29 June 2019 was £71.0m (2018: £104.8m).

**Elodie Brian**
Group Chief Financial Officer

4 September 2019

# Company statement of changes in equity

**for the year ended 29 June 2019**

| | Share capital £m | Share premium £m | Revaluation reserve £m | Share premium reserve £m | Capital redemption reserve £m | Reserve of own shares £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| 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 |
| Profit for the year | **—** | **—** | **—** | **—** | **—** | **—** | **71.0** | **71.0** |
| Remeasurement on defined benefit retirement plans (net of tax) | **—** | **—** | **—** | **—** | **—** | **—** | **18.3** | **18.3** |
| Total comprehensive income | **—** | **—** | **—** | **—** | **—** | **—** | **89.3** | **89.3** |
| Dividend paid (note 4) | **—** | **—** | **—** | **—** | **—** | **—** | **(43.8)** | **(43.8)** |
| Movement on revaluation reserve (note 15) | **—** | **—** | **(3.4)** | **—** | **—** | **—** | **3.4** | **—** |
| Acquisition of own shares | **—** | **—** | **—** | **—** | **—** | **(1.0)** | **—** | **(1.0)** |
| Share based payment charge (and associated tax) (note 2) | **—** | **—** | **—** | **—** | **—** | **—** | **1.4** | **1.4** |
| Reserves transfer | **—** | **—** | **—** | **—** | **—** | **1.0** | **(1.0)** | **—** |
| Share issue | **—** | **0.5** | **—** | **—** | **—** | **—** | **—** | **0.5** |
| **At 29 June 2019** | **4.7** | **70.0** | **63.7** | **1.6** | **0.7** | **(71.3)** | **726.7** | **796.1** |

# Directors' responsibilities in relation to the Company financial statements

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Notes to the Company financial statements

## 1. Company accounting policies

### Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 (FRS 101)

The Company financial statements of The Go-Ahead Group plc for the year ended 29 June 2019 were authorised for issue by the Board of directors on 4 September 2019 and the balance sheet was signed on the Board's behalf by Elodie Brian. 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 (FRS 101) and in line with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs).

No income statement is presented by the Company as permitted by Section 408 of the Companies Act 2006.

### Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 29 June 2019.

The financial statements are prepared under the historical cost convention as modified by financial instruments recognised at fair value.

The financial statements are prepared in pounds sterling and are rounded to the nearest one hundred thousand (£0.1m).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures and standards not yet effective:

- The requirements of paragraph 45(b) and 46–52 of IFRS 2 Share Based Payment
- The requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), b64(n)(ii), B64(o)(ii), B64(p), B64(Q)(ii), B66 and B67 of IFRS 3 Business Combinations
- The requirement of IFRS 7 Financial Instruments: Disclosures
- The requirement of paragraphs 91–99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment
  - paragraph 118(e) of IAS 38 Intangible Assets
- The requirements of paragraphs 10(d), 10(f), 16, 39(c), 40A, 40B 40C, 40D, 111 and 134–136 of IAS1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cashflows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 110 (2nd sentence), 113(a), 114, 115, 118, 119(a)-119(c), 120–127 and 129 of IFRS 15 Revenue from Contracts with Customers; and
- The requirements of paragraph 52, 89 (2nd sentence), 90, 91 and 93 of IFRS 16 Leases and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

### Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

### Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### 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.

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

**1. Company accounting policies** continued

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 remeasured at fair value at each balance sheet date.

Financial instruments are accounted for in accordance with IFRS 9. 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.

### New standards

Details relating to new accounting standards and the impact of adoption are detailed in note 2 of the Group financial statements.

## 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.

| | 2019 £m | 2018 £m |
|---|---|---|
| Wages and salaries | **15.9** | 11.8 |
| Social security costs | **1.5** | 1.3 |
| Other pension costs | **2.4** | 2.1 |
| Share based payments charge | **0.6** | 0.7 |
| | **20.4** | 15.9 |

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

| | 2019 £m | 2018 £m |
|---|---|---|
| Administration and supervision | **225** | 190 |

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the directors' remuneration report.

### Sharesave scheme

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

The Sharesave scheme is open to all full time and part time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. Participants were given the choice of taking their money back, or to purchase Go-Ahead Group Shares at a 20% discount of the market price at the date of invitation. Sharesave 2016 participants have six months from the maturity date to exercise their options. Sharesave 2016 matured 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 29 June 2019 as follows:

| Scheme maturity | 1 May 2019 |
|---|---|
| Option price (£) | **19.11** |
| No. of options unexercised at 29 June 2019 | **2,547** |
| No. of options exercised during the year | **94** |
| No. of options exercisable at 29 June 2019 | **2,547** |

The expense recognised for the scheme during the year to 29 June 2019 was £nil (2019: less than £0.1m).

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | No. | WAEP £ | No. | WAEP £ |
| Outstanding at the beginning of the year | **3,120** | **19.11** | 6,896 | 18.43 |
| Granted during the year | **—** | **—** | — | — |
| Forfeited during the year | **(479)** | **19.11** | (3,364) | 17.93 |
| Exercised during the year | **(94)** | **19.11** | (412) | 17.34 |
| Outstanding at the end of the year | **2,547** | **19.11** | 3,120 | 19.11 |

The weighted average exercise price at the date of exercise for the options exercised in the period was £19.11 (2018: £17.34).

At the year end, 2,547 (2018: no) options were exercisable and the weighted average exercise price of the options was £19.11 (2018: £nil).

The options outstanding at the end of the year have a weighted average remaining contracted life of nil years (2018: 0.83 years).

## 2. Employee costs continued

### Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2015 (LTIP). The LTIP provides for executive directors to be awarded nil cost shares in the 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 29 June 2019 was £0.4m (2018: £0.8m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 29 June 2019 and 30 June 2018 were:

| | **2019 % per annum** | 2018 % per annum |
|---|---|---|
| The Go-Ahead Group plc: | | |
| Future share price volatility | **33.0** | 29.0 |
| 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 £15.74 (2018: £12.92).

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

| | **2019** | 2018 |
|---|---|---|
| Outstanding at the beginning of the year | **163,144** | 111,724 |
| Granted during the year | **53,912** | 72,755 |
| Forfeited during the year | **(73,453)** | (9,815) |
| Exercised during the year | **—** | (11,520) |
| Outstanding at the end of the year | **143,603** | 163,144 |

The LTIP award granted to the Group Chief Executive in November 2016 will lapse in full from November 2019 as none of the performance measures were achieved following the three-year performance period ending 29 June 2019. The weighted average share price of the options was £19.72 (2018: £15.88).

The weighted average fair value of options granted during the year was £15.74 (2018: £12.92).

The weighted average remaining contractual life of the options was 1.10 years (2018: 1.25 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2018: £16.23).

### 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 29 June 2019 was £0.2m (2018: £0.4m).

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 £15.74 (2018: £16.30).

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

| | **2019** | 2018 |
|---|---|---|
| Outstanding at the beginning of the year | **58,660** | 76,069 |
| Granted during the year | **35,060** | 11,794 |
| Forfeited during the year | **(6,770)** | — |
| Exercised during the year | **(26,798)** | (29,203) |
| Outstanding at the end of the year | **60,152** | 58,660 |

At the year end, 1,482 options related to DSBP awards, which vested before the year end, which have not yet been exercised by participants. Of these 540 options related to the award granted in November 2015 and 942 options related to the grant awarded in November 2013. 11,816 options, relating to the DSBP award granted in November 2016, will be eligible to vest from November 2019 following the end of a three-year deferral period. The weighted average share price of the options at the year end was £19.72 (2018: £15.88).

The weighted average remaining contractual life of the options was 1.36 years (2018: 0.72 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £18.51 (2018: £15.98).

### Share incentive plans

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

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

## 3. Exceptional operating items

| | 2019 £m | 2018 £m |
|---|---|---|
| Charge in relation to GMP equalisation | **(15.7)** | — |
| Gain on change in RPI/CPI assumptions | **—** | 35.2 |
| Exceptional operating items | **(15.7)** | 35.2 |

### Year ended 29 June 2019

Total exceptional operating items in the year were a charge of £15.7m to the income statement.

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. As a result, pension scheme trustees will be obliged to adjust benefit payments in order that benefits received by male and female members with equivalent age, service and earnings histories are equal. The judgement has implications for many defined benefits schemes, including those in which the Company participates.

We have worked with our actuarial advisors to understand the implications of the judgement and the £15.7m pre-tax exceptional expense in the year (2018: £nil) reflects our best estimate of the effect on our reported pension liabilities.

### Year ended 30 June 2018

Total exceptional operating items in the year were £35.2m.

In the prior 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 Price Index (CPI) has been used to increase pensions in payment rather than the Retail Price 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 was recognised in respect of this change.

The tax impact of the above exceptional items plus accrued amounts relating to a HMRC taxation enquiry was £11.5m. In addition, an accrued amount of £2.6m was provided for within finance costs in relation to the interest payable on the enquiry. The enquiry was settled during the current year.

## 4. Dividends

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

| | 2019 £m | 2018 £m |
|---|---|---|
| **Declared and paid during the year** | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2018: 71.91p per share (2017: 71.91p) | **30.9** | 30.9 |
| Interim dividend for 2019: 30.17p per share (2018: 30.17p) | **12.9** | 12.9 |
| | **43.8** | 43.8 |

| | 2019 £m | 2018 £m |
|---|---|---|
| **Proposed for approval at the AGM (not recognised as a liability as at 29 June 2019)** | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2019: 71.91p per share (2018: 71.91p) | **31.0** | 31.0 |

## 5. Intangible assets

| | Software £m |
|---|---|
| **Cost** | |
| At 30 June 2018 | 15.4 |
| Additions | **2.8** |
| Disposals | **(4.8)** |
| **At 29 June 2019** | **13.4** |
| **Amortisation** | |
| At 30 June 2018 | 11.5 |
| Charge for the year | **1.4** |
| Disposals | **(4.8)** |
| **At 29 June 2019** | **8.1** |
| **Net book value** | |
| **At 29 June 2019** | **5.3** |
| At 30 June 2018 | 3.9 |

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 | Short term leasehold land and buildings £m | Plant and equipment £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 30 June 2018 | 192.4 | 4.8 | 11.0 | 208.2 |
| Additions | **6.8** | **—** | **0.4** | **7.2** |
| Disposals | **(1.2)** | **—** | **(3.2)** | **(4.4)** |
| **At 29 June 2019** | **198.0** | **4.8** | **8.2** | **211.0** |
| **Depreciation** | | | | |
| At 30 June 2018 | 15.2 | 1.9 | 9.9 | 27.0 |
| Charge for the year | **1.1** | **0.2** | **0.4** | **1.7** |
| Disposals | **(0.1)** | **—** | **(3.2)** | **(3.3)** |
| **At 29 June 2019** | **16.2** | **2.1** | **7.1** | **25.4** |
| **Net book value** | | | | |
| **At 29 June 2019** | **181.8** | **2.7** | **1.1** | **185.6** |
| At 30 June 2018 | 177.2 | 2.9 | 1.1 | 181.2 |

Freehold land and buildings include non-depreciable land amounting to £121.5m (2018: £122.8m).

## 7. Investments

| | Loans to Group £m | Shares in Group companies £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 29 June 2019 and 30 June 2018 | 63.2 | 151.9 | 215.1 |
| **Provisions** | | | |
| At 29 June 2019 and 30 June 2018 | — | — | — |
| **Net carrying amount** | | | |
| **At 29 June 2019 and 30 June 2018** | **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 29 June 2019, refer to note 28 of the Group financial statements.

## 8. Trade and other receivables
### Amounts falling due within one year

| | 2019 £m | 2018 £m |
|---|---|---|
| Amounts owed by Group companies | **715.5** | 698.9 |
| Corporation tax | **11.0** | — |
| Other debtors | **10.9** | 11.0 |
| | **737.4** | 709.9 |

### Amounts falling due after more than one year

| | 2019 £m | 2018 £m |
|---|---|---|
| Amounts owed by Group companies | **11.6** | 10.8 |

## 9. Trade and other payables
### Amounts falling due within one year

| | 2019 £m | 2018 £m |
|---|---|---|
| Amounts owed to Group undertakings | **45.6** | 49.0 |
| Trade and other creditors | **20.5** | 20.8 |
| Finance leases (note 10) | **1.9** | 1.7 |
| | **68.0** | 71.5 |

### Amounts falling due after more than one year

| | 2019 £m | 2018 £m |
|---|---|---|
| Interest-bearing loans and borrowings repayable: | | |
| After more than five years | **247.7** | 246.5 |
| Finance leases (note 10) | **65.0** | 66.8 |
| Amounts owed to Group undertakings | **1.5** | 8.1 |
| | **314.2** | 321.4 |

Included in finance leases is an amount of £66.8m (2018: £68.5m) 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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Minimum value of payments £m | Present value of payments £m | Minimum value of payments £m | Present value of payments £m |
| Within one year | **4.8** | **1.9** | 4.6 | 1.7 |
| After one year but not more than five years | **20.5** | **9.9** | 19.9 | 8.9 |
| After five years | **70.7** | **55.0** | 76.1 | 57.9 |
| Total minimum lease payments | **96.0** | **66.8** | 100.6 | 68.5 |
| Less amounts representing finance charges | **(29.2)** | **—** | (32.1) | — |
| Present value of minimum lease payments | **66.8** | **66.8** | 68.5 | 68.5 |

### 11. Financial instruments at fair value

The fair values of the Company's financial instruments carried in the financial statements have been reviewed as at 29 June 2019 and 30 June 2018 and are as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| Non-current financial assets: fuel price derivatives | **1.5** | 8.1 |
| Current financial assets: fuel price derivatives | **4.4** | 10.0 |
| | **5.9** | 18.1 |
| Current financial liabilities: fuel price derivatives | **(0.8)** | — |
| Non-current financial liabilities: fuel price derivatives | **(0.8)** | — |
| | **(1.6)** | — |
| Net financial derivatives | **4.3** | 18.1 |

Further information on the financial derivatives can be found in note 22 of the Group consolidated financial statements.

### 12. Provisions

| | Uninsured claims £m | Other £m | Total £m |
|---|---|---|---|
| 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 1 July 2018 | 9.4 | 0.3 | 9.7 |
| Provided (after discounting) | **0.5** | **—** | **4.7** |
| Released | **(1.6)** | **—** | **—** |
| Utilised | **(0.7)** | **—** | **(6.5)** |
| Unwinding of discounting | **0.1** | **—** | **0.1** |
| **As at 29 June 2019** | **7.7** | **0.3** | **8.0** |

Uninsured claims represent the cost to the Company to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Company by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within six years. Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historical trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

The other provision relates to dilapidation costs. It is expected that the dilapidations will be incurred within five to six years.

## 13. Deferred taxation

Deferred taxation provided at the enacted rate is as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| Accelerated capital allowances | **6.1** | (2.8) |
| Other timing differences | **11.0** | 11.2 |
| Revaluation of land and buildings treated as deemed cost on conversion to IFRS | **10.9** | 11.4 |
| Retirement benefit obligations | **9.1** | 7.2 |
| Deferred taxation | **37.1** | 27.0 |

The movements in deferred tax in the income statement and other comprehensive income for the year ended 29 June 2019 are as follows:

| | At 1 July 2018 £m | Recognised in income statement £m | Recognised in other comprehensive income £m | Recognised directly in equity £m | At 29 June 2019 £m |
|---|---|---|---|---|---|
| Accelerated capital allowances | **2.8** | **(8.9)** | **—** | **—** | **(6.1)** |
| Asset backed funding pension arrangement | **(9.9)** | **0.2** | **—** | **—** | **(9.7)** |
| Other temporary differences | **(1.4)** | **—** | **—** | **—** | **(1.4)** |
| Revaluation of land and buildings treated as deemed cost on conversion to IFRS | **(11.4)** | **0.5** | **—** | **—** | **(10.9)** |
| Retirement benefit obligations | **(7.2)** | **1.6** | **(3.5)** | **—** | **(9.1)** |
| Share based payments | **0.1** | **—** | **—** | **—** | **0.1** |
| | **(27.0)** | **(6.6)** | **(3.5)** | **—** | **(37.1)** |

## 14. Retirement benefits

During the year ended 29 June 2019, 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 £0.4m (2018: £0.3m), being the contributions paid and payable. The expense recognised for the workplace saving scheme was less than £0.1m (2018: less than £0.1m), being the contributions paid and payable.

### Defined benefit

During the year ended 29 June 2019, the Company participated in a scheme which is part of the Go-Ahead Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The defined benefit section of the Go-Ahead Plan has been closed to new entrants and to future accrual.

The most recent actuarial valuation of the scheme was at 31 March 2018 and was updated by Willis Towers Watson to take account of the requirements of IAS 19 (revised) in order to assess the liabilities of the scheme at 29 June 2019 and 30 June 2018.

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:

| | 2019 % | 2018 % |
|---|---|---|
| Rate of increase in salaries | **n/a** | n/a |
| Rate of increase of pensions in payment and deferred pensions | **2.2** | 1.9 |
| Discount rate | **2.3** | 2.7 |
| Retail price index inflation | **3.2** | 3.1 |
| Consumer price index inflation | **2.2** | 2.1 |

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.

| | 2019 Years | 2018 Years |
|---|---|---|
| Pensioner | **21** | 21 |
| Non-pensioner | **22** | 22 |

## 14. Retirement benefits continued

### Sensitivity analysis

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

| | 2019 Pension deficit % | 2018 Pension deficit % |
|---|---|---|
| Discount rate – increase of 0.1% | **(1.5)** | (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% | **0.8** | 0.9 |
| Increase in life expectancy of pensioners or non-pensioners by one year | **4.3** | 3.6 |

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.1% and one year in the sensitivity analysis is considered to be a reasonable approximation of possible changes, as these variations can regularly arise.

### Maturity profile of defined benefit obligation

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

| | 2019 £m |
|---|---|
| June 2020 | **25.6** |
| June 2021 | **26.4** |
| June 2022 | **27.7** |
| June 2023 | **29.0** |
| June 2024 | **29.9** |
| June 2025 to June 2028 | **160.9** |

### Category of assets at the year end

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | £m | % | £m | % |
| Equities | **44.9** | **5.6** | 66.0 | 8.5 |
| Bonds | **77.1** | **9.6** | 108.6 | 14.0 |
| Property | **56.1** | **7.0** | 52.8 | 6.8 |
| Liability driven investment portfolio | **385.0** | **48.0** | 234.4 | 30.2 |
| Cash/other | **239.0** | **29.8** | 314.2 | 40.5 |
| | **802.1** | **100.0** | 776.0 | 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

| | 2019 £m | 2018 £m |
|---|---|---|
| Employer's share of pension scheme: | | |
| Liabilities at the end of the year | **(748.3)** | (734.6) |
| Assets at fair value | **802.1** | 776.0 |
| Pension scheme asset | **53.8** | 41.4 |
| Deferred tax liability | **(9.1)** | (9.9) |
| Post-tax pension scheme asset | **44.7** | 31.5 |

### Pension cost for the financial year

| | 2019 £m | 2018 £m |
|---|---|---|
| Administration costs | **1.7** | 1.7 |
| Settlement gain | **15.7** | (35.2) |
| Interest cost on net liabilities | **(0.9)** | 0.3 |
| Total pension costs | **16.5** | (33.2) |

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

| | 2019 £m | 2018 £m |
|---|---|---|
| Pension scheme liabilities – at start of year | **734.6** | 788.4 |
| Interest cost | **19.4** | 20.1 |
| Remeasurement (gains)/losses due to: | | |
| Experience on benefit obligations | **(24.3)** | 4.7 |
| Changes in demographic assumptions | **(23.1)** | — |
| Changes in financial assumptions | **51.0** | (15.7) |
| Settlement gain | **15.7** | (35.2) |
| Benefits paid | **(25.0)** | (27.7) |
| Pension scheme liabilities – at end of year | **748.3** | 734.6 |

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

| | 2019 £m | 2018 £m |
|---|---|---|
| Fair value of assets – at start of year | **776.0** | 772.3 |
| Interest income on plan assets | **20.3** | 19.8 |
| Remeasurement gains due to return on assets greater than discount rate | **25.7** | 6.7 |
| Administration costs | **(1.7)** | (1.7) |
| Group contributions | **6.8** | 6.6 |
| Benefits paid | **(25.0)** | (27.7) |
| Fair value of plan assets – at end of year | **802.1** | 776.0 |

### Estimated contributions for future

| | £m |
|---|---|
| Estimated Group contributions in financial year 2020 | **6.7** |
| Estimated employee contributions in financial year 2020 | **—** |
| Estimated total contributions in financial year 2020 | **6.7** |

Risks associated with the defined benefit plan are outlined in note 27 to the Group financial statements.

Compensation of key management personnel are detailed in note 28 of the Group financial statements.

## 15. Issued capital and reserves

| | Allotted, called up and fully paid | | | |
|---|---|---|---|---|
| | 2019 Millions | 2019 £m | 2018 Millions | 2018 £m |
| As 29 June 2019 and 30 June 2018 | **47.1** | **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 4,066,037 ordinary shares (8.6% of total share capital), of which 163,807 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 29 June 2019 the Company has repurchased 56,482 shares (2018: 64,012 shares repurchased) for LTIP and DSBP purposes. The Company has not cancelled any shares during the year (2018: 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 historical revaluation balances. The movement on the revaluation reserve represents the write down of the revaluation reserve over the expected useful life of the properties, offsetting the depreciation charges being taken to the profit or loss account.

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 (2018: £0.1m). Please refer to note 4 of the Group consolidated financial statements.

## 16. Operating lease commitments

The Company's future minimum rentals payable under non-cancellable operating leases as at 29 June 2019 and 1 July 2018 are as follows:

| | Bus property | |
|---|---|---|
| | 2019 £m | 2018 £m |
| Within one year | **2.4** | 1.0 |
| In second to fifth years | **7.1** | 4.0 |
| More than five years | **3.6** | 2.7 |
| | **13.1** | 7.7 |

## 17. Capital commitments

There were capital commitments of £nil at 29 June 2019 (2018: £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 £44.7m as at 29 June 2019 (2018: assets of £31.5m).

At 29 June 2019 letters of credit amounting to £58.0m (2018: £58.0m) were provided by a Company banker, guaranteed by the Company, in favour of the Group's insurers, to cover liabilities of the Company and its subsidiaries.

## 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2019 £m** | 2018 £m | **2019 £m** | 2018 £m | **2019 £m** | 2018 £m | **2019 £m** | 2018 £m | **2019 £m** | 2018 £m | **2019 £m** | 2018 £m | **2019 £m** | 2018 £m |
| Interest paid to related party | **—** | — | **0.3** | 0.3 | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — |
| Repayment of loan from related party | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — |
| Management charges | **—** | — | **—** | — | **2.7** | 2.8 | **—** | 1.4 | **—** | — | **—** | — | **3.9** | 3.0 |
| Amounts owed from related party | **703.1** | 668.9 | **26.6** | 27.5 | **—** | — | **—** | 0.5 | **—** | — | **—** | — | **11.6** | 12.8 |
| Amounts owed to related party | **38.5** | 43.2 | **—** | — | **1.2** | 1.4 | **0.1** | — | **0.6** | 0.6 | **3.8** | 3.8 | **—** | — |

During the year Southeastern and GTR have traded with wholly owned subsidiaries of the Company; £43.0m (2018: £27.4m) of costs were incurred by Southeastern and GTR on an arm's length basis.

# Shareholder information

## Financial calendar

| | |
|---|---|
| Annual General Meeting | 31 October 2019 |
| Final dividend record date | 1 November 2019 |
| Final dividend payment date | 22 November 2019 |
| Trading update | 28 November 2019 |
| Half year end | 28 December 2019 |
| Half year results announcement | 19 March 2020 |
| Half year dividend payment | 17 April 2020 |
| Trading update | 4 June 2020 |
| Next financial year end | 27 June 2020 |
| Full year results announcement | 10 September 2020 |

### Annual General Meeting (AGM)

The thirty-second AGM of the Group will be held at the Hilton Newcastle Gateshead, Bottle Bank, Gateshead, NE8 2AR on Thursday 31 October 2019 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 27 September 2019.

### Shareholder profile by size of holding as at 29 June 2019

| | No. of holdings | % | Total shares held | % of issued share capital |
|---|---|---|---|---|
| 1–10,000 | 2,849 | 92.08 | 1,950,950 | 4.15 |
| 10,001–100,000 | 177 | 5.72 | 6,077,012 | 12.92 |
| 100,001–500,000 | 51 | 1.65 | 10,615,961 | 22.56 |
| 500,001–1,000,000 | 6 | 0.19 | 3,980,658 | 8.46 |
| Over 1,000,001 | 11 | 0.36 | 24,425,889 | 51.91 |
| **Total** | **3,094** | **100** | **47,050,470*** | **100** |

* This total includes 3,902,230 shares held in treasury.

### Shareholder profile by category as at 29 June 2019

| | No. of holdings | Number of shares | % of holdings | % of shares |
|---|---|---|---|---|
| Treasury shares | 1 | 3,902,230 | 0.03 | 8.29 |
| Directors | 5 | 91,253 | 0.16 | 0.19 |
| Other individuals | 2,499 | 3,541,878 | 80.77 | 7.53 |
| Institutional investors | 589 | 39,515,109 | 19.04 | 83.99 |
| **Total** | **3,094** | **47,050,470** | **100** | **100** |

It should be noted that many private investors hold their shares through nominee companies. Therefore, the percentage of shares held by private holders is likely to be higher than that shown.

### Dividends

For the year ended 29 June 2019, The Go-Ahead Group plc's final year dividend will be 71.91p per share, making the 2019 total dividend 102.08p. Go-Ahead understands the importance of the ordinary dividend for our shareholders and is committed to maintaining an appropriate balance between total cash returns to shareholders, investing in the business and maintaining a strong capital position.

To save time and receive your dividends faster, we recommend that you arrange for your dividends to be paid directly into your bank or building society account. This avoids the risk of losing a cheque in the post and also ensures that your money will be paid into your account on the dividend payment date. To select this method of dividend payment, please contact Equiniti directly using the details on page 209. Following each dividend payment date, we will send a dividend confirmation voucher to your home address. It is therefore important that you ensure that Equiniti has your correct address and bank details.

### Managing your shares online

The Group's Registrar, Equiniti, is responsible for maintaining our register of members. Shareholders with queries relating to their shareholding should contact Equiniti directly.

Go-Ahead shareholders can go online to manage their shareholdings and find out about Go-Ahead's performance by joining Shareview.

Through Shareview, you can:

- Select how you wish to receive Go-Ahead communications – either direct to your email or via post;
- Update your address and bank details online;
- Vote in advance of general meetings; and
- Sell or purchase shares in the Group

To register, go to www.shareview.co.uk and click on "Register" and "Open Portfolio Account". You will need your 11 digit shareholder reference which is shown on your last dividend confirmation voucher or share certificate. As far as possible, the Group provides shareholder documents via the corporate website. By electing to receive shareholder communications electronically you will be allowing us to communicate with you securely in a more environmentally friendly way.

### Duplicate documents

If you have more than one registered shareholder account, you will receive duplicate documentation and split dividend payments. To request that your accounts be combined, please contact Equiniti.

### Shareholder security

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted, please inform the FCA using the share fraud reporting form at fca.org.uk/scams. You can also call the FCA helpline on 0800 111 6768 or through Action Fraud on 0300 123 2040. More detailed information, guidance and key contact details are available on the FAQs page within the investor information section of our corporate website.

By law, the Group's register of members is 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 29 June 2019, 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 47,050,470 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 56,482 ordinary shares of 10p each in the Group as part of a planned programme of share purchases (2018: 64,012) 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 8,492 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 2019 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 £1,437,513, and for the disapplication of pre-emption rights on the allotment of equity securities) for cash up to an aggregate nominal amount of £215,627, as passed by ordinary and special resolutions at the 2018 AGM, were not utilised in the financial year or up to the date of this report.

These authorities will expire at the 2019 AGM and approval for new authorities will be sought. In the last three years, no shares have been issued on a non-pre-emptive basis, other than those issued under all employee share schemes which are not included for the purposes of this authority.

The authority for the Group to make market purchases of its own ordinary shares, as passed by special resolution at the 2018 AGM, was still in effect at the end of the financial year and will expire at the 2019 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 4,312,540. The authority also limits the maximum number of shares held in treasury to 10% of the issued share capital of the Group and states minimum and maximum prices payable for shares purchased under the authority. During the financial year this authority was not utilised.

Each of the Group's rail franchise agreements are subject to change of control criteria that would mean, on a change of control, there would be deemed to be an "event of default" that could potentially terminate the rail franchise. This is, however, subject to the discretion of the Secretary of State. Additionally, the Group's sterling bond issue dated 6 July 2017, and the revolving credit and loan facilities dated 16 July 2014, 27 April 2017, 23 October 2017, 20 July 2018 and 9 July 2019 are subject to change of control clauses that contain certain specified conditions which could lead to a compulsory prepayment of the bond and loans respectively. Transport for London, The Land Transport Authority in Singapore and the National Transport Authority in Ireland all have powers to prevent the operation of, respectively, London Bus, Go-Ahead Loyang PTE. Limited and Go-Ahead Transport Services (Dublin) Limited contracts by an existing operator which is the subject of a change of control. In Germany, certain of our franchise arrangements contain change of control provisions which require approval from the Passenger Transport Authority. These are the E-Net Allgäu Bavaria and ABN Lot 1 franchise arrangements.

## Major shareholders

As at 4 September 2019, the following percentage interests in the ordinary share capital of the Group, disclosable under the Disclosure Guidance and Transparency Rules (DTR) have been notified to the directors.

| | Number of ordinary shares held as at 29 June 2019 | Percentage of voting rights held as at 29 June 2019 | Number of shares held as at 4 September 2019 | Percentage of voting rights held as at 4 September 2019 |
|---|---|---|---|---|
| Standard Life Aberdeen plc | 4,725,222 | 10.96 | No change | No change |
| HSBC Global Custody Nominee (UK) Limited | — | — | 4,273,107 | 9.90% |

## Corporate website

Our corporate website, www.go-ahead.com, provides up-to-date, detailed information on the Company's operations and brands. It includes a dedicated investor relations section that has a wealth of information including access to reports, factsheets, latest news and presentations, as well as share price analysis. Stakeholders are encouraged to sign up to receive email notification of results and press announcements as they are released by registering at www.go-ahead.com/investors/email-alerts.

In the interests of improving engagement and sharing more relevant material with our stakeholders, we have continued to add new features and up-to-date information across our website, as detailed below:

| What information is available on the website? | What is new? |
|---|---|
| **Corporate information**<br>• An overview of who we are, what we do and the markets in which we operate<br>• Our strategy and business model<br>• Profiles of our Board of directors<br>• A detailed account of our approach to corporate governance<br>• All the latest Go-Ahead news and press releases<br>• A local news section on our rail and bus companies<br>• Blogs on Go-Ahead's latest research and executive discussions on industry matters<br>**Investor relations information**<br>• A copy of our full Annual Report and Accounts<br>• A record of all trading updates, half year and full year announcements and investor presentations<br>• Our dividend policy, dividend history and dividend calculator<br>• Our financial calendar<br>• Share price information, including a download function<br>• Factsheets providing a quick "go-to" guide for stakeholders | • Our sustainability strategy<br>• A total shareholder return calculator<br>• Profiles of our executive committees as well as our local managers from our bus and rail operations<br>• Details of our work on innovation and how we are preparing for the future of transport<br>• How to contact us across our operating companies |

## Shareholder relations

To give us your feedback or if you have any questions, please contact: investorrelations@go-ahead.com.

**Investor Relations**
The Go-Ahead Group plc
4 Matthew Parker Street
Westminster
London SW1H 9NP

## Share price

Information on Go-Ahead's share price and other share price tools are available at: go-ahead/investors.

## Greenhouse gas emissions

**Our carbon footprint in tonnes of equivalent carbon dioxide ($CO_2e$):**

| | 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|
| | Consumption | $TCO_2e$ | Consumption | $TCO_2e$ | Consumption | $TCO_2e$ |
| **Scope 1** | | | | | | |
| Gas (buses) kwhs | **6,015,533** | **1,106** | 6,075,632 | 1,118 | 3,721,896 | 685 |
| Gas premises (Bus) | **23,240,221** | **4,273** | 22,081,195 | 4,062 | 19,100,488 | 3,518 |
| Gas premises (Rail) | **26,956,877** | **4,956** | 31,305,147 | 5,759 | 34,298,860 | 6,316 |
| Bus diesel (10% bio-diesel blend) ltrs[1] | **142,744,304** | **370,294** | 137,374,506 | 360,875 | 138,863,052 | 361,066 |
| Gas oil (Rail) ltrs | **5,381,957** | **14,845** | 11,698,766 | 34,751 | 18,475,417 | 54,567 |
| **Total** | | **395,474** | | 406,564 | | 426,153 |
| **Scope 2** | | | | | | |
| Traction electricity kwhs[2] | **1,356,323,985** | **346,676** | 1,389,289,129 | 393,266 | 1,371,415,035 | 482,135 |
| Mains Electricity premises (Bus)[3] | **18,770,456** | **5,117** | 18,374,050 | 5,387 | 17,722,995 | 6,231 |
| Mains Electricity premises (Rail) | **74,428,638** | **19,024** | 82,862,076 | 23,456 | 90,603,259 | 31,852 |
| Mains Electricity premises (Head Office) | **117,315** | **30** | 162,890 | 46 | 95,683 | 34 |
| Mains electricity electric bus | **2,352,029** | **601** | 1,726,965 | 489 | 822,497 | 289 |
| Solar electricity generated and consumed in premises (Bus) (kwhs) | **172,583** | **0** | 102,836 | 0 | 114,661 | 0 |
| Solar electricity generated and consumed in premises (Rail) (kwhs) | **389,762** | **0** | 0 | 0 | 0 | 0 |
| Solar electricity generated and consumed in premises (total) (kwhs) | **562,345** | **0** | 102,836 | 0 | 114,661 | 0 |
| **Total Scope 2** – location | | **371,449** | | 422,644 | | 520,541 |
| **Total Scope 2** – market | | **32,719** | | 35,269 | | 38,406 |
| **Scope 3** | | | | | | |
| Electricity – transmission and distribution (total) | | **31,508** | | 36,012 | | 48,669 |
| **Scopes 1–3 by country** | | | | | | |
| UK | | **372,288** | | 397,152 | | 437,581 |
| Singapore | | **48,014** | | 45,424 | | 37,241 |
| Ireland | | **6,680** | | 0 | | 0 |
| **Total** | | **426,982** | | 442,576 | | 474,822 |
| **Out of scopes** (biogenic content of bio-diesel) | | **12,447** | | 7,858 | | 9,373 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Scope 1, 2 & 3 and Out of Scopes** | | | | | | |
| Total (location) | | **810,878** | | 873,078 | | 1,004,736 |
| Total (market) | | **472,148** | | 485,703 | | 522,601 |
| YoY % change | | **(7.12%)** | | (13.10%) | | (6.62%) |
| % change on 2017 baseline | | **(19.29%)** | | n/a | | n/a |
| % change on 2015 baseline | | **(26.14%)** | | (20.47%) | | (8.48%) |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | **Location** | | Location | | Location |
| **Total bus and rail mileage** | **706,561,838** | | 683,223,210 | | 684,511,871 | |
| All scopes $kgsCO_2e$/vehicle mile | | **1.1476** | | 1.2779 | | 1.4678 |
| YoY % change | | **(10.19%)** | | (12.94%) | | (7.95%) |
| % change on 2017 baseline | | **(21.81%)** | | (12.94%) | | n/a |
| % change on 2015 baseline | | **(35.49%)** | | (28.17%) | | (17.49%) |

1. UK $CO_2e$ conversion factors have been used to account for diesel consumption in Ireland and in Singapore as local factors are not available.
2. Local $CO_2e$ conversion factors for 2018 have been used to account for electricity and gas consumption in Ireland and for electricity consumption in Singapore as the 2019 factors are not yet available.
3. Traction electricity consumption data relates to the period from 1 April 2018 to 31 March 2019.

The Go-Ahead Group's energy consumption and $CO_2e$ figures have been verified by Bureau Veritas.

## 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 2019. 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 as stated in last year's annual report, we have moved 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 and that performance is not masked by fluctuating passenger numbers. To maintain transparency and enable stakeholders to see our performance trends over time, we provide historic data for both our absolute $CO_2e$ emissions and for our relative performance metric.

We report our emissions on both a 'location' and a 'market' basis. This dual reporting applies to $CO_2e$ emissions arising from our electricity consumption only. The location-based method uses the national average carbon factors for UK mains electricity that are issued annually by the BEIS and take the whole mix of fuels used to generate UK electricity into account. The market-based method uses supplier-specific carbon factors that reflects supply contract specifications agreed between supplier and customer, e.g. if the customer specifies that electricity must be generated from renewable sources or a green tariff is chosen. In these circumstances, the carbon factor/$CO_2e$ emissions using the market-based method will be much lower than if using the location-based method.

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

### Actions that were implemented during 2019 to improve energy efficiency and enable us to achieve our targets include the following:

- On-going investment in our bus fleet; in line with the Group's vehicle procurement policy to only purchase Low Emission Buses (LEB) other than in exceptional circumstances, virtually all of these new buses are certified as LEB or better. These new buses are significantly more fuel efficient than the older buses that they replace and contributed to an overall improvement in fleet average miles per gallon of 2.1% year on year and 4.2% better than in 20117. We are therefore on track to achieve our 5% improvement target by 20221.
- We have also purchased or ordered additional new electric buses which is what has caused the electricity consumption by electric buses to increase in 2019. However, these electric buses also contributed to lower overall $CO_2e$ emissions from the fleet as they have generally replaced diesel buses. Additionally, following extensive feasibility studies carried out in 2019, Go-Ahead successfully bid for funding to assist with the purchase of 20 new hydrogen buses which are due to be ordered imminently. These hydrogen buses are scheduled to be delivered and enter service with Brighton and Hove Buses in 2020 and clearly demonstrate the Group's innovative and sector leading approach to adopting low carbon vehicle technologies that also contribute to reducing air pollution.
- Trial of solar panels currently being installed on the roofs of 20 buses. The electricity generated by the panels will reduce the load on the vehicles' alternators/drivetrain, and so contribute to a marginal improvement in fuel efficiency. One of the trial buses is also fitted with a roof mounted filter designed to remove particulates from the air and so contribute to improving air quality.
- New rolling stock that are significantly more energy efficient than the units it replaced were introduced on the GTR franchise. This new rolling stock contributed to an overall year on year improvement in electric fleet energy efficiency (miles/kwh) of 6.0%. For GTR only, the year on year improvement was 9.7% and against the 2017 baseline a 16.6% improvement was achieved, hitting the 15% improvement target two years earlier than planned.
- Solar PV was installed at four Southeastern Railway depots in 2019 added to the existing installations at Oxford and Hull bus depots, increasing the amount of self-generated, zero carbon electricity that we consumed.
- From 1 July 2019, all electricity supplied to Group premises within our central Group electricity supply contract will be entirely generated from fully renewable sources, (wind, solar, hydro etc.) and will be zero rated for $CO_2e$ under a market based reporting approach.
- Go-Ahead's bus division achieved ISO 50001 certification in September 2018, and with the existing certifications held by the Group's two train operating companies, all of Go-Ahead's UK operations are covered by ISO 50001 certification, recognised as best practise for energy management.
- During 2019 Go-Ahead has also carried out a review of Climate Change Risks and Opportunities, including scenario planning, as recommended by the Task Force on Climate-related Financial Disclosures (TCFD) and has investigated the feasibility of setting a Science-Based Target for longer term carbon reductions. Both of these workstreams are still on-going and the outcomes will be included in next year's Annual Report.
- Go-Ahead also continued to collaborate with partners on a variety of innovative future of transport initiatives such as Demand Responsive Transport (DRT) services in London and Oxford and potential tie ups with logistics companies that will achieve nett reductions in carbon emissions as well as reducing air pollution from transport and congestion.

* Emissions from air conditioning equipment in our premises and vehicles are not included in this analysis due to the difficulty in obtaining this data. A screening exercise was carried out that established that these emissions account for less than 0.5% of our total GHG emissions and are therefore not considered material. Additionally, our German rail company began operating in June 2019 and energy consumption data for the one month of operations within the reporting period has not yet been established, and therefore German rail $CO_2e$ emissions are also excluded from this year's reporting.

# Corporate information

www.go-ahead.com

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* Lines are open 8:30am to 5:30pm Monday to Friday (excluding public holidays in England and Wales)

# Glossary

| | |
|---|---|
| **ASLEF** | The Associated Society of Locomotive Engineers and Firemen (ASLEF) is a British trade union representing train drivers |
| **BAME** | BAME is a used in the UK to refer to black, Asian and minority ethnic people |
| **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 |
| **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 |
| **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 |
| **DRT** | Demand Responsive Transport (DRT) is a form of transport where vehicles alter their routes based on particular transport demand rather than using a fixed route or timetable |
| **EAP** | An employee assistance program (EAP) is a work-based intervention program designed to assist employees in resolving personal problems that may be adversely affecting the employee's performance |
| **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

**GHG**

A greenhouse gas is any gas in the atmosphere which absorbs and re-emits heat, and thereby keeps the planet's atmosphere warmer than it otherwise would be

**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

**ISO 50001**

Certification for best practice in energy management achieving continual improvement of energy performance, including energy efficiency, energy security, energy use and consumption

**ISO 20400**

Is an international standard for sustainable procurement, providing guidance to organisations on integrating sustainability within procurement

**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

**LGBT+**

An umbrella term to refer to all LGBT+ individuals (lesbian, gay, bisexual, transgender, queer, intersex and asexual and those who do not identify with any category). It is also a term used by individuals who see their sexual orientation and/or gender identity as fluid

**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

**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

**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

**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

**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 preindustrial temperatures

**TCFD**

The Task Force on Climate related Financial Disclosures are recommendations for more effective climate related disclosures

**TGfM**

Transport for Greater Manchester is the public body responsible for co-ordinating transport services throughout Greater Manchester in North West England

**TfL**

Transport for London is a local government body responsible for the transport system in Greater London

**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

**Williams Rail Review**

The Williams Rail Review, led by independent chair Keith Williams, was established in September 2018 by the UK Government to look at the structure of the whole rail industry and the way passenger rail services are delivered. The review will make recommendations for reform that prioritise passengers' and taxpayers' interests

**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 1 July 2018 to 29 June 2019.

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
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## Visit our new website!

Discover more online at: **www.go-ahead.com**