years of passenger transport

Annual Report and Accounts
for the year ended 1 July 2017

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We work in partnership with a wide range of stakeholders who are interested in and affected by our activities

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Go-Ahead's Chairman, Group Chief Executive and Group Chief Financial Officer answer the latest topical questions from our shareholders

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Our objective is to generate value for our investors, building a sustainable business and delivers our vision: a world where every journey is taken care of

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Go-Ahead's Group Chief Executive, David Brown, reviews the year, how we are supporting our strategy and our future plans

Our change themes

Our management teams are committed on delivering change through a renewed focus on five key areas all underpinned by our vision, beliefs and attitudes

Leaning into change

Lean processes
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Driving change through technology

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Business overview

- Results in line with expectations
- Bus and rail operating profit at £90.7m (2016: £91.2m) and £59.9m (2016 restated: £71.4m), respectively
- GTR service levels improving after impact and level of industrial action reduces
- Agreement reached in July with the DfT on GTR contractual variations relating to industrial action has reduced financial uncertainty
- Maintained sector-leading performance in customer satisfaction in regional bus, with score of 90%
- Southeastern achieved the largest ever improvement in customer satisfaction of any UK rail operator
- Proposed final dividend increase of 6.5%, in line with rise in interim dividend, resulting in a full year dividend of 102.08p
- Clear strategy of protecting and growing our core business, winning new bus and rail contracts, and developing for the future of transport

International development

- Progressing towards a new target for international operations to contribute 15% to 20% of Group profit within five years
- Bus contract in Singapore commenced and delivering high performance levels
- Third German rail contract secured and bus contract won in Dublin
- Actively exploring further bus and rail opportunities in Nordic region and Australia

Single remuneration figure

The total single remuneration figure for our executive directors for the year ended 1 July 2017 is shown below:

	2017 £'000	2016 £'000
Group Chief Executive – David Brown	**801**	1,214
Group Chief Financial Officer – Patrick Butcher	**422**	269

See directors' remuneration report on page 77

Our strategic report for the year ended 1 July 2017, as set out on pages 2 to 45, and the directors' report on pages 96 to 99, have been reviewed and approved by the Board of directors.

Andrew Allner,
Chairman
6 September 2017

Performance in the year

90%
Regional bus customer satisfaction
(2016: 89%)

82%
Rail customer satisfaction
(2016: 75%)

£3,481.1m
Total revenue
(2016: £3,361.3m)

£150.6m
Total operating profit
(2016 restated: £162.6m)

207.7p
Earnings per share
(2016 restated: 218.2p)

102.08p
Dividend per share
(2016: 95.85p)

0.75kg
Carbon emissions per passenger journey
(2016: 0.82kg)

with 30 years of experience...

2017
Won Dublin bus contract and third German rail contract

2015
Won two German rail contracts

Won Singapore bus contract

2014
Carbon trust triple accreditation

Awarded Fair tax mark

1997-2013
Strengthened the Group through contract wins and acquisitions in our core bus and rail markets

1996
Entered UK rail market

Privatisation of UK rail market

1994
Entered London Bus Market

Floated on London Stock Exchange

1987
Go-Ahead formed with regional bus businesses in the North East

Privatisation of UK bus market

Go-Ahead

Generating long term value for all our stakeholders

We have thirty years of experience operating in UK public transport markets. Over this time, we have developed valuable skills, knowledge and expertise, building strength through this experience. Delivering shared value for all our stakeholders is fundamental to Go-Ahead's vision: a world where every journey is taken care of.

We deliver value through our core strengths:

Strong financial profile

- Robust balance sheet with low levels of debt
- Committed to dividend policy
- Efficient operator with tightly managed cost base

Read about our financial position and performance on page 22

Established position in UK bus and rail markets

- Experienced operator and bidder
- Largest operator in London bus market
- Stable presence in strong south east regional bus markets
- Operator of the UK's busiest rail franchises

Read about our markets on page 10

International development

- Significant opportunities in new and existing markets
- Five international contracts won to date
- Disciplined approach to bidding within clear risk framework

Read about our international development on page 5

Customer-focused in our local markets

- Devolved structure with largely autonomous business units
- Local management to respond quickly and flexibly to customer's need

Read about our three UK markets on page 4

At the heart of our communities

- Play a key role in the communities we serve and understand our local markets
- Supporting local economies by enabling access to work, education, leisure and retail

Read about key markets trends on page 10

Effective leadership and committed people

- Strong leadership is key to our success
- Focused on employee engagement
- We invest in our people and empower them to deliver change

Read about our people on page 36

Leading the way in sustainability, innovation and transparency

- First transport group to achieve Carbon Trust triple accreditation
- Contributing to improving air quality
- First bus company outside London to introduce latest 'model 2' contactless payments
- First FTSE 350 to achieve the Fair Tax Mark

Read our case study about contactless payments on page 24

Working in partnership

- We place great importance in our relationships and adopt a collaborative approach with local communities, the government and strategic partners in developing and operating services which create long term value for all stakeholders

Read our overview of GTR on page 20

Robust risk management

- Continually identify, assess and prioritise risks to the business through robust risk management and internal control systems

Read about our approach to risk on page 40

Read about our stakeholder relationships on pages 6 and 62

We believe in building a business that creates value for all our stakeholders

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

Andrew Allner,
Chairman

6.5%

Full year dividend up

Dear Shareholder,

These are times of significant change for the world's transport industries. Technology, the political landscape and environmental factors are constantly presenting new opportunities and challenges in the bus and rail markets.

At Go-Ahead, we are committed to being at the forefront of these developments. We aim to make the best possible use of new technology and new working practices to provide long term benefit for our passengers, transport authority clients, communities and investors, while continuing to meet our obligations as a major taxpayer and large-scale employer.

Modernisation of equipment must result in modernisation of working practices. This inevitably creates disruption at times and it is regrettable that industrial action on GTR's Southern rail network resulted in significant delays and cancellations to services during the period, adversely affecting passengers. Although the situation improved in the second half of the year as industrial action reduced, service levels still fell short of our and our customers' expectations. We remain committed to delivering improvements that will create long term benefits for passengers.

More information on GTR see page 20

While continuing difficulties at Southern have negatively impacted shareholder returns, strong financial performance in our other franchises has enabled us to deliver value through the rail division.

In the year, our rail businesses contributed £77.6m to the Government, enabling further investment in infrastructure to support a more resilient rail network for the future.

The enactment of the Bus Services Act during the year focused attention on the benefits that partnership working can bring to communities. While it is too early to know the extent of the opportunities and challenges the Act will bring, it has already highlighted the need for private sector investment to maintain and improve bus networks and fleets in the future.

Our strategy

The evolution of our strategy, to protect and grow our core business, win new bus and rail contracts and develop for the future of transport, has refocused the Group on five key themes through which all our companies will deliver change.

More information on page 14

Following the disappointing decision by the Department for Transport (DfT) in August 2017 to award the West Midlands franchise to another operator, our UK rail strategy is focused on restoring service and value to GTR and delivering attractive and value enhancing bids to operate future rail franchises.

As we explore new ways of delivering our services, we also continue to explore new markets. Our international development is progressing well with new contracts being won and introduced during the year in three international markets. This good progress has led us to introduce a five-year target for 15% to 20% of Group profit to be generated from international operations.

Our strategy is designed to deliver value to all stakeholders, including our shareholders. Reflecting your Board's commitment to the dividend and our confidence in the outlook for the Group, we propose a final dividend increase of 6.5%, in line with the rise in interim dividend, resulting in a full year dividend of 102.08p.

Your Board has a clear capital allocation policy for the Group, which aims to support existing businesses, expand in targeted markets, reserve against risk and make appropriate returns to shareholders. This policy is supported by the strength of our balance sheet and stable profits in our bus division.

Our people and culture

On behalf of the Board, I would like to thank all of our 29,000 colleagues who work hard every day, sometimes under challenging circumstances, to bring us ever closer to achieving our vision: a world where every journey is taken care of.

On my regular visits to businesses around the Group, I am always impressed by the commitment demonstrated by colleagues to improve services for our passengers. With each visit, I see more examples of Go-Ahead's beliefs and attitudes being brought to life in people's day-to-day roles, reaffirming to me the value of our culture change programme.

Over the last three decades, Go-Ahead has welcomed employees from around the world. Our diverse workforce not only reflects our customer base but also ensures the appropriate pool of people to fulfil our recruitment needs. It is important that we strive to protect the rights of all our people and secure adequate resource for our current and future operations.

At Go-Ahead, we believe in taking care of our people. As well as providing good working conditions and fair pay, we invest in people's training, development and wellbeing. I'm proud of our Investors in People accreditations across the business, particularly in the four companies which have achieved the highest possible status.

This year, inflationary pay increases were awarded across the Group and we continue to support the Voluntary Living Wage. We believe pay should be closely linked to performance and our remuneration policies reflect this. In light of the severe disruption faced by Southern customers in the year, both the Chief Executive, David Brown, and Group Chief Financial Officer, Patrick Butcher, have requested that the remuneration committee does not consider them for an annual performance-related bonus. This will be the second consecutive year in which David has declined an annual bonus.

Your Board

Just as it's important for our organisation to adapt to change and continuously improve, it is equally crucial for your Board to do the same. In line with our commitment to good corporate governance, the Board undertakes an annual evaluation aiming to enhance effectiveness. This year, as an alternative to the more traditional Board effectiveness review and aligned to the Group's culture change programme, we undertook a comprehensive Board development programme, which enabled us to build upon the Board's strengths, support our succession planning strategy and improve the Board's effectiveness. Having undertaken this process, the Board has committed to retaining its focus on three core areas in the coming year: resolving the issues at GTR, developing our strategy for sustainable growth and improving the culture of the Group. I believe strongly in the importance of the Board's role within an organisation, demonstrating the beliefs and attitudes in its approach to leadership.

More information on page 19

In accordance with our succession plan, Nick Horler will retire from the Board at the 2017 AGM after six years on Go-Ahead's Board. On behalf of the Board, I would like to thank Nick for the valuable contribution he has made to the Group; he has brought great expertise and experience to the Board, and I have very much enjoyed working with him.

I look forward to welcoming two new Board members in the coming months. Harry Holt and Leanne Wood, who will join the Board in October 2017, will ensure we have the right balance of skills and experience to take the business forward, creating greater diversity of thought and approach.

More information on page 74

Our purpose and contribution

In this, Go-Ahead's thirtieth year, I'm proud to lead the Board of a business that has enabled three decades of passenger journeys; connecting people with friends, family, work and leisure activities.

Over the last year, we've made progress in evolving our strategy, shaping our culture and preparing for the future challenges facing us and our wider industry. A good public transport system is essential to support a growing economy and a thriving society. As one of the largest operators of public transport in the UK, we play an important role, providing a vital service for our communities, through the people we employ and the taxes we pay. Partnership working in all areas of our business is critical to our success and the wider success of the industry; improvement and change cannot be delivered single-handedly.

More information on page 12

Our Group has a clear and important purpose. We believe in doing business in the right way, behaving ethically and creating value beyond financial return for all our stakeholders. I believe that these values, along with Go-Ahead's strong financial grounding and track record of operational delivery, support our position as a leading provider of public transport now and in the future.

Andrew Allner,
Chairman
6 September 2017

Three decades of experience

Through our three operating divisions, we have delivered value for our stakeholders for three decades and are now using this experience to expand into international transport markets

Regional bus

We operate commercial bus businesses, predominantly in the south of England

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

7,000
Employees

2,560
Buses

More information on page 25

London bus

We operate tendered contracts for Transport for London (TfL)

In London, we operate around 190 routes from 17 depots in the capital. Around 85% of these depots are freehold.

Go-Ahead's bus operation in Singapore is reported within London bus due to the similarities between the contract structures. We own 100% of these businesses.

8,000
Employees

2,620
Buses

More information on page 26

Rail

We operate rail franchises for the Department for Transport (DfT)

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

The London Midland franchise will end in December 2017.

We are preparing for the introduction of three German rail contracts in 2019.

14,000
Employees

5,650
Daily services

More information on page 27

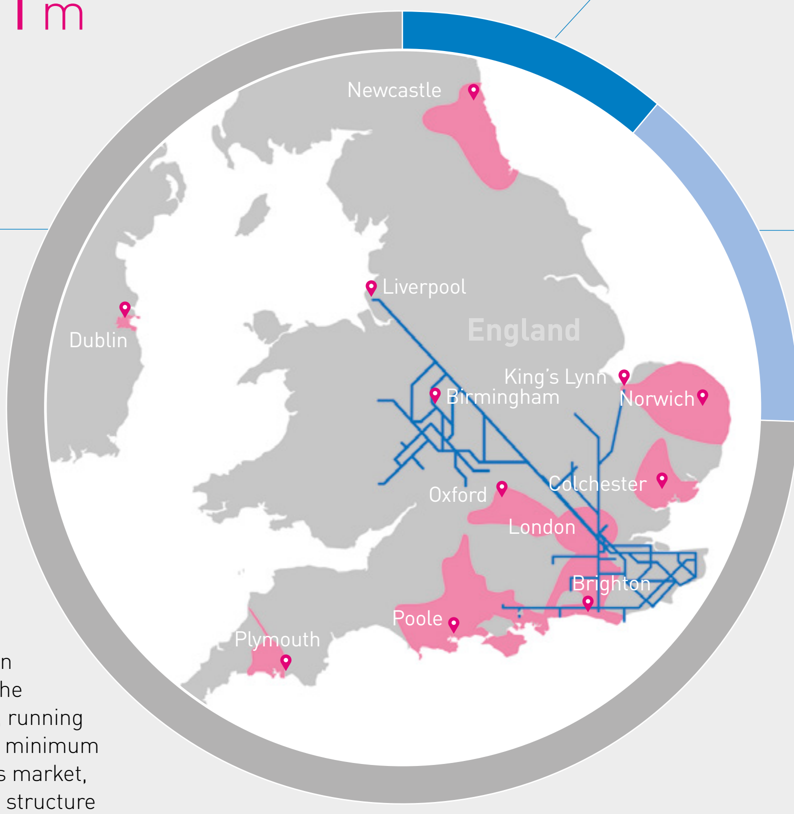
Total Group revenue

£3,481.1m

£376.6m
Regional bus

£2,579.1m
Rail

£525.4m
London bus



International development

Singapore

In September 2016, we began operating a bus contract in the Loyang district of Singapore, running 395 buses on 26 routes for a minimum of five years. Singapore's bus market, which has a similar contract structure to London's, offers opportunity for further growth with 11 contracts scheduled to be tendered over the next nine years. Go-Ahead submitted a bid for a contract in the Bukit Merah region in August 2017.

Ireland

In August 2017, Go-Ahead was awarded a bus contract to operate 125 buses across 24 routes in the outer Dublin metropolitan area. Beginning in late 2018, the contract will run for a minimum of five years. The contract, which covers around 10% of services in the outer Dublin area, is the first to be tendered by Ireland's National Transport Authority.

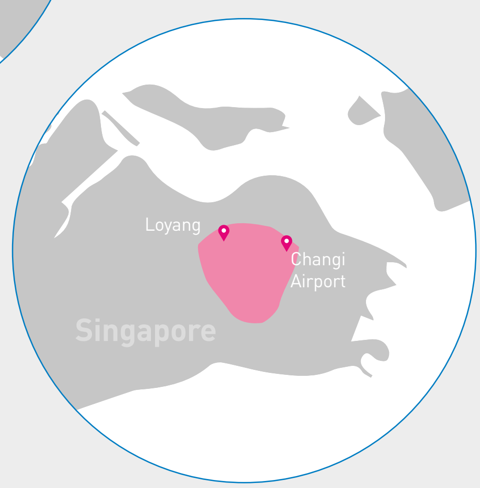
Germany

Go-Ahead is currently preparing for the start of three German rail contracts in 2019, in Baden-Württemberg and Bavaria. We will operate the contracts, which are significantly smaller in size than UK rail contracts, until 2032. The German market also offers significant opportunity for growth, with a large pipeline of contract tenders due by September 2019.

We are currently exploring opportunities in a number of other international markets in line with our strategy, risk appetite and financial discipline.

Bus regions

Rail networks



Read more about our international development on page 18

Working together

Delivering our vision requires tackling a range of complex issues. Some of these issues are within our control, some we seek to influence and others are more challenging to manage and require working in partnership with our stakeholders.

Everyone who is affected by our business, and everyone who affects it, is a stakeholder. We are committed to ongoing stakeholder engagement to understand expectations, needs and concerns. This feedback forms part of our decision making process, and helps us continuously improve and progress towards our vision and long term ambitions.

Why we engage

We always endeavour to listen to our stakeholders and respond positively to their concerns and suggestions. Our aim is to find mutually beneficial outcomes. As active members of the communities we serve, we want to strengthen the local environment so that we can prosper together.

Our impact

Partnership working helps run our business responsibly in a way that ensures its viability for the long term.

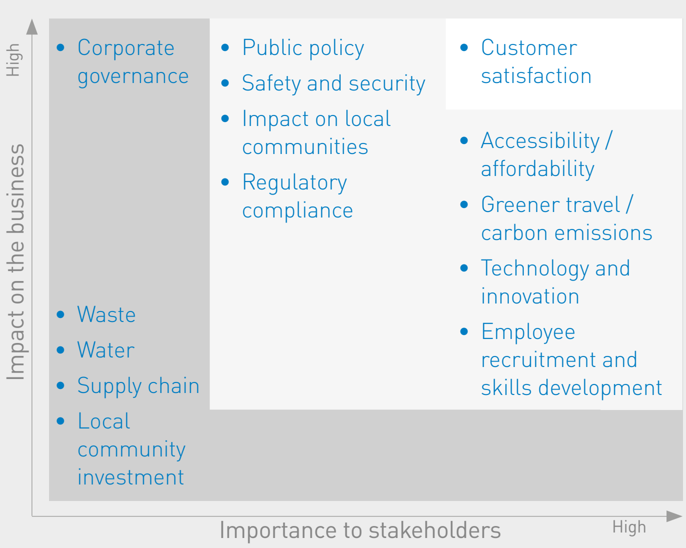
As a result, we are able to maintain an engaged workforce, improve customers satisfaction and keep our investors well informed, as well as influence public policy, contribute to our local communities and have mutually beneficial partnerships with suppliers.

Sustainability materiality review

Conducting a sustainability materiality review helps us focus on the issues that are most relevant for our key stakeholders. It is important that we minimise any potential gaps between our stakeholders' expectations and our actions and performance. Identifying material issues ensures the right mechanisms are put in place to measure what matters to stakeholders and focus our attention on the areas that will help us achieve our vision.

Materiality matrix

Of the thirty or more issues reviewed during the process, the issues below are the those identified as key to the business and important to our stakeholders.



A world where every journey is taken care of

Why we engage

Policy and regulatory changes affect our bus and rail businesses

Our impact

Helping shape new policies, regulations and standards for the industry such as the Bus Services Act 2017, to the long term benefit of passengers

More information on page 10

Customers

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

Why we engage

Understanding our passengers' perception of us and our services helps us deliver change and improve performance

Our impact

Our regional bus business consistently achieves industry leading customer satisfaction scores in regional bus

More information on page 34

Investors

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

Why we engage

By providing open and transparent information, investors are able to make informed investment decisions

Our impact

Feedback from investors forms part of the boards strategic discussions

More information on page 62

Government

By working closely with both central and local government we bring the benefits of private sector operation; helping to reduce public spending, and our experience and expertise; helping to shape policy and regulatory changes.

Strategic partners and suppliers

We work collaboratively with strategic partners including the DfT, TfL, local authorities and Network Rail, and have effective relationship with core supplies.

Why we engage

Professional relationships and collaborative working with strategic partners is essential for the effective transport systems. Value chain management contributes to minimising risks and the efficient delivery of our services

Our impact

Engagement audits with suppliers ensure shared values and deliver mutually beneficial contracts

More information on page 20

Our people

Our people drive our business. We strive to create a diverse and inclusive workplace where all our colleagues can reach their full potential.

Why we engage

High levels of colleague engagement, job satisfaction and a safe, supportive working environment contribute directly to the success of Go-Ahead

Our impact

Employee engagement surveys help us concentrate our efforts in what matters most, engagement scores at London Midland increased by 11%

More information on page 36

Communities

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

Why we engage

Working in partnership with local organisations has a positive contribution in the local communities in which we operate

Our impact

We've invested over £1m in local community projects across the country and are part of the solution to reduce congestion and improve air quality

More information on page 32

Topical questions answered

Go-Ahead's Chairman, Group Chief Executive and Group Chief Financial Officer answer topical questions from shareholders

David Brown,
Group Chief Executive

Andrew Allner,
Chairman

Patrick Butcher,
Group Chief
Financial Officer

Go-Ahead online

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

Q Bus volumes look subdued nationwide for all operators. Is bus travel entering a new phase of decline?

There are many reasons for subdued volumes, not a single cause. In London, there's been a boost to cycling but removing road space to facilitate this has slowed down buses as well as cars, and reduced overall capacity for the city. Research shows that a 10% rise in congestion results in a 10% decline in passenger journeys. More work is needed to prioritise the vehicles which make the most productive use of road space and have the most positive impact on improving air quality. Outside London, some areas have regional growth issues and there's some economic uncertainty. Significant changes in travel patterns are materialising; with more home working and home deliveries, less town centre shopping, but increased leisure activity at weekends and late evenings. Longer term, there are good reasons to believe car use will be less attractive in big city regions and the market for mobility services will increase over time. Buses can and will be a competitive part of that, as road space is limited. As long as large groups of people move from place to place, there will always be a need for large passenger carrying vehicles.

Q As the UK prepares to exit the European Union (EU), how will changes in the labour market impact your business?

It's still early in the process and the full implications of Brexit aren't yet known but, of course, we're already planning ahead and preparing for changes we are already planning ahead and preparing for changes to the UK labour market.

Improving our labour supply through hiring and training apprentices will mean our employee numbers remain at a sustainable level as well as ensuring the skills and competences for effective business performance.

We're proud to have a diverse workforce. Particularly diverse in London, where we employ people from over 85 different countries, including every EU country.

Q Will you still be able to bid for German rail contracts when the UK is no longer part of the EU?

Non-EU members are currently able to bid for rail franchises within the EU, so there's no reason for us to believe that would change. Of course, we've considered the potential effects of Brexit on our business both outside the UK and within. These potential effects include changing travel patterns and passenger volumes, and labour market and supply chain implications.

Q Regional bus is a challenging market; why are you continuing to invest in it?

While overall passenger volumes in the regional bus market have been declining for decades, some areas have seen passenger numbers rising each year. This applies to the majority of Go-Ahead's regional bus operations. It's important we continue to meet, and aim to exceed, customers' expectations, introducing more features like WiFi, USB charging points and mobile apps. Our investment is targeted, focusing on areas and routes where passenger demand is highest, providing the best return on our investment. We're also investing in newer, greener vehicles.

No one would dispute this is a challenging market at the moment, but it's also a sustainable market. Unrestricted car use in cities is untenable. As roads become busier and the air quality in our towns and cities deteriorates, buses provide the best solution.

Q How sustainable is your dividend policy?

Our current dividend policy is to maintain dividend cover of approximately two times earnings through a five year cycle. This policy is underpinned by the stable performance of our bus division. The Board understands the importance of the dividend to shareholders and regularly reviews the policy, ensuring it remains appropriate.

Q Does the business have adequate depth of management to plan for director succession?

Succession at all levels of the business is a key focus of the nomination committee and we have robust plans in place to meet short and long term requirements. There is a wealth of experience and expertise within the Group which, in line with our talent strategy, is assessed annually in a leadership review. This process highlights succession strength to business critical roles, leadership performance and functional expertise, as well as identifying those with longer term leadership potential. It also incorporates a diversity review as we seek greater female representation at a senior level, while basing all hiring and promotion decisions on merit.

Last year we recruited the current Group Chief Financial Officer, Patrick Butcher, from outside the organisation. This demonstrates there is merit in fully exploring wider pools of talent to bring a fresh perspective to our business as well as preparing for internal succession.

Q How does diversity contribute to improving business performance?

Go-Ahead's commitment to diversity, which starts at the top, makes our business stronger, smarter and more sustainable.

We offer an inclusive environment regardless of ethnicity, religion, gender, sexual orientation, age or disability and seek to have a workforce reflecting the diversity of the societies in which we operate.

As Go-Ahead continues to expand into new international markets, in addition to inherent diversity such as gender and race, we will begin to seek acquired diversity such as global experience and language skills.

A diverse workforce offers a variety of viewpoints and a wider range of knowledge, which improves decision-making and problem-solving, which are critical to improving business performance.

Q Are you facing cost pressure as a result of the fall in the value of sterling?

Long term changes in the value of sterling have the potential to affect our costs, so we do, of course, keep an eye this. One of the biggest potential impacts is on fuel, but we're extensively hedged to lock in today's low prices until 2021.

The significant fall in sterling following the Brexit vote happened more than a year ago and consumer inflation has risen slightly. Outside the UK, revenue and most costs of our business are in the same currency. So, while they might appear to get larger or smaller in relation to sterling, this doesn't really affect their ability to make attractive returns.

Q Given rising concern about credit markets, what shape is the business in to withstand another credit crunch?

Whatever happens in the wider market, our financing position is very robust. Our net debt remains very modest in relation to cash generation and we've recently refinanced our sterling bond with a seven year £250m facility, at the lower rate of 2.5%, so we're in a strong position.

Q Why is culture change important to your business?

Developing a collaborative, forward looking culture that is built on trust and accountability is one of our key priorities. We believe that a positive culture will support us in attracting, engaging and retaining great people which in turn drives improvements in customer experience and business performance. Culture change is taking place throughout our entire business, including at Board level. It's important that the Board sets the right tone from the top.

Q You've lost the London Midland franchise; does UK rail continue to be an attractive market for Go-Ahead?

In the 20 years since the privatisation of rail operations, Go-Ahead's rail division has delivered profitability, strong cash flow and good returns on capital; and continues to do so. We understand the market well and have a long term track record of delivering good service, meeting contractual obligations and delivering change on busy and complex networks. We consider each new bid on its own merits, conducting thorough due diligence and applying price discipline. If we think a franchise can deliver attractive returns with an acceptable level of risk, we'll bid for it; if we don't, we won't. We're not in UK rail for the sake of being in UK rail and we don't want to win a bid at any cost. If a time comes when it's no longer an attractive market, we will consider better uses of capital.

Q How is Go-Ahead positioned for the end of internal combustion engines?

Electrification of transport is a hot topic, driven by climate change and concerns about air quality. We're moving rapidly towards Euro 6, hybrid buses and pure electric power through a combination of fleet replacement and planned retrofits of diesel buses to match clean Euro 6 standards. Our electric fleet in London makes us the largest electric bus operator in the UK. This experience is extremely useful to the rest of our operations and the transport authorities with which we work. So, Go-Ahead is very well placed for the increasing role of electric and hybrid road transport. We are part of the solution to improve air quality. We aim to reduce the number of cars on the road and increase the number of people using less polluting buses.

To improve air quality, it's important that governments and local authorities also consider other measures, alongside technology. More active traffic management to reduce urban congestion and incentives for the use of public transport also have a big part to play in improving air quality and addressing climate change.

OUR MARKETS

Drawing on our considerable experience of operating in bus and rail, we are well positioned to respond to market changes

Our environment

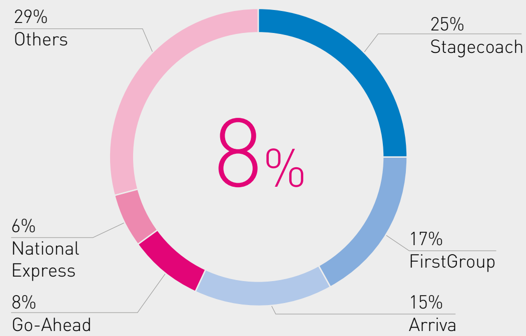
Regional bus

This market comprises all our UK bus operations outside London. While most services are operated on a commercial basis, some tendered services, such as school bus contracts, are operated on behalf of local authorities.

Operators are responsible for their own vehicles and depots, as well as setting routes, fares and service frequency.

For more information see page 25

Regional bus market share

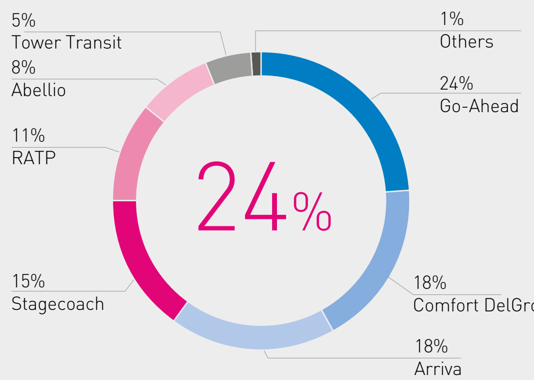


London bus

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

For more information see page 26

London bus market share



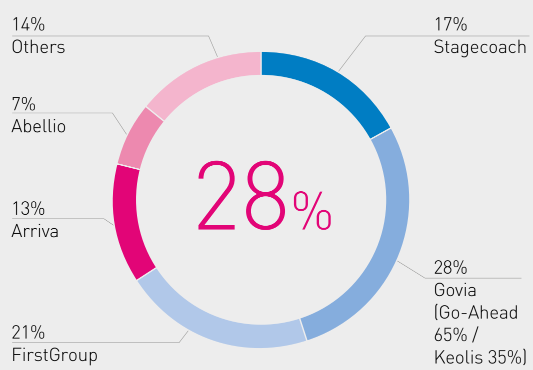
Rail

Within this market, train operators run rail services through contracts tendered by the Department for Transport (DfT). While contracts have some similar features, they can vary in scale, scope and length.

Trains are leased and rail infrastructure is largely owned and managed by Network Rail, with train operators paying for access. The Government is responsible for setting peak fares, routes and service frequency.

For more information see page 27

Rail market share



"Ensuring we have the most efficient transport network and services is not only important to the economic wealth of the country but also important to ensuring that people can make the best use of their time, travel is affordable and that everyone can access the transport network. We need to continue to put people at the heart of the transport system."

The Department for Transport, July 2017[1]

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Key market trends

Political landscape

As the UK adapts to a newly structured government and prepares to exit the European Union, the political environment is uncertain. This, together with changes to public policy, creates both challenge and opportunity for public transport operators. Public transport featured heavily in the manifestos of the major political parties ahead of the June 2017 General Election, reflecting the importance of good transport systems in supporting a growing economy and a thriving society.

We work collaboratively with local authorities and engage with local and central government stakeholders, using our experience and expertise in bus and rail to influence public policy.

Go-Ahead is engaging with policy makers on air quality issues. We believe strongly that public transport is part of the solution.

Technology

Technology is facilitating great innovation in transport; with advances in vehicle automation, electrification and digitalisation affecting automotive, bus and rail industries. The growing use of mobile technology also has a significant impact on bus and rail markets. Customers now expect contactless and mobile ticketing options and up-to-the-minute travel information as standard.

We capitalise on technological developments to enhance customer experience and build knowledge of travel habits to better inform our decisions.

The number of people registered on London Midland's customer database increased by 500,000 following the launch of free WiFi on its trains.

Congestion and air quality

Congestion is a growing problem with an additional 1.6 million cars on the UK's roads in the last six years alone[2]. As traffic increases, journey times get longer and air quality declines. Congestion costs UK businesses over £765m in lost productivity[3] and contributes significantly to carbon emissions. The Government has responded to the environmental impact by proposing a ban on diesel and petrol cars and vans from 2040.

We are part of the solution in reducing congestion and improving air quality. Travelling by bus is ten times better for the environment than taking the same journey by car[4]. By attracting people from their cars to our services, we reduce congestion and carbon emissions. We always look for ways to reduce our environmental footprint by investing in greener vehicles and reducing water use and waste.

In collaboration with a logistics company, we are piloting a scheme in London which will reduce the volume of traffic on the road, reducing congestion and improving air quality.

Competition

UK transport markets are highly competitive with long-standing peers and new market entrants competing for market share.

We also face competition from other modes of transport, particularly the private car.

Go-Ahead's approach is to provide high quality transport services that our customers value. We don't rely solely on existing markets to provide future growth opportunities.

Go-Ahead has a presence in three new international markets and is exploring opportunities in other target markets, including Australia and the Nordic regions.

Social and demographic changes

Developments in the way people work, shop and socialise mean the way people travel is changing. As home-based working rises, internet shopping dominates the retail landscape and social media connects people instantly, people are travelling less overall. Despite this trend, public transport remains vital to supporting local economies, enabling social inclusion and access to work and education.

Our local teams are well placed to respond quickly to changing customer habits. In regional bus, we have the flexibility to make changes to our services to meet changes in demand.

Southeastern conducted research into travel habits which provided useful insights into passengers' behaviours. This knowledge helps us better tailor services to meet customers' requirements.

Sources:

1. DfT Annual report 2017
2. DfT
3. TomTom Telematics, November 2016
4. International Council on Clean Transportation

GROUP Q&A CONTINUED

Q The Labour party's manifesto called for public transport renationalisation. Are you concerned about the viability of your business model in the long term?

We have operated in UK bus and rail since both markets were privatised in the 1980s and 1990s respectively, delivering improvements for passengers and value for taxpayers. I strongly believe that the best outcomes are achieved through partnership working between private operators and public entities, such as the DfT, TfL and local authorities.

Despite new legislation enabling local authorities to take responsibility for bus operations, they are increasingly turning to private operators, like Go-Ahead, to deliver reliable services. During the second half of the year, Go-Ahead acquired a bus company, Thamesdown Transport, from Swindon Borough Council. Since bringing it into the Group a short time ago, we have invested in new buses and systems, introduced contactless payments, engaged with employees and modernised working practices, all increasing service reliability for passengers. This is a great example of the benefits the private sector can bring.

Q What visibility of future revenues do you have?

Go-Ahead's regional bus business, which is 100% owned, has consistently delivered steady growth in revenue over the last six years.

London is a contract business in which we have high retention rates and have held a stable market share of around 24% for seven years. Revenue growth is expected to slow in the coming year as a result of competitive pressure.

Rail revenue will decline in 2017/18, reflecting the loss of the London Midland franchise. The outcome of the South Eastern franchise bid could further impact revenue expectations beyond December 2018. Increased competitive pressure in this market has resulted in some recent contract losses which will have a slight impact on performance in 2017/18. This position is expected to improve when the market stabilises.

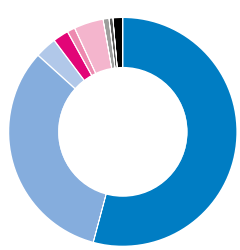
OUR BUSINESS MODEL

Creating value for all our stakeholders through our sustainable business model

Economic contribution

Total revenue £3,481.1m

In addition to our commitment to generating shareholder value, we also create wider economic value. Around 90% of Group revenue is spent paying our people and suppliers, enabling further economic activity. Over 6% is paid directly to the Government.



- Payments to suppliers £1,887.4m
- Staff costs £1,130.4m
- National insurance costs £107.2m
- Net rail contributions to DfT £77.6m
- Dividends paid to shareholders £41.8m
- Capital expenditure £141.9m
- Corporation tax payments to government £34.1m
- Finance costs £13.4m
- Retained in equity £47.3m

1 Revenue and profit are generated through our three operating divisions; regional bus, London bus and rail, in two main ways:

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

Read about our divisions on pages 4 and 5

2 Enabled by our key relationships with stakeholders and resources:

Our relationships

Read about our relationships with stakeholders on page 6 and 62

Our resources

Our people

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

Buses and trains

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

Infrastructure

We pay for the use of public sector infrastructure such as railway tracks or local authority bus stations. We own the majority of our bus depots, but rail depots are rented from Network Rail or similar providers.

Fuel

Our vehicles are mainly powered by a combination of diesel, electricity and gas.

Finance

We are financed through a combination of investment from our shareholders, bank and other debt and also through profits generated by our operations. After payments to transport authorities and infrastructure providers, our largest costs are those of employing our people, funding our vehicle fleets and fuel.

3 Driving performance against our strategy:

Our key performance areas

Society

Customers

Our people

Finance

Read about our strategy on page 14

Supported by

Robust governance

Read our corporate governance report on page 52

Our approach to risk

Read our approach to risk on page 40

4 Creating value for a broad range of stakeholders:

At Go-Ahead, we believe it is important to deliver shared value. Our bus and rail operations create value for our passengers, the communities we serve and our people. We deliver high levels of services to our transport authority customers and strive to be a reliable partner to our industry colleagues. Through our robust business model, we are committed to delivering sustainable shareholder value. While we also create benefits for the UK economy by enabling access to work, education, retail and leisure, as well as through the employment of 28,000 people in the UK, the taxes we pay, payments to our suppliers and the contribution our rail franchises make to the Government.

5 To build a sustainable business for the long term:

We reinvest profits into our services to maintain our position as a leading provider of passenger transport, also ensuring that our business activities and contribution supports the economy.

Q You delivered Target 100 successfully last year; what other targets do you have in each business division?

We were pleased to deliver our bus profit target on schedule last year, achieving operating profit growth of 43% over the target period. When we launched our bus division profit target, we were clear that the level of growth we were targeting wouldn't continue and we expected it to plateau, as it has done during the year. Our focus is on improving efficiencies through the adoption of lean processes, and attracting more people to our services to support this stable, core division.

In rail, the model is different as we operate franchises which come up for renewal through a bidding cycle. We are currently working on our bid for the new South Eastern franchise and will continue to bid for other contracts we consider to be attractive.

Q You're developing a business outside the UK; what is your international growth strategy?

We have three decades of experience operating complex transport networks in the UK, so we're in an excellent position to leverage that expertise in new international markets, offering considerable value to passengers and tendering authorities. We robustly assess all opportunities against criteria to achieve a balance of risk, reward and capital intensity that fits within our established business model mode and risk appetite framework. We're focused on markets with stable political and legal systems, where there's appetite for public transport use, and the tendering authorities are committed to introducing international expertise. Our target markets have visible pipelines of contracts and present opportunities to develop in other areas once a local platform has been established.

We're making good progress in our target markets, having won contracts in Singapore, Germany and Ireland.

OUR STRATEGY

Our objective is to generate value for our investors, building a sustainable business that meets the needs of our customers and communities, and delivers our vision: a world where every journey is taken care of

Our vision

A world where every journey is taken care of

Will be delivered by our three strategic objectives

1 Protect and grow the core
Safeguarding and developing our core bus and rail businesses

2 Win new bus and rail contracts
Securing contracts in UK and international bus and rail markets, in line with our appetite for risk

3 Develop for the future of transport
Using our skills, knowledge and assets in new ways to deliver sustainable growth for the long term

Enabled by a focus on five change themes

Lean processes
Delivering what our customers want in more efficient ways

Read more on page 39

Technology
Using technology to improve processes, increase customer satisfaction and drive revenue

Read more on page 24

Customer experience
Considering every aspect of peoples' journeys to continually improve customer experience

Read more on page 23

Culture change
Operating with aligned values and common goals

Read more on page 37

Leadership
Developing the Group's current and future leaders

Read more on page 19

Underpinned by our core beliefs and attitudes

Our beliefs

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

Our attitudes

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

Measuring our performance

Our key performance indicators (KPIs) presented in this report are the measures we use in the business to assess the Group's performances. The majority of our KPIs relate to performance against our strategic objective to protect and grow the core. Our KPIs are under review to ensure greater alignment with all areas of our strategy.

We currently report our KPIs under four key performance areas:

Society
See page 32

Our people
See page 36

Customers
See page 34

Finance
See page 38

Evolving our strategy

This year we have evolved our strategy, focusing on three strategic objectives: protect and grow the core, win new bus and rail contracts and develop for the future of transport. Five key themes have been identified through which change will be delivered across our businesses.

At Go-Ahead, we care about every journey made on our services

"Through our strategy, we aim to deliver excellent customer service, returns for shareholders and value for all our stakeholders."

David Brown,
Group Chief Executive

In a year of remarkable political uncertainty, one of the few steady reference points has been the enduring need for transport services against a background of evolving public policy objectives.

As one of the UK's largest providers of public transport, Go-Ahead plays a vital role in building a thriving economy and connecting communities. By providing essential bus and rail services, we help people connect with each other and get where they want to go; enabling access to jobs, education, retail and leisure. The role of public transport in delivering public policy has also come to the fore in the debate over air quality. As the operator of the UK's largest all-electric bus fleet, one of the largest hybrid bus fleets, and with 94% of rail fleet being electric, Go-Ahead has contributed the lessons of practical experience to this debate.

The pace of technological innovation has rapidly increased in recent years, presenting both a challenge and an opportunity. During the year, we have used technology to make our services more attractive and responsive to changing consumer needs. Contactless payment systems have quickly become part of the UK retail environment, with around three quarters of the population now using this technology in their daily lives. The roll-out of the latest contactless technology is well underway across our bus operations. This provides the opportunity for more sophisticated fare structures such as fare-capping.

More information on page 24

Demographics and consumer priorities are changing. As we keep listening to our customers, hearing their views and asking more questions, we're better placed to serve their existing and future needs. Younger city-dwellers appear less interested in the commitment of owning and running cars; while at the other end of the age spectrum, a growing population is more active in later life. These changes in society present us with opportunities to meet the needs of changing lifestyles and habits, helping people live fuller lives while increasing demand for our services.

Our businesses

Overall profitability for the year was in line with our expectations. Group operating profit was £150.6m (2016 restated: £162.6m), down 7.4% as a result of falling rail division profits.

Bus

Bus division profits were level against the prior year. Strong performance in some of our operating areas was offset by non-recurring costs, challenging trading conditions and declining passenger volumes in other regions. This performance was delivered against a backdrop of wider bus industry challenges, with national regional passenger volumes down 2.6% and pressure on London bus volumes as congestion continues to increase.

In regional bus, declining passenger volumes in the North East affected our financial performance. To drive revenue and control cost, the local management team responded to by performing detailed route analysis, restructuring timetables, and introducing contactless payments and a new customer app. Additionally, our business in Oxford had a challenging year with several bus accidents putting pressure on costs, local authority cuts reducing revenue and ongoing retail development in the city centre affecting passenger volumes. The management team in Oxford is engaging with the local authority and retail developer ahead of the scheduled opening of a large new shopping centre in central Oxford in October 2017, to try to ensure good ease of access to the shopping centre for bus passengers. We are disappointed that the local authority is not currently enabling adequate bus access. As well as providing an attractive retail and leisure offering, the completion of the work will reduce disruption in the city centre, improving journey times and service reliability.

Go-Ahead's regional bus operation received the highest levels of customer satisfaction in the sector, up to 90% in the latest survey; exceeding the satisfaction scores of some of Britain's best-loved brands. Go North East achieved a score of 91%, up from 89% the year before, having delivered improvements in punctuality, quality and journey times.

Our local bus businesses are focused on improving customer experience, including making it easier to pay for travel. During the year, the latest contactless technology was introduced across a number of our operations. We plan for contactless payments to be available to every Go-Ahead bus customer by the end of 2017.

In London bus, where we remain the market's largest operator, we delivered revenue growth linked to the timing of contract wins and improved performance against Quality Incentive Contract targets. In a competitive market, we continue to maintain strong financial discipline and utilise our strategically located depots efficiently to maximise value. Close partnership working with Transport for London (TfL) is important to our success in London. During the year, we engaged in discussions with TfL around key market issues such as tackling congestion, improving air quality and driving passenger numbers.

Rail

Our rail division delivered a mixed performance in the year.

London Midland performed very well, driving up passenger volumes, revenue, customer satisfaction and employee engagement. During the year, we invested in technology to improve the customer experience with a free onboard entertainment system and free WiFi available to three quarters of passengers. In August 2017, we learnt we had been unsuccessful in our bid to retain these routes under the new West Midlands franchise. London Midland and its people have been part of our Group's rail business for ten years. In that time we have delivered significant improvements across the entire network which have seen London Midland transformed into an award-winning franchise with high levels of employee engagement and customer satisfaction. While we're disappointed not to retain the franchise, we're confident that we submitted a robust, high quality and price-disciplined bid.

Southeastern's operational performance was very good, resulting in the most improved customer satisfaction score of all UK rail operators, up from 72% to 82%. Despite this significant improvement, passenger growth slowed putting pressure on revenue towards the end of the year, with Southeastern research suggesting travel habits are changing.

In GTR, industrial relations issues affected our customers, our colleagues and our profitability. We apologise to our Southern passengers who have been inconvenienced for many months by disruption caused by industrial action. Service improvements began to be realised in the second half of the year but there is still a lot of work to be done to deliver the level of service we and our customers expect. Our primary aim is to improve service for passengers and we are resolute in this commitment.

More information on page 20

The UK rail network is one of the busiest in the world, with the number of annual passenger journeys more than doubling since privatisation in the 1990s. This is why significant investment is being made in infrastructure improvement projects. The Thameslink Programme, which Southeastern and GTR are jointly delivering with key industry partners, was designed to ensure network capacity grows and reliability improves. Unfortunately, as with any large scale improvement programme, some disruption is inevitable before the long term benefits to improve the daily journeys of hundreds of thousands of people are delivered.

More information on pages 22 to 31

Supporting our strategy

We have a simple and clear strategy: to protect and grow our core business, win new bus and rail contracts and develop for future transport needs. Through this strategy we aim to deliver excellent service for our customers, returns for our shareholders and value for all of Go-Ahead's stakeholders.

More information on page 14

Protect and grow the core

Go-Ahead has been a leading bus and rail operator in the UK for three decades, providing value for money travel to people across the country. Our core bus business provides stable profit and cash flow, while our rail operations offer strong cash flow and high return on capital. We are committed to ensuring high levels of customer service and strong financial performance from these core businesses through our local, customer-focused business units. We are focused on delivering change in five key areas, to drive sustainable revenue growth and cost control to protect and grow our core business for the long term.

More information on page 18

Win new bus and rail contracts

In Singapore, we took expertise gained from almost thirty years of operating in the London bus market and translated it into commercial advantage in a new but similar market. Our 1,000 employees operate 395 buses on 26 routes, scoring very highly against performance targets. We submitted another bid in this market in August 2017.

The experience gained in our Singapore operation will prove to be valuable as we prepare for the introduction of a new bus contract in the outer Dublin area in late 2018, awarded by Ireland's National Transport Authority (NTA) in August 2017. This is the first contract to be tendered in this market, marking the start of the NTA's plans to transform the provision of bus services in the Greater Dublin area.

In Germany, we're preparing for the start of three rail contracts in 2019, one of which was won during the year. This is an attractive market offering good returns, synergies and a steady pipeline of contract tenders.

We're also actively pursuing targeted opportunities in other international markets, including the Nordic region and Australia as well as closer to home. We're excited about the opportunities ahead.

When embarking upon international expansion, we performed a global market assessment with a preference for contract opportunities within a clear risk framework. Our target markets have a visible pipeline of contract opportunities offering appropriate returns, stable political and legal systems and transport authorities committed to introducing international operators. Go-Ahead brings experience, expertise and a focus on high quality operations to these markets. We aim to generate synergies as we expand within each market and also explore opportunities to develop from established local platforms. Our target is for 15% to 20% of Group profit to be generated from international operations within five years.

More information on page 5

Develop for the future of transport

The way people travel is changing and Go-Ahead will continue to be part of this evolving landscape, delivering transport solutions to millions of people. In the face of this changing world, we are seeking new ways to use our skills, knowledge and assets to enable sustainable growth for the long term. Our project team is currently exploring a range of initiatives to maximise value from our operations by providing secondary services to existing customers, offer demand responsive transport, develop strategic long term partnerships, influence regulation and outsource our skills and systems.

Our change themes

Our management teams are committed on delivering change through a renewed focus on five key areas all underpinned by our vision, beliefs and attitudes

Lean processes

Our operating companies will strive to deliver what our customers want more efficiently. Using this customer-centric approach we will continuously improve our processes and minimise waste. We will initially focus on engineering and operational processes such as fleet management, before adopting lean processes more widely across all business functions.

See case study on page 39

Technology

Across the Group, we are focused on using technology to improve internal processes, increase customer satisfaction and drive revenue. We are utilising developments in technology to improve customer experience, from optimising automated ticket machines to reliably providing real time passenger information and providing our colleagues with live business intelligence.

See case study on page 24

Culture change

Over the last year, Go-Ahead began implementing a culture change programme, underpinned by our beliefs and attitudes, focusing on empowering our people and enabling two-way communication between customer-facing colleagues and leadership teams. With an emphasis on collaboration, we are building an open and agile culture which will drive change.

See case study on page 37

Customer experience

We strive to be a customer-focused business, understanding the importance of continually improving the customer experience. Using customer journey mapping we consider every element of the customer experience and work hard to empower our people to provide customers with control, comfort and ease.

See case study on page 23

Leadership

Strong leadership is key to success in any organisation. The leaders of our businesses effect change, guide their teams through challenging times and plan for the future. We are increasing our efforts across the business to develop leadership skills in both existing and future leaders to safeguard the Group for the long term.

See case study on page 19

In order to deliver this strategy, our management teams are focused on delivering change through a renewed focus on five key areas: lean processes, technology, customer experience, culture change and leadership, all underpinned by our vision, beliefs and attitudes which over the last 12 months our people have embraced to drive change.

Looking ahead

Times of uncertainty and change make it important for us to further develop our underlying strengths, and to embrace opportunities as they arise. We have a clear strategy and a robust business model, and our thirty-year track record provides us with the experience and expertise needed to deliver sustainable returns and improvements for customers in existing and new markets.

Looking to 2017/18, regional bus trading in the early part of the year has been consistent with the fourth quarter of the prior year. We're striving to improve on our industry leading customer satisfaction scores; listening to our customers and providing the services they want, with a focus on driving passenger numbers. We expect a slight improvement in performance as one-off costs in 2016/17 no longer impact results.

The London bus business has secured almost all its revenue for the coming year. However, increased competitive pressure has resulted in some recent contract losses which will have a slight impact on performance in 2017/18. This position is expected to improve when the market stabilises.

In rail, our priority is resolving the issues at GTR so we're able to provide our passengers with services they can rely on. I'm pleased we're making progress but we're not yet delivering the level of service we or our passengers expect.

As previously announced, discussions between GTR and the DfT about service changes and rolling stock cascades are ongoing. The outcomes of these discussions, relating to events up to 1 July 2017, is that the impact on rail profitability is likely to be within a range of plus or minus £5m. In addition, we now expect margins over the life of the GTR contract to be between 0.75% and 1.5%.

Change theme: Leadership

Continuous development of our leaders

In line with best practice and good corporate governance, the Board is required to undertake a formal evaluation each year to help continually improve its effectiveness. This year as part of the Group-wide culture change programme, Go-Ahead's Board has considered the personal development of each member in the wider context of the Board's overall effectiveness.

The programme, which runs over several months, and is still ongoing, includes interviews, surveys, data analysis, personal coaching and feedback sessions, as well as a two-day off-site session to foster stronger relationships between Board members. Challenging conversations in a supportive and constructive environment have resulted in a commitment to make better use of the relationships between executive and non-executive directors.

Initial findings early in the process showed the Board to be strong, with good levels of trust. As such, the off-site session aimed to build on this, leveraging existing skills and strengths. This new approach, which is aligned with the Group's vision, beliefs and attitude, was designed to help Board members develop insights about themselves and colleagues, and create a foundation upon which each member could increase their personal impact, and so improve the Board's wider efficacy.

It is clear that this less traditional and more dynamic approach has led to greater insights and a more collegiate, but self-aware group. The Board has committed to continue to working in this way.

Having been unsuccessful in the bid to retain the London Midland contract, the franchise will end on 10 December 2017 reducing profitability in 2017/18. The slowdown in the rate of growth in Southeastern passenger revenue is expected to continue as economic conditions impact customers' travel patterns. This also reduces our expectations of rail division profitability for the current financial year.

We have a clear international growth strategy to build a portfolio of international operations with attractive returns in target markets. The introduction of our bus operation in Singapore, together with the contracts won in German rail and Dublin bus during the year, demonstrate the progress we have already made towards our new five-year international growth target. We continue to pursue value-adding opportunities that match our investment criteria, in target markets including the Nordic regions and Australia. In addition, we're looking at opportunities that address future needs, complementing our existing operations and utilising our expertise and assets.

Looking ahead, we are faced with challenges that we're well placed to address and opportunities that we will take to deliver value for all our stakeholders.

David Brown,
Group Chief Executive
6 September 2017

Supporting delivery of the Thameslink Programme

The number of journeys made to and from London on the Southern network has doubled in just 12 years, demonstrating the need for investment in infrastructure and train capacity.

Why was GTR formed?

GTR is the UK's largest ever rail franchise, created to facilitate the significant infrastructure changes taking place as part of the government's Thameslink Programme. The Programme, which was designed to address capacity issues and improve the reliability of services through London and across Kent, Sussex, Hertfordshire and Bedfordshire, will deliver long term benefits to hundreds of thousands of passengers travelling on this network.

What change did the contract require?

Through Govia, our joint venture with Keolis, we are delivering the GTR franchise as tendered by the Department for Transport (DfT). The scale of the changes over the first four years of the contract means that it was not practical for any franchisee to take revenue risk and so the contract is structured as a management contract. On some of the Southern routes the franchise agreement required certain specified changes in working practices. While train guards have historically been responsible for operating the train doors, the contract included a requirement for this responsibility to move to train drivers, who would operate the doors, using CCTV screens in the driver's cab to ensure safety. This allows more flexibility in operations, meaning more trains can run in times of disruption with fewer delays and cancellations. This approach to operation isn't new, having operated successfully in the UK and international rail markets for decades including on a large number of our own services. The change was combined with the introduction of 100 additional on board supervisors so there are more people on trains to assist passengers, providing travel information and advice, as well as making sure that everyone has the right ticket for their journey.

"Modernisation of equipment must result in modernisation of working practices. This inevitably results in disruption at times, and I am sorry that the industrial action on the Southern network has been so disruptive for customers over the past year. Our priority is delivering a service passengers can rely on and the modernisation the Government requires."

Andrew Allner,
Chairman

Why were there industrial relations issues?

Unfortunately the two main rail unions, RMT and ASLEF, did not reach agreement with GTR on the modernisation. Therefore, despite jobs and pay being guaranteed, both unions have taken industrial action. The RMT union, which represents many Southern train guards, called its members out on strike on 32 days since April 2016. At the same time, we experienced unprecedented levels of absence, which we believe was connected to the dispute. Together, the result was significant and led to sustained disruption to train services, with high levels of delays and cancellations.

Like the RMT, ASLEF has been in dispute with GTR since March 2016 and passengers have experienced disruption through 64 days of overtime bans and six strike days between December 2016 and July 2017. ASLEF suspended industrial action in June 2017 and talks are ongoing.

While GTR made every effort to minimise disruption for passengers, service levels were well below our and our passengers' expectations with customer journeys being longer and more uncomfortable than they should have been.

During the period of industrial action, the Secretary of State commissioned a report by an independent rail industry expert, Chris Gibb, to suggest changes to improve performance on the Southern network. The review concluded that the primary cause for "integrity of the system failing" was union members "taking strike action, declining to work overtime and generally not supporting and undermining the system integrity."

What improvements have been delivered?

GTR has presented challenges but it has also already delivered many improvements for customers. Over £300m has been invested in new trains with a further £200m fleet investment planned. We now have more twelve-car trains operating on the network which has increased capacity by up to 36% on certain routes. Investment has also been made in customer experience off our trains, with £50m spent on station improvements, including the introduction of free WiFi to over 100 stations across the network. We're also improving how we communicate with our passengers and are the first network to offer real time information straight from the control centre to passengers on trains, and automatic delay repay has been introduced for customers using "the key" smartcard, to make it easier for passengers to obtain refunds when services don't run as they should.

Improvements can only be delivered through our people and we have invested heavily in training and development, with £10m spent on 20,000 days of customer service training so far.

Where are we now?

GTR met its contractual obligation of introducing driver-controlled operation with all relevant train guards accepting a change in role to on board supervisor.

Our passengers faced months of disruption but improvements are beginning to be delivered with sustained improvements in punctuality on Southern services and 75% fewer cancellations over the seven months to the year end.

We know it will take time for passengers to put their trust in us again but we're working hard to improve performance.

What are the financial implications?

As with all rail franchises, GTR's contract protects the operator against financial impacts relating to events outside of the operator's control, including industrial action. GTR and the DfT were involved in lengthy contractual discussions to agree the proportion of delays and cancellations that arose as a result of the industrial action. In February 2017, while this matter was under discussion, Go-Ahead announced at its half year results that a range of reasonably possible outcomes to these discussions resulted in a potential impact of plus or minus £15m to 2016/17 profitability. This range reflected both discussions around the impact of industrial action and other contractual obligations.

In July 2017, an agreement was reached with the DfT for GTR to fund a package of performance and passenger improvements worth £13.4m. This agreement reduced financial uncertainty relating to past industrial action and lowered the range of impact on profits to plus or minus £5m, with the remaining range relating to ongoing discussions about service changes and rolling stock cascades in 2018 as part of the Thameslink Programme. We expect GTR to generate profit over its remaining life, to September 2021, with operating profit margins of between 0.75% and 1.5%.

There are three main drivers of long term profitability for GTR. First, high levels of train service reliability must be delivered for customers. Second, the additional costs of running more and longer trains on the expanded infrastructure must be agreed with the DfT using the contractual mechanisms designed to cater for these changes driven by the Thameslink Programme. Finally, the programme of driving efficiency gains envisaged at the outset of the contract must be delivered.

What action has been taken to improve customer experience?

To minimise disruption during the industrial action, new timetables were introduced allowing Southern to deliver a more robust service around which passengers could confidently plan their journeys.

Managers were trained to work as contingency conductors and on board supervisors to ensure as many services as possible were delivered during strike action. During recent RMT strikes there has been a normal service on most Southern routes with more than 90% of trains running across the network.

More customer assistants were on hand at stations to help customers and detailed information was communicated to passengers using a range of digital and non-digital channels to ensure people had as much information as possible to help them plan their travel.

"The Thameslink Programme, being delivered jointly by Network Rail, the DfT, GTR and Southeastern provides a step change in capacity and a once in a generation opportunity to provide a timetable fit for the 21st century."

David Brown,
Group Chief Executive

100

additional on board supervisors

"...I am convinced by what I have seen that if the traincrew were to work in the normal manner that they have in previous years, the output of the system, a safe and reliable rail service for passengers, would be delivered in an acceptable manner, which would be similar to other commuter rail services in the South East."

Chris Gibb,
Author of the independent report commissioned by the Government to review performance on the Southern network

For more information about the findings of Chris Gibb's report see www.gov.uk/government/publications/southern-rail-network-gibb-report

Resilient financial performance

"The Group remains in a strong financial position with a robust balance sheet, allowing us to invest in our core businesses and explore new opportunities."

Patrick Butcher,
Group Chief Financial Officer

The financial year ended 1 July 2017 was a 52 week reporting period compared with the year ended 2 July 2016 which was 53 weeks.

As announced on 29 November 2016, in line with our commitment to transparent reporting, we have changed the way in which we account for rail pension schemes in the income statement. Figures for the year ended 2 July 2016 have been restated accordingly in the financial statements. Note 3 contains further details of the restatement.

Bus and rail division results are now reported on a statutory basis. Previously, we reported adjusted operating profit excluding amortisation, goodwill impairment, exceptional operating items and the incremental impact of IAS 19 (revised). Reflecting our transparent approach to reporting, we no longer report adjusted profit measures.

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

£3,481.1m

Group revenue
2016: £3,361.3m

£150.6m

Group operating profit
2016 restated: £162.6m

Financial overview

Revenue for the year was £3,481.1m, up £119.8m, or 3.6%, on last year (2016: £3,361.3m). The majority of this increase was attributable to the rail division.

Profit attributable to shareholders for the year decreased by £4.6m, or 4.9%, to £89.1m (2016 restated: £93.7m) and earnings per share decreased by 4.8% to 207.7p (2016 restated: 218.2p) as a result of declining rail profitability.

Net cash at the year end was £230.3m (2016: £323.0m). The lower cash balance largely reflect working capital movements relating to the timing of franchise payments and increased capital expenditure in London bus, reflecting contract renewal commitments. The net debt (net debt plus restricted cash) to EBITDA ratio of 1.30x (2016 restated: 1.08x) is below our target range of 1.5x to 2.5x, consistent with our position in the previous year.

Group overview

	2017 £m	Restated 2016 £m
Regional bus operating profit	47.1	48.5
London bus operating profit	43.6	42.7
Total bus operating profit	90.7	91.2
Rail operating profit	59.9	71.4
Group operating profit	150.6	162.6
Share of result of joint venture	(0.4)	–
Net finance costs	(13.4)	(17.6)
Profit before tax	136.8	145.0
Total tax expense	(25.3)	(26.9)
Profit for the period	111.5	118.1
Non-controlling interests	(22.4)	(24.4)
Profit attributable to shareholders	89.1	93.7
Weighted average number of shares (m)	42.9	43.0
Proposed dividend per share (p)	102.08	95.85

Change theme: Customer experience

Taking care of our customers

Our vision focuses on taking care of customers' journeys, from start to finish. We recognise that it's impossible to deliver our vision alone and so we rely on partners, such as local authorities and Network Rail, to ensure road and rail infrastructure is properly maintained, to allow us to run reliable services. We aim to increase passenger satisfaction through strong, collaborative partnerships with these key stakeholders, together with a clear focus on factors within our direct control.

Our regional bus business continues to lead our sector in customer satisfaction, with a high score of 90%, as measured by the independent passenger watchdog, Transport Focus. Findings indicate that one of the most important drivers of satisfaction is the attitude of the bus driver. We're proud that scores across all our regional bus companies recognised the helpfulness and friendliness of our drivers and we continue to invest in recruitment, training, development and wellbeing programmes to ensure this remains the case.

Transport Focus also praised Southeastern for its improved customer satisfaction levels, up 10ppts to 82% in the spring 2017 national rail passenger survey and also noted improving results on the Gatwick Express and Southern routes.

Southeastern attributes some success in this area to ensuring employee and union representative involvement as active partners in projects aimed at improving customer experience. Charing Cross station's well-received 'passenger ambassadors' are there to look after customers and provide on-the-spot assistance. As well as giving train service information, they arrange taxis, provide coffee vouchers, and issue immediate compensation to people whose journeys have been delayed. Involving the whole station team, including trade union representatives, encouraged ticket office colleagues to come out from behind ticket office windows at quiet times to take a more proactive approach in helping customers. Elements of this successful customer-focused initiative are being rolled out at other key stations across our rail business.

Passengers' expectations are always rising. As rail services are modernised with the arrival of new trains, improved technology and modern working practices, there is greater expectation for staff to be on hand to assist customers. We are pleased that the increased number of on board supervisors assisting Southern customers has led to better experiences for passengers, reflected in the latest satisfaction scores. Despite the impact of industrial relations issues on many services, there was a marked increase in levels of satisfaction customers felt with the availability and helpfulness of staff.

Bus

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

Bus overview

	2017	2016	Increase/ (decrease) £m	Increase/ (decrease) %
Total bus operations				
Revenue (£m)	**902.0**	863.3	38.7	4.5
Operating profit (£m)	**90.7**	91.2	(0.5)	(0.5)
Operating profit margin	**10.1%**	10.6%	n/a	(0.5ppt)
Regional bus				
Revenue (£m)	**376.6**	375.7	0.9	0.2
Operating profit (£m)	**47.1**	48.5	(1.4)	(2.9)
Operating profit margin	**12.5%**	12.9%	n/a	(0.4ppts)
London bus				
Revenue (£m)	**525.4**	487.6	37.8	7.8
Operating profit (£m)	**43.6**	42.7	0.9	2.1
Operating profit margin	**8.3%**	8.8%	n/a	(0.5ppts)
Like for like revenue growth				
Regional bus	**1.0%**	2.4%	n/a	(1.4ppts)
London bus	**1.5%**	4.4%	n/a	(2.9ppts)
Like for like volume growth				
Regional bus passenger journeys	**(0.2%)**	0.0%	n/a	(0.2ppts)
London bus miles operated	**(1.7%)**	2.3%	n/a	(4.0ppts)

Change theme: Technology

Driving change through technology

Value for money and making it as easy and convenient as possible to pay for travel is a significant element of Go-Ahead's mission to take care of each passengers' journey. As well as providing WiFi and USB charging points, it's important that all other aspects of our bus services remain in line with customers' expectations. Several years ago, Go-Ahead's smartcard "the key" led the way for the industry to introduce smart ticketing. Now, more than three quarters of all retail spending in the UK is made using contactless payment cards, so in the past year we have started to introduce technology to support the next generation of contactless payments across our regional bus division. A range of options, including Visa, Mastercard, Apple Pay and Android Pay, can now be used by customers on most of our regional bus services.

We are the first bus operator to introduce the UK Cards Association's aggregated pay as you go 'model 2'. Unlike other major operators that can only accept 'flat fare' transactions, ours has the ability to sell London Oyster-style 'pay as you go' ticketing. Multiple trip fares are calculated and capped, meaning customers can make several journeys with payment transactions aggregated into a single debit from their account, based on the best fare available.

Go-Ahead will soon be operating the largest transport contactless payment scheme outside London using 'model 2'.

This project has been delivered in collaborative partnership with UK software and hardware company Ticketer and Australian fintech start-up Littlepay. The technology, which has already been introduced in Go-Ahead's operations in Oxford, Swindon, Newcastle and Southampton, is being rolled out across our other bus companies.

Overall bus performance

Total bus revenue increased by 4.5%, or £38.7m, to £902.0m (2016: £863.3m) including the impact of the additional week of trading in the prior year and the contribution of acquisitions, while operating profit was broadly in line with the prior year at £90.7m (2016: £91.2m), it resulted in a decline in operating profit margin of 0.5ppts to 10.1%. This performance, which was in line with expectations for the year reflects a good performance in London, the introduction of the bus contract in Singapore, and the profit impact of challenges in Oxford and the continued slowdown in the North East.

Regional bus

Regional bus revenue was £376.6m (2016: £375.7m), up £0.9m, or 0.2%, including the impact of the additional week of trading in the prior year and the contribution of acquisitions. Like-for-like revenue growth was broadly in line with our expectations and slightly ahead of wider industry trends. Growth in passenger journeys in some regions was offset by softer performance in other operating areas, resulting in a small decline in overall like for like passenger volumes. Growth in revenue and passenger numbers is also slightly subdued as a consequence of the restructuring of selected route networks to match passenger demand and reduce costs.

Operating profit in the regional bus division fell £1.4m, or 2.9%, to £47.1m (2016: £48.5m), with operating profit margins down 0.4ppts to 12.5% (2016: 12.9%). Depreciation costs increased in the year reflecting continued investment in buses. While the division benefited from a reduction in fuel costs, as a result of lower hedge prices, one-off costs impacted profit in the year.

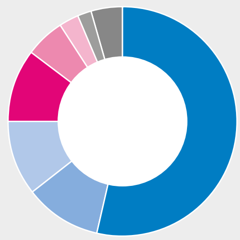
	£m
2016 operating profit	48.5
Impact of 53rd week in prior year	(0.9)
Like for like 2016 operating profit	47.6
Changes:	
Revenue	8.0
Cost base	(8.8)
One-off costs	(2.8)
Fuel costs	6.2
Depreciation	(3.1)
2017 operating profit	47.1

£90.7m

Total bus operating profit
2016: £91.2m

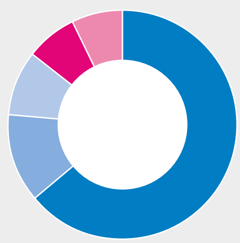
Our bus financial highlights

2017 Bus revenue
£902.0m (2016: £863.3m)



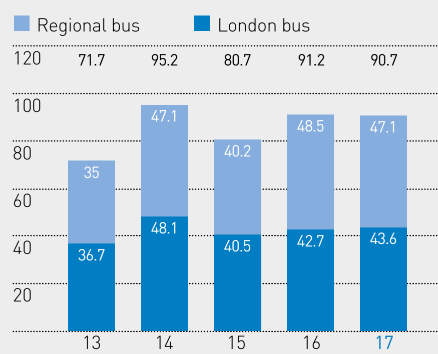
- Go-Ahead London: £485.7m
- Go North East: £97.7m
- Go South Coast: £95.2m
- Brighton and Hove: £92.9m
- Oxford Bus Company: £50.3m
- Plymouth Citybus: £24.8m
- Go East Anglia: £15.7m
- Go-Ahead Loyang: £39.7m

2017 Bus operating cost base
£811.3m (2016: £772.1m)



- Staff costs: 63.9%
- Fuel: 12.7%
- Engineering: 9.2%
- Depreciation: 7.1%
- Other: 7.1%

2017 Bus operating profit (£m)
£90.7m (2016: £91.2m)



London bus

Reported results for the London bus division include our bus operation in Singapore, which started trading on 4 September 2016.

Including £39.7m of revenue from this new contract, London bus revenue grew by 7.8%, to £525.4m in the year (2016: £487.6m).

Quality Incentive Contract (QICs) bonuses were £6.9m (2016: £1.1m) as a result of improved performance against Transport for London (TfL) quality targets, reflecting route restructuring by TfL due to congestion. Like for like mileage decreased by 1.7% due to the timing of contract renewals and TFL's route restructuring. Operating profit in the London bus division was £43.6m (2016: £42.7m), up £0.9m, or 2.1%, with operating profit margins down 0.5ppts at 8.3% (2016: 8.8%). As with regional bus, our London operations saw a reduction in fuel costs, reflecting the lower hedge price. Higher depreciation is the result of significant capital expenditure.

	£m
2016 operating profit	42.7
Impact of 53rd week in prior year	(0.8)
Like for like 2016 operating profit	41.9
Changes:	
Revenue	2.1
Cost base	(7.3)
QICs bonuses	5.8
Fuel cost	8.8
Bid costs	(1.3)
Depreciation	(6.4)
2017 operating profit	43.6

Capital expenditure and depreciation

	2017 £m	2016 £m
Regional bus fleet (inc. vehicle refurbishment)	**37.1**	41.8
London bus fleet (inc. vehicle refurbishment)	**60.0**	36.6
New depots and plant and equipment	**15.6**	17.7
Total capital expenditure	**112.7**	96.1

In London, the purchase of 261 new buses (2016: 118 buses) reflects the timing of contract renewals. In regional bus, demonstrating our commitment to maintaining a young and greener bus fleet, 102 new vehicles (2016: 198 buses) were bought. The average age of our buses is 7.0 years (2016: 7.8 years).

Depreciation for the division was £56.1m (2016: £47.8m), reflecting the increased capital spend.

In 2017/18, we expect total capital expenditure for the bus division to be around £100m due to the timing of London contract renewals and continued investment in our regional bus services.

Fuel

In the year, the bus division required around 138 million litres of fuel, within a net cost of £102.7m.

Bus fuel hedging prices

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

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

	2017	2018	2019	2020	2021
% hedged	**Fully**	Fully	70%	40%	20%
Price (pence per litre)	**36.4**	34.7	32.1	33.0	32.2

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

Bus financial outlook

Regional bus trading in the early part of the year has been consistent with the fourth quarter of the prior year. We expect a slight improvement in performance as one-off costs in 2016/17 no longer impact results.

The London bus business has secured almost all its revenue for the coming year. However, increased competitive pressure has resulted in some recent contract losses which will have a slight impact on performance in 2017/18. This position is expected to improve when the market stabilises.

Rail

Go-Ahead's rail operations are the busiest in the UK, responsible for around 35% of all train passenger journeys

Rail overview

	2017	Restated 2016	Increase/ (decrease) £m	Increase/ (decrease) %
Total rail operations				
Total revenue (£m)	**2,579.1**	2,498.0	81.1	3.2
Operating profit (£m)	**59.9**	71.4	(11.5)	(16.1)
Operating profit margin	**2.3%**	2.9%	n/a	(0.6ppts)
Like for like passenger revenue growth				
Southeastern	**3.2%**	4.9%	n/a	(1.7ppts)
London Midland	**5.2%**	9.3%	n/a	(4.1ppts)
GTR	**(4.1)%**	3.4%	n/a	(7.5ppts)
Like for like passenger growth				
Southeastern	**(0.9)%**	2.3%	n/a	(3.2ppts)
London Midland	**4.1%**	5.9%	n/a	(1.8ppts)
GTR	**(3.9)%**	2.9%	n/a	(6.8ppts)

Rail performance

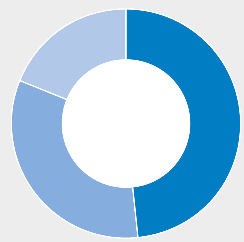
The rail division has delivered a robust financial result in the year, slightly ahead of the Board's expectations, helped by contract management benefits in the second half. Overall margins remained at historically low levels, particularly subdued by GTR.

£59.9m

Rail operating profit
2016 restated: £71.4m

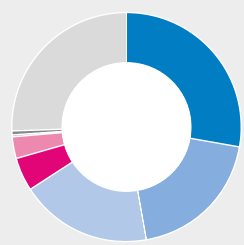
Our rail financial highlights

2017 Rail revenue
£2,579.1m (2016: £2,498.0m)



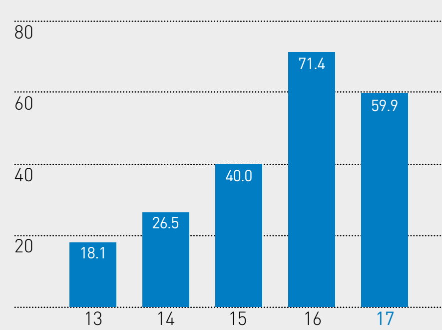
- GTR: £1,252.9m
- Southeastern: £844.1m
- London Midland: £482.1m

2017 Rail operating cost base
£2,519.2m (2016 restated: £2,426.6m)



- Staff costs: 28.0%
- Track access: 19.4%
- Rolling stock lease payments: 18.5%
- EC4T: 4.8%
- Engineering: 3.0%
- Depreciation: 0.4%
- Fuel: 0.4%
- Other: 25.5%

2017 Rail operating profit* (£m)
£59.9m (2016 restated: £71.4m)



* Prior years restated.

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Revenue

Total revenue increased by 3.2%, or £81.1m, to £2,579.1m (2016: £2,498.0m), consisting of:

	2017 £m	2016 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Passenger revenue				
Southeastern	**755.6**	753.0	2.6	0.3
London Midland	**339.6**	330.0	9.6	2.9
GTR/Southern[1]	**1,327.9**	1,414.1	(86.2)	(6.1)
Gross passenger revenue	**2,423.1**	2,497.1	(74.0)	(3.0)
GTR revenue adjustment[2]	**(179.7)**	(276.0)	96.3	34.9
Total passenger revenue	**2,243.4**	2,221.1	22.3	1.0
Other revenue				
Southeastern	**43.2**	47.2	(4.0)	(8.5)
London Midland	**55.1**	44.3	10.8	24.4
GTR/Southern[3]	**105.1**	69.4	35.7	51.4
Total other revenue	**203.4**	160.9	42.5	26.4
Subsidy and revenue support				
Southeastern subsidy	**45.2**	61.1	(15.9)	(26.0)
London Midland subsidy	**87.0**	52.0	35.0	67.3
Southern revenue support[4]	**(0.4)**	2.9	(3.3)	(113.8)
London Midland revenue support	**0.5**	–	0.5	100
Total subsidy and revenue support	**132.3**	116.0	16.3	14.1
Total revenue	**2,579.1**	2,498.0	81.1	3.2

1 Includes passenger revenue collected by GTR on behalf of the DfT and passengers revenue from the previous Southern franchise which ended in July 2015.

2 Represents passenger revenue from GTR remitted to the DfT in excess of the management fee payable to GTR for operating the franchise.

3 Includes other revenue for GTR and the previous Southern franchise which ended in July 2015.

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

Group's overall net contribution to the DfT:

	2017 £m	2016 £m	Increase/ (decrease) £m	Increase/ (decrease) %
GTR revenue adjustment	**179.7**	276.0	(96.3)	(34.9)
Southern's core premium payments[4]	**(1.4)**	18.8	(20.2)	(107.4)
Subsidy receipts – Southeastern	**(45.2)**	(61.1)	15.9	26.0
Subsidy receipts – London Midland	**(87.0)**	(52.0)	(35.0)	(67.3)
Revenue support – Southern[4]	**0.4**	(2.9)	3.3	113.8
Revenue support – London Midland	**(0.5)**	–	(0.5)	(100.0)
Profit share – Southeastern	**22.9**	39.9	(17.0)	(42.6)
Profit share – London Midland	**8.7**	0.6	8.1	1350.0
Revenue share – London Midland	**–**	3.1	(3.1)	(100.0)
Group's overall net contribution to the DfT	**77.6**	222.4	(144.8)	(65.1)

The GTR revenue adjustment of £179.7m reflects the difference between passenger revenue and the franchise payment from the DfT, as set out in the bid model. The GTR revenue adjustment was a payment to the DfT and decreased by £96.3m in the year.

Premium payments, profit share payments and revenue share payments

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

	2017 £m	2016 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Southern core premium[4]	**(1.4)**	18.8	(20.2)	(107.4)
Southeastern profit share	**22.9**	39.9	(17.0)	(42.6)
London Midland profit share	**8.7**	0.6	8.1	1350.0
London Midland revenue share	**–**	3.1	(3.1)	(100.0)

Operating profit

Operating profit in the rail division was down £11.5m at £59.9m (2016 restated: £71.4m), with the operating profit margin decreasing to 2.3% (2016 restated: 2.9%).

	£m
2016 operating profit (restated)	71.4
Impact of 53rd week in prior year	(1.3)
Like for like 2016 operating profit	70.1
Changes:	
Southeastern profit	(8.8)
London Midland profit	16.7
GTR/Southern profit	(8.1)
Bid and mobilisation costs	(10.0)
2017 operating profit	59.9

Individual franchise performance

GTR

In GTR, industrial relations issues resulted in significant disruption to the network. The business reported a 3.9% decline (2016: 2.9% increase) in passenger journeys and a 4.1% decline (2016: 3.4% increase) in passenger revenue.

On 13 July 2017, agreement was reached with the Department for Transport (DfT) regarding GTR contractual variations relating to the impact of industrial action on train performance over a period of around 18 months. In agreement with the DfT, GTR will fund a package of performance and passenger improvements worth £13.4m.

At the half year, we disclosed that the year end results had a range of reasonably possible outcomes of plus or minus £15m. This range related to the outcome of discussions with the DfT regarding the impact of industrial action, and other contractual variations. The contractual discussions relating to the impact of industrial action have now been resolved and the outcome was very close to management's central judgements. The remaining range of uncertainty is plus or minus £5m, reflecting a number of other ongoing contractual variations accrued, including rolling stock cascades and timetable specifications, which remain under discussion with the DfT.

The agreement made with the DfT on 13 July 2017 resolves financial uncertainty relating to past industrial action and allows GTR to focus on improving services for Southern customers and delivering the significant passenger benefits associated with the Thameslink Programme.

Southeastern

Southeastern recorded a stable trading performance. On a like for like basis, passenger revenue increased by 3.2% (2016: 4.9%) while passenger numbers fell 0.9% (2016: 2.3% increase). The rate of passenger growth significantly slowed in the fourth quarter reflecting changes in travel patterns.

Southeastern's strong financial performance in the first half of the year enabled a contribution of £22.9m to be made to the DfT during the year through a profit sharing mechanism included in the directly awarded contract Southeastern has operated under since October 2014. The franchise stopped making profit share contributions in April 2017, reflecting the impact of slowing passenger volume growth on financial performance.

London Midland

In London Midland, like for like passenger revenue grew by 5.2% (2016: 9.3%) in the year and passenger numbers increased by 4.1% (2016: 5.9%). The franchise, originally awarded in 2007 and which has operated under a directly awarded contract since 1 April 2016, made profit share contributions of £8.7m to the DfT in the year, as performance exceeded expectations set out in the bid. London Midland is expected to continue making contributions through its profit share mechanism until the franchise ends on 10 December 2017.

Rail bid costs and international

Rail bid and contract mobilisation costs in the year were £11.1m, primarily relating to the bids for and mobilisation of German rail contracts, and the unsuccessful West Midlands franchise bid. Rail bidding activity in Germany and the Nordic countries is ongoing.

Capital expenditure and depreciation

Capital expenditure for the rail division was £29.2m (2016: £17.8m), predominantly relating to GTR, including expenditure on station improvements and ticket machines. Depreciation was £9.3m (2016: £7.4m).

In 2017/18, capital expenditure for the rail division is expected to be around £43m, reflecting investment in our continuing franchises of GTR and Southeastern and mobilisation of our German operations.

Rail financial outlook

In rail, having been unsuccessful in the bid to retain the London Midland contract, the franchise will end on 10 December 2017 reducing profitability in 2017/18. The slowdown in the rate of growth in Southeastern passenger revenue is expected to continue as economic conditions impact customers' travel patterns. This also reduces our expectations of rail division profitability for the current financial year.

As previously announced, discussions between GTR and the DfT about service changes and rolling stock cascades are ongoing. The outcomes of these discussions, relating to events up to 1 July 2017, is that the impact on rail profitability is likely to be within a range of plus or minus £5m. In addition, we now expect margins over the life of the GTR contract to be between 0.75% and 1.5%.

Financial review

Earnings per share

Earnings were £89.1m (2016 restated: £93.7m), resulting in a decrease in earnings per share from 218.2p (restated) to 207.7p.

The weighted average number of shares was 42.9 million and the number of shares in issue, net of treasury shares, was 43.1 million.

	2017	2016*	2015*	2014*	2013*
Earnings per share	**207.7p**	218.2p	147.9p	174.3p	114.3p

* Restated.

Dividend

The Board is proposing a total dividend for the year of 102.08p per share (2016: 95.85p), an increase of 6.5%, following the same percentage increase in the interim dividend. This includes a proposed final payment of 71.91p per share (2016: 67.52p) payable on 24 November 2017 to shareholders registered at the close of business on 10 November 2017.

Dividends of £41.8m (2016: £39.4m) paid in the period represent the payment of the prior year's final dividend of 67.52p per share (2016: 63.4p) and the interim dividend in respect of this year of 30.17p per share (2016: 28.33p). Dividends paid to non-controlling interests were £21.3m (2016: £17.8m), and dividend cover was 2.03x (2016 restated: 2.28x), in line with the dividend policy.

£141.9m

Group capital expenditure
2016: £113.9m

Summary cashflow

	2017 £m	Restated 2016 £m	Increase/ (decrease) £m
EBITDA	**219.1**	220.8	(1.7)
Working capital/other items (excluding restricted cash movements)	**5.3**	(8.4)	13.7
Cashflow generated from operations	**224.4**	212.4	12.0
Tax paid	**(34.1)**	(24.8)	(9.3)
Net interest paid	**(12.7)**	(13.0)	0.3
Net capital investment	**(144.7)**	(106.4)	(38.3)
Free cashflow	**32.9**	68.2	(35.3)
Net acquisitions	**(11.2)**	(0.5)	(10.7)
Other	**(4.2)**	(0.7)	(3.5)
Proceeds from issue of shares	**1.5**	–	1.5
Payments to acquire own shares	**(2.4)**	(4.4)	2.0
Dividends paid	**(63.1)**	(57.2)	(5.9)
Decrease in adjusted net debt*	**(46.5)**	5.4	(51.9)
Opening adjusted net debt*	**(239.3)**	(244.7)	n/a
Closing adjusted net debt	**(285.8)**	(239.3)	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 £224.4m (2016: £212.4m). This increase of £12.0m is largely due to movements in working capital, primarily reflecting structural changes in rail franchises. Tax paid of £34.1m (2016: £24.8m) comprised payments on account in respect of the current and prior years' liabilities. Net interest paid of £12.7m (2016: £13.0m) is lower than the net charge for the period of £13.4m (2016: £17.6m) after excluding the impact of non-cash interest on pensions and the unwinding of discounting on provisions. Capital expenditure, net of sale proceeds, was £38.3m higher in the year at £144.7m (2016: £106.4m), predominantly due to increased investment in both the regional and London bus fleets. Group capital investment is expected to be around £143m in 2017/18.

During the year, as part of a planned programme of monthly share purchases, the Group purchased 121,084 ordinary shares for a total consideration of £2.4m (2016: 172,964 ordinary shares for a total consideration of £4.4m).

At the year end, significant medium term finance was secured through a revolving credit facility (RCF) and sterling bonds. After the year end, a £250m sterling bond was issued. The £280m five year RCF had an initial maturity of July 2019 with two one-year extension options, the second of which was agreed on 20 June 2016, extending the maturity of the facility to July 2021. The £200m sterling bond, which expires in September 2017, will be replaced by a £250m bond, the terms of which were agreed on 6 July 2017, detailed under 'capital structure', on page 31.

£285.8m

Adjusted net debt
2016: £239.3m

Capital expenditure

Expenditure on capital during the year can be summarised as:

	2017 £m	2016 £m
Regional bus	**49.6**	57.4
London bus	**63.1**	38.7
Total bus	**112.7**	96.1
Rail	**29.2**	17.8
Group total	**141.9**	113.9

Net cash/debt

Net cash of £230.3m (2016: £323.0m) comprised debt arising from the £200m sterling bond, amounts drawn down against the £280m five year RCF of £156.0m (2016: £113.0m) amounts drawn down against the £20m revolving credit facility of £0.9m (2016: £nil), and hire purchase and lease agreements of £3.0m (2016: £0.3m), offset by cash and short term deposits of £590.2m (2016: £636.3m) including £516.1m of restricted cash in rail (2016: £562.3m). There were no overdrafts in use at the year end (2016: £nil).

Our primary financial covenant under the 2016 RCF was an adjusted net debt to EBITDA ratio of not more than 3.5x. Adjusted net debt (net cash less restricted cash) to EBITDA of 1.30x (2016 restated: 1.08x) remains under our target range of 1.5x to 2.5x.

Capital structure

	2017 £m	2016 £m
Five year syndicated facility 2021	**280.0**	280.0
7.5 year £200m 5.375% sterling bond 2017	**200.0**	200.0
€20m revolving credit facility	**17.5**	–
Total core facilities	**497.5**	480.0
Amount drawn down at 1 July 2017	**356.9**	313.0
Balance available	**140.6**	167.0
Restricted cash	**516.1**	562.3
Net cash	**(230.3)**	(323.0)
Adjusted net debt	**285.8**	239.3
EBITDA (restated)	**219.1**	220.8
Adjusted net debt/EBITDA (restated)	**1.30x**	1.08x

Our investment grade ratings from Moody's (Baa3, stable outlook) and Standard & Poor's (BBB-, stable outlook) remain unchanged. These ratings were both recently reaffirmed in advance of 6 July 2017, when the Group raised a seven year £250m bond with a coupon rate of 2.5%, maturing on 6 July 2024.

Net finance costs

Net finance costs for the year were ahead of the prior year at £13.4m (2016: £17.6m) including finance costs of £15.8m (2016: £20.8m) less finance revenue of £2.4m (2016: £3.2m). The average net interest rate for the period was 4.2% (2016: 4.2%).

Amortisation

The amortisation charge for the year was £3.1m (2016: £3.0m), which relates to the non-cash cost of amortising software costs, franchise bid costs and customer contracts.

Exceptional operating items

There were no exceptional operating items in this or the prior year.

Taxation

Net tax for the year was £25.3m (2016 restated: £26.9m), equivalent to an effective rate of 18.5% (2016 restated: 18.6%), below the UK statutory rate for the period of 19.75% (2016: 20%). Excluding the impact of the deferred tax rate reduction of £4.1m, the tax rate would have been 21.5%, as a result of non-deductible items such as bid costs in Germany and Singapore. The statutory rate will reduce to 19% in 2017 and 17% in 2020. We expect our effective tax rate to be 2% to 3% above the statutory rate in future years.

Non-controlling interest

The non-controlling interest in the income statement of £22.4m (2016 restated: £24.4m) arises from our 65% holding in Govia Limited, which owns 100% of our current rail operations and therefore represents 35% of the profit after taxation of these operations.

Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the year of £37.4m (2016 restated: £45.6m) consisting of bus costs of £0.4m (2016: £1.4m) and rail costs of £37.0m (2016 restated: £44.2m). Group contributions to the schemes totalled £42.9m (2016: £48.3m).

Bus pensions

Under accounting valuations, the net deficit after taxation on the bus defined benefit schemes was £17.3m (2016: £2.2m), consisting of pre-tax liabilities of £20.9m (2016: £2.7m) less a deferred tax asset of £3.6m (2016: £0.5m). The pre-tax deficit consisted of estimated liabilities of £805.5m (2016: £765.8m) less assets of £784.6m (2016: £763.1m). The percentage of assets held in higher risk, return seeking assets was 53.4% (2016: 48%).

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. At the year end we recorded a pre-tax liability of £nil (2016: £nil).

Patrick Butcher,
Group Chief Financial Officer
6 September 2017

Society

Running our companies in a safe, socially and environmentally responsible manner

What are our key performance indicators (KPIs)?

Our society KPIs relate to the safety of our colleagues, our customers and other road users, as well monitoring the detrimental impact of carbon emissions from our operations on the environment.

We measure the number of railway signals passed at danger (SPADs), which is similar to driving through a red light. While every SPAD is treated as a serious incident, most occur have little or no potential to cause harm and are the result of minor misjudgements of braking distance. The number of bus accidents which result in a notification to a claims handler is closely monitored, including cases where we are not at fault. The reporting of both SPADs and bus accidents is weighted to every million miles we operate. Measuring and reporting RIDDOR accidents is a statutory requirement for all companies relating to work place incidents. The safety of our people is very important to us, making this one of our society KPIs. As the metric relates to the safety of our colleagues, it is weighted to every 100 employees.

While Go-Ahead's activities help to reduce the number of cars on the road, we aim to improve the detrimental impact our operations have on the environment. We monitor all the energy used within our operations and calculate CO_2 emissions resulting from this use. To establish the impact of each journey taken, we weight this metric by passenger journeys.

Why is it important?

Our safety indicators help us measure performance against our commitment to provide a safe and positive travel experience for our bus and rail passengers, a safe working environment for our colleagues and to minimise risk to the general public. Good performance in these areas can also reduce cost through lower insurance claim charges.

Through our environmental metric we monitor our performance against our commitment to improve energy efficiency, contribute to government and local authority carbon reduction targets and provide a greener way for our passengers to travel. Good performance in this area also reduces cost through fuel efficiency.

What are the risks?

Poor performance against our three safety KPIs would impact our objectives to run our companies in a safe manner. Failing to provide a safe working environment for our people goes against our goal to be an employer of choice. Key risks associated with poor performance in these areas include impact on operational performance, reputational risk, higher insurance claim costs and employee relations issues, including low satisfaction and productivity. Risks associated with poor performance against our environmental KPI include failure to meet government targets to tackle climate change, reputational risk and higher fuel costs; all impairing our ability to meet the objective to run our companies in an environmentally responsible manner.

14.9%

Reduction in carbon emissions per passenger journey since 2014/15
2016: 6.8%

How did we perform?

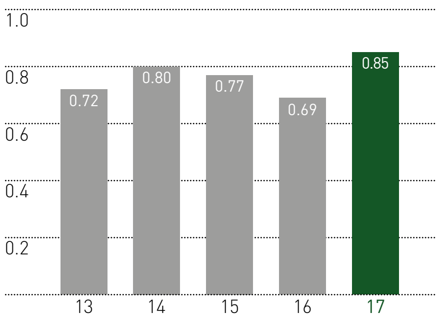
We saw a mixed performance against our society KPIs with improvements in two of the four measures. Performance improved for RIDDOR accidents per 100 employees and carbon emissions per passenger journey, but declined slightly in SPADs and bus accidents per million miles.

While our services contribute to improving air quality offering a less environmentally harmful alternative to car travel.

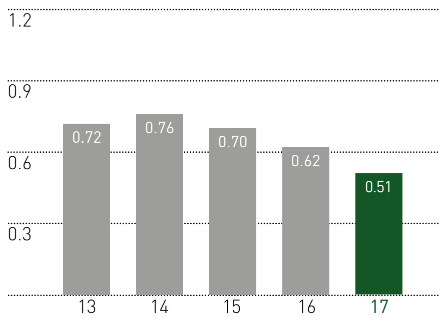
We take our responsibility for the safety of our customers and our people very seriously.

We ensure our employees have the necessary equipment and training to do their jobs properly and safely. We investigate every accident and encourage accurate and timely reporting of all incidents. Driving behaviour is monitored and initiatives are undertaken to improve standards of driving to minimise the likelihood of bus accidents and improve fuel efficiency.

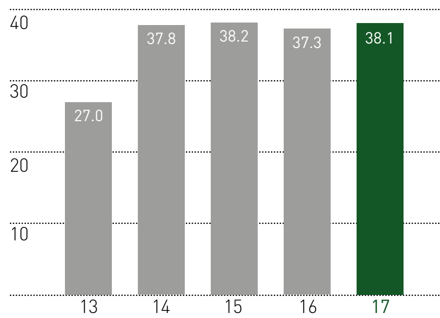
SPADs per million miles



RIDDOR accidents per 100 employees



Bus accidents per million miles



To minimise the likelihood of SPADs, we have tight controls around safety and high standards of driver training and work closely with the infrastructure provider, Network Rail. Due to the nature of these occurrences, relative performance can fluctuate from one year to the next, which is why we measure longer term performance against a 2020 target.

We're committed to minimising the direct impact our operations have on the environment.

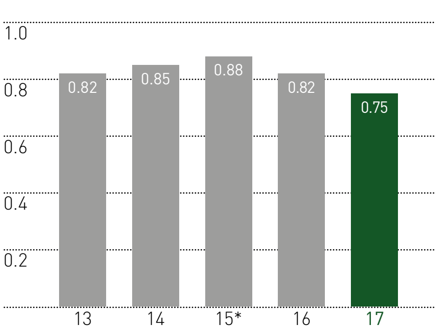
What are we targeting?

We have set 2020 targets for safety, striving for continuous improvement against all our metrics, maintaining current low levels of bus, rail and employee incidents.

Our 2018 environmental target is to reduce like-for-like carbon emissions per passenger journey by 10% against a 2014/15 baseline.

Although this was a challenging target, we achieved it one year ahead of target and strive to improve further in this area.

Carbon emissions per passenger journey (kgs)



* Restated.

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 2017. In line with this guidance, we have reported the emissions sources* that 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 is kilogrammes of CO_2e emissions per passenger journey.

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

Overall, CO_2 emissions in absolute terms have reduced despite business acquisitions and CO_2 emissions per passenger journey have decreased largely due to improved efficiency and lower CO_2 conversion factor for electricity.

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

	2016/17		2015/16		2014/15	
		CO_2e tonnes ('000)		CO_2e tonnes ('000)		CO_2e tonnes ('000)
Scope 1						
Passenger journeys (m)	**1,334.09**		1,297.23		1,239.9	
Gas (buses) kwhs (m)	**3.7**		6.3		6.9	1.3
Gas (premises) kwhs (m)	**53.4**	**10.5**	51.0	9.4	53.7	9.9
Bus diesel (10% bio-diesel blend) ltrs[2] (m)	**138.9**	**361.1**	130.3	340.2	127.6	329.8
Rail diesel ltrs (m)	**18.5**	**54.6**	18.6	55.1	18.4	53.5
Scope 2						
Traction electricity kwhs[1] (m)	**1,371.4**	**482.1**	1,368.9	564.1	1,283.5	593.2
Site electricity kwhs[2] (m)	**108.3**	**38.1**	104.9	43.2	100.1	46.3
Electric buses kwhs (m)	**0.39**	**0.14**	0.07	0.03	n/a	n/a
Scope 3						
Electricity – transmission and distribution losses within the grid		**48.7**		54.9		52.8
Sub-total		**995.2**		1,068.1		1,086.7
Outside of scopes						
Biogenic content of bio-diesel[2]		**9.4**		7.9		11.0
Total		**1,004.6**		1,076.0		1,097.7

1. Traction electricity consumption data relates to the period from 1 April 2016 to 31 March 2017. This provides the most accurate figure for consumption.
2. Site electricity and bus diesel figures include consumption by Go-Ahead Singapore. UK CO_2e conversion factors were used to account for this energy consumption to ensure consistency and standardisation, local conversion factors for 2017 were not available. Go-Ahead Singapore accounts for less than 4% of the Group's 2016/17 CO_2 emissions.

	2016/17	2015/16	2014/15
Kgs CO_2 per passenger journey	**0.75**	0.82	0.88

Kgs CO_2 per passenger journey only includes scopes 1-3 CO_2

CO_2 figures have been verified by Bureau Veritas.

For more information, historical data can be found online at www.go-ahead.com/sustainability

Customers

Providing high quality, locally focused passenger transport services

What are our key performance indicators (KPIs)?

Our customer KPIs monitor how well we're serving our customers, how reliably we're running our buses and trains, and how satisfied our passengers feel. We measure the number of passenger journeys taken on our regional bus and rail services compared with the previous year, adjusting for significant acquisitions and new franchises. Customer satisfaction surveys are conducted twice a year for our rail franchises and annually for our regional bus operations.

As we are contracted on the basis of bus mileage in London, we do not consider passenger numbers as a KPI for that division. Customer satisfaction is measured by the independent passenger watchdog Transport Focus. Our primary customer in London bus is TfL. We measure satisfaction and punctuality by performance against TfL's excess waiting time target, which 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.

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 the performance.

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

Why is it important?

Providing high quality service is a strategic priority for the Group and customer satisfaction is a key measure of our performance. Punctuality is important to our passengers and is the strongest indicator of passenger satisfaction, so is key to helping us grow passenger numbers and increase customer satisfaction. London bus contract extensions are also based on performance. We earn additional revenue through Quality Incentive Contract bonus payments if we exceed TfL's punctuality targets. PPM performance forms part of our franchise agreements with the DfT. We closely track trends in passenger numbers as changes in demand can affect financial performance as well as indicate potential issues. Monitoring this allows us to take timely action to improve our services.

What are the risks?

Decreasing volume numbers could be an indicator of performance issues within our operations or of changes in economic or market conditions, any of which has the potential to impact the Group's overall performance.

Punctuality is a key driver of customer satisfaction. If customers are not satisfied with the service they receive, they may switch to other operators or other modes of transport. These satisfaction figures receive media attention and our reputation can be harmed if they are low. Our rail franchise contracts also include satisfaction targets and our operating companies could face penalties if these targets are not achieved. For London bus, poor performance could result in lower Quality Incentive Contract (QIC) bonus payments and prevent contract extensions.

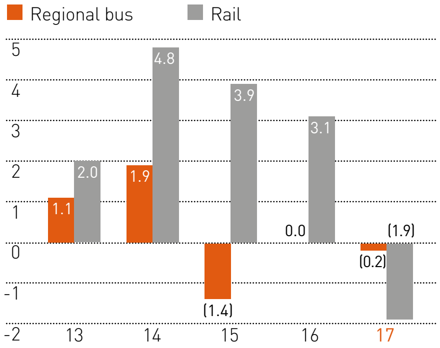
How did we perform?

In regional bus, passenger numbers remained broadly flat year on year, while rail numbers fell slightly, reflecting industrial relations issues at GTR and changing travel patterns of Southeastern customers.

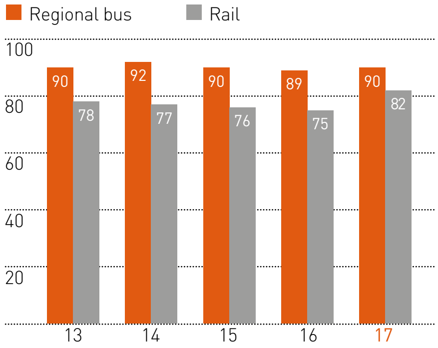
Our focus on delivering high quality locally focused services has enabled us to maintain our sector-leading position on customer satisfaction in regional bus, with slightly improved scores of 90%. All our regional bus companies scored highly in Transport Focus' annual survey. Satisfaction with our rail services also increased in the year, despite ongoing industrial relations issues impacting services in GTR. Southeastern delivered a strong improvement, up from 72% to 82%; the greatest improvement ever delivered in UK rail. London Midland's performance declined to 82% from a high base of 86% in the previous year.

We saw a mixed performance against our punctuality metrics. While congestion continues to be an issue in London, punctuality of our bus services has improved as some road improvement works in our operating areas were completed. Regional

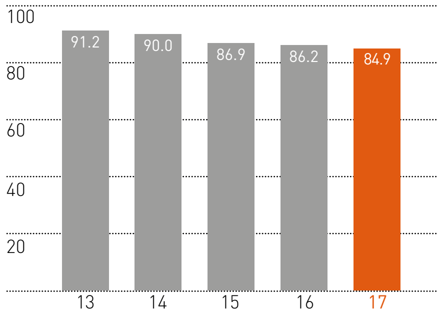
Like for like passenger volume growth (%)



Customer satisfaction (%)



Regional bus punctuality (%)



bus punctuality fell slightly, as did punctuality of our rail services. The decline in rail was due to a negative impact of maintenance works at GTR.

What are we targeting?

We're aiming to grow bus and rail passenger numbers beyond current levels.

In London bus, our target is to achieve low average excess waiting time of below one minute, in line with TfL's targets. In regional bus, we aim to maintain our sector-leading bus passenger satisfaction scores and achieve punctuality of over 95% in line with industry targets.

We target improvement in levels of customer satisfaction in the rail division, bringing them in line with the industry average for the London and South East network and increase levels of punctuality across all our franchises to meet 90% PPM in accordance with the Office of Road and Rail (ORR), Network Rail and London and South East operators' 2019 target.

Customer satisfaction

The National Rail Passenger Survey and the Bus Passenger Survey conducted by Transport Focus, provide valuable information about customers' satisfaction with the journey they've just taken. While we use the results of these surveys to help us improve, we also use Net Promoter Score (NPS) as an alternative indicator of loyalty and overall advocacy of our bus and rail services regularly. We measure NPS of our bus and rail operators regularly through the year to understand how likely regular and occasional customers as well as people who don't use our services are to recommend us. This is a good indicator of how much they trust us.

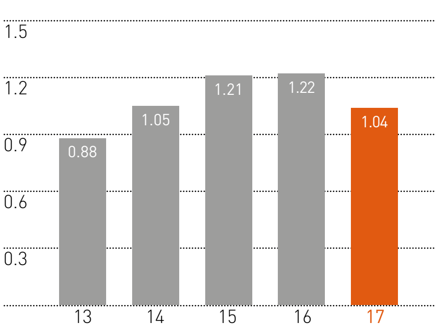
Together with NPS monitoring, a number of our train operators have signed up to a new passenger-focused 'to the minute' punctuality monitoring. Our trains are currently considered 'on time' if they arrive at their final destination within five minutes after their schedule. The new measure records the number of trains arriving within a minute of their scheduled time at every station.

By adopting this 'right-time railway' we have a more transparent measure of train punctuality — often the greatest priority for passengers. This measure combined with the NPS indicator improves our ability to map our customers' experience.

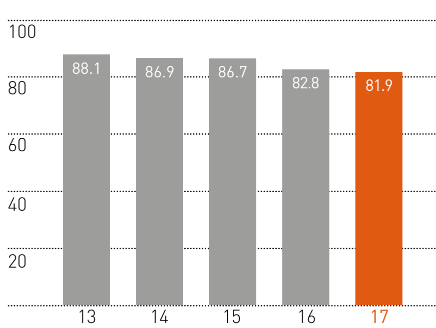
90%

Sector leading customer satisfaction in regional bus
2016: 89%

London bus punctuality (minutes)



Rail punctuality (%)



Our people

Striving to be a leading employer

What are our key performance indicators (KPIs)?

Our people KPIs measure how engaged our people are through annual independent employee surveys conducted across our businesses. We also measure employee absence by the percentage of scheduled hours not worked due to unplanned absence from work and monitor employee turnover, which is measured by the percentage of employees who leave the business in the year.

Why is it important?

Go-Ahead strives to be a good, respected employer and we appreciate the experience and opinions of our people as well as insights we gain from their feedback. Whenever possible, we make changes based on feedback, to build trust and foster an environment where employee opinion is valued. In addition to making Go-Ahead an attractive place to work, we believe high levels of employee engagement contribute to the success of the Group.

High levels of absenteeism and turnover could be reflective of low levels of staff satisfaction and engagement. By monitoring levels of absence, we can identify areas of the business with potential employee relations issues or employee shortages. Monitoring this also helps us with our resource planning and allocation.

What are the risks?

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

Employee shortages could impact our ability to deliver our services at the frequency, level of punctuality and standard we aim to achieve. It potentially puts additional pressure on colleagues in the workplace and impacts employee morale, engagement and stress levels. There is a significant cost to the business of absenteeism; the national estimated average cost of an absent employee is £522 per year (CIPD 2016 survey).

How did we perform?

We've seen strong performance across our people KPIs with improvements against every metric.

Employee engagement scores increased in both bus and rail divisions, and absenteeism and employee turnover decreased slightly.

Absenteeism improved despite unprecedented levels of absence at GTR in the year, which we believe to be connected with the industrial dispute.

We have achieved higher employee engagement scores across bus and rail. All our bus businesses delivered improvements, with increases in engagement as great at 18ppts in some businesses, demonstrating the value in our culture change programme.

Both our employee absenteeism and turnover went down this year which reflects the higher levels of employee engagement across the Group.

What are we targeting?

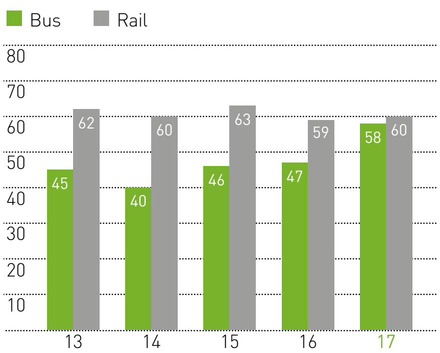
All our bus and rail companies set their own challenging targets to increase levels of employee engagement. Overall, our aim is to improve our levels of engagement each year, remaining above the average for large businesses.

We aim to achieve low levels of absenteeism, below the national average whilst maintaining consistently low levels of employee turnover.

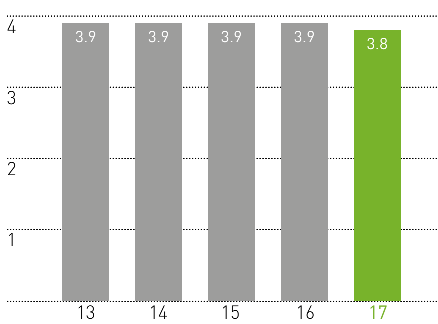
29,000

Total employees
2016: 27,500

Employee engagement index (%)



Absenteeism (% of working hours)



Employee turnover (%)

Change theme: Culture change

Changing culture from within

Adopting the Group's vision, beliefs and attitudes has had a tangible, positive impact on the engagement, morale and working practices across the business, particularly at one of the Group's largest companies: Go-Ahead London.

With 7,000 employees and five different companies under the Go-Ahead London umbrella, all with slightly different employment terms, conditions and working practices, there were initial reservations about the effectiveness of any one-size-fits-all approach to culture change. However, the desire to work as 'one Go-Ahead London' overrode any misgivings and, since the beginning of the year, more than 650 managers and supervisors have had interactive sessions to discuss the values with the senior management team, as well as being encouraged to do what they could to make the business a better place to work.

All 7,000 employees have taken part in training and development sessions on the Group's vision, beliefs and attitudes and diversity and inclusion workshops and sessions designed to improve communication skills have taken place. As a result, a culture of ongoing engagement has developed across the organisation. In addition to Go-Ahead London's specific programmes, all drivers took part in TfL's 'Hello London' customer service training. The combined effect of these initiatives has been greater engagement and a more proactive approach, embodying Go-Ahead's 'can-do' attitude. Progress has been seen across the business, with a 12% reduction in costs associated with driver shift overruns. QICs payments have risen in the period, with a connection being made between this strong performance and the change in culture.

The Group-wide vision, beliefs and attitudes are ties that bind all our operating companies together and, in a devolved management structure, ensure that all employees are working to the same common purpose: to take care of customers' journeys.

Focus on our people

Our aim is to be an employer of choice. The safety and wellbeing of our people is our priority and we place great emphasis on strong health and safety standards being maintained across the Group.

Diversity and equal opportunities

Go-Ahead recognises the value of diversity in all areas and at all levels of the business. Traditionally our industry has a large percentage of men working in roles such as bus and train drivers and engineering operational roles. We work to ensure that there is no bias towards either gender and that all appointments and internal promotions are made on the basis of merit.

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

Human rights

We are committed to protecting the rights of our people, customers, suppliers and other stakeholders. This commitment is reflected in our Group policies and procedures. The Modern Slavery Act came into effect in 2015 and Go-Ahead has made steps to promote and improve our commitment to eliminating abuse and exploitation in the workplace. We have identified at risk functions within our business and supply chain and have required our suppliers to abide by our anti-slavery and trafficking policy – or their own equivalent.

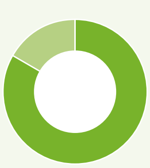
Employee relations

High levels of colleague engagement, job satisfaction and a safe, supportive working environment directly contribute towards the success of Go-Ahead. We use a range of channels across the Group to ensure that the voice of employees is heard. Channels include, but are not limited to, employee surveys and team action planning, informal feedback sessions, internal media, news letters and functional and business updates. The majority of our workforce is represented by a trade union and we strive to foster positive working relationships with union representatives, acknowledging the damaging impact that a poor relationship can have on our success. It is clear that the unions response towards modernisation changes set out in the GTR franchise agreement, particularly driver-controlled operation, has created a difficult climate. The improvement of relations with our trade union partners is a key focus.

Our local approach

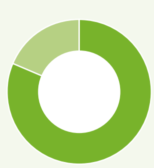
Go-Ahead has always operated through a devolved management structure, with local teams entrusted and empowered to run their businesses effectively. This approach allows flexibility and fast action which we believe gives us competitive advantage in the markets we serve. This local focus is complemented by skills, expertise and support at Group level in areas such as marketing, IT shared services and procurement and we have regular 'better together' forums to share experience and expertise around the Group.

Board gender diversity



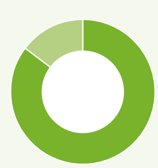
Male: 5 83%
Female: 1 17%

Senior management gender diversity



Male: 53 82%
Female: 12 18%

Overall Group gender diversity



Male: 24,870 86%
Female: 4,204 14%

Finance

Running our business with strong financial discipline to deliver sustainable shareholder value

What are our key performance indicators (KPIs)?

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

Group operating profit performance is closely monitored. 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).

The cashflow EBITDA ratio is used to monitor the conversion of operating profit into operating cash.

We measure the level by which our dividend payments can be covered by earnings per share divided by dividend per share.

Why is it important?

Growing revenue through a combination of increasing passenger numbers and modest fare rises drives operating profit growth.

Operating profit helps us measure the underlying performance of our operating companies. Profit growth enables us to reinvest in the business and deliver shareholder value.

We have a bank covenant limit of 3.5 times and are required to remain below this level. This ratio also helps us measure our financial performance against our commitment to preserve a strong capital structure and maintain our investment grade credit ratings.

Good performance against this KPI demonstrates strong working capital management and financial discipline and strong cash generation provides liquidity.

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

What are the risks?

Financial risks include inadequate levels of revenue growth impacting profitability, reducing our ability to invest in the business and make returns to shareholders, while insufficient or unsustainable dividend cover could result in the dividend being reduced. If we were to exceed adjusted net debt/EBITDA of 3.5 times we would breach our bank covenant as we're required to remain below this level.

A key risk of the cashflow/EBITDA ratio falling below target level for a sustained period is an inability to reinvest in the business.

How did we perform?

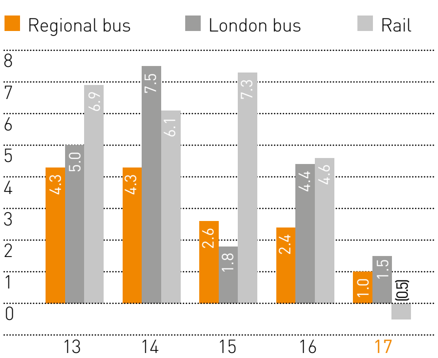
Modest revenue growth was delivered in regional and London bus, despite operating in challenging markets. While rail passenger revenue fell, largely driven by a decline in passenger revenue in GTR. We use this metric to help us understand customer travel patterns, at GTR, but this decline does not directly impact Group revenue as GTR is a management contract through which we are paid a management fee.

Group operating profit fell by £12.0m as a result of lower rail profits. The bus division delivered a consistent performance with the prior year.

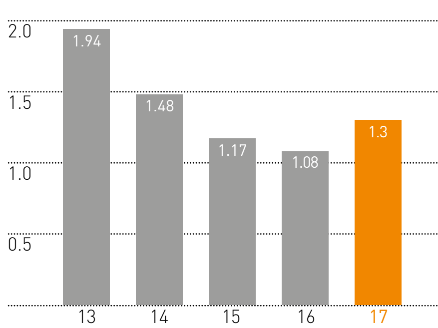
Adjusted net debt to EBITDA rose slightly due to higher levels of capital expenditure reducing net cash. However, at 1.3 times, this remained below our target range of 1.5 to 2.5 times, consistent with the previous three years. The higher investment in capital also led to a reduction in the cashflow/EBITDA ratio in the year.

At 2.03 times, dividend cover was in line with our policy of two times over a five year cycle. In line with the interim dividend, the proposed full year dividend payment is up 6.5%, at 102.08 pence per share.

Like for like revenue growth (%)

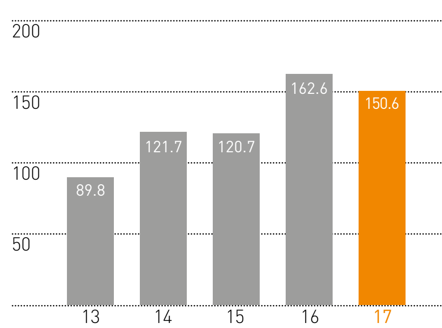


Adjusted net debt/EBITDA (X)*



* Prior years restated.

Operating profit (£m)*



* Prior years restated.

What are we targeting?

Our 2020 revenue growth target is to maintain growth at broadly similar levels to those consistently delivered in the recent years preceding the target being set in 2016.

Our bus operating profit target is to maintain our industry leading margins and in rail our goal is to deliver value from existing franchises and achieve margins nearer the industry average of 3%. We aim to maintain our adjusted net debt/ EBITDA within our target range of 1.5x and 2.5x throughout the economic cycle and to match or exceed cashflow generated from operations to EBITDA. For our shareholders, we intend to maintain adequate dividend cover throughout a five year cycle, in line with our policy of 2 times cover.

2.03x

Dividend cover
2016 restated: 2.28x

Change theme: Lean processes

Leaning into change

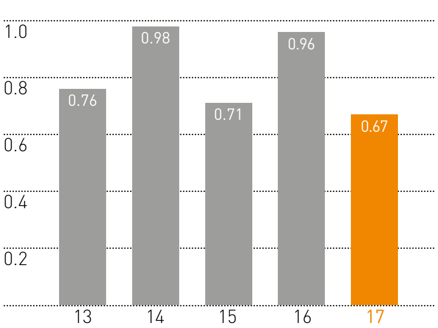
We are adopting lean working methods across all of the Group's engineering departments, to ensure depots are structured in a way that best supports the needs of the business. Lean is a set of management tools and processes which encourages continual review and change. It ensures there is a focus on improving important operational areas, eliminating inefficient practices and reducing waste. As a result, this means all working practices are reviewed and altered where needed. As waste is reduced, productivity is increased and costs are rationalised. In line with the Group's collaborative approach, this process encourages the establishment of long term relationships and partnership arrangements with suppliers.

Our bus company, Brighton & Hove, has transformed its engineering function through the introduction of lean processes which have led to streamlined costs, better fleet and scheduling management and also improved operational performances. Through the adoption of lean working, remarkable improvements have been delivered. These include a reduction in spare capacity in vehicles, stock and employee time, cutting 'dead mileage' and drastically improving MOT performance.

At Brighton & Hove, involving the trade unions in the change programme from the outset meant new employee shift patterns and working practices were introduced without concerns being raised. The fundamental principle behind lean is continuous improvement, so there is ongoing dialogue with colleagues and union representatives to keep improving operations and enabling innovation and evolution.

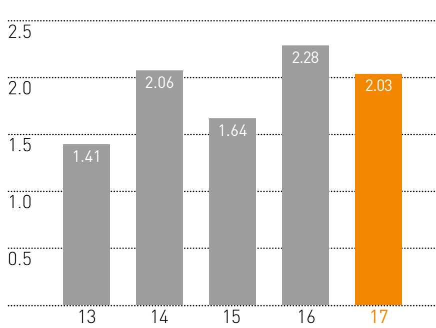
While the Group's engineering functions are the first to adopt a lean approach, the ethos that underpins it is common to other areas. Developing individuals through team problem-solving is about engaging colleagues and encouraging their contribution to the success of the team's overall performance. Our operating companies understand that their strong performance at a local level ultimately leads to the overall success of Go-Ahead.

Cashflow/EBITDA (X)*



* Prior years restated.

Dividend cover (X)*



* Prior years restated.

A robust and comprehensive approach to risk management

"The effective management of our risks and opportunities supports the development of our strategy while protecting the interests of our stakeholders."

Adrian Ewer,
Chairman of the Audit Committee

The Board has overall responsibility for ensuring that the Group's exposure to risk remains proportionate to the pursuit of its strategic goals and longer term stakeholder value.

How we manage risk

Ultimate accountability for risk management lies with the Board, supported by the audit committee. Our approach combines a top down strategic assessment of risk and risk appetite, with a bottom up operational identification and reporting process, which also looks at the impact of a combination of risks coming through. We have robust risk management and internal control systems across the Group and we empower all of our colleagues to manage risk. The diagram on page 41 illustrates the key roles and responsibilities across our risk management framework.

Focus during the year

The Group reviewed the effectiveness of the enhancements made to risk management processes in the previous year and concluded that they had been successfully embedded. In particular, the quality of risk discussion at operating company, audit committee and Board level has improved, with increased focus on the most important risk, control and mitigation areas.

The Board also reviewed risk appetite, which is an integral part of how we develop our strategy, and our risk appetite statement is on page 42.

With cyber security an increasing and evolving risk for our business and the industry as a whole, there has also been an increasing focus this year on understanding these risks and the measures being taken to address potential areas of vulnerability.

Read more about our principal risks on pages 43 to 45

Risk culture

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

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

Cyber security

Information security is the responsibility of all our people

At Go-Ahead, cyber security is a key priority and we review our cyber strategy on a continuous basis, focusing on five key principles:

1. **Risk management:** the adequate identification and understanding of our risks are key to the management of our cyber security. As a minimum, we run a yearly cyber-essentials programme across the organisation.
2. **Protection:** once risks are identified, we focus our efforts on protecting ourselves against both physical and digital risks.
3. **Detection:** we monitor 'abnormal' behaviour in people, technology and assets, with security events immediately alerted before they have the opportunity to evolve into a security incident.
4. **Action and response:** we have established playbooks and protocols to react to incidents quickly and adequately should an information security breach occur. We also run yearly incident simulations with key personnel.
5. **Education:** protecting our colleagues is at the heart of the Group and educating our colleagues about critical risks such as email spoofing or confidential information loss increases awareness and helps to prevent incidents. One of our key messages to colleagues is that "Information security is not solely the responsibility of IT but the responsibility of all our people".

Viability statement:

The directors have assessed the Group's viability over a three year period to June 2020. This is consistent with the period covered by the Group's corporate plan, which is the basis for the three years of the strategic plan. This gives the Board greater certainty over the forecasting assumptions used. In making their assessment, the Board took account of the Group's current financial position, operational performance and both its contracted and anticipated capital expenditure.

They also then assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties set out on pages 43 to 45, the likely mitigating actions and the effectiveness of those mitigating actions.

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet all of its liabilities as they fall due during the viability review period. In making this statement, the directors have made the following key assumptions:

- 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 Bus Services Act 2017 will have limited impact on the Group's regional bus business in the period under review; and
- the Group will continue to work effectively with DfT in resolving issues of the ongoing contractual variations, including rolling stock cascades and timetable specifications.

RISK MANAGEMENT FRAMEWORK

Implementation and compliance of responsibilities

Top down

Bottom up

Risk identification and reporting responsibilities

Board

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

Audit committee

Monitors risk management and assurance arrangements

Effectiveness of risk control processes

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

- Internal audit
- External audit
- Insurance
- Risk surveys

Executive directors

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

Group risk management process

Provides guidance and advice to operating companies to assist with:

- Identifying risks, assessing extent of risks' impact and implementing mitigating actions
- Health and safety
- Insurance

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

Local operating companies

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

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 to 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.

1. **Protect and grow the core**
The Group will only tolerate low risk with regard to the management of its core activities.

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

3. **Develop 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 these objectives.

Definitions

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

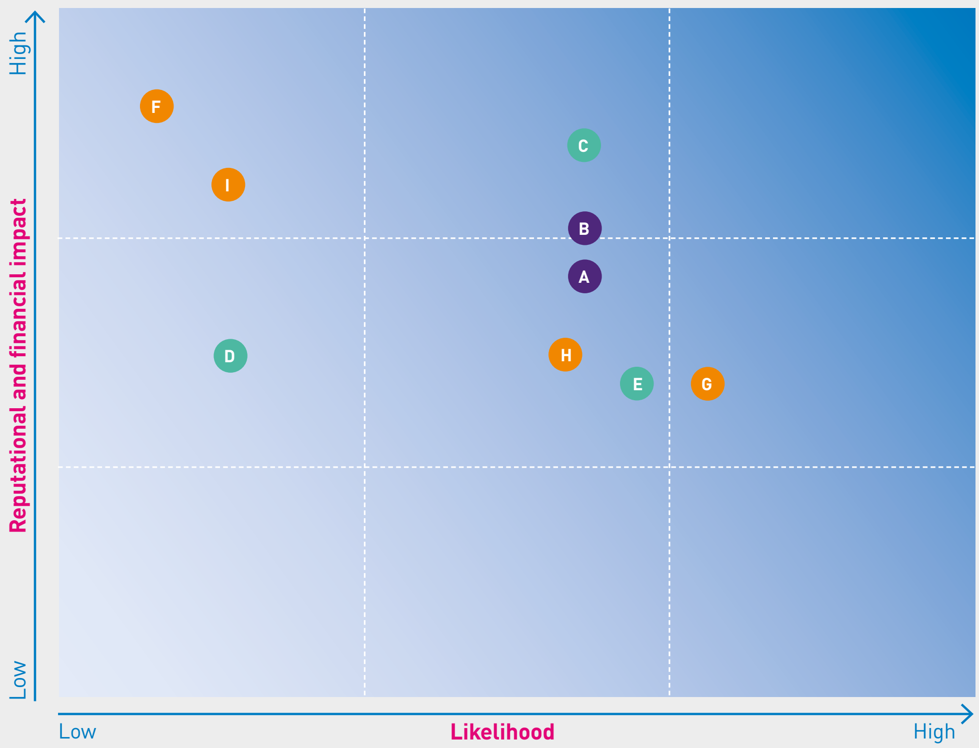
Moderate: The level of risk may delay or disrupt achievement of the Group's strategic objectives. Controls are adequately designed and are generally effective.

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

Prioritising our principal risks

A robust assessment has been undertaken by the Board to assess the principal risks facing the Group and consideration has been given to those that threaten our business model, 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. Further details of the key risks within each of the Group's principal risk areas is shown below.



External risks

- A Economic environment and society
- B Political and regulatory framework

Strategic risks

- C Sustainability of rail profits or loss of franchise
- D Inappropriate strategy or investment
- E Competition

Operational risks

- F Catastrophic incident or severe infrastructure failure
- G Large scale infrastructure projects
- H Labour costs, employee relations and resource planning
- I Information technology failure or interruption, or security breach

External risks

A ↑ 1 2

Economic environment and society

Lower economic growth or reduction in economic activity.

Potential impact

Reduced revenue as:

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

Mitigating actions

- Continue to focus our operations in more resilient geographical areas
- Local management constantly assesses the needs of local markets and direct services and products accordingly
- Provide attractive services and products
- Focus on driving volumes through innovative and targeted marketing
- Generate customer loyalty through initiatives such as smart ticketing
- Proactive cost control
- Make public transport easier to access and use

Opportunity

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

Change in risk in the year

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

- Following the result of the EU referendum, economic growth rates have been resilient, but remain volatile (e.g. UK gross domestic product (GDP) was estimated to have increased by 0.3% in Quarter 2 (April to June 2017), while Quarter 4 (October to December 2016) GDP growth had been 0.7%)*

* Statistics provided by Office for National Statistics.

Key to risk changes

↑ Increase in risk in the year

= No change in risk in the year

B ↑ 1 2 3

Political and regulatory framework

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

Potential impact

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

Mitigating actions

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

Opportunity

- The political and regulatory framework provides us with the opportunity to influence decisions through close dialogue with the Government, local authorities and other key parties
- The Bus Services Act 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.

- The 2017 General Election resulted in a hung parliament, and this has increased political and economic uncertainty
- Labour's 2017 manifesto pledge to bring private rail companies back into public ownership as their franchises expire
- Bus Services Act received Royal Assent on 27 April 2017, and includes devolved powers to regulate bus services in local areas, subject to certain criteria being met
- The Queen's speech of 21 June 2017 included 27 bills, of which eight are dedicated entirely to measures around the UK leaving the EU
- Proposed rise in corporation tax under a potential Labour government to 26%

Strategic risks

C ↑ 1 2

Sustainability of rail profits or loss of franchise

Failure to retain key franchises on acceptable terms and failure to stabilise GTR's business performance.

Potential impact

- Rail profitability and cash flow 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, to deliver long term economic and infrastructure benefits
- Significant resource and financial investment in bidding for new franchises
- Regular Board review of rail performance, and Board approval of overall rail bidding strategy
- Compliance with franchise conditions closely monitored
- Recovery plan for GTR
- Reduce head office costs across the Group

Opportunity

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

Change in risk in the year

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

- The GTR franchise has seen a difficult year as a result of the impact of major infrastructure projects and ongoing industrial action
- Organic international expansion, including the recently awarded 13 year rail contract by Transport Ministry of Baden Württemberg in Germany
- Shortlisted by the Department for Transport to bid for the South Eastern franchise

D = 2 3

Inappropriate strategy or investment

Failure to make appropriate strategic or investment decisions.

Potential impact

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

Mitigating actions

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

Opportunity

- Continual focus on and review of strategy ensures the Board is well placed to assess value adding opportunities as they arise
- Growth opportunities in Singapore, Dublin, Australia, Germany and Nordic region

Change in risk in the year

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

- Good strategic progress has been made during the year. Continued focus on delivering profit growth in bus
- Go-Ahead has a clear strategy, communicated to all levels of the organisation

E ↑ 1 2 3

Competition

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

Potential impact

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

Mitigating actions

- Disciplined and focused bidding in London
- 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

Change in risk in the year

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

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

Operational risks

F ↑ 1

Catastrophic incident or severe infrastructure failure

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

Potential impact

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

Mitigating actions

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

Opportunity

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

Change in risk in the year

Increase in risk during the year, as the likelihood of an act of terror impacting the Group's transport network has increased.

- Numerous terrorism related incidents during the year

Key to risk changes

↑ Increase in risk in the year

= No change in risk in the year

G = 1

Large scale infrastructure projects

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

Potential impact

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

Mitigating actions

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

Opportunity

- Investment in railway infrastructure and roads will deliver long term benefits to passengers travelling on our services

Change in risk in the year

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

- Our rail operations have been impacted by works associated with the £6.5bn Thameslink Programme, particularly around London Bridge
- Congestion due to roadworks in London have impacted our services with passengers choosing alternative modes of transport

H ↑ 1

Labour costs, employee relations and resource planning

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

Potential impact

- Failure to retain and attract employees at all levels
- Strikes leading to reputational damage
- Low levels of morale and engagement lead to inadequate customer service
- Service disruption and costs arising from industrial action
- Inability to deploy new technology and work practices for the benefit of customers
- Wage costs increase or are higher than necessary
- Reduction in value of sterling leading to a slowdown in employment from Europe

Mitigating actions

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

Opportunity

- Through fostering positive employee relations and offering good employment packages we have a motivated and committed workforce, with low staff turnover across all businesses
- We are monitoring the impact of changes in the employment market which may affect our ability to retain and recruit staff

Change in risk in the year

Increase in risk during the year, as trade union disputes have intensified.

- Operational challenges on the GTR franchise have been compounded by industrial action and a spike in sickness absence
- Strike action by drivers at Oxford Bus Company has resulted in service disruptions

I ↑ 1

Information technology failure or interruption or security breach

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

Potential impact

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

Mitigating actions

- Process standardisation and continued investment in best practice systems, including 'light sites' and 'load bearing' servers
- Clear and tested business continuity plans
- Proactive approach to cyber security issues
- Cyber Essentials, a government backed cyber security certification scheme, was achieved
- Continued investment in and maintenance of IT systems across the Group
- Test scenarios conducted across the Group
- Preparing for the General Data Protection Regulation, which comes into force on 25 May 2018

Opportunity

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

Change in risk in the year

Increase in risk during the year, following several external high profile cyber security breaches.

- Significant cyber attacks, including ransomware attacks, across the public and private sector during the year

Developing the Board's role in culture

"By aligning business decisions to the long term interests of Go-Ahead, we can create sustainable value for all stakeholders and the society we serve."

Andrew Allner,
Chairman

Dear Shareholder,

Go-Ahead prides itself on its solid reputation for conducting business activities to the highest ethical and professional standards. We are guided by our corporate governance principles and benefit from strong Board oversight. We look continually to improve and adapt to the changing needs of our business and society as a whole, to ensure we are always operating in accordance with best practice and to deliver long term sustainable value for our customers, colleagues, shareholders and other stakeholders.

Our culture agenda

A key focus for the Board this year has been corporate culture. Over the course of the year, the Board has spent a significant amount of time discussing culture and has used the Financial Reporting Council's recently published 'Report of Observations on Corporate Culture and the Role of Boards' to facilitate initial debate. From this, the Board has developed its own culture agenda, supported by a new Board development programme which has also been implemented during the year.

At our November 2016 Board meeting, which was dedicated to culture, the Board spent time discussing what culture really meant to individual Board members and the Board as a whole. Using a structured framework, led by the Group Company Secretary, the Board considered culture in the context of strategic direction, risk and the business model. The role of the Board, including behaviours and accountability was also debated, as was the governance framework that needed to be in place to deliver the culture agenda.

It is important that the Board sets the right tone from the top and we are accountable for how we behave. The Board has a significant role to play in determining the purpose of the Group and ensuring that the Group's values, strategy and business model are all aligned. Having a clear line of sight between the decisions we take and how these impact the business is a key priority for the Board. We believe that by aligning business decisions to the long term interests of Go-Ahead, we can create sustainable value for all stakeholders and the society we serve.

While the collective Board is responsible for culture, it is the executive directors and senior management teams who are responsible for leading and implementing the cultural change with our colleagues across the business and providing assurance to the Board. Oversight and bringing our vision, beliefs and attitudes to life is therefore a key area for the Board. Culture is a stand-alone agenda item at all Board meetings and updates are provided from the Group Chief Executive on the progress being made across our operating companies. Our culture agenda is cascaded down to the audit, remuneration and nomination committees which all work to the same principles.

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 1 July 2017. The Code is issued by the Financial Reporting Council (FRC) and is available for review on the FRC's website: http://www.frc.org.uk

We have agreed cultural indicators which will enable the Board to monitor progress and hold the executive directors to account and we will measure the key outputs in working towards achieving our desired culture. These include improved performance, better customer service and reputation, high colleague and stakeholder engagement, with Go-Ahead a more attractive place to work and representative of the people and societies we serve. We know that we need to be aware of Go-Ahead's overall social impact and our accountability to a wide range of stakeholders and, to reflect this, we have also linked our key cultural indicators to executive remuneration.

Developing the Board

The Board has an important role to play regarding its own behaviour and all Board members need to bring the right values to Go-Ahead to create the blend which is vital to a healthy boardroom culture. Ensuring all Board members are aligned to Go-Ahead's corporate culture has therefore been another key area of focus during the year.

To make certain that the work of the Board was closely aligned with the Group-wide culture change programme, we brought forward our external Board evaluation scheduled for 2018 to this year. With a different emphasis from the more traditional board evaluations we have previously undertaken, the focus was more about actual Board development. With a Board development programme designed in conjunction with Better Boards Ltd, the objective was to provide each Board member with insights about themselves and their colleagues on the Board, providing a foundation upon which individuals could increase their personal impact and the overall effectiveness of the Board.

The review established that Go-Ahead has a strong Board, with relationships built on trust and its size is a key strength to ensuring that everyone can contribute. The Board is open and collegiate, with a good quality of debate and the opportunity to challenge constructively where appropriate. The review did, however, highlight the levers for Board members (both individually and collectively) to further increase their effectiveness through an appreciation of the roles and responsibilities on the Board, supporting colleagues to harness their skills on the Board and facilitating the right discussion and quality of debate. You can read in full the process through which the Board went and the outcomes of the review on pages 60 and 61. We also describe the actions we took during the year to address matters highlighted from the previous year's internal Board evaluation.

Board composition and changes

In accordance with our succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting and I am grateful to Nick for his contribution to the Board during his tenure of what will be six years at the date of his retirement. Through the work undertaken as part of our external Board development programme, which involved assessing the Board's existing skill set against key know-how areas and role behaviours, we created a detailed job specification to guide the search process for his replacement. This ensured that any new non-executive director would bring the skills and behaviours we needed to best complement the existing Board and support our strategy and culture.

Following a rigorous selection process, which was carried out by the nomination committee, we are pleased to welcome Harry Holt and Leanne Wood as non-executive directors to the Board in October 2017. Full details can be found in the nomination committee report on pages 73 to 76.

Governance

As a Board, we believe that good governance is crucial to the successful delivery of Go-Ahead's strategic priorities. Our strategy is supported by a strong and effective governance structure which starts with the Board and permeates throughout the organisation. This is an integral part of the way we design and deliver our strategy, supporting effective decision-making and ensuring there is clear accountability up to the Board. Corporate governance underpins how we conduct our business, our culture and our behaviours and a summary of the Board's robust governance framework is set out on page 53.

We also ensure that we remain abreast of best practice and actively participate in debates and consultations on matters which are important to our business and the communities in which we operate. An example of this was our participation in the consultation on the Government's green paper on corporate governance, where we support the drive for greater stakeholder involvement at Board level and agree that there need to be changes around executive remuneration policies.

Accountability

The Board understands its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects in this 2016/17 Annual Report and Accounts. This includes assessing the principal risks facing the Group, ensuring that effective systems of risk management and internal control are in place and providing a statement as to the Group's long term viability. The steps that we have taken during the year to comply with these requirements can all be found in the following corporate governance report and the managing risk section on pages 40 to 45.

Engagement with shareholders

We place considerable importance on the views of our shareholders. The Group investor relations (IR) programme, managed by the Group IR team, includes regular dialogue between the executive directors and current and potential shareholders through group and one-to-one meetings, presentations and conferences. While key shareholder engagement activities are undertaken by the executive directors, overall responsibility for ensuring that there is regular and effective dialogue with investors and ensuring the Board collectively understands their views rests with me. I held a number of meetings with shareholders during the year and I'm available to meet with investors as appropriate. Private shareholders have the opportunity to speak with the Board and raise any concerns at the Annual General Meeting. To understand how we work together with our wider stakeholders, please see pages 6 and 7 of the strategic report. For further information on our IR programme and how we listen to and engage with our stakeholders, please read pages 62 and 63.

Andrew Allner,
Chairman
6 September 2017

CORPORATE GOVERNANCE HIGHLIGHTS

Highlights of Board objectives 2016/17

- Drive culture change and ensure all strategic decisions are underpinned by the Group's new vision, beliefs and attitudes
- Continue to build relationships with key stakeholders, with a focus on partnership
- Ensure the Group's strategy supports delivering value for our customers, employees, shareholders, stakeholders and the wider society
- Focus on improving performance and customer service at GTR
- Bid for third tranche of work for the Singaporean bus market
- Continued refinement of dividend and capital allocation policy and return to shareholders where appropriate
- Schedule 'deep dive' reviews into key risk areas and continue to develop risk appetite discussions and assessment

Highlights of what we have done

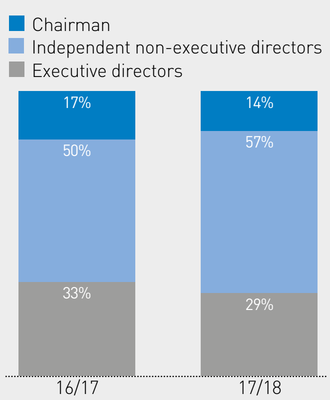
- Externally facilitated Board development programme undertaken, to align with the Group-wide culture change programme but specifically, Board focused
- Improved collaboration with Network Rail and established frameworks to improve working relationships with all key stakeholders
- Evolved our approach to strategy
- Bid submitted for the West Midlands franchise, which was unsuccessful
- Continued focus on the operational and financial performance of the GTR contract
- Bid for the third tranche of work for the Singaporean bus market
- Maintained progressive dividend policy with interim and final dividend increases of 6.5%
- Dedicated time given in Board meetings to 'deep-dive' risk focus areas such as franchise bid process, reputation and cyber security

Highlights of Board focus 2017/18

- A Board commitment to focus on three core areas; resolving the issues at GTR, developing our strategy for sustainable growth and improving the culture of the Group
- Implement the actions from the Board development programme to maximise Board effectiveness
- Restore investor confidence in the Group
- Increase levels of engagement and open communications with all stakeholders
- Continue to explore other bus and rail opportunities in targeted international markets
- Maintain investment grade rating
- Review remuneration policy in the context of best practice and emerging developments ahead of the new policy being put to shareholders at the 2018 Annual General Meeting

The above are highlights only and for the full list of Board objectives, with what we have done in 2016/17 and Board focus for the forthcoming year, please see pages 57 and 58

Board composition



The above charts show Board composition as at the year ended 1 July 2017 and what it will be for the forthcoming year following the appointment of two new non-executive directors on 23 October 2017 and the retirement of Nick Horler at the 2017 Annual General Meeting on 2 November 2017.

Attendance

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

	Board		Audit committee		Remuneration committee		Nomination committee	
Board attendance	Scheduled	Unscheduled	Scheduled	Unscheduled	Scheduled	Unscheduled	Scheduled	Unscheduled
Total meetings	9	5	4	–	5	2	2	–
Andrew Allner	9/9	5/5	–	–	5/5	2/2	2/2	–
David Brown[1]	9/9	5/5	–	–	–	–	–	–
Patrick Butcher[1]	9/9	5/5	–	–	–	–	–	–
Katherine Innes Ker[2]	9/9	4/4	4/4	–	5/5	2/2	2/2	–
Nick Horler[2,3]	8/9	4/4	4/4	–	4/5	2/2	2/2	–
Adrian Ewer[4]	9/9	3/5	4/4	–	5/5	2/2	2/2	–

1. Members of the executive team attended committee meetings by invitation as appropriate which are not included in the above attendance.
2. A sub-committee meeting comprising the Chairman, Audit Committee Chair and executive directors was held on 8 September 2016. Katherine Innes Ker and Nick Horler were therefore eligible to attend four unscheduled Board meetings.
3. Nick Horler was unable to attend one scheduled Board and remuneration committee meeting on 7 June 2017 due to a long standing prior commitment. Nick was sent all papers in advance, with the opportunity to provide input before and after the meeting via the Group Company Secretary.
4. Adrian Ewer was unable to attend two unscheduled Board meetings, one of which was due to illness and the other due to a long standing prior commitment. Adrian was sent all papers in advance, with the opportunity to provide input before and after the meeting via the Group Company Secretary.

The Board has focused on areas that have impacted the key performance areas of society and people

Responsibility of the Board

Culture

- Leading by example in building corporate culture and reputation
- Setting the Board's own culture agenda
- Oversight and assessment of culture change across the Group
- Regular evaluation of boardroom behaviours
- Individual and collective accountability of how the actions of Board members contribute to culture

For further information on how we lead by example and set the correct tone from the top, please see page 52.

Strategy

- Setting the long term strategy, targets and objectives to deliver value for our customers, employees, shareholders and other stakeholders
- Approval of the corporate plan for the Group and individual operating companies, oversight and monitoring
- Setting and monitoring the Key Performance Indicators that support the delivery of strategy, including safety targets for continuous improvement

Finance

- Approval of the Group's Annual Report and Accounts and ensuring that they are fair, balanced and understandable
- Approval of dividend policy and recommending dividends payable
- Approval of key financial policies including accounting, fuel hedging, tax and treasury policies

The UK Corporate Governance Code

Go-Ahead is committed to maintaining high standards of corporate governance. For information on how we have complied with the UK Corporate Governance Code published in April 2016, please read the following:

- Leadership – pages 50 to 59
- Effectiveness – pages 60 to 61 and pages 73 to 76
- Relations with stakeholders – pages 62 and 63
- Accountability – pages 64 to 72
- Remuneration – pages 77 to 95

Board

- Governing the Group's vision, values and culture
- Approval of the Board's policies and procedures manual, including delegated authorities and the terms of reference of all committees of the Board
- Supported by a new Board development programme, reviewing the performance of the Board, its committees and individual directors on an annual basis with a focus more on individual and collective development
- Determining the remuneration policy for the executive directors and senior management
- Succession planning and appointments to the Board and senior managers
- Approval of all share schemes and any share buy-back programmes

Contracts, bids and acquisitions

- Approval of material capital projects, investments, acquisitions, franchises and disposals
- Approval of changes to the Group's corporate structure and constitution

Risk and governance

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

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

Length of service:
8 years and 8 months

Independent: On appointment

Skills, experience and qualifications:
Significant Board experience including Finance Director, Chief Executive Officer, Non-Executive Director and Chair roles. Experience across a broad range of UK and multinational companies and sectors. Former Partner at PricewaterhouseCoopers LLP and a Fellow of the Institute of Chartered Accountants in England & Wales. Graduate of Oxford University. Non-Executive Director of AZ Electronic Materials SA from 2010 to 2014, of CSR plc from 2008 to 2013 and of Moss Bros Group plc from 2001 to 2005

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

Length of service:
6 years and 3 months

Independent: –

Skills, experience and qualifications:
Over 34 years of experience in the industry with particular expertise in the London bus market. Former Managing Director of Surface Transport at Transport for London. Thorough knowledge and understanding of the Group's business, having been Chief Executive of Go-Ahead's London bus business from 2003 to 2006 and advisor to the main Board

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

Patrick Butcher
Group Chief Financial Officer

Appointment:
Patrick Butcher was appointed to the Board as Group Chief Financial Officer on 14 March 2016

Length of service:
1 year and 3 months

Independent: –

Skills, experience and qualifications:
Member of the Institute of Chartered Accountants (South Africa). Over 16 years of experience as a Finance Director at Board level in transport and infrastructure companies. Former Group Finance Director of Network Rail as well as Finance Director roles at English, Welsh and Scottish Railways (now DB Schenker) and London Underground. Extensive experience working as a management consultant and auditor for Deloitte LLP. Former member of the British Transport Police Authority

Other directorships and offices:
None

Katherine Innes Ker
Senior Independent Director

A N R

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

Length of service:
6 years and 11 months

Independent: Yes

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

Other directorships and offices:
Non-Executive Chair of The Mortgage Advice Bureau; Non-Executive Director of Gigaclear plc and Non-Executive Director of Forterra plc

Key to committees
A Audit committee

N Nomination committee

R Remuneration committee

Chairman

Committee Secretary

Nick Horler
Non-Executive Director

A N R

Appointment:
Nick Horler joined the Board in November 2011

Length of service:
5 years and 7 months

Independent: Yes

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

Other directorships and offices:
Non-Executive Chairman of Alderney Renewable Energy Limited; Non-Executive Chairman of Meter Provida Limited, Meter Provida Holdco Limited and Meter Provida Investments Limited; Non-Executive Director of Thames Water Utilities Limited; Non-Executive Chairman of Adler and Allan Group Limited and Non-Executive Chairman of UK Power Reserve Limited

Adrian Ewer
Non-Executive Director

A N R

Appointment:
Adrian Ewer joined the Board in April 2013

Length of service:
4 years and 2 months

Independent: Yes

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

Other directorships and offices:
None

Carolyn Ferguson
Group Company Secretary

A N R

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

Length of service:
11 years

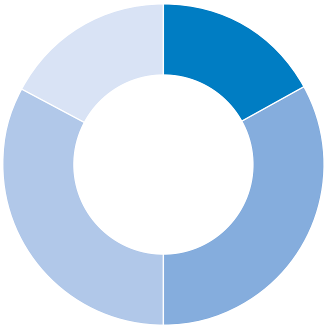
Independent: –

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 included working for Northern Electric, predominantly in the field of pensions

Other directorships and offices:
None

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

Directors' tenure



- 0-2 years: 17%
- 4-6 years: 33%
- 6-8 years: 33%
- 8-10 years: 17%

Board changes
As of 23 October 2017, Harry Holt and Leanne Wood will join the Board as independent Non-Executive Directors and members of the audit, remuneration and nomination committees.

Harry Holt
Harry is currently the President of Rolls-Royce Holdings plc Nuclear Division and Non-Executive Chairman of Royal Foundation's Endeavour Fund. Harry will complement the existing Board with his wealth of experience in government relations, strategic planning and operations.

Leanne Wood
Leanne is currently Chief Strategy, People and Corporate Affairs Officer at Burberry Group plc. Leanne will bring to the Board an international career background and experience of leading corporate strategy and organisational transformation.

Nick Horler
Nick Horler will retire as an independent Non-Executive Director and member of the audit, remuneration and nomination committees with effect from the conclusion of Go-Ahead's Annual General Meeting on 2 November 2017.

Details of the directors' contracts, emoluments and share interests can be found in the directors' remuneration report on pages 77 to 95

The decision-making of the Board is aligned to long term sustainable value creation

Our vision

A world where every journey is taken care of

Board leadership

Go-Ahead is headed by a Board whose members are collectively responsible for creating and delivering long term sustainable value for the business. A key responsibility of the Board is to balance the interests of the Group, including our shareholders and stakeholders, colleagues and the communities and societies we serve. Principally, we achieve this through:

- Developing the Group's strategy and monitoring its implementation and Group performance
- Leading and overseeing culture, and providing support to the executive directors in the discharge of their duties
- Overseeing health and safety performance, standards and continuous improvements
- Taking responsibility for the Board's own succession and oversight of effective senior management succession
- Ensuring the business meets all of its regulatory obligations and upholds the highest standards of corporate governance
- Assessing the financial, operational and reputational risks facing the Group and ensuring appropriate measures are in place to mitigate and control these risks
- Ensuring the decisions and actions taken are properly informed and are effectively communicated
- Understanding the Group's place in society to be representative of all stakeholders

Leading by example and setting the correct tone from the top

Go-Ahead's culture is defined through our Group vision 'A world where every journey is taken care of' and in combination with our beliefs and attitudes, this sets out the behaviours that are expected of all colleagues. The Board recognises that strong governance also underpins a healthy culture and it is important that the Board leads by example and ensures that good standards of behaviour permeate throughout all levels of the organisation.

Our leaders and managers have a critical role in setting the tone of our organisation and advocating the behaviours we expect to see. We have made strides of progress in embedding and integrating our vision, beliefs and attitudes across the Group. The Board discusses culture at every Board meeting, with updates from the Group Chief Executive on the progress being made across our operating companies which enables the Board to provide oversight. There are many examples of successful cultural change across the Group and further details can be found on page 37. From an operational perspective, policies and procedures, Key Performance Indicators (KPIs) and contracts are being re-drafted to align the business with our vision, beliefs and attitudes. Our 'Going Forward Together' programme, which was launched last year, is delivering the changes needed to inspire our operating companies to future proof our business and provide an excellent service for customers.

Chairman and non-executive director site visits throughout the year have played a crucial part in understanding how the culture change is being embedded and cascaded throughout the organisation and will continue to be viewed as being of the upmost importance. During the year, the Chairman and non-executive directors visited London Midland, Go East Anglia, Southeastern and Go South Coast.

Our devolved framework

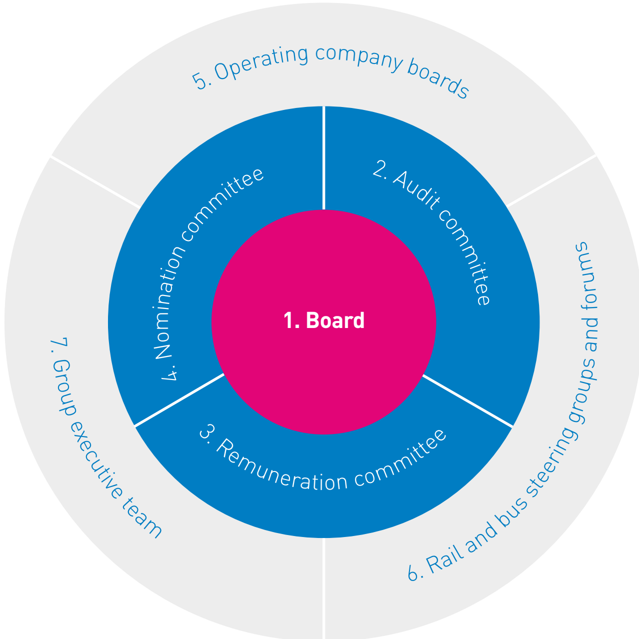
Day-to-day management of the Group and the implementation of strategies agreed by the Board across the Group and operating companies have been delegated to the executive directors.

The executive directors meet with senior management in the Group and across our businesses both formally via monthly meetings and less formally on a regular basis. We believe that this devolved management structure enables the Group to be managed in a particularly effective way and allows the right balance between local and wider initiatives to deliver Group benefits. It also ensures the Board remains well informed about our operating companies, employees, passengers and stakeholders, enabling it to respond pro-actively to the changing dynamics of the business.

Governance framework

Our governance framework establishes a clear division of responsibilities for the Board and supports the development of good governance practices throughout the Group.

A full description of the Board's role, which includes the specific responsibilities reserved to us, is available on our website www.go-ahead.com.



1. Board

Responsible for balancing the interests of the Group, shareholders and other stakeholders by fostering an environment that creates long term growth, that is sustainable and profitable. Specific responsibilities include strategy and long term vision, performance, succession planning, compliance, risk, and reputation management, social impact and ensuring a successful dialogue with our stakeholders. As the steward of corporate behaviour, the Board has a significant role in setting a tone that will positively impact on the Group's culture.

2. Audit committee

Responsible for providing assurance to the Board that the nature of the relationship between the auditor and the Group around the preparation of the accounts is rigorous, objective and not in any way compromised

Reviews the activity and performance of the internal and external auditors

Reviews the integrity, adequacy and effectiveness of the Group's system of internal control including the risk management framework and related compliance activities

More information on pages 64 to 72

3. Remuneration committee

Responsible for setting remuneration levels for executive directors, ensuring remuneration policy is simple and comprehensible

Promotes policy that supports business strategy and reflects the corporate culture

Oversees and approves the reward framework for senior managers within the Group

Operates within a framework of seeking to promote long term success rather than short term reward

More information on pages 77 to 95

4. Nomination committee

Responsible for managing Board composition to ensure a mix of relevant skills and experience, including diversity, succession planning, recruitment, skill-profiling and responding to the changing business and economic environment

Oversees the Group's talent strategy, including the leadership and talent framework, senior management succession planning and development pipelines

Oversees the development opportunities provided to all colleagues and Group-wide diversity initiatives

More information on pages 73 to 76

5. Operating company boards

Operated as autonomous business units by local senior management who know their markets well

Local senior management report directly on day-to-day management issues including risk to the executive directors who in turn appraise the Board

6. Rail and bus steering groups and forums

Cross-business steering groups, which 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 and to share knowledge, experience and best practice across operations

These groups are supported by the cross-business forums which include, but are not limited to, health and safety, engineering, HR and diversity forums

7. Group executive team

Comprises senior managers responsible for the key centralised Group functions

Meets monthly with the executive directors to review the business and identify, execute and track synergies which can then be cascaded through the cross-business groups and forums

Functions include, but are not limited to, the areas of IT, procurement, bus and rail business development and marketing

Roles and responsibilities of the Board

The Board is collectively responsible for the long term success of the Group. The information below explains the responsibility of each of the Board members. There is a clear division of responsibilities between the Chairman, who was independent on appointment, and the Group Chief Executive. The Board has adopted a written Statement of Division of Responsibilities between the Chairman and the Group Chief Executive.

Chairman
Andrew Allner

Leads the Board, setting the correct tone and behaviours. Sets the Board agenda, ensuring that the right topics are being addressed at the appropriate level

Promotes strong relationships and facilitates constructive challenge between executives and non-executives

Ensures that the Board as a whole is significantly greater than the sum of its parts

Provides a point of contact for shareholders

Group Chief Executive
David Brown

Responsible for communicating a shared purpose and the culture, vision, beliefs and attitudes of the Group

Leads the business and is responsible for executing strategy

Overall responsibility for Group performance

Group Chief Financial Officer
Patrick Butcher

Provides strategic and financial guidance to ensure that the Group's financial commitments are met

Board sponsor for talent management

Senior Independent Non-Executive Director
Katherine Innes Ker

Offers a sounding board for the Chairman and serves as an intermediary for other directors and shareholders when necessary

Leads the Chairman's performance evaluation on behalf of the Board


Independent Non-Executive Directors
Nick Horler* and Adrian Ewer

Bring independent judgement and scrutiny to the decisions taken by the Board

Monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board

Group Company Secretary
Carolyn Ferguson

Acts as an independent advisor, with responsibility for corporate governance and best practice, good information flows and ensuring that the decisions of the Board are implemented.

Supports the Chairman to facilitate Board development, effectiveness and best practice

* In accordance with the Board's succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting. Harry Holt and Leanne Wood will be appointed as independent non-executive directors on 23 October 2017. Details of the rigorous selection process that was carried out in respect of their appointments can be found in the nomination committee report on pages 73 to 76.

Board meetings

Setting the Board agenda is a collaborative effort between the Chairman, Group Chief Executive and Group Company Secretary, which ensures that matters relating to both the Group's operations and its governance are on the agenda. The wider Board agrees an annual programme of matters to be discussed during the year. Matters of 'any other business' can be requested by the directors and added to the agenda at any time.

Board meetings are structured to enable sufficient time for debate. The small size of the Board provides an excellent opportunity for everyone to contribute, with all directors receptive to alternative points of view. The Board holds nine scheduled formal face-to-face meetings a year, in addition to ad-hoc unscheduled meetings to deal with matters as they arise.

The Board's focus

All directors are engaged in strategy development, with a separate strategy day scheduled as part of the Board's annual meetings timetable. Non-executive directors are closely engaged in the strategic thinking process, with the full Board engaged in strategy development. In the lead-up to the annual strategy day, strategy is an agenda item for full Board discussion, in addition to afterwards when the Board continues to contribute its wider perspective, monitors performance, and reviews any changing circumstances, opportunities and challenges.

The Board's annual programme of activity is structured around the development and implementation of agreed strategy and the Board spends time at each meeting discussing performance against strategy. Specifically this year, a number of additional formal and informal meetings were held to discuss the challenges faced by GTR, particularly around the financial forecasts in the corporate plan, operating performance, reputation and stakeholder engagement. The Board also met or held conference calls to approve bids or contracts where decisions needed to be made outside of the scheduled meetings timetable.

A new focus for the Board this year was to ensure the priorities agreed last year in conjunction with the new Group-wide culture change programme were implemented, with the Board's focus on setting the right 'tone from the top'. An important part of this work was the new externally facilitated Board development programme, described on pages 60 and 61, which has helped the Board to increase its effectiveness by harnessing the skills and strengths of individual Board members. This has also ensured that the Board's behaviour and decision-making are underpinned by the Group's vision, beliefs and attitudes.

Risk management is a regular feature in Board discussions. Bid franchise process, reputation and cyber security are examples of the key risk focus areas discussed during the year, with scheduled deep-dive presentations provided by senior management. In particular, there were a number of presentations to the Board on cyber security and page 40 highlights some of the work undertaken in this area across the Group.

The Board's objectives in 2016/17, what we have done during the year and our focus for 2017/18, are set out on pages 57 and 58.

We continue to hold informal meetings and Board dinners, usually either before or after Board meetings, which have proved to be an important way of building trust and understanding within the Board. Our Board development programme identified that we have strong relationships within the Board and a respectful interaction between executives and non-executives, which is conducive to robust and constructive debate.

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

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

The Chairman ensures that adequate time is available for discussion of all agenda items, in particular strategic issues where more time is now spent in Board meetings debating key issues and key financial matters.

The table on page 48 sets out the Board and committee attendance during the year to 1 July 2017. Attendance is shown as the number of meetings attended out of the total number of meetings possible for the individual director during the year. Adrian Ewer was unable to attend two unscheduled Board meetings during the year, one due to illness and one due to a long standing prior commitment. Nick Horler was unable to attend one scheduled Board and remuneration committee meeting on 7 June 2017 due to a long standing prior commitment. Adrian and Nick were still sent all papers in advance, with the opportunity to provide input before and after the meeting via the Group Company Secretary.

Information flow at Board meetings

The information flow in advance of and following Board meetings is described in the chart below.

The Board uses an electronic Board paper system which provides quick, easy and secure access to current and historic Board papers. A 'resource centre' within the system also stores Board policies, minutes and key reference materials.

The executive directors ensure that the Board is aware of performance, business issues and prospects throughout the Group. The Board also met or held conference calls to discuss important matters outside of the scheduled meeting timetable, or to approve bids or contracts where decisions needed to be made.

The Board development review confirmed that the quality of information supplied to the Board remains of a high standard.

Culture

Board objectives 2016/17	What we have done	Board focus 2017/18
• Lead by example and ensure good standards of boardroom behaviour • Ensure the Group's strategy and business model is aligned to our new values • Ensure Board behaviour and decision making is underpinned by our new values • Agree the indicators and measures to evaluate and report on culture change • Engage with shareholders, colleagues and other stakeholders • Oversee the embedding and integration of the Group's values across the business • Ensure we remain at the forefront of good governance; consult and engage as appropriate • Dedicate time and resource to culture and the role of the Board	• Dedicated an additional Board meeting to discuss culture • Board development programme focus on how the Board should lead and govern cultural change • Key priorities agreed for the year ahead • Indicators and measures agreed to evaluate progress with culture change across the Group • Culture is a stand-alone agenda item at all Board meetings, with the Group Chief Executive responsible for providing updates from across the Group's operating companies • Non-executives engaged with local operating companies on culture through site visits • Updates on best practice, good governance and market developments provided at Board meetings	• A Board focus on three core areas; resolving the issues at GTR, developing our strategy for sustainable growth and improving the culture of the Group • Chairman to play a key role in shaping the style and culture of the Board, specifically in relation to interaction between the executive and non-executive directors, the quality of debate, collaboration, transparency and trust • Individual directors will be accountable for how they contribute to culture by their own actions • Boardroom behaviours will be regularly evaluated • More work will be undertaken to assess the indicators and measures of culture change across the Group, linked to executive remuneration • The Board will continue to be well-informed of best practice

Board

Board objectives 2016/17	What we have done	Board focus 2017/18
• Implement the actions from the internal Board evaluation • Drive culture change and ensure all strategic decisions are underpinned by the Group's new vision, beliefs and attitudes • Continue to strengthen diversity initiatives and extend the work across the rail division • Continue supporting the new Group Chief Financial Officer's integration during the remainder of his first year with the Group • Continue to be well-informed of best practice processes and reporting	• All actions were implemented from last year's internal Board evaluation during the year • Externally facilitated Board development programme undertaken, to align with the Group-wide culture change programme, but specifically Board focused • Diversity initiatives extended across the rail division, with significant progress made across the Group supported by the new appointment of a Group Diversity, Inclusion and Engagement Manager • Group Chief Financial Officer's integration now completed • Shared attendance and updates from best practice events	• Implement the actions from the Board development programme to maximise Board effectiveness • Provide support to the new non-executive directors, including a full induction programme tailored to their individual needs • Monitor Board objectives through our new strategy framework and KPIs • Restore investor confidence in the Group • Continue to provide oversight and support to strengthen the Group's talent, development and diversity strategies

Strategy

Board objectives 2016/17	What we have done	Board focus 2017/18
• Review and monitor delivery of the Group's strategic priorities • Understand the internal and external factors, including risks, that support the delivery of the Group's strategic priorities • Review approach to succession planning, leadership development and talent management to ensure alignment with strategic planning and corporate culture • Focus on improving performance and customer services at GTR • Ensure our strategy supports delivering value for our customers, colleagues, shareholders, stakeholders and the wider society • Effective roll-out of a 'lean engineering' approach across the bus division to reduce costs and improve productivity	• Continued focus on the operational and financial performance of the GTR contract • Improved collaboration with Network Rail, with frameworks established to improve working relationships with all key stakeholders • Further developed our approach to strategy through a framework that more clearly defines how we will achieve our strategy which supports delivery of value creation for all our stakeholders • Worked to support non-executive succession planning; completed and increased oversight of talent strategy and diversity initiatives • Good progress made rolling out the 'lean engineering' programme	• Develop our approach to strategy further, with performance monitored and linked to executive remuneration • Proactively build and manage our external reputation through the development of a clear strategy and direction that will underpin a narrative we will communicate to our stakeholders • Improve National Rail Passenger Survey satisfaction scores and maintain leading Bus National Passenger Survey satisfaction scores • Increase levels of engagement and open communications with all stakeholders • Articulate and justify the role of the Group in society, ensuring we engage with all stakeholders and remain abreast of developments in the society that we serve

Contracts, bids and acquisitions

Board objectives 2016/17	What have we done	Board focus 2017/18
• Bid for the West Midlands franchise • Continue to grow the business in Germany through further contract wins • Bid for third tranche of work for the Singaporean bus market • Continue to ensure growth within the bus division and prepare for the threats and opportunities of bus franchising • Work with stakeholders on the potential structure of a Southeastern bid in 2018 • Continue to undertake careful analysis to establish other opportunities which best complement our portfolio, match our risk appetite and offer attractive returns for our shareholders	• Bid submitted for the West Midlands franchise, which was unsuccessful • Won the Germany Netz 3a contract commencing December 2019 • Bid for the third tranche of work for the Singaporean bus market • Acquisition and successful integration of two regional bus businesses • Secured six month extension for Southeastern to December 2018 and shortlisted for new franchise • Explored opportunities in targeted international markets, including Sweden, Norway and the Republic of Ireland	• Stabilise GTR contract performance • Continue to secure contract wins in London bus • Submit bid for new South Eastern franchise • Win a second bus contract in Singapore • Win a further contract in Germany and continue successful mobilisation of contracts already won • Continue to explore other bus and rail opportunities in targeted international markets • Prepare for opportunities arising from the Bus Services Act 2017

Finance

Board objectives 2016/17	What we have done	Board focus 2017/18
• Continue refinement of dividend policy and return to shareholders where appropriate • Continue to review fuel hedging policy and levels secured • Re-finance the corporate bond with an appropriate instrument • Maintain investment grade rating	• Maintained progressive dividend policy with interim and final dividend increases of 6.5% • Reviewed and maintained current fuel hedging policy • Changed accounting policy for rail pensions • Refinanced the £200m corporate bond with a seven year £250m sterling bond with an interest coupon of 2.5% due 2024 • Maintained investment grade rating	• Deliver our financial KPIs, including strong cash generation and robust balance sheet • Manage the key risks to the financial projections, together with planned mitigations • Maintain investment grade rating • Review of key financial policies including fuel hedging, treasury and accounting policies

Risk and governance

Board objectives 2016/17	What we have done	Board focus 2017/18
• Continue embedding the recent risk management and internal control improvements and review effectiveness • Schedule 'deep dive' reviews into key risk areas and continue to develop risk appetite discussions and assessment • Implement the recommendations of professional advisors to continue to strengthen and enhance IT systems across the Group • Review internal management of compliance and internal audit workstreams • Participate and consult on developments in governance and best practice	• Enhanced further risk management processes and reporting and agreed risk appetite statement • Dedicated time given in Board meetings to 'deep-dive' risk focus areas such as franchise bid process, reputation and cyber security • Good progress made improving IT system controls across the business and increased focus on cyber security • Review of approach to internal audit undertaken • Active participation in governance and best practice consultations and working groups	• Continue to monitor the effectiveness of risk management and internal control processes • More 'deep-dive' risk reviews of key strategic areas • Implement and review effectiveness of the changes made to our internal audit function • Continue to actively participate in governance and best practice consultations and working groups • Review remuneration policy in the context of best practice and emerging developments ahead of the new policy being put to shareholders at the 2018 Annual General Meeting

Effectiveness

Board membership

Details of the directors, including the skills and experience they each bring to the Board, are on pages 50 and 51. On 1 July 2017, the Board comprised a non-executive Chairman, two executive directors and three independent non-executive directors, all of whom are equally responsible for the proper stewardship of the Group. Taking into account the provisions of the UK Corporate Governance Code published in April 2016 (the Code), each of the non-executive directors is considered independent in character and judgement. The Chairman was considered independent on appointment and the Board still considers him to be so.

Election and re-election to the Board

In accordance with the Board's succession plan, Nick Horler will retire at the 2017 Annual General Meeting and will not be standing for re-election. All other directors have submitted themselves for re-election at the 2017 Annual General Meeting. Harry Holt and Leanne Wood will offer themselves for election for the first time following their appointments to the Board on 23 October 2017.

The nomination committee confirmed to the Board that the contributions made by the directors continued to be effective, with the non-executive directors exercising strong and independent oversight. The Board approved the nomination committee's recommendation to support the re-election of Andrew Allner, David Brown, Patrick Butcher, Katherine Innes Ker and Adrian Ewer and support the election of Harry Holt and Leanne Wood. Full details of the review of the Board's composition, the contribution of individual directors and time commitments can be found on pages 60 to 61 and page 75.

Ongoing development

The Chairman is responsible for ensuring that all non-executive directors receive ongoing training and development to ensure they have the relevant expertise and skills for their role on the Board and its committees. During the year, one of the key sources of development was the externally facilitated Board development programme and full details can be found on pages 60 and 61. Additional ongoing development included:

- Briefings and discussion on Board culture, aligned to the Group-wide culture change programme to ensure a mutual understanding of the Board's role in leading and governing cultural change
- Regular presentations at Board meetings from senior management to ensure that the non-executive directors have sufficient knowledge to make informed decisions. Examples during the year included presentations on rail bid submissions, overseas market reviews, stakeholder and reputation strategy
- A planned programme of non-executive director visits to operating companies to understand how the individual businesses work
- Attendance and participation at the Group's annual management conference
- Regular updates on corporate governance, sustainability and legislative/regulatory issues by way of briefings from the Group Company Secretary, management and advisors. Examples during the year included market developments, corporate governance and remuneration reform and the new Market Abuse Regulation
- Regular updates on political and market related issues as well as compliance training which during the year included the Bus Services Act 2017, Brexit and the 2017 UK General Election

Equally, as part of their annual performance evaluation, directors are given the opportunity to discuss any of their own additional training and development needs. Directors are expected to take responsibility for identifying additional training needs and to take steps to ensure each is adequately informed about the Group and their responsibilities as a director.

The Board is confident that all of its members have the knowledge, ability and experience to perform the functions required of a director of a UK listed company.

Information and support

Board procedures manual

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

Group Company Secretary

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

The Group Company Secretary reports to the Chairman in her role as secretary to the Board and committees and plays a pivotal role in supporting the Chairman to facilitate Board development, effectiveness and best practice. She reports to the Group Chief Financial Officer on all other company secretariat matters, including the management of the Group's bus pension arrangements. The Group Company Secretary's biography can be found on page 51.

Independent advice

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

Induction

All new Board directors receive an extensive and tailored induction programme to ensure that they are given the appropriate support to help them get up to speed as quickly as possible. 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.

Harry Holt and Leanne Wood will join the Board as independent non-executive directors on 23 October 2017 at which time they will commence their inductions with the Group. Their induction programmes will be designed to facilitate their understanding of the Go-Ahead business, our culture and strategy. While full details of their induction programme will be reported upon in the Annual Report next year, an outline of what the induction programme will cover is detailed to the right:

- A review of the previous 12 months' Board papers and minutes to understand current issues
- Meeting with the executive directors and all Group directors responsible for the Group's centralised functions
- Presentations from management on the business model, strategic priorities, corporate plan and performance
- Visiting Go-Ahead's operating companies to meet with senior management and colleagues
- Meeting independently with advisors including brokers, internal and external auditors
- Explanation of regulatory and governance matters, including Board procedures and director duties

Board effectiveness in action

Progress against actions arising from 2015/16 internal evaluation

Good progress has been made against the opportunities to increase Board effectiveness from the previous year's internal evaluation:

Theme	Progress made to increase Board effectiveness as identified in the 2015/16 Board effectiveness review
Culture	A detailed review of the Board's role in the governance and oversight of culture was undertaken during the year, with culture now discussed at all Board meetings and key culture indicators agreed, linked to executive remuneration. Further information is provided on pages 52 and 57
Succession planning	To support the Board's succession plan and timeline, the existing skill set of the Board was assessed during the year, including a gap analysis to achieve a better link to strategy and culture. There was also an increased focus on aligning senior management succession to strategic planning to ensure we have the best individuals ready for the Group's future direction and executive succession planning. Full details can be found below and on page 61
Risk	The improvements made last year to the risk management process were reviewed and found to be fully embedded and effective. There was increased discussion and articulation of risk appetite, including the Board's risk appetite statement. During the year, there was also an increased focus on key risk areas such as franchise bidding process, reputation and cyber security. Full details of the work undertaken during the year can be found in the managing risk section on pages 40 to 45 and in the audit committee's report on pages 64 to 72

New Board development programme

The Board places great importance on the annual Board effectiveness review and this year, to align the review with the Group-wide culture change programme, a different approach was taken with a focus more on individual and collective Board development. The decision was taken to bring forward the externally facilitated review scheduled for 2018 and Dr Sabine Dembkowski of Better Boards Ltd was commissioned to work with the Board on a Board development programme. Neither Dr Sabine Dembkowski nor Better Boards Ltd has any other connection with Go-Ahead.

With the focus more on actual Board development, a programme was designed to provide the Board with insights about themselves and their colleagues on the Board. This provided a foundation upon which individuals could increase their personal impact, which in turn could increase the overall effectiveness of the wider Board. The key objectives of the Board development programme were therefore two-fold:

1. To develop individual Board members and the Board as a whole so that they are better equipped to deal with the increasing challenges and enhance their effectiveness; and
2. To identify the know-how areas and role behaviors that were present on the Board and to identify the skills and experience any new non-executive directors should bring to best complement the existing Board.

Identifying know-how areas and role behaviours

A key element of the Board development programme was the focus on the key competency areas for the Board's role behaviours and know-how areas. This enabled the Board to assess their existing skill set and to undertake a gap analysis against the Board's requirements in order to achieve a better link to strategy and culture.

In certain key areas, there was found to be a difference between the perceived importance of the competence area and where more development was needed on the Board than at present. From this analysis, the Board identified the specific know-how areas and role behaviours that could strengthen the Board and this was then used to create the detailed briefing to guide the search process for Nick Horler's replacement when he retires at the 2017 Annual General Meeting. In order to maximise the effectiveness of the Board, two new non-executive directors will be appointed from October 2017 and together they will bring the skills, experience and behaviours that will best complement the existing Board and support the strategic direction of the Group.

Stages of 2016/17 Board development programme

The Board development programme was designed in conjunction with the Chairman and the Group Company Secretary and consisted of a number of key elements that involved the wider Board over a number of months:

Stage 1: Programme design

Meetings between Better Boards, Group Company Secretary, Chairman and Group Chief Executive to discuss and agree programme objectives, design and action plan

Stage 2: Board introduction

Better Boards attended a Board meeting to explain the programme's objectives and action plan to the wider Board and the time commitment required from Board members

Stage 3: Initial face-to-face meetings (x1 hour)

Better Boards held one-to-one meetings with individual Board members to get personal insights into Board effectiveness, including any challenges and issues

Stage 4: Online audit

Each Board member completed a confidential online audit questionnaire

Stage 5: Analysis of data

Data from the on-line audit and the one-to-one meetings were combined to generate individual reports and an aggregated report for the collective Board

Stage 6: Individual coaching conversations (x3 hours)

Better Boards held confidential coaching conversations with each Board member to discuss the findings from their individual reports. Each session concluded with a personal action plan

Stage 7: Feedback meeting

Better Boards met with the Chairman and Group Company Secretary to discuss the aggregated Board results and agree the key agenda items for the Board Off-Site

Stage 8: Board Off-Site (x2 days)

Facilitated by Better Boards and the Group Company Secretary, the Off-Site comprised a series of interactive sessions and activities, including a Board dinner, which covered:

- Board strength matrix
- Key competencies and know-how areas
- Gap analysis
- Roles and responsibilities
- Levering the skills of the Board
- Commitments to support Board colleagues
- Aligning Board vision and culture
- Board priorities
- Action planning

Key insights from Board development programme

Go-Ahead has a strong Board, with relationships built on trust, and its size is a key strength in ensuring everyone can contribute

The Board can further build upon this trust, with even more constructive challenge and probing questions to achieve the best and collective outcomes

Non-executive directors can support the executive directors more by sharing their insights and experience from other sectors and business areas

Board members now have an increased awareness of their key skills and strengths which can help individual Board members increase their own personal impact and the impact of others

There is an increased awareness of the roles of executive versus non-executive directors and how these different roles can support each other more effectively

Key actions to enhance board effectiveness

Board papers should be reviewed in the context of stimulating and improving the quality of debate, to facilitate more broad and strategic thinking and to enable focus on the right issues

Board effectiveness can be further improved by using the results of the skills and gap analysis to guide the search process for Nick Horler's replacement, thereby ensuring the new non-executive director has the right balance of skills on the Board

Organisational structure and succession planning will be regularly assessed to ensure alignment with strategy

Individual directors can hold themselves to account by regularly reviewing the Board strengths and commitment matrices created following the Off-Site, in addition to the key insights and actions. This will ensure the Board's continuous development

Relations with shareholders

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

The Group's investor relations (IR) team have regular dialogue between the executive directors and current and potential shareholders, through group and one-to-one meetings, presentations, roadshows and conferences. The executive team is also in regular contact with sell-side analysts and broker sales teams to communicate the Group's key message. The Chairman is available to meet investors, as is the Senior Independent Director and Committee Chairs, who appreciate the opportunity to do so.

The Group Chief Financial Officer provides the Board with regular reports and updates, including analysts' reviews, analysis of the shareholder register and shareholder feedback. Understanding shareholders' views is important. Following our roadshows, our corporate advisors gather detailed feedback from institutional shareholders which is presented to the Board and we also welcome direct feedback at any point in the year. Feedback forms an important part of the Board's strategic discussions and also assists the IR team in improving the quality of communications.

We also communicate with the wider investment community through regular news releases and trading updates via the London Stock Exchange which are also published on our corporate website (www.go-ahead.com). The IR section of our website provides a wealth of information including a dedicated results centre, access to reports, 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.

During the year, our commitment to good reporting was acknowledged at the 2016 Corporate and Financial awards where our 2015/16 Annual Report and Accounts received a silver award. Also in the period, the Investor Relations Society presented Go-Ahead with an award for the most effective integration of sustainability reporting into communications for a FTSE 250 company, reflecting Go-Ahead's integrated approach to operating at all levels of the organisation. Additionally, we are delighted to be one of the three companies shortlisted for the category of 'Excellence in Reporting in the FTSE 350' at the PricewaterhouseCoopers LLP Building Public Trust Awards 2017 to be held at the end of September 2017.

Listening to and engaging with our stakeholders

We have a wide variety of stakeholders and engaging effectively with each of these groups plays a critical part in the success of our business. As a transport company, we have a direct impact on and interact with society in many ways. One of the Board's key priorities is to build relationships with all of our stakeholders through communication, collaboration and partnership working.

Additional information about how we are working together with our stakeholders can be found on pages 6 and 7

Customers

- Innovative travel - responding to customers' needs and demands, we offer flexible payment methods, USB charging ports, WiFi and real-time travel updates, allowing passengers time to be used as effectively as possible and make the most of their journeys
- Social Media - news and updates are provided through a variety of media outlets to reach our stakeholders quickly and easily
- Customer satisfaction surveys – continually seeking customers feedback to ensure we are meeting their needs and spotting any potential improvements
- Continual tracking and analysis of feedback and complaints received

Our people

- Annual Employee Engagement Survey
- Employee recognition
- Monthly newsletter to all colleagues
- Senior Management Development Programme
- Graduate Scheme
- Awarded Investors in People

Constructive use of the 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 2 November 2017 can be found in the Notice of AGM. This is posted to registered shareholders at least 20 working days in advance of the meeting and will also be available on our website at www.go-ahead.com.

The Group proposes separate resolutions on each substantially separate issue, with voting conducted by poll. The Board believes this voting process is more democratic than a show of hands since all shares voted at the meeting, as well as proxy votes lodged before the meeting, are counted. For each resolution, shareholders will have the option to vote either for or against a resolution, or to withhold their vote. Following the meeting, the results of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Group's website.

Annual General Meeting	Overview
3 November 2016 Hilton Newcastle Gateshead	Full Board attendance Patrick Butcher elected as director at first AGM since his appointment At least 95% of votes received for the re-election of all other directors Highest votes in favour: 100% to receive the 2015/16 Annual Report and approve the final dividend Lowest votes in favour: 93.67% to approve 14 days' notice of general meetings
2 November 2017 Hilton Newcastle Gateshead	14 ordinary resolutions and 3 special resolutions being proposed to shareholders

Investors

- Annual General Meeting
- Annual Report and Accounts
- Online communications
- Investor conferences and roadshows
- Individual investor meetings

Strategic partners and suppliers

- Periodic surveys of our suppliers to monitor how we are perceived and utilise feedback to improve
- Regular meetings to discuss contract performance and opportunities for improvement and future opportunities
- Early supplier engagement – we engage key suppliers before procurement activity starts, ensuring they are the best supplier for us

Government

- 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 group, to ensure we are fairly represented and our key strategy are understood

Communities

- Two-way communication stream with local businesses and organisations, enabling us to respond to local demands and needs
- Economic contribution from Go-Ahead helps support the local economy and with regular engagement with local and regional authorities, ensures longevity of this
- Introduction of new electric buses and new efficient trains to reduce the environmental impact of our operations
- Working alongside other departments to improve policy on accessibility for disabled people and a safe transport service for all

AUDIT COMMITTEE REPORT

"Setting the risk appetite for the Group is an integral part of how we develop our strategy."

Adrian Ewer,
Audit Committee Chair

Dear Shareholder,

As Audit Committee Chair, I am pleased to present the committee's report for the year ended 1 July 2017.

As required by the UK Corporate Governance Code, published in April 2016 (the Code), I have the recent and relevant financial experience to chair this committee and my fellow committee members bring a wide range of financial and commercial expertise which has enabled the committee to meet its responsibilities in a robust and independent manner.

Risk and internal controls

Last year, following an independent review by PricewaterhouseCoopers LLP (PwC), we made some changes to enhance our risk management and internal control framework. It was important, therefore, that the committee reviewed the effectiveness of those changes, which we did this year. Our review concluded that the changes had been successfully embedded across the Group and had improved the robustness of our processes, particularly around the focus of risk discussions, both at operating company and Board level. This year, the committee built upon these enhancements, spending time further improving the quality of information provided to the audit committee and Board, in order to support the Board's robust assessment of the principal risks facing the Group. Further details are set out on pages 40 to 45.

Risk appetite

Setting the risk appetite for the Group is an integral part of how we develop our strategy and our risk appetite statement is on page 42. It sets out how we balance risk and opportunity in pursuit of achieving our business objectives. It also supports the committee's assessment of risk and the level of mitigation and resource required to reduce the potential impact of each of our principal risks.

IT controls and cyber security

There has been an increasing focus on IT risks over recent years, with the committee commissioning internal audits of IT governance, resilience and information security and the external auditor also commenting on the IT processes and the internal control environment during the course of the audit. We take the protection of data and cyber security risks very seriously and this has continued to be a key area of focus during the year, with an increase in the number of presentations to the audit committee and Board. Specifically, the committee has discussed the Group's IT maturity levels and management controls, where significant improvements have been made over the last 12 months. Considerable time has also been spent discussing cyber security risk, with a growing focus on the handling of personal data we hold on our customers and our colleagues, which we recognise is an evolving and complex risk area for many businesses.

It has been important for the committee to gain a good understanding of the risks and emerging risks for the Group and our industry, in addition to the measures being taken to address potential areas of vulnerability. We have challenged both internal audit and senior management on the effectiveness of controls in place and are satisfied that measures are being taken to minimise the Group's vulnerability to cyber security threats with appropriate focus and actions on wider IT processes underway. For an example of some of the work we have been doing on cyber security, please read page 40.

Integrity of reporting

As in previous years, one of the committee's upmost priorities has been to ensure that the nature of the relationship between the auditor and the Group in the preparation of the Group's financial statements is rigorous, objective and not in any way compromised. This year, following feedback from analysts and investors, the committee also played an important role in the review and change of the accounting policy for rail pensions. This required additional focus and detailed discussions with both management and the auditor, with the committee considering a wide range of factors before concluding that the change would more appropriately represent the Group's results which was also in accordance with current accounting standards. The change was announced in December 2016 ahead of the Group's half year results.

In conjunction with the external auditor, the committee has also continued to focus on the key areas where significant judgements are applied and which could have a material impact on the financial statements. These critical accounting judgements and key sources of estimation uncertainty are disclosed on page 116. In particular, the committee has discussed in detail the contractual variations and claims on the GTR franchise and the relating financial judgements with management and the auditor.

Fair, balanced and understandable

The Code provides that through its financial reporting, the Board should provide a fair, balanced and understandable assessment of the Group's prospects. At the Board's request, the committee has reviewed the 2016/17 Annual Report and Accounts (collectively, the Annual Report) and has determined that it considers the document, taken as a whole, to meet the standard and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

External auditor effectiveness

Last year, we reported on the auditor transition process from Ernst & Young LLP to Deloitte LLP. This year, the committee undertook a thorough assessment of the quality and effectiveness of Deloitte LLP's second full audit cycle, the details of which are summarised on page 67. Following the review, the committee was satisfied that the external audit had provided appropriate focus to those areas identified as the key risk areas to be considered by the audit committee. It had also continued to address the areas of significant accounting estimates. On this basis, and considering the views of senior management, the committee concurred that the external audit had been effective and was satisfied that the audit process in respect of the Annual Report was robust, challenging and appropriately targeted.

Adrian Ewer,
Audit Committee Chair
6 September 2017

AUDIT COMMITTEE REPORT AT A GLANCE

The audit committee has focused on areas that have impacted the key performance area of finance

Committee objectives 2016/17

- Assess the effectiveness of the enhancements made to systems of risk management and internal control processes during 2015/16
- Continual assessment and improvement of cyber security with focus on ensuring IT controls remain robust and dynamic
- Implement the recommendations of professional advisors to continue to strengthen and enhance IT systems across the Group
- Monitor changes in the external regulatory environment and best practice
- Ensure the committee is exercising its assurance oversight role in the best possible way
- Carry out an assessment of the external auditor's effectiveness
- Review of scope and delivery of internal audit and monitor progress
- Continue to oversee the significant financial judgements

What we have done

- Reviewed the effectiveness of the enhancements made to the system of risk management and internal control processes
- Increased discussion and articulation of risk appetite
- Increased focus on IT governance, resilience, controls and cyber security
- Overseen significant improvements to the Group's IT maturity levels and management controls
- Increased understanding of cyber risk and gained assurance of the measures being taken to address potential areas of vulnerability
- Reviewed and changed accounting policy for rail pensions
- Improved the quality and presentation of health and safety reporting
- Reviewed the significant financial judgements made during the year and provided assurance to the Board that the Annual Report and Accounts taken as a whole is fair, balanced and understandable
- Reviewed the effectiveness of Deloitte LLP's second full audit cycle
- Reviewed and changed the scope of the internal audit function

Committee focus 2017/18

- Review the effectiveness of the systems of risk management and internal control, including risk appetite
- Continual assessment of cyber security risks (including those associated with the holding of personal data), with focus on ensuring IT controls remain robust and dynamic
- Continue to strengthen and enhance IT systems across the Group and monitor maturity levels
- Ensure the committee is exercising its assurance oversight role in the best possible way and continues to be well-informed of best practice
- Continue to assess the external auditor's effectiveness
- Review the effectiveness of the changes made to the internal audit process
- Continue to oversee the significant financial judgements

Audit committee membership

Audit committee membership		Attendance			
Adrian Ewer	Committee Chair				
Katherine Innes Ker	Senior Independent Director				
Nick Horler*	Independent Non-Executive Director				

Carolyn Ferguson attends the meetings in her capacity as Group Company Secretary

* In accordance with the Board's succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting. Harry Holt and Leanne Wood will be appointed as independent non-executive directors and members of the audit committee on 23 October 2017. Details of the rigorous selection process that was carried out in respect of their appointments can be found in the nomination committee report on pages 73 to 76.

Committee composition, skills and experience

The membership of the committee, which comprises three independent non-executive directors, provides the range of financial and commercial expertise necessary to meet its responsibilities in a robust and independent manner. Adrian Ewer is a Fellow of the Institute of Chartered Accountants and has significant financial experience in the UK listed environment, enabling him to fulfil his role as Audit Committee Chair.

Nick Horler will resign from the Board as a non-executive director and member of the audit committee with effect from the close of the Annual General Meeting on 2 November 2017. Harry Holt and Leanne Wood will be joining the Board as non-executive directors on 23 October 2017, at which time they will also become members of the audit committee. The committee will then comprise four independent non-executive directors.

How the committee operates

The committee usually meets at least four times a year, excluding meetings held to review its effectiveness as part of the annual performance evaluation. Members' individual attendance at committee meetings for the year under review can be found on page 48.

Meetings of the committee generally take place immediately prior to a Board meeting to maximise the effectiveness of collaborating with the Board. Meetings are attended by the independent non-executive directors. By invitation, the Chairman, Group Chief Executive, Group Chief Financial Officer, Group Financial Controller and internal and external auditors regularly attend meetings. The Group Corporate Services Director also attends at least two meetings a year to provide the committee with health and safety reports, including best practice and standards across the operating companies. To ensure matters are progressed, the Audit Committee Chair holds pre-audit committee meetings with management and key advisors between scheduled committee meetings.

At least once a year, the non-executive directors hold separate meetings with the external and internal auditors, without the executive directors being present.

Terms of reference

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

Effectiveness of the audit committee

The externally facilitated Board development programme undertaken during the year concluded that the committee was fulfilling its duties effectively. In particular, the review found that the changes made in the previous financial year to enhance the risk management and internal control framework had improved the robustness of the process.

Committee roles and responsibilities

The principal responsibilities of the audit committee are:

1. **External audit** – manage and review the reports from the external auditor, recommend any changes to the external auditor, oversee any retendering process and review remuneration
2. **Financial reporting** – monitor the integrity of the Group's Annual Report and Accounts, any formal announcements relating to financial performance and consider significant financial reporting issues, judgements and estimates
3. **Risk management and internal controls** – review the system of internal control and risk management, including financial controls
4. **Internal audit** – set and monitor the internal audit plan and review its findings
5. **Performance** – review the performance and work of both the internal and external auditors
6. **Whistleblowing and anti-bribery procedures** – monitor and review the effectiveness of the whistleblowing and anti-bribery procedures in place

Key activities during the year

The key activities undertaken by the audit committee during the year are set out below:

1 External audit

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

External auditor appointment

Deloitte LLP was appointed as the Group's external auditor in November 2015 following an audit tender. While the Group has no current retendering plans at this time, it will be required to put the external audit contract out to tender by 2025. Deloitte LLP will also be required to rotate the audit partner responsible for the Group audit every five years and therefore the current lead audit partner Chris Powell, who was appointed in November 2015, will be required to step down following the completion of the 2020 audit.

The committee continues to review the external auditor appointment and the need to tender the audit, ensuring the Group's compliance with the Code and the reforms of the audit market by the UK Competition and Markets Authority. Accordingly, the Group confirms that it complies with the provisions of the Competition and Markets Authority's Order for the financial year under review. For the financial year ending 30 June 2018, the audit committee has recommended to the Board that Deloitte LLP be reappointed under the external audit contract and the directors will be proposing the reappointment of Deloitte LLP at the Annual General Meeting in November 2017.

Effectiveness of the external audit process

During the year, an assessment of the quality and effectiveness of the external audit process was undertaken. The primary purpose of this assessment was to gain assurance that the external auditor had conducted a comprehensive, appropriate and effective audit. Through a constructive, honest and open dialogue with the external auditor about its performance, the objectives of the process were to:

- Assess each phase of the audit process against a quality framework, as shown in the table below
- Discuss with the external auditor what areas had worked well and what could be improved
- Confirm optimised assurance was being derived from the audit

The committee used the Financial Reporting Council's 'Audit Quality Practice Aid' as guidance to support the committee's assessment of the external audit. In addition to seeking input from a range of sources, the auditor's effectiveness was also assessed against a range of valuation components including skills and knowledge, mindset and culture, judgement and quality control.

The committee's assessment was based on input from the Group Chief Financial Officer, key members of the Group Finance Team and the Group Company Secretary. Deloitte LLP also provided feedback on their own performance, measured against their internal performance objectives, and this was taken into consideration when forming the committee's opinion. Feedback arising from the assessment process was fed back to the Group's lead audit engagement partner.

Given this was Deloitte LLP's second full audit cycle, the audit committee paid specific attention to continuous improvement, ensuring that lessons learned from the first audit cycle, both from an efficiency and improvement perspective, had been embedded and, if necessary, built upon.

The observations from the assessment were presented and discussed at a committee meeting, with the committee concluding that the audit process was robust, challenging and appropriately targeted to focus on the key areas of audit risk.

External Auditor Effectiveness

Audit planning and design

- Team structure and leadership demonstrated by the audit partner
- Globally integrated audit approach
- Audit tailored to the business
- Leverages sources of assurance
- Use of innovation and technology
- Key risks to the audit quality, with assurance by the audit partner on how these risks will be addressed

Firmwide policies and procedures

- Independence and quality control
- Review of external auditor's internal quality control procedures and how the auditor expects to reply on them
- Review of the provision of non-audit services by the external auditor
- Consideration of audit firm transparency report in line with the Code, paying specific attention to the sections on independence and quality assurance and training
- Review of continuous improvement ensuring that lessons learned from previous audit cycle were embedded and built upon

Audit execution

- Behavioural factors including mindset and culture, professional scepticism and judgement
- Technical excellence, skills and knowledge
- Communication and audit reporting
- Audit efficiency and project management

Role of management

- Detailed questioning of the role of management at both operating company and Group level
- Challenge of the auditor's strategy based upon management's own internal assessment

Independence, objectivity and fees

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.

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

- The auditor will only be used for the provision of non-audit work if it can be demonstrated that the engagement will not impair independence, is a natural extension of their audit work or there are other overriding reasons that make them the most suitably qualified to undertake the work
- The auditor will not provide certain categories of non-audit services to the Group, such as internal audit and litigation support, the full list of which can be found in the committee's terms of reference
- The provision of certain non-audit services (including accounting and tax services if the fees exceed a cumulative £50,000) is subject to approval by the audit committee. For the 2016/17 financial year only, the cumulative threshold of £50,000 was waived in relation to Deloitte LLP providing support to the Group on a specific piece of overseas bid work. The committee is mindful of the views of investors and shareholder bodies and supports the general sentiment that non-audit work can potentially introduce a conflict of interest within the audit firm, with independence and objectivity compromised. The committee approved this exceptional deviation from policy having deliberated and then concluded that Deloitte LLP was the sole advisor available to provide this advice. Despite a wide survey of the advisor market being undertaken, alternative advisors either did not have the requisite expertise, resource or were conflicted by working on competitor bids. The non-audit fees for this one-off piece of work were £306,066. This work falls under the new Ethical Standards best practice gap of 70% of the average of audit fees for the preceding three year period which will apply to Go-Ahead for the first time in 2020. Excluding the recurring interim review work of £54,000, the only additional non-audit fees were attributable to the completion of comfort letters associated with the bond of £60,000, which was consistent with Deloitte LLP's role as auditor and required for the sterling bond to be raised.
- 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 £0.7m (2016: £0.6m); in addition, non-audit fees of £0.4m (2016: £0.1m) were payable to the Group's external auditor. Excluding the one-off overseas bid work, non-audit fees were £0.1m (2016: £0.1m). In comparison, non-audit fees paid to other providers during the financial year were £1.8m (2016: £1.4m). This comprised £1.5m paid to KPMG in respect of bid costs, £0.2m to PwC for internal audit work and £0.1m to Ernst & Young LLP for fees related to tax work.

2 Financial reporting

The primary role of the committee in relation to financial reporting is to review, with both management and the external auditor, the appropriateness of the half year and annual financial statements concentrating on, amongst other matters:

- The quality and acceptability of accounting policies and practices
- Material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements, including the Code
- Any correspondence from regulators in relation to the Group's financial reporting
- An assessment of whether the Annual Report and Accounts, 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. This assessment forms the basis of the advice given to the Board to assist in making the statement required by the Code
- Reviewing the assumptions and providing assurance to support the long term viability statement.

Viability statement

The committee reviewed management's work on assessing potential risks to the business and the appropriateness of the Group's choice of a three year assessment period. Following this review, the committee was satisfied that management had conducted a robust assessment and recommended to the Board that it could approve and make the viability statement on page 41.

Fair, balanced and understandable

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

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

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 Key Performance Indicators disclosed at an appropriate level based on the financial reporting?

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 LLP includes in their 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 of the opinion that the Annual Report and Accounts for the year ended 1 July 2017 is representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

Collaborative process

May/June 2017

Reporting requirements and timetable

Early planning and implementation of timetable with experienced project managers for each section

Timetable allowed for sufficient time for a comprehensive review of early drafts and input from audit committee

Detailed briefings on changes to reporting requirements for all contributors and reminder of the fair, balanced and understandable requirement

August 2017

External auditor review

Validation of data and information included in the Annual Report undertaken both internally and by the external auditor

The audit committee considered the external auditor's review of the Annual Report. The views of the external auditor were provided to management, who were challenged on the proposed disclosures to ensure a fair and balanced review was presented

August 2017

Formal audit committee review

The audit committee conducted a thorough review of the final draft Annual Report and provided comments

Earlier drafts had been provided well in advance to ensure timely review and allow comments to be incorporated

September 2017

Finalised report

The audit committee's comments were incorporated and final audit committee recommendation to the Board

Key financial and internal control matters

During 2016/17, 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 2016/17	How the committee addressed these key financial matters
Compliance with franchise terms and conditions relating to the rail components of the Group, specifically relating to the accounting for related income and costs arising from franchise agreements. Please see page 116 for further information.	The committee regularly reviews the accounting policies relating to income and costs arising from franchise agreements and considers a range of reasonably probable outcomes. At interim and year end reviews, a full schedule of material income statement and balance sheet figures is assessed against the committee's expectations and discussed with the Group Chief Executive, the Group Chief Financial Officer and, where appropriate, the external auditor.
Ongoing review of provisions for liabilities, specifically relating to third-party claims, lease return and dilapidation provisions for rolling stock, stations, depots, other properties and measurement of uninsured liabilities. Please see note 24 of the consolidated financial statements for further information.	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 carrying value of goodwill on the Group's investments. Please see note 13 of the consolidated financial statements for further information.	The ongoing review of goodwill and carrying value of investments, as presented by management, is challenged by the committee. This is done by assessing the expected performance of the individual cash generating units and ensuring that relevant risk factors are imputed to the rate of return used to assess net present value of future cashflows. The committee also reviews historic performance against expectations set in previous years.
Assumptions underpinning the calculation of the Group's defined benefit pension liabilities. Please see note 27 of the consolidated financial statements for further information.	Pension scheme liabilities are assessed on behalf of the Group by independent actuaries. Additionally, management review and challenge 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. Please see page 118 of the consolidated financial statements for further information.	The committee will consider separate disclosure of exceptional income or costs in light of the FRC recommendations of a balanced and consistent approach. The committee is mindful of the need to understand the underlying trends of each division within the business with the impact of large and unusual items separated out as necessary to avoid distortions from such non-recurring aspects.
Ensuring operating company compliance with Group policies and procedures and maintaining the required financial control environment.	The committee, together with the Group Chief Executive and the Group Chief Financial Officer, 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. In addition, management ensure that the recruitment and review process for operating company directors gives confidence in the calibre of the operating company teams and their management, and review of the control environment in which they operate.

3 Risk management and internal controls

The Board's responsibility

The Board has overall responsibility for risk management and the system of internal controls and for reviewing their effectiveness. Specifically, it determines the extent and nature of the risks it is prepared to take to achieve the Group's strategic objectives. While the Board does not have a separate risk committee, risk management and resource is embedded throughout the organisation with the committee responsible for monitoring risk and discussing with the Board as appropriate. The Board has overall responsibility for the Group's risk appetite.

The system is designed to manage rather than eliminate risk of failure to achieve the Group's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Key features of the Group's risk management and internal control system

The Group's approach to risk, including the roles of the Board and the audit committee in setting risk appetite and monitoring risk exposure, are detailed in the "managing risk" section on pages 40 to 45.

A top-down risk review is combined with a complementary bottom-up approach to ensure that risks are fully considered. As well as complying with the Code, the best practice recommendations in 'Guidance for Risk Management, Internal Control and Related Financial and Business Reporting' have also been adopted.

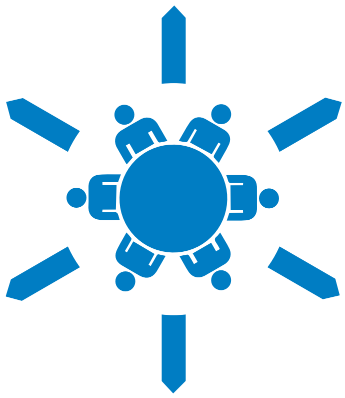
Prior to the announcement of full year and half year results, the audit committee reviews the Group's principal risks. This includes a commentary on how risk exposures have changed during the period and any emerging risks in the Group's risk register.

The key features of the Group's internal control and risk management system are set out below:

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

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

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



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

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

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

Building on the improvements from last year's independent review of the Group's risk management processes

During the previous financial year, PwC conducted an independent review of the Group's risk management processes. Significant progress has been made during the year to embed all of the enhancements suggested within the review's conclusions. Assurance and effectiveness have been improved by the enhancements made to risk registers which now rate more effectively the strength of control/mitigation in place. Additionally, the self-assessment document introduced during the previous year has enabled management to better consider what the most important risk and control areas are and to focus discussions accordingly. This then flows up to the audit committee and Board, thus ensuring the right risk management discussions at this level.

What the risk reporting year looks like

January and May
Operating companies submit risk registers and risk heat maps on a bi-annual basis

From the previous financial year, this now also includes a self-assessment report which details how the operating company undertakes the formal risk management process and outlines the key risks, the main changes to the inherent and residual scores, overall risk exposure and levels of assurance.

February and June
Consolidation of risks for both the rail and bus division

Consolidation of risks to enable a 'look across' all of the operating companies and challenge any inconsistencies at the individual operating company board meetings. This is also sent out to all operating companies with the full suite of risk registers at the start of each bi-annual process.

July
Group Executive Team (GEM) oversight

Key data received from the operating company reports are discussed annually at a GEM meeting, which allows for wider input on the Group risks from other areas of the business such as marketing, procurement, legal, IT and HR, in addition to the managing directors of bus and rail development.

February and August
Audit committee and Board review

The audit committee assesses the effectiveness of the risk management and internal control system. The Board agrees the principal risks that are considered to be financially or reputationally material as outlined on pages 42 to 45, in addition to the key risk focus areas for the year ahead.

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

The Board has confirmed that through its audit committee and the committee's review of the key financial and internal control matters for 2016/17 as detailed on page 70, 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.

4 Internal audit

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

In accordance with the previously agreed internal audit plan for the two years ending June 2017, 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.

The committee keeps under review the internal audit relationship with PwC and maintains the procedures necessary to ensure appropriate independence of the internal audit function. During the year, a review of the services provided by PwC was undertaken and a number of changes were made to improve the focus and effectiveness of the internal audit approach.

5 Whistleblowing and anti-bribery procedures

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

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

Modern Slavery Act 2015

The Board recognises the importance of the provisions of the Modern Slavery Act 2015 and the directors aim to ensure that slavery and human trafficking have no part in the Group's supply chain. The Group has always been vigilant about employee welfare and aims to be transparent in its practices. A Modern Slavery Act Policy has been approved by the Board. A signed Modern Slavery Act Statement can be found on the Group's website and the website of each of its operating companies. Further details on the Group's approach to human rights are set out on page 37.

NOMINATION COMMITTEE REPORT

"Through the Board development programme, we were able to identify the skills and experience we need on the Board to support the delivery of strategy."

Andrew Allner,
Nomination Committee Chair

Dear Shareholder,

As Nomination Committee Chair, I am pleased to present the committee's report for the year ended 1 July 2017.

Board succession planning has continued to be a focus for the committee this year. Following the review of the Board's composition and succession plan last year, the priority has been to assess the existing skill set of the Board to ensure that we have the right skills and experience to support the delivery of strategy.

Board changes

In accordance with our succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting (AGM) and I am grateful to Nick for the support and dedication he has given the Board during his tenure. As a consequence of Nick Horler's planned retirement, one of the key focus areas for the committee during the year has been to lead the process of finding his replacement.

Through the Board development programme, we were able to identify the skills and experience we were looking for and work collaboratively with executive search consultant, Inzito (who had no other connection with the Group), to identify suitable non-executive director candidates to replace Nick Horler. Having followed the robust process set out on pages 74 and 75, the committee proposed to the Board the appointment of two new non-executive directors and in October 2017 we will welcome Harry Holt and Leanne Wood to the Board. Together they will bring the skills, experience and behaviours that will complement the existing Board. Harry brings a wealth of experience in government relations, strategic planning and operations. Leanne has been at the helm of leading corporate strategy and organisational transformation, with an international career background.

With our new Board composition, our female representation on the Board will increase from 17% to 29%.

The right balance of skills

The review of the balance of skills on the Board evolved this year through the Board development programme, where the key focus was to help individual Board members understand their own skills and strengths, how they were perceived by their fellow Board members and the collective strengths of the Board as a whole.

There is now better clarity around the different areas of skill and expertise individual Board members bring and all Board members are committed to helping their colleagues make greater use of their strengths. Where gaps were identified in the skills required, this was aligned to our non-executive director search to ensure that our new Board members would bring the skills and experience needed to support the strategic direction of the Group.

Succession planning and talent pipeline

Last year, we reported that a review of the Board's succession planning had been undertaken, which included the Chairman meeting with each non-executive director to discuss their tenure and contribution to the Board. This succession plan has been kept under review, with our work during the year extended to assess the skills and experience of the Board so as to ensure that succession planning for Board members remains aligned to the strategic direction and ambition of the Group.

Further work will be undertaken across the year ahead to extend the committee's work, specifically around contingency planning for executive directors, and succession and development insight to further strengthen succession planning for the executive directors.

The committee also oversees the Group's talent strategy, with the approach this year developed to focus on leadership skills and better aligning our talent strategy with the business strategy. The committee recognises the importance of developing a pipeline of strong leadership capability so that we can appoint trained leaders, particularly where operations are being mobilised in new territories.

As our approach to strengthening talent management and succession planning is evolving, the committee will continue to retain broad oversight of this agenda, with the Group Chief Financial Officer taking on the role of Board sponsor for talent management.

Diversity and inclusion initiatives across the Group

Our focus on improving diversity has continued to develop with the committee being provided with regular progress updates on inclusion and diversity initiatives across the Group. The pace and impact of activity has been far reaching, supported by the creation of a new role of Group Diversity, Inclusion and Engagement Manager. This key appointment has helped to shape and co-ordinate strategy and provide thought leadership on inclusion and diversity across the bus and rail divisions. Additional support has also been provided from the Diversity and Inclusion Steering Group and the new Bus and Rail Working Groups. For further information on diversity and inclusion initiatives across the Group, please see page 76.

Apprenticeship Levy

The Apprenticeship Levy came into effect in April 2017, with the objective of improving productivity by investing in human capital. The Levy presents an opportunity for the Group to continue to invest in the training and development of business critical roles e.g. train drivers, bus and rail engineers, on-board teams, managers and leaders. The committee will receive updates from a Steering Group who meet regularly to explore ways of maximising the Levy to best support the workforce development.

Andrew Allner,
Nomination Committee Chair
6 September 2017

NOMINATION COMMITTEE REPORT AT A GLANCE

The nomination committee has focused on areas that have impacted the key performance area of people

Committee objectives 2016/17

- Improve committee effectiveness through best practice initiatives
- Continue focus on ensuring Board and senior management succession planning are aligned to strategy and culture
- Undertake Board skills assessment and gap analysis
- Oversight of leadership and talent initiatives, linking to new vision, beliefs and attitudes
- Full integration of the rail division into the diversity steering group and forums

What we have done

- Board skills assessment and gap analysis
- Non-executive director search and selection
- Oversight of leadership and talent developments and initiatives
- Review of the opportunities arising from the new Apprenticeship Levy
- Oversight of the inclusion and diversity initiatives across the Group
- Continued to be well informed of best practice, good governance and market developments

Committee focus 2017/18

- Build upon the initiatives identified as part of the Board development programme
- Tailor the induction of our two new non-executive directors
- Ongoing review of succession plans for the Board and business critical roles across the Group
- Continue to take a more active interest in developing the leadership talent pipeline to protect and enhance future organisational capability
- Promote diversity in Board and senior management appointments
- Review development initiatives for the senior management team

Nomination committee membership

Nomination committee membership		Attendance	
Andrew Allner	Committee Chair		
Katherine Innes Ker	Senior Independent Director		
Nick Horler*	Independent Non-Executive Director		
Adrian Ewer	Independent Non-Executive Director		

Carolyn Ferguson attends the meetings in her capacity as Group Company Secretary

* In accordance with the Board's succession plan, Nick Horler will retire from the Board at the 2017 AGM. Harry Holt and Leanne Wood will be appointed as independent non-executive directors and members of the nomination committee on 23 October 2017. Details of the rigorous selection process that was carried out in respect of their appointments can be found below and on page 75 of this nomination committee report.

Committee at work – Recruitment of new non-executive directors, Harry Holt and Leanne Wood

Succession planning

Identified a vacancy for a non-executive director, when one of the existing non-executive directors confirmed his intention to retire

Board composition

Work undertaken as part of the Board's development programme identified a need for a non-executive director with specific know-how areas and role behaviours

Recruitment

The committee directed the selection process with Inzito, an external search consultant, appointed to assist with the search

Selection

Under the leadership of the Chairman, a sub-committee examined a 'long list' of candidates against the role specification, with a shortlist of candidates identified

Committee composition, skills and experience

The committee consists of the Chairman and three independent non-executive directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience.

Nick Horler will resign from the Board as a non-executive director and member of the nomination committee with effect from the close of the Annual General Meeting on 2 November 2017. Harry Holt and Leanne Wood will be joining the Board as non-executive directors on 23 October 2017, at which time they will also become members of the nomination committee. The committee will then comprise the Chairman and four independent non-executive directors.

Committee's purpose and responsibility

The main purpose of the nomination committee is to monitor the balance of skills, experience, knowledge, independence and diversity of the Board and to keep succession arrangements for the Board and senior management under review.

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 sub-committee meetings were held to focus on the non-executive director search process. Members' individual attendance at committee meetings for the year under review can be found on page 48.

By invitation, the Group Chief Executive and Group Chief Financial Officer attend meetings and there are regular presentations from senior management.

Time commitments

The majority of the Board, excluding the Chairman (who was independent upon appointment), are independent non-executive directors. The independence, effectiveness and time commitment of each non-executive director are reviewed on an annual basis. This year, a particularly rigorous review was undertaken for Katherine Innes Ker, who, as at 1 July 2017, has served on the Board for almost seven years. The committee also keeps under continual review the time commitments of all Board members, to ensure they do not become overstretched.

This included seeking comfort from the new non-executive directors, who will join the Board in October 2017, that they could devote the time required in addition to reviewing any changes to the commitments of our existing Board members during the year.

The review this year resulted in the committee being satisfied that the contribution made by all directors continued to be effective and that all directors are able to commit fully to their role. Accordingly, all current directors (with the exception of Nick Horler) will stand for re-election at the 2017 Annual General Meeting. Harry Holt and Leanne Wood will stand for election for the first time at the 2017 Annual General Meeting, with full details provided in the Notice of Meeting.

Terms of reference

A full list of responsibilities is detailed in the committee's terms of reference which are reviewed annually and approved by the Board. During the year, the terms of reference were updated in accordance with best practice and a copy is available on our corporate website at www.go-ahead.com or upon request from the Group Company Secretary.

Effectiveness of the nomination committee

The externally facilitated Board development programme undertaken during the year concluded that the committee was fulfilling its duties effectively, with the committee spending more time discussing succession planning, leadership capability and talent management and diversity initiatives. The work undertaken as part of the Board development programme during the year was also pivotal to enhancing the Board's composition and overall effectiveness.

Succession planning and talent pipeline

The annual leadership review now highlights succession strength to business critical roles, performance of leaders, functional expertise, leadership strengths and deficits, mobility and gender diversity. It also identifies those with longer term leadership potential.

During the year, the committee was updated on developments in the approach to building a strong and resilient talent pipeline. Three pools of talent are now actively supported including high-potential employees, mid-level managers and graduates. Several of our bus and rail businesses also support talent pools locally.

Interview

Candidates were initially interviewed by the Chairman, Senior Independent Director, Group Chief Executive and Group Company Secretary and then met all other Board members

Balance of skills

In order to maximise the effectiveness of the Board, two non-executive directors were appointed, increasing the size of the Board but more importantly ensuring that the Board has the right balance of skills and experience

Appointment

Harry Holt and Leanne Wood were announced as joining the Board and members of the audit, remuneration and nomination committees, succeeding Nick Horler as independent non-executive director

Induction

The committee will play an active part in providing a bespoke induction that will be tailored to the skills and experience of each of the new non-executive directors

Graduate recruitment is an important way of introducing talent into both bus and rail operations. The first year of the rail graduate scheme has successfully concluded and a further tranche of graduate entrants will join the Group in September 2017. The bus graduate scheme is under review and will evolve so it aligns with and complements the bus business strategy, particularly where operations are being mobilised overseas. The committee tracks the careers of graduate entrants and a number of former graduates are now in management or senior management positions.

Consultation with leaders from the bus and rail operating companies established new requirements for improving talent development and, in early 2017, colleagues with longer term leadership potential were identified and commenced either a high-potential programme or a management development programme to accelerate their growth. Entry to the high-potential programmes is determined by a robust set of criteria and the programme is a blend of formal and experiential development.

The committee recognises that, in addition to developing our own people, identifying external talent fulfils an important role in improving organisational capability. We continue to be able to attract high calibre talent to senior roles both in the UK and overseas and are pleased to have recruited females into leadership positions. In the year ahead, we intend to be more proactive in tracking external talent so that we are able to respond quickly to sourcing external talent.

Board Diversity Policy

Our approach to diversity on the Board is set out in our Board Diversity Policy, which is reviewed annually.

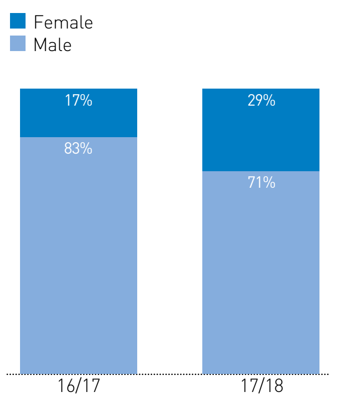
The Board remains committed to improving levels of female representation on the Board, whilst ensuring that diversity in its broadest sense remains a key priority. With the appointment of Leanne Wood on 23 October 2017, our female representation on the Board will increase from 17% to 29%.

The Board is also committed to developing and strengthening our talent pipeline and culture to improve the number of females in senior management positions.

To achieve this ambition, the committee will endeavour always to engage executive search firms that are accredited under The Enhanced Code of Conduct for Executive Search Firms, which promotes gender diversity and best practice.

The charts below show the gender diversity of the Board as at the year ended 1 July 2017 and also for the forthcoming year, which reflects the appointment of Harry Holt and Leanne Wood on 23 October 2017 and the retirement of Nick Horler at the 2017 Annual General Meeting.

Gender diversity



Diversity and inclusion initiatives across the Group

The committee has been updated on the diversity strategies developed across the Group, which have objectives and actions that are common across all of our operating companies. Equality and diversity training has been made available to all managers across head office and the bus division, with training planned in our rail division over the coming year. A refreshed equality and diversity policy was launched during the year, which outlines our responsibilities under the Equality Act 2010, detailing the definitions of discrimination and the steps we take to ensure equal opportunities are made available to all employees.

Our bus division has completed a diversity monitoring exercise to identify areas of focus and action plans to ensure inclusive practices around recruitment, customer experience and colleague development. We have made progress in setting our baseline and ensuring that we are well placed to measure our continued performance as an inclusive employer. In support of this we have taken Champion membership of 'Opportunity Now', Business in the Community's (BITC) gender campaign, and Core membership of 'Race for Opportunity', the BITC race campaign.

Analysis of our Group Executive Committee and their direct reports shows that we have achieved more than 30% female representation in our leadership teams. Our focus will be on ensuring there is female representation at senior levels throughout our bus business and developing action plans for fair Black, Asian and Minority Ethnic representation at all levels in the organisation.

Across the year ahead, the committee will oversee the move into the implementation phase of strategies developed by the Bus and Rail Working Groups. Priorities include ensuring our practices around people data are compliant with the General Data Protection Regulation as improved people data will enable action plans to be monitored with better accuracy. We will also review recruitment practices across the Group to ensure these are inclusive. In support of this, inclusive recruitment training is to be developed and made available to all managers. Our Champion membership of 'Opportunity Now' will provide access to tools and best practice ensuring those undertaking the review are equipped.

We are due to publish data on our Gender Pay Gap in April 2018 and we will use our membership of BITC to support female career progression.

Development opportunities for colleagues

The committee continues to recognise the importance of supporting the development of all colleagues across the Group. Development is supported in many ways including initiatives delivered by rail and bus HR teams as well as Group-wide approaches. The Group Academy has evolved and is now branded as The Learning Hub. The services offered by The Learning Hub include a catalogue of management development and personal effectiveness programmes and online learning resources. The committee will oversee the further development of this service over the coming year to support the delivery of compliance and regulatory training and to provide more online resources to support managers and leaders.

There will also be a greater focus on leadership development over the year ahead as a key enabler of the business strategy, and senior management team members will be supported to put robust development plans with attributed hours to ensure they invest in their professional development.

"It is important that our overall remuneration policy is structured to support both the financial objectives and strategic priorities of the Group."

Katherine Innes Ker,
Remuneration Committee Chair

Annual statement

Dear Shareholder,

As Remuneration Committee Chair, I am pleased to present the directors' remuneration report for the year ended 1 July 2017. This report sets out our remuneration policy, which was last approved by shareholders at the 2015 Annual General Meeting (AGM), how this policy was implemented during 2016/17 and how we will apply the policy for the forthcoming year 2017/18.

Performance and reward – executive directors

During the year under review, the executive directors informed the committee that they did not wish to be considered for their 2016/17 annual performance-related bonus in acknowledgement of the operational issues and difficulties which continued to be experienced in GTR, and the direct and negative impact this was having on customers. This is the second consecutive year that the Group Chief Executive has declined his annual performance-related bonus. The committee accepted that no annual performance-related bonus would be paid to either of the executive directors for the year ended 1 July 2017.

The committee also considered the extent to which the Long Term Incentive Plan (LTIP) award granted to the Group Chief Executive in November 2014 should vest. As this award was set three years ago and based on specific long term value creation targets at this time, the committee determined that a proportion of this award should vest in November 2017 based on the achievement of certain performance conditions. Full details of the performance achieved against the stretching total shareholder return, earnings per share and Group operating profit targets are provided on pages 89 and 90. This award will be paid in shares to further align the interest of the Group Chief Executive with those of our shareholders.

Both the Group Chief Executive and the Group Chief Financial Officer received an inflationary increase of 2% to their base salaries from 1 April 2017. This was the first salary increase the Group Chief Executive had received for three years, following his request that no increase be awarded in April 2015 and April 2016. This was also the first increase awarded to the Group Chief Financial Officer since he was appointed in March 2016, with his salary remaining below that of his predecessor. This year, average pay increases across our businesses were in line with inflation and we continue to support the Voluntary Living Wage.

Full details of the remuneration earned by the Group Chief Executive and the Group Chief Financial Officer can be found in this report.

Single remuneration figure (£'000)

The total single remuneration figure for our executive directors for the year ended 1 July 2017 is shown below:

	2017	2016
Group Chief Executive – David Brown	**801**	1,214*
Group Chief Financial Officer – Patrick Butcher	**422**	269**

* Restated from last year to reflect actual value of the 2013/14 LTIP award which vested in November 2016. See page 89 for further information.

** The total single remuneration is for part-year only from the Group Chief Financial Officer's appointment on 14 March 2016 to 2 July 2016.

Executive remuneration policy

We thank our major shareholders and shareholder representative bodies for their engagement last year in helping the committee to determine the threshold and maxima Earnings Per Share (EPS) metrics for the 2016/17 LTIP award. This was in response to the revised outlook for GTR and analysts repositioning their forecasts. Following this consultation, the committee confirmed the revised EPS metrics to our major shareholders and shareholder representative bodies. Full details of all of the LTIP metrics for the 2016/17 award can also be found on pages 90 and 91.

In conjunction with the committee's independent remuneration advisors, New Bridge Street (a trading name of Aon Hewitt, part of Aon plc), the committee undertakes a broad and detailed review of executive remuneration policy each year. This year, the review focused on executive remuneration trends, which included current investor views, market sentiment and the corporate governance climate generally. Key points considered as part of this review included executive salary increases above inflation, differences in pension provisions between executives and the wider workforce, alternatives to LTIP, increase in share ownership quantum for executives, post-employment shareholding requirements and disclosure of pay ratios.

About this report

This report sets out details of the remuneration policy for our executive and non-executive directors, describes the implementation of the approved remuneration policy and sets out the remuneration received by the directors for the year ended 1 July 2017. No changes have been made other than to reflect changes to salary levels and the fact that the policy was formally approved by shareholders at the 2015 AGM. The report complies with the provisions of 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 (FCA). The Group also follows the requirements of the UK Corporate Governance Code published in April 2016 (the Code).

For completeness and transparency, this part of the directors' remuneration report includes the remuneration policy in the same form as it was approved by shareholders at the 2015 AGM (set out on pages 82 to 87 and intended to operate until the 2018 AGM. The annual statement by the Remuneration Committee Chair set out on this page and page 78 and the annual report on remuneration (set out on pages 88 to 95 will be subject to an advisory vote at the 2017 AGM.

The Group's remuneration policy was last approved by shareholders at the 2015 AGM and it will apply until the 2018 AGM. As such, we will not be asking shareholders to vote on the policy at the 2017 AGM. The committee will consult with the Group's major shareholders and shareholder representative bodies on the new policy which will be put to shareholders at the 2018 AGM. The committee will focus on a fundamental review of long term incentives, pension provision for future executive appointments, share ownership quantum for executives and post-employment shareholding requirements and best practice reporting.

At last year's AGM, 99.40% of the votes cast supported the resolution to approve the annual report on remuneration. This indicates support for the committee's focus on implementing the key principles of our executive remuneration policy.

Remuneration linked to strategy

The committee believes it is very important that our overall remuneration policy is structured to support both the financial objectives and the strategic priorities of the Group in a manner which is aligned with shareholders' and stakeholders' long term interests. The key principles underpinning the remuneration policy approved at the 2015 AGM are as follows; and these will be reviewed again as part of the review of wider executive remuneration policy in 2018:

- **Prioritising long term shareholder value** – a large proportion of the executive directors' remuneration is payable in shares. Half of the total annual performance-related bonus is awarded as deferred shares, to be held for a period of three years and subject to recovery and withholding provisions. Awards under the LTIP are also made in shares, further aligning the interests of our executive directors with those of our shareholders. Awards granted under the LTIP are subject to an additional two year holding period following the vesting of awards.
- **Balance** – we assess performance through a balanced range of measures to ensure we cover all aspects of our executive directors' performance.
- **Pay for performance** – there is a clear link between the performance of the Group and payments made to the executive directors and senior managers. Performance related elements of remuneration are relevant, transparent, stretching and rigorously applied. Care is taken to avoid paying more than necessary and due regard is given to pay and employment conditions elsewhere in the Group.
- **Risk** – remuneration incentives are designed to be aligned with the Group's risk policies and systems.
- **Culture** – incentives are structured to support Go-Ahead's vision and culture by focusing on both individual director and collective Board accountability. With alignment to our strategic objectives, we target long term sustainable performance, with fair recruitment and leaver policies.

Implementation of remuneration policy 2017/18

The committee is not proposing any changes to the remuneration policy for the financial year 2017/18.

The committee has however agreed that the Group Chief Financial Officer's shareholding requirement will increase from 100% to 150% of base salary in accordance with best practice. While it will not be incorporated into the current remuneration policy until next year, it is effective immediately.

We look to shareholders to approve the report at the forthcoming AGM.

Katherine Innes Ker,
Remuneration Committee Chair
6 September 2017

Performance in 2016/17

The Group is in a strong financial position and has delivered good strategic progress in the year. Key highlights of the year included:

- Southeastern franchise extended by six months to December 2018 and shortlisted to bid for the new South Eastern franchise
- Regional bus continues to deliver revenue growth broadly in line with our expectations and slightly ahead of wider industry trends
- Sector-leading customer satisfaction score of 90% in regional bus operations
- Largest operator of electric buses in the UK and opened the UK's first fully dedicated electric depot in London
- Acquisition of two regional bus businesses which will deliver cost synergies and drive revenue in the long term through the expertise of local teams
- Positive response from customers to contactless payment options with a strong take-up of this new payment channel where it has been rolled out in Oxford and parts of the North East
- London Midland's financial performance remains strong; revenue and passenger numbers are growing ahead of the wider industry, with the franchise extended by eight weeks to 10 December 2017
- Southeastern achieved the largest ever improvement in customer satisfaction of any UK rail operator, and there were continued high levels of customer satisfaction at London Midland
- Third German rail contract secured, which will generate around €20m of annual revenue and will commence in December 2019
- Bus contract in Singapore commenced and delivering high performance levels
- Actively exploring further bus and rail opportunities in international markets
- Proposed full year dividend increase of 6.5% to 102.08p, in line with interim dividend growth
- Net cash of £230.3m, adjusted net debt of £285.8m and an adjusted net debt to EBITDA ratio of 1.3x, below the Group's target level
- Launched a seven year £250m sterling bond with an interest coupon of 2.5%. Proceeds from the bond will be used to repay the £200m bond due in September 2017 and for general corporate purposes

Despite good financial performance across the Group during the year, overall Group performance has, as expected, been impacted by rail profitability as a result of ongoing challenges in GTR. As announced in July 2017, and in agreement with the DfT, GTR will fund a package of performance and passenger improvements worth £13.4m. This agreement resolves financial uncertainty relating to past industrial action and allows GTR to focus on continuing to improve services for Southern customers and delivering the significant passenger benefits with the Thameslink Programme.

DIRECTORS' REMUNERATION REPORT AT A GLANCE

The actions of the remuneration committee have focused on areas that have impacted the key performance areas of society, customers, our people and finance.

Committee objectives 2016/17

- Set targets and review outcomes for performance-related remuneration, taking into account strategic objectives, risk policies and systems
- Continue to review remuneration policy in the context of best practice and emerging developments
- Ensure regular dialogue with major shareholders and shareholder advisory bodies and take their views into account when formulating policy and making decisions
- Ensure compliance with all regulatory requirements, including overseeing compliance with the Equal Pay Bill and gender pay gap reporting
- Review the overall remuneration policy for senior management and pay and employment conditions elsewhere in the Group
- Review performance of the committee and its external advisors

What we have done

- Set targets for performance-related remuneration, taking into account long term strategy, culture and business needs
- Reviewed executive remuneration policy with the committee's advisors, particularly in the context of emerging developments and best practice
- Consulted with major shareholders and representative bodies on proposed changes to the 2016/17 LTIP award threshold and maxima EPS metrics
- Approved and increased the shareholding requirement for the Group Chief Financial Officer from 100% to 150%
- Considered the extent to which the Group Chief Executive's 2014/15 LTIP award should vest
- Reviewed the overall remuneration policy for senior management and pay and employment conditions elsewhere in the Group
- Reviewed performance of the committee and its external advisors
- Ensured compliance with all regulatory requirements, including Equal Pay Bill and gender pay gap reporting

Committee focus 2017/18

- Comprehensive review of remuneration policy ahead of shareholder vote on the new policy at the 2018 AGM
- Shareholder and shareholder advisory body consultation on proposed changes to remuneration policy
- Consider means of pro actively engaging with the wider workforce on how decisions on executive pay reflect wider pay policy and how pay and incentives align across the Group
- Set targets for performance-related remuneration taking into account long term strategy and review outcomes
- Review the overall remuneration policy for senior management and pay and employment conditions elsewhere in the Group
- Ensure compliance with all regulatory requirements, in particular Equal Pay Bill and gender pay gap reporting, in April 2018
- Review performance of the committee and its external advisors

Remuneration committee membership

Remuneration committee membership		Attendance				
Katherine Innes Ker	Committee Chair	■	■	■	■	■
Andrew Allner	Chairman	■	■	■	■	■
Nick Horler[1,2]	Independent Non-Executive Director	■	■	■	■	
Adrian Ewer	Independent Non-Executive Director	■	■	■	■	■

Carolyn Ferguson attends the meetings in her capacity as Group Company Secretary

1. In accordance with the Board's succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting. Harry Holt and Leanne Wood will be appointed as independent non-executive directors and members of the remuneration committee on 23 October 2017 and details of the rigorous selection process that was carried out in respect of their appointments can be found in the nomination committee report on pages 73 to 76.
2. Nick Horler was unable to attend one scheduled remuneration committee meeting on 7 June 2017 due to a long standing prior commitment.

DIRECTORS' REMUNERATION REPORT AT A GLANCE

Remuneration principles

Prioritising long term shareholder value
A large proportion of the executive directors' remuneration is payable in shares, aligning the interests of executive directors with shareholders

Balance
A balanced range of measures is used to ensure all aspects of executive directors' overall performance are covered

Pay for performance
A clear link exists between the performance of the Group and payments made to the executive directors and senior managers

Risk
Remuneration incentives are designed to be compatible with Go-Ahead's risk policies and systems

Remuneration policy

Component of remuneration	2017	2018	2019	2020	2021	Link to strategy
Salary, pension and other benefits						• Core reward to recruit and retain individuals of the calibre required to deliver our strategic objectives
Bonus – cash	One-year performance					• Rewards the delivery of key financial and strategic priorities • Aligns executive directors' interests with those of shareholders • Encourages sustained performance in line with shareholder interests as part of a balanced range of measures
Bonus – deferred shares	One-year performance	Three year vesting	Three year vesting	Three year vesting		
LTIP	Three year performance	Three year performance	Three year performance	Two year performance	Two year performance	• Encourages the delivery of long term sustainable returns to shareholders
Share ownership						• Aligns the financial interests of the executive directors with those of shareholders

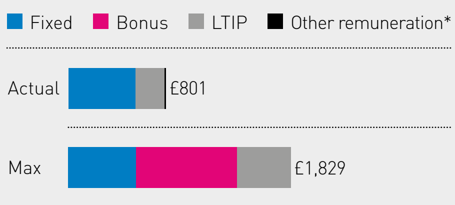
Culture

Incentives are structured to support Go-Ahead's vision, beliefs and attitudes. We target long term sustainable performance with fair recruitment and leaver policies

Executive director remuneration – actual vs policy (£'000)

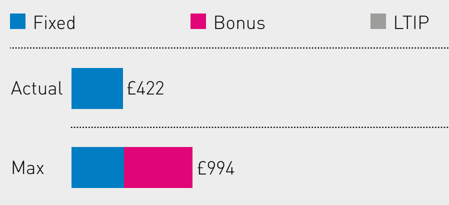
The charts below show a comparison of the total single remuneration received by the executive directors for the year ended 1 July 2017 compared with the maximum reward opportunity that was available under Go-Ahead's remuneration policy:

David Brown
Group Chief Executive



* The value of the gross cumulative dividend payment in relation to the 2013/14 deferred share bonus award which vested in November 2016 following the end of the three year deferral period

Patrick Butcher
Group Chief Financial Officer



Key features and application for the year ahead

- Salary reviewed annually by the committee
- Salary increases will not normally exceed the average increase awarded to other UK based employees unless certain circumstances apply
- From 1 April 2017, the Group Chief Executive and Group Chief Financial Officer received a 2% base salary increase from the previous year to £552,600 and £377,400 respectively
- The Group Chief Executive does not receive any form of pension provision. The Group Chief Financial Officer receives a non-pensionable cash supplement of 13% of base salary
- The Group Chief Executive and Group Chief Financial Officer receive family private healthcare, death in service and life assurance cover (4x base salary), free travel on the Group's services and professional membership subscriptions

- Maximum bonus award of 150% of base salary
- Half of bonus is paid in cash and half is based in shares deferred for a period of three years
- Performance metrics include Group operating profit (65%), Group cashflow (10%) and strategic KPIs (25%)
- Unvested deferred shares are subject to malus and clawback. Malus applies to the period prior to vesting and clawback applies to cash and deferred shares for a period of three years from the date the cash payment is made and the date the share awards are granted

- Maximum LTIP award of 150% of base salary for the Group Chief Executive and 100% of base salary for the Group Chief Financial Officer
- Awards vest after a three year performance period
- Awards granted from 2015 must be retained (other than to pay tax or NICs due on receipt of the shares) for two further years
- Performance metrics include compound annual growth in EPS (40%), relative TSR (40%), and customer satisfaction ratings (20%)
- Malus applies to the period prior to vesting and clawback applies for three years following the date on which the award vests

- Executive directors are required to retain 50% of the post tax gain on vested LTIP and deferred shares awards until such time as the Group Chief Executive and Group Chief Financial Officer have achieved holdings of 200% (150%) and 150% (100%) respectively*

* Last year, the Group Chief Executive's shareholding requirement was increased from 150% to 200% in accordance with best practice. This year, the Group Chief Financial Officer's shareholding requirement has been increased from 100% to 150%. While these changes will not be incorporated into the current remuneration policy until the 2018 Annual General Meeting, they are immediately effective.

Remuneration policy report

The Group's remuneration policy (the Policy) is set out in this section. The Policy was approved by shareholders at the 2015 AGM, held on 22 October 2015, and is effective until the 2018 AGM.

The policy table that follows 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 table for executive directors

Element & maximum	Purpose & link to strategy	Operation
Base salary	• Salary is the core reward for the role and enables the Group to recruit and retain individuals of the calibre required to deliver its strategic objectives and lead its management team, without paying more than is necessary • Base salary also reflects the individual's skills, expertise, experience and role within the Group	• Paid monthly in cash • In determining base salaries, the committee considers: - Pay levels at companies of a similar size and complexity in the FTSE 250 - External market conditions - Pay and conditions elsewhere in the Group - Individual performance, skills, experience in post and potential • Salaries are normally reviewed annually with changes taking effect from 1 April each year • The committee may also review salaries on an ad hoc basis if an individual is promoted and/or there is an increase in their responsibilities
Performance-related bonus	• Focuses on the key priorities for the coming year • Deferral of half of bonus into Group shares aligns executive directors' interests with those of shareholders	• Annual, non-pensionable payments made after the AGM • Half of any bonus is paid in cash following the AGM and half is paid in shares deferred for a period of three years • Based on the achievement of specific financial and non-financial objectives • Subject to recovery and withholding provisions for three years following the award
Long Term Incentive Plan (LTIP)	• Aligned to the strategic objectives of the Group to deliver long term returns to shareholders	• Annual grant of performance shares that vest three years after grant (subject to the satisfaction of performance conditions) • Awards granted from 2015 must be retained (other than to pay tax or NICs due on receipt of the shares) for two further years • Subject to recovery and withholding provisions for three years following vesting
Pension allowance	• Provides a cash alternative to pension contributions in line with market practice	• Monthly, non-pensionable payment, paid in cash
Other benefits	• Ensures package is competitive with market practice and employees have a minimum level of insured benefits	• The main benefits 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
All employee share plans	• Executive directors are eligible to participate in HMRC approved all employee schemes which encourage share ownership	• Executive directors may participate in these plans in line with HMRC guidelines currently prevailing (where relevant), on the same basis as other eligible employees
Share ownership	• To align the financial interests of the executive directors with those of shareholders	• Executive directors are required to retain 50% of the post tax gain on vested LTIP and deferred share awards until such time as the Group Chief Executive has achieved a holding of 200% (150%) of salary and other executive directors have achieved 150% (100%) of salary

1. In line with our commitment to transparent reporting, EPS is now reported on a statutory basis. Where targets have been based on adjusted EPS (EPS before amortisation and exceptional items), vesting will be determined by a calculation on an adjusted basis, based on reported Group operating profit adding back amortisation and any exceptional items, which is consistent with prior years.
2. The current Group Chief Executive does not receive any form of pension provision from the Group. The Group Chief Financial Officer receives a cash allowance of 13% of salary.

Maximum	Performance targets
• Annual salary increases for executive directors will not normally exceed the average increase awarded to other UK based employees • However, larger increases may be awarded in certain circumstances including but not limited to: - Increase in scope of responsibilities of the role - To apply salary progression for a newly appointed director - Where a director's salary has fallen significantly below market position	n/a
• Maximum of 150% of salary	• Performance metrics will normally include Group profit, cash and individual strategic goals with profitability accounting for at least half of the opportunity • A quality of earnings review and health and safety target thresholds also apply to the full bonus
• Maximum of 150% of salary for Group Chief Executive and 100% of salary for other executive directors • Exceptional circumstances maximum (e.g. on recruitment) of 200% of salary	• Performance measured over three financial years • Performance metrics will include compound annual growth in adjusted EPS[1] and relative TSR with each accounting for at least 25% of the award • From the 2015/16 awards adjusted EPS has a 40% weighting, relative TSR has a 40% weighting and customer satisfaction ratings in our bus and rail divisions will each have a 10% weighting • For the EPS and TSR measures not more than 25% of the award may vest at threshold performance • The committee has the discretion to vary the weighting and choice of metrics including the comparator groups prior to each award. However, it would consult with shareholders before introducing significantly different metrics
• A cash allowance of up to 15% of salary may be provided[2]	n/a
• Benefits are intended to be market competitive but are not subject to a maximum as the cost of providing the insured benefits is set by third party providers and can vary from year to year	n/a
• Participation levels operate in accordance with HMRC limits as amended from time to time	n/a
• 200% (150%) of salary holding for the Group Chief Executive[3] and 150% (100%) of salary holding for other executive directors[4]	n/a

3. Last year, the Group Chief Executive's share ownership guideline was increased from 150% to 200% in accordance with best practice. While it will not be incorporated into the current remuneration policy until the next opportunity, it was immediately effective.

4. This year, the Group Chief Financial Officer's shareholding requirement has increased from 100% to 150%. Similarly, while it will not be incorporated into the current remuneration policy until the next opportunity, it is immediately effective.

Considerations when determining remuneration policy

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

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

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

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

The committee did not formally consult with employees when drawing up the directors' remuneration policy. However, the committee considers any informal feedback received through employee staff surveys or other channels. Over the year ahead, the committee will be considering how there can be more pro-active engagement with the wider workforce on matters of executive pay and wider 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 82 and 83
- Determining the extent of vesting based on the assessment of performance
- Making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events, and special dividends)
- Determining good leaver status for incentive plan purposes and applying the appropriate treatment
- Undertaking the annual review of weighting of performance measures, and setting targets for the annual performance-related bonus and LTIP from year to year

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 91 and 92, 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 employees immediately below the executive directors to ensure that this incentivises the delivery of both strategy and business objectives.

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

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

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

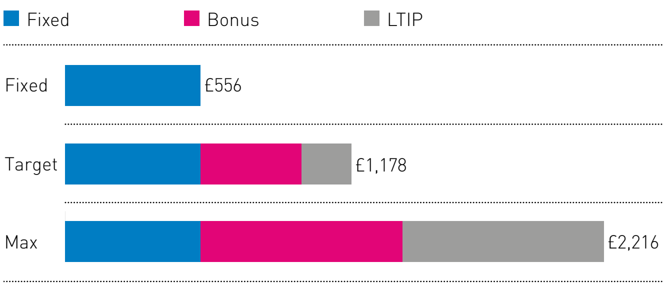
In choosing the performance metrics and targets we have sought to provide a strong and demonstrable link between management incentives and the Group's strategic objectives. We have also set a performance based framework for remuneration which is consistent with the Group's scale and unique structure. 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, personal and strategic targets, with a clear alignment to the Group's short and long term strategic objectives.

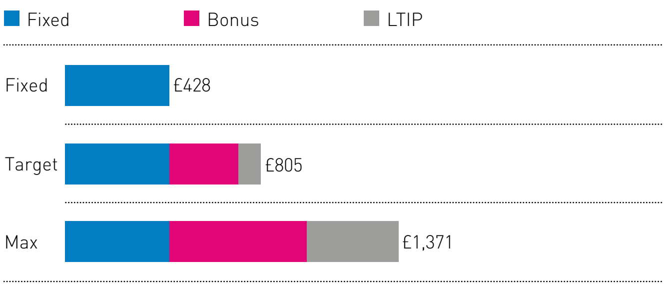
A significant proportion of executive directors' potential remuneration is performance-related. This comprises annual bonuses under the performance-related bonus and long term incentives under the LTIP. The charts below provide estimates of the potential future reward opportunity for the executive directors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

Total remuneration by performance scenario for 2017/18 financial year (£'000)

Group Chief Executive



Group Chief Financial Officer



The assumptions underlying each scenario are described below:

Fixed remuneration: base salary as at 1 April 2017, benefits as received in 2016/17 and, for the Group Chief Financial Officer only, the value of his pension allowance.

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

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

Recruitment remuneration

On appointing a new executive director, the committee would seek to align the remuneration package for the relevant individual with the Group's remuneration policy as set out on pages 82 and 83. It would aim not to pay more than necessary to secure the right candidate and the package would take into account the experience and calibre of the individual concerned. The remuneration package for a new executive director would be set in accordance with the terms of the approved remuneration policy in force at the time of appointment.

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

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

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

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

Service agreements of executive directors

The Group Chief Executive and the Group Chief Financial Officer entered into a service agreement with The Go-Ahead Group plc on 1 April 2011 and 14 March 2016 respectively. The term of each service agreement is undefined and is terminable by either the Group on one year's notice or by the executive director on six months' notice. The directors' service agreements are available for inspection at the Group's registered office.

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. From 3 April 2017, the Group Chief Executive was also appointed as non-executive director of Renew Holdings plc for which he receives £35,000 per annum. The Group Chief Financial Officer does not have any external appointments.

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

Policy table for Chairman and non-executive directors

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

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

The Chairman and non-executive directors do not receive benefits in kind nor do they participate in the Group's short and long term incentive arrangements or in its pension scheme.

Letters of appointment for Chairman and non-executive directors

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

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

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

Retirement and re-election of directors

In accordance with the Group's articles of association and the provisions of the Code, all directors are required to submit themselves for re-election at each AGM. Accordingly, all directors will be submitting themselves for re-election at the 2017 AGM with the exception of Nick Horler, who will retire at the conclusion of the AGM. Harry Holt and Leanne Wood will offer themselves for election as independent non-executive directors for the first time at the 2017 AGM. Details of the rigorous selection process that was carried out in respect of their appointments can be found in the nomination committee report on pages 73 to 76.

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 AGM to be held on 2 November 2017.

Remuneration committee report

The committee comprises the Chairman and three independent non-executive directors.

The committee met seven times during the year. Five of these meetings were scheduled, with two additional meetings being held so that additional time could be given to certain key considerations such as the structure and targets for the 2016/17 annual performance-related bonus and to discuss shareholder feedback on the remuneration consultation in respect of EPS metrics for the 2016/17 LTIP award.

Role of the committee

The committee's principal responsibilities are to:

- Develop the remuneration policy for the executive directors, including the balance between fixed and performance-related, cash and share-based, immediate and deferred remuneration
- Review the ongoing appropriateness and effectiveness of the Group's remuneration policy
- Regularly review the design and targets for performance-related pay arrangements and approve the total annual payments and awards
- Ensure adherence to the policy set for executive directors' service agreements, including recruitment and compensation payment policies
- Recommend and monitor the level and structure of remuneration for senior management within the Group
- Determine the fees of the Chairman

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

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

Terms of reference

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

External advisors to the committee

New Bridge Street (NBS) (a trading name of Aon Hewitt Limited, part of Aon plc) act as independent remuneration advisors to the committee. The advisor was selected through a thorough process led by the 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 £26,526 (2016: £38,816).

Statement of voting at general meeting

At last year's AGM (3 November 2016) the directors' remuneration report received the following votes from shareholders:

	Votes for and discretionary	Votes against	Total votes	Withheld
Remuneration report	27,882,523	168,318	28,050,841	8,736
	99.40%	0.60%	100%	

The remuneration policy was last approved for 2014/15 at the AGM held on 22 October 2015, the voting outcome of which was:

	Votes for and discretionary	Votes against	Total votes	Withheld
Remuneration policy	21,842,550	497,285	22,339,835	5,227,804
	97.77%	2.23%	100%	

Implementation of remuneration policy for 2016/17

Executive directors' annual base salary (audited)

Base salary levels for executive directors are shown below and will remain in place until April 2018 when they will be reviewed again:

Executive director	From 1 April 2017	From 1 April 2016	% Increase
Group Chief Executive, David Brown	552,600	£541,800	2
Group Chief Financial Officer, Patrick Butcher	377,400	£370,000	2

Executive directors' remuneration (audited)

The table below summarises all remuneration that was earned by each executive director during the year and computes a single total remuneration figure for the year. The remuneration for the Group Chief Executive and Group Chief Financial Officer reflects their request not to be considered for the 2016/17 annual performance-related bonus award. The value of the LTIP reflects the award granted to the Group Chief Executive in November 2014, a proportion of which will vest in November 2017 as a result of the achievement of certain long term performance conditions set three years previously and ended at the completion of the financial year on 1 July 2017. The LTIP value in the table below is based on the average market share price in the last quarter of 2016/17 of £17.89. This value has been estimated as the award will not actually vest until shortly after the 2017 AGM.

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. If circumstances warrant it, the committee may adjust the final payment or vesting downwards.

				Short term incentives (Performance-related bonuses)					
		Salary £'000	Taxable benefits[1] £'000	Cash bonus[2] £'000	Deferred share bonus[2] £'000	Long term incentives LTIP[3] £'000	Pension allowance[4] £'000	Other remuneration[5] £'000	Single total remuneration figure £'000
Executive director									
Group Chief Executive, David Brown	**2017**	**545**	**3**	**–**	**–**	**239**	**–**	**14**	**801**
	2016	542	3	–	–	647	–	22	1,214*
Group Chief Financial Officer, Patrick Butcher	**2017**	**372**	**2**	**–**	**–**	**–**	**48**	**–**	**422**
	2016	112	1	–	141	–	15	–	269

* Restated from last year's value of £1,310,583 to reflect actual value of the Group Chief Executive's 2013/14 LTIP award which was £557,429 based on the share price as at 16 November 2016 of £20.333. The cash equivalent value of the gross cumulative dividend payment disclosed last year of £70,821 is restated as £89,332, the difference being the cash equivalent value of the dividend that was paid to all shareholders on the register at close of business on 11 November 2016. This is in accordance with the LTIP rules which provide that a cash equivalent to the value of the gross cumulative dividend should be paid as if the participant had been the holder of the shares from the date of award to the day prior to the date on which he exercised his award.

1. Taxable benefits

The taxable benefit for the executive directors comprises family healthcare membership.

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

At the request of the executive directors, the committee accepted that no annual performance-related bonus would be paid to either the Group Chief Executive or the Group Chief Financial Officer for the year ended 1 July 2017.

3. Vesting of 2014/15 LTIP award – Group Chief Executive only

The table on page 90 summarises the performance conditions for the Group Chief Executive's 2014/15 LTIP award and the actual performance achieved. This award was subject to performance conditions measured over the three financial years ending with the 2016/17 financial period.

As shown overleaf, 27.5% of the adjusted EPS growth target (30% weighting) was achieved and there was no vesting for the TSR element of the 2014/15 LTIP award.

The Group operating profit applying to 40% of the 2014/15 LTIP award is payable on a sliding scale between the threshold and maximum targets. No element of this award vests unless Group operating profit has increased from the Group's operating profit for the year ended 28 June 2014 by at least 25% over the three financial years ended 1 July 2017. At threshold, 20% vests if the Group has achieved 25% growth in 2016/17 operating profit. At maximum, 40% vests if operating profit has grown by 50%. A sliding scale applies for growth between 25% and 50%.

The Group's restated operating profit (before amortisation) for the year ended 28 June 2014 was £115.4m. The Group's operating profit (before amortisation) for the year ended 1 July 2017 was £153.7m. The Group's operating profit (before amortisation) has therefore increased by 33% over the three years, resulting in a 26.5% of 40% vesting for this element of the award.

Performance conditions and actual performance achieved for the 2014/15 LTIP award

	Payout (% of each element)	Compound annual growth in adjusted EPS*	Relative TSR vs FTSE 250 (excluding certain sectors)	Group operating company profit*
Weighting (% of total award)	–	30%	30%	40%
Below threshold	0%	Less than RPI + 2% p.a.	Below median	See commentary on previous page
Threshold	25%	RPI + 2% p.a.	Median	
Between threshold and maximum	Between 25% and 100%	Between RPI + 2% p.a. and RPI + 8%p.a.	Between median and upper quartile	
Maximum	100%	RPI + 8% p.a.	Upper quartile	
Performance achieved		Adjusted EPS of 212.6p From a base of 163p this is equivalent to growth of RPI + 7.34%		
Actual % vesting	54%	27.5%	0%	26.5%

* In line with our commitment to transparent reporting, EPS and 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 operating profit (before amortisation and exceptional items). The vesting of the 2014/15 LTIP 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.

The value of the Group Chief Executive's LTIP award is shown in the executive directors' remuneration table on page 89. This includes the value of the long term incentive shares vesting which amounts to £206,093 based on the average market share price in the last quarter of 2016/17 of £17.89. This value has been estimated as the award will not actually vest until shortly after the 2017 AGM. The cash equivalent value of the gross cumulative dividend payment is also payable equating to £33,169.

4. Pension allowance

The Group Chief Financial Officer receives a non-pensionable cash supplement of 13% of his base salary. The Group Chief Executive does not receive any form of pension provision from the Group.

5. Other remuneration

The value of the gross cumulative dividend payment in relation to the 2013/14 deferred share bonus award which vested in November 2016 following the end of the three year deferral period.

2016/17 LTIP awards granted during the year ended 1 July 2017 (audited)

LTIP awards were granted to the executive directors during the year ended 1 July 2017, structured as nil-cost options, exercisable at the end of a three year performance period commencing with the start of the 2016/17 financial period and ending with the 2018/19 financial period, subject to the satisfaction of performance conditions. Vested awards are then subject to a further two year holding period other than for sales to settle any tax or NIC liability on exercise of the awards. The 2016/17 grant policy was to grant awards with a face value of 150% of salary for the Group Chief Executive and 100% of salary for the Group Chief Financial Officer as follows:

Executive director	Basis of award granted	Share price at grant date	Number of shares over which award was granted[1]	Face value of award[2] (£'000)	% of award which vests as threshold	Vesting determined by performance over
David Brown	150% of salary	£20.08	39,698	797	10% for EPS, 25% for TSR and 10% for each customer element	Three financial years ending on 29 June 2019
Patrick Butcher	100% of salary	£20.08	18,073	363	10% for EPS, 25% for TSR and 10% for each customer element	Three financial years ending on 29 June 2019

1. The number of shares over which the award was granted was calculated using a share price of £20.472, 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 £20.08. This was the share price on 16 November 2016, the date of grant.

The committee consulted with major shareholders and shareholder representative bodies on proposed changes to the LTIP's threshold and maxima EPS metrics in response to the revised outlook for GTR and analysts' repositioning of their forecasts. The revised EPS metrics are shown in the table on page 91, together with the TSR and customer service targets which were unchanged from the previous year.

Performance conditions attaching to the 2016/17 LTIP award

	EPS payout (% of 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%

* In line with our commitment to transparent reporting, EPS is now reported on a statutory basis. At the time of grant, the 2016/17 LTIP targets were based on adjusted EPS (EPS before amortisation and exceptional items). When determining the vesting of the 2016/17 LTIP after the year ending 2018/19, the calculation will be on an adjusted basis, based on reported Group operating profit adding back amortisation and any exceptional items, which is consistent with prior years.

The customer satisfaction targets will be as measured by the independent passenger watchdog Transport Focus (formerly Passenger Focus) and published in the annual report. This is a key operating performance measure for Go-Ahead. It is a strategic priority for the Group to provide high-quality service and customer satisfaction is a critical measure of our performance. Ensuring management is focused on this strategic measure is critically important as a driver of long term shareholder value.

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.

Statement of directors' shareholdings and share interests (audited)

The committee believes that the shareholding requirements for executives play an important role in the alignment of the interests of executives and shareholders and help to incentivise executives to deliver sustainable long term performance.

From the 2016/17 financial year, the Group Chief Executive's guideline was 200% of salary, which had increased from 150% previously, while the Group Chief Financial Officer's guideline was 100% of salary. Until they reach these levels, the executive directors are expected to retain 50% of the post-tax gain on vested LTIP and deferred share awards. LTIP awards granted from 2015 must be retained (other than to pay tax and NICs due on receipt of shares) for a further two years. During the year, the committee agreed that the Group Chief Financial Officer's share ownership guidelines should increase to 150% of salary.

Details of the interests of the executive directors in shares and long term incentive interests for the period ended 1 July 2017 are set out in the table below. At this date, the Group Chief Executive beneficially held 66,011 shares equating to 210% of base salary (based on the closing share price on 1 July 2017) and therefore meets the shareholding requirement. The Group Chief Financial Officer beneficially held 4,363 shares equating to 20% of base salary and therefore does not yet meet the shareholding requirement.

Executive director			David Brown[9]	Patrick Butcher
Ordinary shares[1]	2 July 2016		46,261	1,886
	1 July 2017		**66,011[2]**	**4,363[3]**
Shareholding requirement (% of basic salary)			200%	150%
Current shareholding as at 1 July 2017 (% of basic salary)[4]			210%	20%
Shareholding requirement met			Yes	No
Share options[5]	Without performance conditions	Sharesave[6]	197	0
	With deferral conditions	Unvested deferred share bonus awards[7]	26,932	6,770
	With performance conditions	Unvested LTIP awards[7]	72,316	18,073
		Awards eligible for vesting 2016/17[8]	11,520	0
Shareholding when 2014/15 DSBP and LTIP awards vest in November 2017 (% of basic salary)			253%	20%

1. Ordinary 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.
2. During the year, David Brown's beneficial shareholding increased by 19,750 ordinary shares. This comprised 2,326 and 14,464 ordinary shares acquired through the post-tax gain on the 2013/14 deferred share bonus and LTIP awards respectively which vested in November 2016. Additionally, David Brown purchased 2,868 shares in March 2017 and 92 shares were purchased under the Group's Share Incentive Plan during the period 3 July 2016 to 1 July 2017. For further details on the vesting of the 2013/14 deferred share bonus and LTIP awards, please see page 92.
3. During the year, Patrick Butcher's beneficial shareholding increased by 2,477 ordinary shares which he purchased in March 2017.
4. Shareholding as a % of salary includes only ordinary shares. Unvested deferred shares or LTIP awards have not been included. Shareholding is based on the closing share price on 1 July 2017.
5. Deferred share bonus plan and LTIP awards are structured as nil cost options.
6. Sharesave is an all-employee share option plan and has no performance condition as per HMRC Regulations.
7. Excludes LTIP awards which will be granted in November 2017 for the year ended 1 July 2017. As per the request of the Group Chief Executive and Group Chief Financial Officer, there were no deferred share awards granted for the year ended 1 July 2017.

8. Relates to the 2014/15 LTIP award, which will be eligible to vest from November 2017 in respect of the three-year performance period ended 1 July 2017.
9. In the period 1 July 2017 to 6 September 2017, David Brown's ordinary shareholding increased from 66,011 to 66,028 as a result of shares purchased under the Group's Share Incentive Plan. There have been no other changes in the shareholdings of the executive directors between 1 July 2017 and the date of this Annual Report and Accounts.

Executive directors' interests in outstanding share awards and options (audited)

The table below sets 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 2 July 2016	Granted in year	Vested in 2015/16 but exercised during year	Lapsed in year	Balance at 1 July 2017	Awards eligible for vesting 2016/17[1]		Balance post exercise
									Vested	Lapsed	
Sharesave[2]	25.03.14	–	17.34	103	–	–	–	103	–	–	103
	22.03.16	–	19.11	94	–	–	–	94	–	–	94
Deferred share bonus plan	30.10.13	16.84	–	4,432	–	4,432[3]	–	–	–	–	–
	05.11.14	25.03	–	15,601	–	–	–	15,601	–	–	15,601
	29.10.15	24.13	–	11,331	–	–	–	11,331	–	–	11,331
LTIP									–		
	30.10.13	16.84	–	30,462	–	27,415[3]	3,047	–	–	–	–
	05.11.14	25.03	–	21,335	–	–	–	21,335	11,520	9,815	–
	04.11.15	25.46	–	32,618	–	–	–	32,618	–	–	32,618
	16.11.16	20.47[2]	–	–	39,698	–	–	39,698	–	–	39,698
Total				115,976	39,698	31,847	3,047	120,780	11,520	9,815	99,445

1. Relates to the 2014/15 LTIP award, which will be eligible to vest from November 2017 in respect of the three-year performance period ended 1 July 2017.
2. Sharesave is an all-employee share option plan and has no performance condition as per HMRC Regulations. David Brown's sharesave options which were granted in 2014 matured in May 2017 and David has until 25 October 2017 to exercise his sharesave options.
3. The 2013/14 deferred share bonus and LTIP awards were exercised on 16 November 2016 with a share price of £20.333. David Brown's gain on his 2013/14 DSBP and LTIP awards were therefore £90,116 and £557,429 respectively.

Group Chief Financial Officer, Patrick Butcher

Plan	Date of grant	Mid-market price on date of grant (£)	Option price (£)	Balance at 2 July 2016	Granted in year	Vested in 2015/16 but exercised during year	Lapsed in year	Balance at 1 July 2017	Awards eligible for vesting 2016/17		Balance post exercise
									Vested	Lapsed	
Deferred share bonus plan	15.11.16	20.81	–	–	6,770	–	–	6,770	–	–	6,770
LTIP	16.11.16	20.47	–	–	18,073	–	–	18,073	–	–	18,073
Total			–	–	24,843	–	–	24,843	–	–	24,843

Payments to former directors and payments for loss of office (audited)

There were no payments made to former executive directors during the year ended 1 July 2017 (2016: nil).

Percentage change in the Group Chief Executive's remuneration

The table below shows the percentage change in the Group Chief Executive's total remuneration between the financial years 2 July 2016 and 1 July 2017, compared to the average change for all employees of the Group.

	% change from 2016 to 2017		
	Salary	Benefits	Bonus
Group Chief Executive	0.6	–	–
Average employees	2.6	–	2.1

Group Chief Executive remuneration comparison

Year	Group Chief Executive	Single total figure of remuneration £'000	Annual performance-related bonus (actual award v maximum opportunity) £'000 (and % vesting)	Long term incentive vesting (vesting v maximum opportunity) £'000 (and % vesting)
2016/17	David Brown	801[1]	£0	£239 (54%)
2015/16	David Brown	1,214[2]	£0	£647[3] (90%)
2014/15	David Brown	2,134[2]	£558 (69.6%)	£1,067 (100.0%)
2013/14	David Brown	1,960	£766 (97.5%)	£666 (80.0%)
2012/13	David Brown	942	£422 (55.3%)	–
2011/12	David Brown	1,022	£513 (68.0%)	–
2010/11	David Brown	251[4]	£125 (100.0%)	–
2010/11	Keith Ludeman	1,564	£530 (100.0%)	–

1. The single total figure of remuneration for 2016/17 includes the vesting of the 2014/15 LTIP award. At the request of the Group Chief Executive, there was no annual performance-related bonus paid for the year ended 1 July 2017. The Group Chief Executive received a 2% base salary increase with effect from 1 April 2017.
2. The single total figure of remuneration for 2015/16 (restated) and 2014/15 includes the vesting of the 2013/14 and 2012/13 LTIP awards respectively.
3. Restated from last year to reflect actual value of the Group Chief Executive's 2013/14 LTIP award which was £557,429 based on the share price as at 16 November 2016 of £20.333. The cash equivalent value of the gross cumulative dividend payment disclosed last year of £70,821 is restated as £89,332, the difference being the cash equivalent value of the dividend that was paid to all shareholders on the register at close of business on 11 November 2016. This is in accordance with the LTIP rules which provide that a cash equivalent to the value of the gross cumulative dividend should be paid as if the participant had been the holder of the shares from the date of award to the day prior to the date on which he exercised his award.
4. Following his appointment in April 2011, the Group Chief Executive was paid a pro-rata performance-related bonus for the financial year 2010/11.

The relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the financial year being reported on, compared to that of the previous year.

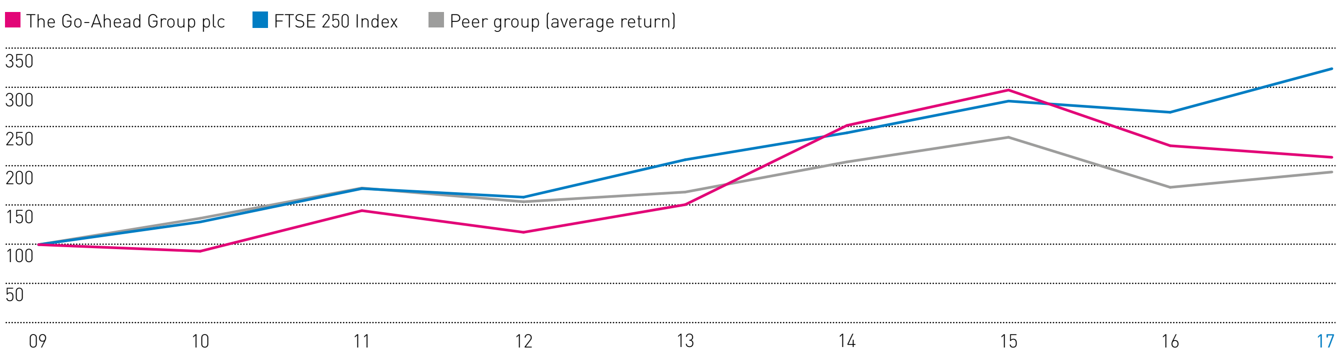
	2016/17 £'m	2015/16 £'m	% change
Dividends	**£41.8**	£39.4	6.1
Overall expenditure on pay	**£1,237.6**	£1,170.3*	5.8

* Restated from £1,215.5m for the change in accounting policy regarding rail pensions as explained in note 3 of the financial statements.

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.

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 eight financial years to 1 July 2017. 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.



The table above shows the total remuneration figure for the Group Chief Executive over the same eight year period. The total remuneration figure includes the performance-related bonus and LTIP awards (and the percentage of the maximum opportunity that these represent).

Chairman and non-executive director fees

The fee level for the Chairman was reviewed on 1 April 2017 and increased by 2%. The fee levels for the non-executive directors were also reviewed on 1 April 2017 and increased by 4.2%, with the additional fees for chairing the remuneration and audit committees also increased to £8,000. These increases were made to reflect the additional time commitment and responsibilities now attributable to these roles, which remain below the FTSE 250 median. There was no change to the additional fee paid to the Senior Independent Director.

Non-executive director		Base fee	Additional fee for Senior Independent Director	Additional fee for chairing a committee	Total
Andrew Allner	**From 1 April 2017 £'000 p.a.**	**179**	**–**	**–**	**179**
	From 1 April 2016 £'000 p.a.	176*	–	–	176*
Katherine Innes Ker	**From 1 April 2017 £'000 p.a.**	**50**	**5**	**8**	**63**
	From 1 April 2016 £'000 p.a.	48	5	5	58
Nick Horler	**From 1 April 2017 £'000 p.a.**	**50**	**–**	**–**	**50**
	From 1 April 2016£'000 p.a.	48	–	–	48
Adrian Ewer	**From 1 April 2017 £'000 p.a.**	**50**	**–**	**8**	**58**
	From 1 April 2016 £'000 p.a.	48	–	5	53

*The base fee for the Chairman as at 1 April 2016 is restated from last year's Annual Report which incorrectly reflected the Chairman's single figure of £173,000 rather than the 2% increase to his base fee.

Chairman and non-executive directors' remuneration (audited)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 1 July 2017 and the prior year:

Non-executive director	Single total remuneration figure £'000 **2017**	2016
Andrew Allner	**177**	173
Katherine Innes Ker	**59**	54
Nick Horler	**48**	47
Adrian Ewer	**54**	53

Non-executive directors' shareholdings (audited)

Non-executive directors are not subject to a shareholding requirement. The shareholdings of each non-executive director are as follows:

	As at 1 July 2017	As at 2 July 2016
Andrew Allner	**1,242**	742
Katherine Innes Ker	**116**	116
Nick Horler	**1,038**	1,038
Adrian Ewer	**3,003**	138

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.

Implementation of remuneration policy for 2017/18

Details of how the remuneration policy will be implemented for the 2017/18 financial year are set out below.

2017/18 base salaries

The base salaries of the executive directors will remain unchanged until the next review on 1 April 2018.

Benefits

The benefits for both executive directors will remain consistent with those detailed in the remuneration policy section on pages 82 and 83.

Pension

The current pension arrangements described on page 90 will remain in place for the forthcoming financial year.

2017/18 Performance-related bonus

The performance measures and weightings for 2017/18 which remain unchanged from 2016/17 are as follows:

Metric	Weighting (% of maximum bonus)
Operating profit	65%
Group cashflow	10%
Strategic KPIs	25%

Operating profit, cashflow and strategic KPI targets will be stretching for the 2017/18 financial year and more information on the specific targets and performance against them will be provided retrospectively in next year's remuneration report to the extent that they are not commercially sensitive at the time. The strategic KPIs include a number of non-financial strategic and personal objectives, including customer satisfaction, communication and reputational KPIs.

A health and safety target threshold will continue to apply to the full bonus, with the remuneration committee having discretion to reduce bonus payments potentially to zero should it be considered appropriate.

The additional rail customer service threshold introduced from 2016/17 will also continue to apply to the 2017/18 bonus. The remuneration committee has discretion to scale back the bonus if customer satisfaction across the Group's train operating companies in Spring 2018, as measured by the Transport Focus National Rail Passenger Survey (NRPS) averaged across the Group's train operating companies (Southeastern, Southern, Thameslink and Great Northern, Gatwick Express and London Midland), is less than the London and South East Sector NRPS reported for Spring 2017.

Any bonus payable will be satisfied 50% in cash and 50% in deferred shares. Recovery and withholding provisions will apply to the full performance-related bonus and the audit committee will undertake a formal end-of-year quality of profit and budget review in conjunction with the auditor before approval of any bonus payment.

2017/18 LTIP awards

The structure of LTIP awards to be granted in 2017 will remain the same as for the 2016 awards with the EPS and TSR elements of the awards accounting for 40% each and a customer satisfaction target award of 20% split equally between rail and bus. The LTIP award will be subject to recovery and withholding provisions for three years following vesting. An additional two year holding period following the vesting of awards will also apply during which any vested awards may not be sold (other than to pay any tax and NICs due on exercise). This will result in an overall five year period before executives can realise the gain on vested shares.

For the year commencing 2 July 2017, 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 EPS and TSR performance measures and targets for awards to be made in 2017/18 are detailed below and are unchanged from those made in 2016/17 when the committee consulted with major shareholders and shareholder representative bodies on proposed changes to the LTIP's threshold and maxima EPS metrics in response to the revised outlook for GTR analysts' repositioning of their forecasts. The bus customer service targets are unchanged, with the rail customer service targets increased to reflect a higher threshold based on an increase in the Spring 2017 London and South East Sector NRPS score.

	EPS payout (% of element)	Compound annual growth in EPS	Payout (% of TSR element)	Relative TSR vs FTSE 250 (excluding certain sectors)	Payout (% of each customer element)	Rail customer service target	Bus customer service target
Weighting (% of total award)	–	40%	–	40%	–	10%	10%
Below threshold	0%	Less than RPI + 2% p.a.	0%	Below median	0%	Less than 82%	Less than 90%
Threshold	10%	RPI + 2% p.a.	25%	Median	10%	82%	90%
Between threshold and maximum	Between 10% and 100%	Between RPI 2% p.a. and RPI 10% p.a.	Between 25% and 100%	Between median and upper quartile	Between 10% and 100%	Between 82% and 86%	Between 90% and 93%
Maximum	100%	RPI + 10% p.a.	100%	Upper quartile	100%	86%	93%

The committee is not proposing any changes to remuneration policy for the financial year 2017/18.

Non-executive directors' fees

The non-executive directors' fees will remain unchanged until the next annual fee review is undertaken on 1 April 2018.

Katherine Innes Ker,
Remuneration Committee Chair

6 September 2017

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 1 July 2017.

This report has been prepared in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and forms part of the management report as required under Disclosure and Transparency Rule (DTR) 4. Certain information that fulfils the requirements of the directors' report can be found elsewhere in this document and is referred to below.

Corporate governance statement

Under DTR Rule 7, a requirement exists for a corporate governance statement to be included in this directors' report. The corporate governance statement setting out how the The Go-Ahead Group plc (the Group) complies with the UK Corporate Governance Code published in April 2016 (the Code) and which includes a description of the main features of its internal control and risk management arrangements in relation to the financial reporting process is set out on pages 46 to 99. The information required by DTR 7.2.6R can be found in the shareholder information section on pages 176 to 177. A description of the composition and operation of the Board and its committees is set out on pages 50 to 56.

Strategic report

The strategic report on pages 1 to 45 includes an indication of future likely developments in the Group, the Group's business and model strategy and greenhouse gas emissions.

Articles of association

The Group's articles can only be amended by a special resolution at a general meeting of shareholders. Shareholders of the Group can request a copy of the articles by contacting the Group Company Secretary at the registered office.

Directors and their interests

The directors of the Group as at the date of the approval of this Annual Report and Accounts are shown on pages 50 and 51. All were directors throughout the year to 1 July 2017.

The interests of directors and their connected persons in the shares of the Group, along with details of directors' share options, are contained in the directors' remuneration report set out on pages 77 to 95.

Directors' conflicts of interests

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

Election and re-election of directors

The appointment and replacement of directors are governed by the Group's articles, the Code, the Companies Act 2006 (the Act) and related legislation. The directors are appointed by ordinary resolution at a general meeting of shareholders. The directors have the power to appoint a director during the year but any person so appointed must be subject to election at the first Annual General Meeting following their appointment. The current articles require that all directors are subject to re-election on an annual basis.

In accordance with the Board's succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting and will therefore not be standing for re-election. All other directors will be submitting themselves for re-election at the 2017 Annual General Meeting in accordance with the Code. Harry Holt and Leanne Wood will offer themselves for election for the first time following their appointment to the Board on 23 October 2017. 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 as at the year ended 1 July 2017 can be found on pages 50 and 51. Biographical details for Harry Holt and Leanne Wood will be included in the notice for the 2017 Annual General Meeting.

Directors' indemnities

The Group maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. The Group has also granted indemnities to each of its directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 1 July 2017 and remain in force, in relation to certain losses and liabilities that the directors may incur to third parties in the course of acting as directors or employees of the Group or of any associated company. Neither the Group's indemnity nor its insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

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 176 to 177.

Change of control

The details of the change of control provisions in the Group's rail franchise agreements, the sterling bond issue dated 24 March 2010, the sterling bond issue dated 6 July 2017 and the revolving credit facilities dated 16 July 2014 and 27 April 2017 are set out on page 177. Details of the powers of Transport for London and the Land Transport Authority to prevent the operation of contracts is also provided.

There are no agreements between the Group and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Dividends

Our current dividend policy, which is kept under regular review, is for progressive dividend growth whilst maintaining dividend cover of approximately two times earnings. Details of the proposed final dividend payment for the year ended 1 July 2017 are shown on the consolidated income statement on page 108 of the report.

Listing Rule 9.8.4R disclosures

Disclosures required pursuant to Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be found within the following sections of the Annual Report and Accounts:

Listing Rule 9.8.4	Required disclosure	Reference
(1)	Interest capitalised and tax relief	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(3)	Details of long term incentive schemes	Note 7 to the financial statements and directors' remuneration report on pages 77 to 95
(4)	Waiver of emoluments by a director	Directors' remuneration report on pages 77 to 95
(5)	Waiver of future emoluments by a director	Not applicable
(6)	Non pre-emptive issues of equity for cash	Not applicable
(7)	Non pre-emptive issues of equity for cash by major subsidiary undertakings	Not applicable
(8)	Parent participation in a placing by a listed subsidiary	Not applicable
(9)	Contracts of significance	Not applicable
(10)	Provision of services by a controlling shareholder	Not applicable
(11)	Shareholder waivers of dividends	Directors' report on pages 96 to 99
(12)	Shareholder waivers of future dividends	Directors' report on pages 96 to 99
(13)	Agreements with controlling shareholders	Not applicable

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 12 month programme of monthly share purchases, the Trust purchased a total of 121,084 ordinary shares at a total price of £2,376,540.68 (including all associated costs). The average price was £19.11 per share. As at 6 September 2017 (being the latest practical date prior to the date of this report) the Trust held 187,817 ordinary shares representing 0.44% of the issued share capital of the Group, less treasury shares, in trust for the benefit of the executive directors of the Group under the LTIP and DSBP. The voting rights in relation to these shares are exercised by the Trustee and dividends are waived while the shares are held by the Trustee.

Share Incentive Plan

The Group operated a Share Incentive Plan during the year under review, enabling employees of the Group to acquire shares in the Group. In order to preserve certain tax benefits, these shares are held in a trust by EES Corporate Trustees Limited for participating employees. Whilst these shares are held in trust, the voting rights attached to them will not be exercised by the Trustee or the employees for whom they are held. As at 6 September 2017 (being the latest practical date prior to the date of this report), 1% of the issued share capital of the Group, less treasury shares, was held by EES Corporate Trustees Limited. In the event of an offer being made to acquire these shares, the employees are entitled to direct EES Corporate Trustees Limited to accept an offer in respect of the shares held on their behalf.

Save As You Earn Scheme

The Group also operates a save as you earn scheme known as The Go-Ahead Group Plc 2013 Savings-Related Share Option Scheme (Sharesave), for which the last launch was in February 2016. Under Sharesave, all permanent employees who have completed at least six months' continuous service with a participating company are invited to make monthly savings of between £5 and £50 for three years. At the end of the savings term, participants have the choice of their money back, or to purchase Go-Ahead Group shares at a 20% discount to the market price set at the date of invitation.

In May 2017, Sharesave 2014 matured with an option price of £17.34. Employees have until 25 October 2017 to submit their instructions.

Political donations and expenditure

It is the Group's policy not to make political donations and accordingly no such payments were made in the year (2017: £nil). Additionally, the Group did not incur any political expenditure as defined in the Act (2017: £nil).

Employees

Details of the Group's employee policies, including those concerning the employment of disabled persons and employee engagement, are provided on pages 36 to 37 within the 'People' section. There have been no significant changes to our policies over the year.

Reappointment of external auditor

Details of the reappointment of the external auditor are provided on page 66.

Post balance sheet events

On 6 July 2017, the Group raised a £250m bond which will replace the £200m bond.

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 30 and 31. In addition, note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to price risk, credit risk, liquidity risk and cash flow risk.

Cash generation from the Group's bus and rail operations was strong and the balance sheet remains robust. Core financing is provided by a £250m sterling bond entered into on 6 July 2017 securing financing to 2024 and committed bank facilities of £280.0m to July 2021. The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

The directors are also required to provide a broader assessment of viability over a longer period, which can be found on page 41.

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.

Directors' statement of responsibilities

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. Detailed below are statements made by the directors in relation to their responsibilities and disclosure of information to the Group's auditor.

Financial statements and accounting records

Under company law, the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- Present fairly the financial position, financial performance and cashflows of the Group
- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Make judgements and estimates that are reasonable and prudent
- Provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- State whether the Group financial statements have been prepared in accordance with IFRS as adopted by the European Union

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the Group financial statements comply with the Act and Article 4 of the IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the strategic report, directors' report, including the directors' remuneration report and the corporate governance report, in accordance with the Act and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's corporate website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement of responsibility under the Disclosure and Transparency Rules

The directors confirm to the best of their knowledge:

- The financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole
- The strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face

Directors' statement under the UK Corporate Governance Code

The directors further confirm, to the best of their knowledge, that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Disclosure of information to the auditor

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by section 418(3) of the Act), of which the Group's auditor is unaware and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

By order of the Board

Carolyn Ferguson,
Group Company Secretary
6 September 2017

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 1 July 2017 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 IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 of The Go-Ahead Group plc (the 'parent company') and its subsidiaries (the 'Group') which comprise:

- the consolidated income statement;
- the consolidated and company statements of comprehensive income;
- the consolidated and company statements of changes in equity;
- the consolidated and company balance sheets;
- the consolidated cash flow statement;
- the notes to the consolidated financial statements 1 to 28 and to the parent company financial statements 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 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 parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Franchise compliance and associated income under rail contracts • Govia Thameslink Railway (GTR) –operational and financial challenges resulting from industrial action, infrastructure replacement and related issues • Rail franchise, dilapidation and other provisions • Valuation of uninsured liabilities • Valuation of pension scheme liabilities and related disclosure • Revenue recognition for the bus division • Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with
Materiality	The materiality that we used in the current year was £6.65m which was determined as 5% of statutory pre-tax profit.
Scoping	Full audit procedures were performed over 98% of the Group's total assets, 98% of the Group's revenue, and 99% of the Group's profit before tax.
Significant changes in our approach	In the prior year, we identified two key audit matters in relation to the rail business; rail franchise compliance, and rail provisions and accruals. In the current year, whilst these two key audit matters remain, we have separately considered the operational and financial challenges at GTR as a key audit matter to reflect the additional audit focus required in this area due to the complexity of the judgements involved.

Conclusions related to principal risks, going concern and viability statement

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the group contained within the Managing Risk section of the strategic report on page 41.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 43-45 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 42 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;
- the directors' statement in the directors' report on page 106 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 and the parent 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;
- the directors' explanation on page 41 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; or
- whether the directors' statements relating to going concern and the prospects of the company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GO-AHEAD GROUP PLC CONTINUED

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Franchise compliance and associated income under rail contracts

Key audit matter description	As noted in the critical accounting judgements and key sources of estimation uncertainty note on page 116 of the Annual Report, in respect of the three 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 1 July 2017 totalled £2,579.1m (2016: £2,498.0m) for the rail operating segment. Due to the complexity of the franchise arrangements, and hence the level of management judgement involved, we deemed this a potential fraud risk for our audit.
How the scope of our audit responded to the key audit matter	• We have read the franchise agreements, understood their critical elements and ensured compliance with the franchise requirements. We held meetings with each of the franchise compliance managers to assess whether there were any new issues of non-compliance or expected non-compliance, and whether any franchise committed obligations would not be delivered. • We performed detailed testing of all significant assets, provisions and accruals, and associated revenue or costs recognised to assess whether their recognition and quantum was appropriately stated. We assessed whether there were any indicators that the assets or liabilities held should no longer be recognised due to the passage of time, changes in contractual commitments, or legal requirements. • We assessed whether the provisions met the criteria for recognition under IAS 37 and whether they had been appropriately classified. • We tested the schedules prepared by management to source information, evaluated whether they were compliant with the franchise agreements, and tested the calculations applied including recalculation where relevant. • We held meetings with the Finance Directors and members of the finance 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. • We reviewed relevant legal documentation and minutes of meetings held with the Department for Transport (DfT). • We reviewed the accounts disclosures to assess whether they were appropriate.
Key observations	The results of our procedures were satisfactory. We concurred with the judgements made and the resultant accounting for all rail franchise contracts.

Govia Thameslink Railway (GTR) – operational and financial challenges resulting from industrial action, infrastructure replacement and related issues

Key audit matter description	This key audit matter related to the judgements associated with franchise compliance at GTR and the completeness of any potential issues where revenue could be overstated or provisions/accruals required. During the year there has been ongoing industrial action, infrastructure replacement and related issues. There has been continuing discussions with the Department for Transport (DfT) regarding a number of contractual variations relating to these and other factors relating to the terms of the original contract. This is noted in the critical accounting judgements and key sources of estimation uncertainty note on page 116 and in the key financial and internal control matters noted on page 70 of the Annual Report. Due to the complexity of the GTR franchise and the associated accounting, we deemed this a potential fraud risk for our audit.
How the scope of our audit responded to the key audit matter	• We reviewed relevant legal documentation and minutes of meetings held with the DfT. • We gained an understanding of each significant accrual and provision, the basis of estimation and the range of possible outcomes, discussed with the Finance Director and relevant members of the finance, operations franchise compliance and infrastructure management teams. We have corroborated the existence and quantum of each obligation to supporting documentation and re-performed management's calculations. • We assessed whether the provisions met the criteria for recognition under IAS 37 and whether they had been appropriately classified. • We have read the franchise agreement, understood its critical elements and verified that the revenue recognised is in accordance with the franchise requirements. • We assessed management's rationale for not recognising the GTR franchise as an onerous contract. • We reviewed the accounts disclosures relating to this key audit matter to assess whether they were appropriate.
Key observations	We concluded that the assumptions used by management in not recognising the GTR contract as onerous were reasonable. We concurred with management's judgements and accounting treatment relating to the liabilities associated with the GTR franchise. We observed that negotiations have been concluded with the DfT in relation to past performance periods and financial commitments in respect of obligations not achieved. This resulted in the settlement of £13.4m, which will be utilised to fund a package of performance and passenger improvements. We concurred with the disclosure of the high level of estimation risk in the judgements surrounding the GTR contract in the Annual Report. Specifically, the Annual Report discloses a potential impact to profit of plus or minus £5m relating to ongoing discussions about service changes and rolling stock cascades in 2018 as part of the Thameslink Programme. This is detailed on page 21 of the Annual Report.

Rail franchise, dilapidation and other provisions

Key audit matter description	This key audit matter related to the valuation of contractual and property related liabilities, in particular third party claims; and dilapidation provisions relating to rolling stock, depots and stations (see note 24 of the financial statements). Franchise commitments total £53.0m as at 1 July 2017 (2016: £60.1m). This is noted in the critical accounting judgements and key sources of estimation uncertainty note on page 116 and in the key financial and internal control matters in the audit committee report on page 70 of the Annual Report. Due to the level of management judgement involved, we deemed this a potential fraud risk for our audit.
How the scope of our audit responded to the key audit matter	• We gained an understanding of each significant accrual or provision and the basis of estimate with the Finance Director and relevant members of the finance team. • Where possible, we have corroborated amounts to supporting documentation and evidence for the existence of the obligation. We have re-performed management's calculations to assess the quantum of the obligation outstanding at year-end. • We assessed whether the provisions met the criteria for recognition per IAS 37 and whether they have been appropriately classified as provisions or as an accrual depending on the level of uncertainty of the liability as in certain cases the amount to be paid can become known. • We assessed whether the third parties used to estimate relevant valuations have the appropriate experience, qualifications and knowledge of the business, and agreed the findings from their surveys into the provision. • We reviewed relevant legal documentation and correspondence with Network Rail.
Key observations	The results of our procedures were satisfactory and we concurred with the level of provisions held, which were supported by third party reports or evidence.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GO-AHEAD GROUP PLC CONTINUED

Valuation of uninsured liabilities

Key audit matter description	This key audit matter related to the valuation of insurance related liabilities and in particular the completeness of motor and other liabilities 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 provision also required significant levels of management judgement regarding the level of provision required in respect of claims incurred but not reported 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 1 July 2017 was £44.3m (2016: £42.1m) (see note 24: Provisions). It is noted in the critical accounting judgements and key sources of estimation uncertainty note on page 116 and in the key financial and internal control matters in the audit committee report on page 70 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 gained a detailed understanding of the methodology used to calculate the claims incurred liabilities. • We tested the completeness of the information received and gained a detailed understanding of the approach used to determine the provision for claims incurred but not received and tested this provision against historical trends. • We reviewed group and subsidiary Board minutes, Board papers and held discussions with management to identify any significant matters which should have been considered when creating the 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.
Key observations	The results of our procedures were satisfactory and we concurred with the level of provisions held. We note that the element of the provision which relates to incurred but not reported claims, by its judgemental nature, is conservatively derived. This element totals £7.7m (2016: £5.8m) of the £44.3m (2016: £42.1m) total self-insurance provision.

Valuation of pension scheme liabilities and related disclosure

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 liability provided as set out in the critical accounting judgements and key sources of estimation uncertainty note on page 116. 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, which changed during the year. The liabilities of the schemes are highly sensitive to any changes in long-term assumptions year on year which could materially impact the Group's balance sheet position. The values and associated disclosures are set out in note 27 and also discussed in the key financial and internal control matters in the audit committee report on page 70 of the Annual Report.
How the scope of our audit responded to the key audit matter	• We involved our actuarial experts to assess whether the values used by management's actuaries for key assumptions at the year end are within Deloitte's acceptable range with a focus on estimations of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate. • We involved our actuarial experts to assess the appropriateness of the methodology used by management's actuaries to calculate the liabilities for the pension schemes. • We tested the membership data utilised by the actuaries to calculate the liabilities for the pension scheme. • We reviewed the accounting treatment of the Railway Pension Scheme for compliance with the Group's accounting policy and IFRS. • We assessed the pension disclosures in the financial statements and considered their compliance with the requirements of IAS 19 revised.
Key observations	We are satisfied that the assumptions applied in respect of the valuation of the scheme assets and liabilities are appropriate. These assumptions fall within the middle of our acceptable range. We concurred with the accounting treatment adopted for the Rail Pension Scheme, which changed during the year, and the disclosure of this change as per note 3 of the Annual Report. We consider the disclosure around the sensitivity analysis to be appropriate and consistent with our work performed as per note 27 of the Annual Report.

Revenue recognition – bus

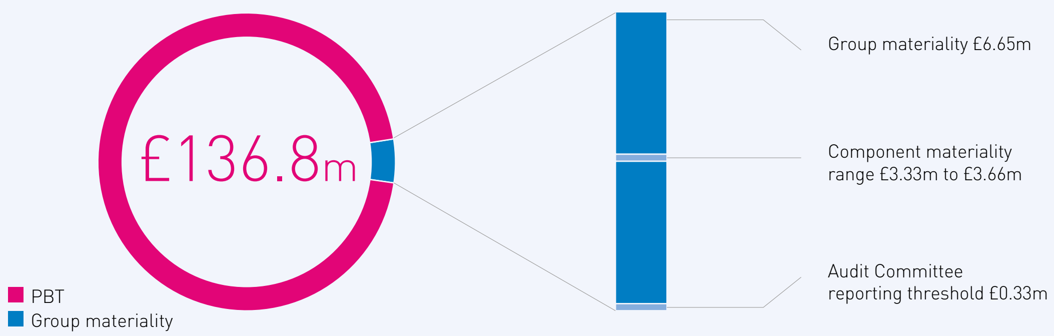
Key audit matter description	In the bus division the key audit matter over revenue recognition has been focused on whether recognising revenue in relation to concessionary fare income, contract sales and most significantly Quality Incentive Contract premiums (QIC) in London Bus is appropriate. Judgement is involved in determining QIC revenue which is based on performance measures associated with the contract. Revenue for the year ended 1 July 2017 totalled £902m (2016: £863m) for the bus operating segment. Due to the judgement involved in determining QIC revenue we deemed this a potential fraud risk for our audit.
How the scope of our audit responded to the key audit matter	• We gained an in-depth understanding of the process undertaken to recognise revenue in the bus businesses with the finance team ensuring this was in-line with external contracts in place. • We performed detailed testing to supporting documentation of the key revenue balances at each bus business within our audit scope including a focus on the Quality Incentive Contract premium income recognised in London Bus.
Key observations	We are satisfied that the recognition of revenue in bus is appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£6.65m (2016: £3.97m)
Basis for determining materiality	5% of statutory pre-tax profit (2016: 5%)
Rationale for the benchmark applied	Pre-tax profit was selected as the appropriate measure on which to calculate materiality as it is considered an area of focus for the users of the accounts.



We agreed with the audit committee that we would report to the committee all audit differences in excess of £332k (2016: £78k), 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.

The clearly trivial threshold over which we report audit differences to the audit committee has increased year-on-year due to the increase in group materiality and the low level of audit adjustments identified in the prior year. This is now calculated at 5% (2016: 2%) of group materiality).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GO-AHEAD GROUP PLC CONTINUED

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 12 principal locations including all the UK rail businesses which were subject to a full audit. The locations in scope represent the principal business units and account for 98% of the Group's total assets, 98% of the Group's revenue and 99% 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 ranged from £3.33m to £3.66m. In addition, we visited the site in Singapore and reviewed the local auditor's working papers. Whilst not material to the Group (representing 1% of turnover for 2017), this is a new operation which began trading during the financial year.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team continued to follow a programme of planned visits that has been designed so that either the Senior Statutory Auditor or a senior member of the group audit team visits each of the locations where the group audit scope was focused at least once every year and the most significant of them at least twice a year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report including the strategic report on pages 1-45 and the corporate governance section on pages 46-99 other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our auditor's 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 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 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 the 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.

A further description of our responsibilities for the audit for the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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 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 arising from these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Company at its annual general meeting on 22 October 2015 to audit the financial statements for the year ending 2 July 2016 and subsequent financial periods. Our total uninterrupted period of engagement is 2 years, covering periods from our appointment through to the period ending 1 July 2017.

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).

Christopher Powell, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

6 September 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 1 July 2017

	Notes	2017 £m	Restated* 2016 £m
Group revenue	5	**3,481.1**	3,361.3
Operating costs	6	**(3,330.5)**	(3,198.7)
Group operating profit		**150.6**	162.6
Share of result of joint venture		**(0.4)**	–
Finance revenue	5, 8	**2.4**	3.2
Finance costs	8	**(15.8)**	(20.8)
Profit on ordinary activities before taxation		**136.8**	145.0
Tax expense	9	**(25.3)**	(26.9)
Profit for the year from continuing operations		**111.5**	118.1
Attributable to:			
Equity holders of the parent		**89.1**	93.7
Non-controlling interests		**22.4**	24.4
		111.5	118.1
Earnings per share			
– basic	10	**207.7p**	218.2p
– diluted	10	**207.1p**	216.9p
Dividends paid (pence per share)	11	**97.69p**	91.73p
Final dividend proposed (pence per share)	11	**71.91p**	67.52p

* Restated for the change in accounting policy regarding rail pension schemes as explained in note 3.

The year ended 1 July 2017 was a 52 week year compared with the year ended 2 July 2016 which was a 53 week year.

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 3.6% to £3,481.1m (2016: £3,361.3m). The rail operations comprised 74.1% of the total revenue and grew by 3.2% during the year to £2,579.1m. Regional bus comprised 10.8% of revenue, growing by 0.2% to £376.6m, and London bus comprised the remaining 15.1%, growing by 7.8% to £525.4m. Divisional performance is shown in note 4.

Operating profit

Overall, the operating profit decreased 7.4% from £162.6m (restated) to £150.6m with reduced profitability in both rail and bus. Rail profit margins decreased from 2.9% to 2.3%, the regional bus margins declined from 12.9% to 12.5% and London bus declined from 8.8% to 8.3%. While cost control is a central focus across the business, rail profitability is further underpinned by the benefits of effective contract management.

Finance costs

Net finance costs have reduced due to a decrease in unwinding of discounting on provisions and interest pension costs.

Tax expense

The tax expense decreased from £26.9m in 2016 to £25.3m. The 2017 effective tax rate is 18.5% (2016:18.6%). In both years the effective rate is lower than the statutory rate primarily due to the impact of the opening deferred tax rate reduction.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 1 July 2017

	Notes	2017 £m	Restated 2016 £m
Profit for the year		**111.5**	118.1
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement (losses)/gains on defined benefit pension plans	27	**(24.2)**	55.6
Tax relating to items that will not be reclassified	9	**4.1**	(11.3)
		(20.1)	44.3
Items that may subsequently be reclassified to profit or loss			
Unrealised losses on cashflow hedges		**(3.2)**	(17.4)
Losses on cashflow hedges taken to income statement – operating costs		**6.7**	28.7
Tax relating to items that may be reclassified	9	**(0.9)**	(2.1)
Foreign exchange (loss)/gain		**(0.3)**	0.4
		2.3	9.6
Other comprehensive (losses)/ gains for the year, net of tax		**(17.8)**	53.9
Total comprehensive income for the year		**93.7**	172.0
Attributable to:			
Equity holders of the parent		**71.3**	147.6
Non-controlling interests		**22.4**	24.4
		93.7	172.0

The consolidated statement of comprehensive income records all of the income and losses generated for the year

Highlights of the movements in the year are set out below:

Profit for the year

The profit for the year after taxation is £111.5m and includes amounts attributable to equity shareholders and non-controlling interests.

Remeasurement of defined benefit pension plans

As disclosed in note 27 the remeasurement losses on defined benefit pension plans were £24.2m, which consisted of rail pension plans showing remeasurements of £nil and bus pension plans showing remeasurements of £24.2m.

Unrealised losses on cashflow hedges

The Group manages its exposure to the future cost of diesel through a programme of hedging. At each period end the derivatives used are marked to a market price and the amounts attributable to future periods are revalued through the statement of comprehensive income.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 1 July 2017

	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 27 June 2015	72.1	(68.8)	(20.0)	1.6	0.7	79.7	65.3	17.4	82.7
Profit for the year restated	–	–	–	–	–	93.7	93.7	24.4	118.1
Net movement on hedges (net of tax)	–	–	9.2	–	–	–	9.2	–	9.2
Remeasurement on defined benefit retirement plans (net of tax) (note 27) restated	–	–	–	–	–	44.3	44.3	–	44.3
Foreign exchange gain	–	–	–	–	–	0.4	0.4	–	0.4
Total comprehensive income	–	–	9.2	–	–	138.4	147.6	24.4	172.0
Exercise of share options	–	2.3	–	–	–	(2.3)	–	–	–
Share based payment charge (and associated tax) (note 7)	–	–	–	–	–	2.0	2.0	–	2.0
Acquisition of own shares	–	(4.4)	–	–	–	–	(4.4)	–	(4.4)
Dividends (note 11)	–	–	–	–	–	(39.4)	(39.4)	(17.8)	(57.2)
At 2 July 2016	72.1	(70.9)	(10.8)	1.6	0.7	178.4	171.1	24.0	195.1
Profit for the year	**–**	**–**	**–**	**–**	**–**	**89.1**	**89.1**	**22.4**	**111.5**
Net movement on hedges (net of tax)	**–**	**–**	**2.6**	**–**	**–**	**–**	**2.6**	**–**	**2.6**
Remeasurement on defined benefit retirement plans (net of tax) (note 27)	**–**	**–**	**–**	**–**	**–**	**(20.1)**	**(20.1)**	**–**	**(20.1)**
Foreign exchange loss	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**
Total comprehensive income	**–**	**–**	**2.6**	**–**	**–**	**68.7**	**71.3**	**22.4**	**93.7**
Exercise of share options	**–**	**1.4**	**–**	**–**	**–**	**(1.4)**	**–**	**–**	**–**
Share based payment charge (and associated tax) (note 7)	**–**	**–**	**–**	**–**	**–**	**2.4**	**2.4**	**–**	**2.4**
Acquisition of own shares	**–**	**(2.4)**	**–**	**–**	**–**	**–**	**(2.4)**	**–**	**(2.4)**
Share issue	**1.5**	**–**	**–**	**–**	**–**	**–**	**1.5**	**–**	**1.5**
Dividends (note 11)	**–**	**–**	**–**	**–**	**–**	**(41.8)**	**(41.8)**	**(21.3)**	**(63.1)**
At 1 July 2017	**73.6**	**(71.9)**	**(8.2)**	**1.6**	**0.7**	**206.3**	**202.1**	**25.1**	**227.2**

The consolidated statement of changes in equity shows the movements in equity shareholders' funds and non-controlling interests

Equity shareholders' funds increased from £171.1m to £202.1m as a result of retained profit for the year exceeding dividend payments.

Non-controlling interests have increased from £24.0m to £25.1m and consist of the appropriate share of rail profits, less dividends paid to non-controlling interests during the year.

CONSOLIDATED BALANCE SHEET

as at 1 July 2017

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Property, plant and equipment	12	**575.2**	494.3
Intangible assets	13	**91.5**	82.8
Trade and other receivables	17	**–**	1.6
Other financial assets	23	**–**	0.2
Deferred tax assets	9	**6.1**	4.2
Interests in joint ventures		**0.8**	–
		673.6	583.1
Current assets			
Inventories	16	**18.9**	18.3
Trade and other receivables	17	**332.5**	337.0
Other financial assets	23	**0.2**	0.6
Cash and cash equivalents	18	**590.2**	636.3
		941.8	992.2
Assets classified as held for sale	15	**1.7**	0.8
Total assets		**1,617.1**	1,576.1
Liabilities			
Current liabilities			
Trade and other payables	19	**(836.6)**	(872.5)
Other financial liabilities	23	**(7.3)**	(10.3)
Interest-bearing loans and borrowings	20	**(201.5)**	–
Current tax liabilities	9	**(12.0)**	(18.9)
Provisions	24	**(40.3)**	(32.0)
		(1,097.7)	(933.7)
Non-current liabilities			
Trade and other payables	19	**(1.0)**	(4.3)
Other financial liabilities	23	**(3.0)**	(4.1)
Interest-bearing loans and borrowings	20	**(157.6)**	(312.4)
Retirement benefit obligations	27	**(20.9)**	(2.7)
Deferred tax liabilities	9	**(47.8)**	(50.1)
Provisions	24	**(61.9)**	(73.7)
		(292.2)	(447.3)
Total liabilities		**(1,389.9)**	(1,381.0)
Net assets		**227.2**	195.1
Capital & reserves			
Share capital	25	**73.6**	72.1
Reserve for own shares	25	**(71.9)**	(70.9)
Hedging reserve	25	**(8.2)**	(10.8)
Share premium reserve	25	**1.6**	1.6
Capital redemption reserve	25	**0.7**	0.7
Retained earnings	25	**206.3**	178.4
Total shareholders' equity		**202.1**	171.1
Non-controlling interests		**25.1**	24.0
Total equity		**227.2**	195.1

The financial statements were approved by the Board of Directors on 6 September 2017 and were signed on its behalf by:

Andrew Allner,
Chairman

Patrick Butcher,
Group Chief Financial Officer

The consolidated balance sheet shows all of our assets and liabilities at the year end

Further details of the major movements of our assets and liabilities in the year are set out below:

Assets

Property, plant and equipment

Overall, the property, plant and equipment totalled £575.2m, £80.9m up on the prior year, with the vast majority held in the bus division in freehold land and buildings and bus vehicles. During the year the Group spent £141.9m on assets, £112.7m in the bus division as part of our commitment to the investment in our bus fleet, and £29.2m in the rail division; offsetting this were depreciation charges of £65.4m, £56.1m in bus and £9.3m in rail.

Intangible assets

Of the total intangible balance of £91.5m, goodwill on the acquisition of bus businesses represents £81.5m, including an addition in the year of £5.6m resulting from the acquisition of Thamesdown Transport Limited. Other additions during the year comprised £1.9m of software costs and £3.1m of franchise bid costs. Acquisitions with customer contracts comprised £1.1m in the bus business. The amortisation charge for the year totalled £3.1m.

Other current assets

The Group's current assets totalled £941.8m, down £50.4m on the prior year. Of this decrease, £46.1m was in cash and £4.5m was in trade and other receivables, mainly held in the rail business.

Trade and other payables

Trade and other payables have decreased by £35.9m to £836.6m, mainly attributable to a reduction in central government payments in the rail business.

Other financial liabilities

Included in current liabilities is £7.3m and in non-current liabilities is £3.0m which represent the mark to market value of the fuel hedges, split between those due within one year and those due in more than one year.

Interest bearing loans and borrowings

Non-current interest bearing loans and borrowings totalled £157.6m, down from £312.4m in 2016. Principal balances within this are amounts drawn on our revolving credit facility of £156.0m offset by deferred debt issue costs. Current interest bearing loans and borrowings totalled £201.5m, £nil in 2016. This is mainly attributable to the £200.0m corporate bond which is now classified as current. Interest rates and movements on these balances are shown in full in note 20.

Retirement benefit obligations

Further details of the retirement benefit obligations in both bus and rail are shown in note 27. The deficit on the bus schemes total £20.9m and represents the excess of future liabilities compared to current assets in the pension fund. This deficit is primarily being addressed using an asset backed off balance sheet funding arrangement agreed with the scheme trustees. Under the terms of the agreement, with the scheme trustees, cash payments of £3.9m per annum, payable for 21 years, commencing on 31 December 2013 and increasing at a growth rate of 3% each year, are made by the Group. The rail deficit is £nil reflecting that the franchise adjustment (for the amounts which are the ongoing responsibility of the DfT or others beyond the franchise term) offsets the pension scheme deficit calculated.

Provisions

As shown in note 24, the Group provides for both uninsured claims and for rail franchise commitments including property and rolling stock dilapidations.

The total provision for uninsured claims of £44.3m is £2.2m higher than in 2016. Rail franchise commitments are lower than prior year at £53.0m. 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 1 July 2017

	Notes	2017 £m	Restated 2016 £m
Profit after tax for the year		**111.5**	118.1
Net finance costs	8	**13.4**	17.6
Tax expense	9	**25.3**	26.9
Depreciation of property, plant and equipment	12	**65.4**	55.2
Amortisation of intangible assets	13	**3.1**	3.0
Share of result of joint venture		**0.4**	–
Profit on sale of assets held for sale		**–**	(0.7)
(Profit)/loss on sale of property, plant and equipment		**(0.3)**	0.7
Share based payment charges	7	**2.7**	2.2
Difference between pension contributions paid and amounts recognised in the income statement		**(6.0)**	(3.4)
Increase in inventories		**(0.3)**	(0.4)
Decrease/(increase) in trade and other receivables		**8.0**	(76.8)
(Decrease)/increase in trade and other payables		**(40.7)**	99.0
Movement in provisions		**(4.3)**	(4.3)
Cashflow generated from operations		**178.2**	237.1
Taxation paid	9	**(34.1)**	(24.8)
Net cashflows from operating activities		**144.1**	212.3
Cashflows from investing activities			
Interest received		**2.4**	3.2
Proceeds from sale of property, plant and equipment		**2.2**	2.3
Proceeds from sale of assets held for disposal		**–**	5.9
Purchase of property, plant and equipment		**(141.9)**	(113.9)
Purchase of intangible assets		**(5.0)**	(0.7)
Purchase of businesses	14	**(11.7)**	(0.5)
Cash acquired with subsidiary		**0.5**	–
Net cashflows used in investing activities		**(153.5)**	(103.7)
Cashflows from financing activities			
Interest paid		**(15.1)**	(16.2)
Dividends paid to members of the parent	11	**(41.8)**	(39.4)
Dividends paid to non-controlling interests		**(21.3)**	(17.8)
Payment to acquire own shares		**(2.4)**	(4.4)
Foreign exchange (loss)/gain		**(0.3)**	0.4
Proceeds from borrowings		**43.8**	2.0
Proceeds from issue of shares		**1.5**	–
Payment of finance lease and hire purchase liabilities		**(1.1)**	(1.1)
Net cash outflows on financing activities		**(36.7)**	(76.5)
Net (decrease)/increase in cash and cash equivalents		**(46.1)**	32.1
Cash and cash equivalents at 2 July 2016	18	**636.3**	604.2
Cash and cash equivalents at 1 July 2017	18	**590.2**	636.3

Cash balances of £516.1m (2016: £562.3m) were held as restricted at 1 July 2017, further details are shown in note 18.

The consolidated cashflow statement shows the cashflows from operating, investing and financing activities for the year

Net cash/debt

Closing adjusted net debt was £285.8m, a negative movement of £46.5m from opening adjusted net debt of £239.3m.

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	2017 £m	Restated 2016 £m	Increase/ (decrease) £m
EBITDA	**219.1**	220.8	(1.7)
Working capital/other items (excluding restricted cash movements)	**5.3**	(8.4)	13.7
Cashflow generated from operations	**224.4**	212.4	12.0
Tax paid	**(34.1)**	(24.8)	(9.3)
Net interest paid	**(12.7)**	(13.0)	0.3
Net capital investment	**(144.7)**	(106.4)	(38.3)
Free cashflow	**32.9**	68.2	(35.3)
Net acquisitions	**(11.2)**	(0.5)	(10.7)
Other	**(4.2)**	(0.7)	(3.5)
Payments to acquire own shares	**(2.4)**	(4.4)	2.0
Proceeds from issue of shares	**1.5**	–	1.5
Dividends paid	**(63.1)**	(57.2)	(5.9)
(Increase)/Decrease in adjusted net debt[1]	**(46.5)**	5.4	(51.9)
Opening adjusted net debt[1]	**(239.3)**	(244.7)	n/a
Closing adjusted net debt[1]	**(285.8)**	(239.3)	n/a

1. Adjusted net debt represents net cash less restricted cash.

EBITDA (earnings before interest, tax, depreciation and amortisation) decreased by £1.7m or 0.8% to £219.1m through a small decrease in profitability, mainly within the rail division.

Capital expenditure, net of sale proceeds, was £38.3m higher in the year at £144.7m (2016: £106.4m) predominantly due to new bus vehicle purchases in both the regional bus and London bus fleet.

Tax payments in the year increased by £9.3m to £34.1m primarily due to settlement of prior years' tax charges.

EBITDA reconciliation

	2017 £m	Restated 2016 £m
Profit after tax for the year	**111.5**	118.1
Net finance costs	**13.4**	17.6
Tax expense	**25.3**	26.9
Depreciation of property, plant and equipment	**65.4**	55.2
Amortisation of intangible assets	**3.1**	3.0
Share of result of joint venture	**0.4**	–
	219.1	220.8

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Exceptional operating items

In certain years the Group presents as exceptional operating items on the face of the income statement, material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance. The determination of whether items merit treatment as exceptional in a particular year is therefore a matter of judgement. There are no exceptional items in the current or comparative year.

Accounting for the rail pension schemes

The train operating companies participate in the RPS, a defined benefit pension scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses the RPS is a shared cost scheme which means that costs are formally shared 60% employer 40% employee. In the year ended 1 July 2017 the Group has changed the way in which it accounts for rail pension schemes in its income statement. The Group has revised its accounting policy so that only the Group's resulting share of costs are recognised. This compares to the previous approach where the full service cost was included within the income statement and the majority of the franchise adjustments were recognised through the statement of comprehensive income. Please refer to note 3 for further details.

Uninsured claims

The measurement of uninsured liabilities is based on an assessment of both the expected settlement of known claims and of the cost of claims not yet reported to the Group, as detailed in note 24. In order to assess the appropriate level of provisions the Group engages with its brokers and claims handlers to ensure external expertise is adequately factored in to the provision for known claims.

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

Contract and franchise accounting

The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them is governed by a number of contracts between the major participants, the DfT, Network Rail and train operating companies. These contracts include detailed performance regimes which determine the allocation of financial responsibility relating to the attribution of delays. The processes for attribution, whilst well understood, require detailed assessment and can take significant time to resolve, particularly in unusual circumstances.

The Group makes provision for income and costs relating to performance regimes and contractual obligations relating to operating delays caused by Network Rail, or caused by our own operating companies. This process can be based primarily on previous experience of settling such claims, or, in certain circumstances based on management's view of the most likely outcome of individual claims. The Group has significant internal expertise to assess and manage these aspects of the agreements and the issues relating to delay attribution to enable management to assess the most probable outcomes, nonetheless significant judgements are required, which can have material impacts on the financial statements.

Accordingly judgements in these and other areas are made on a continuing basis with regard to amounts due and the recoverable carrying value of related assets and liabilities arising from franchises and other contracts. Regular reviews are performed on the expected outcome of these arrangements, which require assessments and judgements relating to the expected level of revenues and costs. The GTR franchise is complex and there are a number of contractual discussions underway with the DfT that have a range of reasonably possible outcomes. Management's judgements are that, relating to events up to 1 July 2017, the impact on rail profitability of these outcomes is likely to be within a range of plus or minus £5m. Contract and franchise accounting specific to the rail business is disclosed in the segmental analysis in note 4.

Measurement of franchise commitments

The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations and also income claims from other rail franchise operators is set out in note 24. Significant elements of the provisions required are subject to interpretation of franchise agreements and rolling stock agreements. The Group has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the most probable outcomes. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from professional external advisors to support provision levels.

Retirement benefit obligations – Bus schemes

The measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 27. The Group engages Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to the Group's particular circumstances. Management also benchmark these assumptions on a periodic basis with other professional advisors.

1. Authorisation of financial statements and statement of compliance with IFRSs

The consolidated financial statements of The Go-Ahead Group plc (the Group) for the year ended 1 July 2017 were authorised for issue by the Board of directors on 6 September 2017 and the balance sheet was signed on the Board's behalf by Andrew Allner and Patrick Butcher. The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Group's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) as they apply to the consolidated financial statements of the Group for the year ended 1 July 2017, and applied in accordance with the provisions of the Companies Act 2006.

The Group is required to comply with IFRS's 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.

New standards

The following new standards or interpretations are mandatory for the first time for the financial year ended 1 July 2017:

- Annual Improvements to IFRSs 2012 – 2014 Cycle
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 Presentation of Financial Statements – Disclosure Initiative (amendment)
- IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants (amendment)
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (amendment)
- IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (amendment)
- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (amendment)
- IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (amendment)

Reflecting the nature of the Group, adoption of these new standards and interpretations had no material impact on the financial position or reported performance of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of The Go-Ahead Group plc and its subsidiaries as at 1 July 2017.

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 of which two or more parties have joint control and rights to the net assets. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Interests in joint arrangements are accounted for as either a joint venture or a joint operation in accordance with IFRS 11 'Joint Arrangements'.

A joint arrangement is accounted for as a joint venture when the Group, along with other parties have joint control and rights to the net assets of the arrangement. Joint ventures are equity accounted in accordance with IAS 28 'Investments in associates and joint ventures' (revised). A joint arrangement is accounted for as a joint operation when the Group, along with other parties have joint control of the arrangement, rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by including the Group's share of the assets, liabilities, income and expense on a line by line basis.

Revenue recognition

Revenue is recognised to the extent that it is probable that the income will flow to the Group and the value can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

2. Summary of significant accounting policies continued

Rendering of services

The revenue of the Group comprises income from road passenger transport and rail passenger transport.

Bus revenue comprises contractual income from Transport for London ('TfL') in London bus and amounts receivable generated from ticket sales and revenue generated from services provided on behalf of local transport authorities.

Rail revenue comprises amounts based principally on agreed models of route usage, by Railway Settlement Plan Limited (which administers the income allocation system within the UK rail industry), in respect of passenger receipts and other related services such as rolling stock maintenance and commission on tickets sold. In addition, franchise subsidy receipts from the DfT and local Passenger Transport Executives (PTEs) are treated as revenue, whereas franchise premium payments to the DfT are recognised in operating costs. In relation to the GTR franchise, passenger revenue is collected and remitted to the DfT net of management charges payable by DfT as revenue.

Revenue is recognised by reference to the stage of completion of the customer's journey or for other services based on the proportion of services provided. The attributable share of season ticket or travel card income is deferred within liabilities and released to the income statement over the life of the relevant season ticket or travel card.

Rental income

Rental income is generated from rental of surplus properties and subleasing of rolling stock and railway infrastructure access. It is accounted for on a straight-line basis over the lease term.

Profit and revenue sharing/support agreements

The rail companies have certain revenue and profit sharing agreements with the DfT. An accrual is made within amounts payable to central government for the estimated cost to the Group of the relevant amounts accrued at the balance sheet date. Payments are charged to operating costs.

Revenue support is provided by the DfT typically in the last two years of a franchise. Receipts are shown in revenue.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal and over its 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 bid costs

A key part of the Group's activities is the process of bidding for and securing franchises, principally to operate rail services in the UK. All franchise bid costs incurred prior to achieving preferred bidder status are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Directly attributable, incremental costs incurred after achieving preferred bidder status or entering into a franchise extension are capitalised as an intangible asset and amortised on a straight line basis over the life of the franchise/ franchise extension, which ranges from 7 to 13 years.

Share based payment transactions

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Exceptional operating items

The Group presents as exceptional operating items on the face of the income statement, material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance.

Finance revenue

Interest on deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest-bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other de-recognition of debt are recognised directly in the income statement.

Leases

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet, with a corresponding liability being recognised, and are depreciated over the shorter of their useful lives and the lease terms.

The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Leases where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the income statement on a straight-line basis over the lease term.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- On the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Software

Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

Franchise assets

Where the conditions relating to the award of a franchise require the Group to assume legal responsibility for any pension liability that exists at that point in time, the Group recognises a liability representing the fair value of the related net pension deficit that the Group expects to fund during the franchise term. When a pension deficit exists at the start of the franchise, a corresponding intangible asset is recognised, reflecting a cost in acquiring the right to operate the franchise. If a pension surplus exists at the start of the franchise, then a corresponding deferred income balance is recognised, representing a government grant. The intangible asset or deferred income balance is amortised through the income statement on a straight-line basis over the period of the franchise.

The carrying value of franchise assets is reviewed for impairment at the end of the first financial year following the award of the franchise and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Business combinations and goodwill

Business combinations are accounted for under IFRS 3 Business Combinations (revised) using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 in the income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate from the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion, are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

2. Summary of significant accounting policies continued

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.

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

Stocks of fuel and engineering spares are valued at the lower of cost and net realisable value on a first in first out basis after making due allowance for obsolete and slow moving items. Cost comprises direct materials and costs incurred in bringing the items to their present location and condition. Net realisable value represents the estimated selling price less costs of sale.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cashflow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial assets and derivatives

The Group uses derivatives to hedge its risks associated with fuel price fluctuations, and interest derivatives to hedge its risks associated with interest rate fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Financial assets are accounted for in accordance with IAS 39. Financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss, directly attributable transaction costs.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period in which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

Fair value measurement

The Group measures financial instruments (derivatives) and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

When required, the Group presents the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, expected future cashflows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Uninsured liabilities

The Group limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits for total claims within the excess limits. A provision is recognised for the estimated cost to the Group to settle claims for incidents occurring prior to the balance sheet date.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Group by the insurer.

Treasury shares

Re-acquired shares in the Group, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Group's shares is transferred from the reserve for own shares to revenue reserves.

Retirement benefits

The Group operates a number of pension schemes, both defined benefit and defined contribution. The costs of these are recognised in the income statement.

Bus schemes

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

Contributions payable under defined contribution schemes are charged to operating costs in the income statement as they fall due.

Rail schemes

The train operating companies participate in the RPS, a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. A liability or asset is recognised in line with other defined benefit schemes in the Group, although this is offset by a franchise adjustment so that the net liability or asset (including as appropriate the impact of any minimum funding requirements) represents the deficit or surplus that the Group expects to fund or benefit from during the franchise term. Please refer to note 3 'Restatement of prior year comparatives' and note 27 'Retirement benefit obligations' for further details.

New standards and interpretations not applied

The International Accounting Standards Board has issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
IAS 12 Income Taxes – Recognition of Deferred Tax Assets and Assets for Unrealised Losses (amendment)	1 January 2017
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019

IFRS 9 is effective for periods beginning on or after 1 January 2018. The standard includes requirements for classification, measurement, impairment, and de-recognition of financial assets and liabilities. The Group have assessed that IFRS 9 may impact both the measurement and disclosures of the Group's financial instruments. The value and impact will depend on the nature and value of financial instruments held at that time, but would not be expected to have a material impact in the year ended June 2019.

IFRS 15 is effective for periods beginning on or after 1 January 2018. The standard establishes the principles that an entity is required to apply regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Group does not expect IFRS 15 to have a material impact when implemented in the year ended June 2019 on the basis that in both our rail and bus divisions, our contracted customers are easily recognised, performance obligations are clear and transaction prices are even over the period to which they relate and are time apportioned.

IFRS 16 is effective for periods beginning on or after 1 January 2019. The standard establishes principles for the recognition, measurement, presentation and disclosure of leases. An initial assessment has been carried out and determined IFRS 16 will have a material impact on the Group's balance sheet liabilities. Due to the extensive nature of leasing of rolling stock and other items in the rail business, the Group will continue to assess the impact of the standard, and will provide further quantitative data as we approach implementation in the year ended June 2020.

The directors do not anticipate adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements.

In the year ended 1 July 2017 the Group changed the way in which it accounts for rail pension schemes in its income statement. Please refer to Note 3 'Restatement of prior year comparatives' for further details.

3. Restatement of prior year comparatives

In the financial statements for the year ended 1 July 2017, The Go-Ahead Group has changed the way in which it accounts for defined benefit rail pension schemes impacting the income statement. Reflecting that, under rail franchise agreements, the long term contractual responsibility for the rail pension schemes rests with the Department for Transport, the franchisee is only responsible for agreed funding contributions over the period of the franchise.

The Group's balance sheet only recognises the share of the surplus or deficit expected to be realised over the life of each franchise based on the assumptions and agreements at the balance sheet date. The assessment at 1 July 2017 and at 2 July 2016 is that no net surplus or deficit was required to be included in the balance sheet in respect of the railway pension schemes, after reflecting a franchise adjustment, in an approach consistent with prior years.

The Group has revised its accounting policy to now only recognise the Group's resulting share of service costs in its income statement. The net service cost is therefore calculated looking at the near term liability for the employees only, and the costs of the employer only, over the life of the franchise rather than costs that will be borne by other parties. This takes into account any increase that may come about at triennial reviews within the franchise life or any variations in the annual contributions over the franchise. This compares to the previous approach where the full service cost was included within the income statement and the franchise adjustments arising were recognised through the statement of comprehensive income. Accordingly the railway pensions cost for the period reflects the service cost calculated of £92.6m (2016: £85.5m) and administration costs of £7.2m (2016: £3.9m) now reduced by a franchise adjustment of £62.8m (2016: £45.2m) leading to a net income statement charge of £37.0m (2016: £44.2m).

This new approach better reflects that a substantial part of the service cost relates to an estimate of the cost of benefits accruing in the current year but for which funding falls beyond the duration of the franchise, the contributions for which will be borne by future franchise holders and the Department for Transport. The change has been effected by means of utilising part of the franchise adjustment arising to reduce the expense charged in the income statement to the extent it will be borne by others, rather than it being reflected only through the statement of comprehensive income.

The revision to accounting for railway pension schemes was announced on 29 November 2016 and is considered by the directors to be a better approach to reflect the Group's share of the costs of the railway defined benefit pension schemes in its franchises. The audit committee's consideration of this change is noted within the report of the audit committee on page 70. No changes to the treatment of the bus schemes have arisen reflecting that this matter is unique to the Group's rail franchises.

The tables below detail the adjustments made to the consolidated income statement and the consolidated statement of comprehensive income as a result of the revision to the accounting policy. There was no impact on the consolidated balance sheet as a result of the revision to the accounting policy.

Consolidated income statement

	Reported Year to 2 Jul 16 £m Audited	Impact of change in accounting policy £m	Restated Year to 2 Jul 16 £m Audited
Group revenue	3,361.3	–	3,361.3
Operating costs	(3,243.9)	45.2	(3,198.7)
Group operating profit	117.4	45.2	162.6
Finance revenue	3.2	–	3.2
Finance costs	(20.8)	–	(20.8)
Profit on ordinary activities before taxation	99.8	45.2	145.0
Tax expense	(18.5)	(8.4)	(26.9)
Profit for the year from continuing operations	81.3	36.8	118.1
Attributable to:			
Equity holders of the parent	69.7	24.0	93.7
Non-controlling interests	11.6	12.8	24.4
	81.3	36.8	118.1
Earnings per share			
– basic	162.3p	55.9p	218.2p
– diluted	161.4p	55.5p	216.9p

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Restatement of prior year comparatives continued

Consolidated statement of comprehensive income

	Reported Year to 2 Jul 16 £m Audited	Impact of change in accounting policy £m	Restated Year to 2 Jul 16 £m Audited
Profit for the year	81.3	36.8	118.1
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement gains on defined benefit pension plans	100.8	(45.2)	55.6
Tax relating to items that will not be reclassified	(19.7)	8.4	(11.3)
	81.1	(36.8)	44.3
Items that may subsequently be reclassified to profit or loss			
Unrealised losses on cashflow hedges	(17.4)	–	(17.4)
Losses on cashflow hedges taken to income statement – operating costs	28.7	–	28.7
Tax relating to items that may be reclassified	(2.1)	–	(2.1)
Foreign exchange gain	0.4	–	0.4
	9.6	–	9.6
Other comprehensive gains for the year, net of tax	90.7	(36.8)	53.9
Total comprehensive income for the year	172.0	–	172.0
Attributable to:			
Equity holders of the parent	147.6	–	147.6
Non-controlling interests	24.4	–	24.4
	172.0	–	172.0

4. Segmental analysis

The Group's businesses are managed on a divisional basis. Selected financial data is presented on this basis below.

For management purposes, the Group is now organised into three reportable segments: regional bus, London bus and rail. Operating segments within those reportable divisions are combined on the basis of their long term characteristics and similar nature of their products and services, as follows:

The regional bus division comprises UK bus operations outside London.

The London bus division now comprises bus operations in London under control of Transport for London (TfL), rail replacement and other contracted services in London, and bus operations in Singapore under control of the Land Transport Authority (LTA) of Singapore. These are aggregated as a segment given the similar contractual nature of the business.

The rail operation through an intermediate holding company, Govia Limited, is 65% owned by Go-Ahead and 35% by Keolis and comprises three rail franchises: Southeastern, London Midland and GTR. The division is aggregated for the purpose of segmental reporting under IFRS 8 as each operating company has similar objectives, to provide passenger rail services and achieve a modest profit margin through its franchise arrangements with 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.

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities and accordingly IFRS 8 does not require this information to be presented.

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

The following tables present information regarding the Group's reportable segments for the year ended 1 July 2017 and the year ended 2 July 2016.

Year ended 1 July 2017

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	406.8	545.3	952.1	2,594.6	3,546.7
Inter-segment revenue	(30.2)	(19.9)	(50.1)	(15.5)	(65.6)
Group revenue	376.6	525.4	902.0	2,579.1	3,481.1
Operating costs	(329.5)	(481.8)	(811.3)	(2,519.2)	(3,330.5)
Group operating profit	47.1	43.6	90.7	59.9	150.6
Share of result of joint venture					(0.4)
Net finance costs					(13.4)
Profit before tax and non-controlling interests					136.8
Tax expense					(25.3)
Profit for the year					111.5

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
– Additions	49.6	63.1	112.7	29.2	141.9
– Acquisitions	8.7	–	8.7	–	8.7
– Intangible assets	8.4	–	8.4	3.3	11.7
Depreciation	31.5	24.6	56.1	9.3	65.4

At 1 July 2017, there were non-current assets included within London bus of £2.1m (2016: £1.2m) relating to operations in Singapore. The operations in Singapore commenced trading on 4 September 2016 and the revenue generated during the year to 1 July 2017 was £39.7m (2016: £nil).

We have two major customers which individually contribute more than 10% of the Group revenue, one of which contributes £1,148.6m (2016: £1,076.6m) and the other contributes £479.1m (2016: £481.5m).

4. Segmental analysis continued

Year ended 2 July 2016 Restated

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	403.3	507.2	910.5	2,511.1	3,421.6
Inter-segment revenue	(27.6)	(19.6)	(47.2)	(13.1)	(60.3)
Group revenue	375.7	487.6	863.3	2,498.0	3,361.3
Operating costs	(327.2)	(444.9)	(772.1)	(2,426.6)	(3,198.7)
Group operating profit	48.5	42.7	91.2	71.4	162.6
Net finance costs					(17.6)
Profit before tax and non-controlling interests					145.0
Tax expense					(26.9)
Profit for the year					118.1

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
– Additions	57.4	38.7	96.1	17.8	113.9
– Acquisitions	1.2	–	1.2	–	1.2
– Intangible assets	1.0	0.1	1.1	–	1.1
Depreciation	29.0	18.8	47.8	7.4	55.2

5. Group revenue

This note provides an analysis of Group revenue. For accounting policies see 'Revenue recognition', 'Rendering of services', 'Rental income' and 'Profit and revenue sharing/support agreements' in note 2.

	2017 £m	2016 £m
Rendering of services	**3,502.6**	3,498.5
Rental income	**25.9**	22.8
GTR franchise revenue adjustment	**(179.7)**	(276.0)
Franchise subsidy receipts and revenue support	**132.3**	116.0
Group revenue	**3,481.1**	3,361.3
Finance revenue	**2.4**	3.2
Total Group revenue	**3,483.5**	3,364.5

6. Operating costs

Detailed below are the key amounts recognised in arriving at our operating costs. For accounting policies see 'Profit and revenue sharing/support agreements', 'Property, plant and equipment', 'Government grants' and 'Franchise bid costs' in note 2.

	2017 £m	Restated 2016 £m
Employee costs (note 7)	**1,237.6**	1,170.3
Operating lease payments		
– bus vehicles	**14.0**	15.4
– non-rail properties	**2.6**	3.3
– other non-rail	**0.1**	–
– rail rolling stock	**465.9**	427.7
– other rail	**165.5**	112.2
Total lease and sublease payments recognised as an expense (excluding rail access charges)[1]	**648.1**	558.6
– rail access charges	**489.4**	519.2
Total lease and sublease payments recognised as an expense[2]	**1,137.5**	1,077.8
DfT Franchise agreement (receipts)/payments	**(35.2)**	38.2
Other operating income	**(17.9)**	(17.5)
Depreciation of property, plant and equipment		
– owned assets	**64.9**	54.9
– leased assets	**0.5**	0.3
Total depreciation expense	**65.4**	55.2
Intangible amortisation	**3.1**	3.0
Auditor's remuneration		
– audit of parent financial statements	**0.1**	0.1
– audit of subsidiary financial statements	**0.6**	0.5
Total audit fees	**0.7**	0.6
– taxation compliance services (by EY)	**0.1**	0.1
– other non-audit[3]	**0.4**	0.1
Total non-audit fees	**0.5**	0.2
Total auditor's remuneration	**1.2**	0.8
Trade receivables not recovered	**0.7**	0.8
Energy costs		
– bus fuel	**102.7**	116.8
– rail diesel fuel	**10.8**	9.8
– rail electricity (EC4T)	**120.6**	122.3
– cost of site energy	**15.4**	15.3
Total energy costs	**249.5**	264.2
Government grants	**(2.1)**	(4.1)
(Profit) /loss on disposal of property, plant and equipment	**(0.9)**	0.7
Profit on sale of assets held for sale	**–**	(0.7)
Costs expensed relating to franchise bidding activities	**11.1**	5.7
DfT profit share	**33.5**	43.7
Other operating costs	**647.0**	560.6
Total operating costs	**3,330.5**	3,198.7

1. The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £634.3m (2016: £574.2m), net of sublease payments of £13.8m (2016: £15.6m) relating to other rail leases.
2. The total lease and sublease payments recognised as an expense are made up of minimum lease payments of £1,151.3m (2016: £1,093.4m), net of sublease payments of £13.8m (2016: £15.6m) relating to other rail leases.
3. Other non-audit services of £0.4m (2016: £0.1m) are detailed in the audit committee report on page 68.

During the year, £1.8m (2016: £1.4m) was also paid to other 'Big 4' accounting firms for a variety of services.

Government grant income of £2.1m (2016: £4.1m) is mainly attributable to service improvements including smart ticketing, deliverable over a period of up to five years.

7. 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.

	2017 £m	Restated 2016 £m
Wages and salaries	**1,077.8**	1,017.6
Social security costs[1]	**107.2**	92.2
Other pension costs[1]	**49.9**	58.3
Share based payments charge	**2.7**	2.2
	1,237.6	1,170.3

1. Following changes by the Government looking to simplify certain aspects of pensions regulation from April 2016, the right for employees to contract out of the state pension was removed. After industry wide consultation with active railway pension scheme members, changes were made to the pension scheme rules, which enabled the pension cost to reduce to cover the majority of the impact of the national insurance cost increase arising following these changes.

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

	2017	2016
Administration and supervision	**3,189**	3,007
Maintenance and engineering	**2,698**	2,597
Operations	**23,187**	21,962
	29,074	27,566

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the directors' remuneration report.

Sharesave scheme

Shareholder approval was obtained at the 2013 AGM for the introduction of a new HM Revenue & Customs approved Savings-Related Share Option scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (the Sharesave scheme) for employees of the Group and its operating companies.

The Sharesave scheme is open to all full time and part-time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch, the maximum monthly savings limit set by the Group was £50. At the end of the savings period, employees can buy shares at a 20% discount of the market price set at the date of invitation or take their full savings back.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk free interest rate, forfeiture rate and option life.

There are savings-related options at 1 July 2017 as follows:

Scheme maturity	1 May 2019	1 May 2017
Option price (£)	**19.11**	17.34
No. of options unexercised at 1 July 2017	**326,928**	262,816
No. of options exercised during the year	**63**	85,404
No. of options exercisable at 1 July 2017	**–**	262,816

The expense recognised for the scheme during the year to 1 July 2017 was £0.8m (2016: £0.4m).

The following table illustrates the number and weighted average exercise price (WAEP) of share options for the Sharesave scheme:

	2017 No.	2017 WAEP £	2016 No.	2016 WAEP £
Outstanding at the beginning of the year	**764,904**	**18.19**	436,322	17.34
Granted during the year	**–**	**–**	370,251	19.11
Forfeited during the year	**(89,693)**	**18.14**	(40,002)	17.46
Exercised during the year	**(85,467)**	**17.34**	(1,667)	17.34
Outstanding at the end of the year	**589,744**	**18.32**	764,904	18.19

7. Employee costs continued

The weighted average exercise price at the date of exercise for the options exercised in the period was £17.34 (2016: £17.34).

At the year end, 262,816 (2016: nil) options were exercisable and the weighted average exercise price of the options was £18.32 (2016: £18.19).

The options outstanding at the end of the year have a weighted average remaining contracted life of 1.01 years (2016: 1.79 years).

Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 and 2015 (LTIP). The LTIP provides for executive directors to be awarded nil cost shares in the Group conditional on specified performance conditions being met over a period of three years. Refer to the directors' remuneration report for further details of the LTIP.

The expense recognised for the LTIP during the year to 1 July 2017 was £0.6m (2016: £0.5m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 1 July 2017 and 2 July 2016 were:

	2017 % per annum	2016 % per annum
The Go-Ahead Group plc		
Future share price volatility	**28.0**	21.0
FTSE Mid-250 index comparator		
Future share price volatility	**25.0**	20.0
Correlation between companies	**30.0**	30.0

The weighted average fair value of options granted during the year was £14.90 (2016: £20.82).

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

	2017	2016
Outstanding at the beginning of the year	**84,415**	181,302
Granted during the year	**57,771**	32,618
Forfeited during the year	**(3,047)**	(33,157)
Exercised during the year	**(27,415)**	(96,348)
Outstanding at the end of the year	**111,724**	84,415

At the year end, 11,520 options related to the 2014 LTIP award, which will be eligible to vest from November 2017. The weighted average share price of the options was £17.77 (2016: £19.78).

The weighted average remaining contractual life of the options was 1.33 years (2016: 1.03 years). The weighted average share price of options exercised was £20.33 (2016: £25.44).

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 1 July 2017 was £1.3m (2016: £1.3m).

The DSBP options are not subject to any market based performance conditions. Therefore the fair value of the options is equal to the share price at the date of grant.

The weighted average fair value of options granted during the year was £20.08 (2016: £25.97).

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

	2017	2016
Outstanding at the beginning of the year	**165,646**	136,144
Granted during the year	**44,490**	62,047
Forfeited during the year	**(7,711)**	(18,341)
Exercised during the year	**(26,167)**	(14,204)
Outstanding at the end of the year	**176,258**	165,646

At the year end, 7,427 options related to the 2013 DSBP award and vested in November 2016 but have not yet been exercised by participants. 70,405 options relating to the 2014 DSBP will be eligible to vest from November 2017 following the end of a three year deferral period. The weighted average share price of the options was £17.77 (2016: £19.78).

The weighted average remaining contractual life of the options was 0.81 years (2016: 1.18 years). The weighted average share price of options exercised was £20.10 (2016: £25.57).

7. Employee costs continued

Share incentive plans

The Group operates an HM Revenue & Customs (HMRC) approved share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (SIP). The SIP is open to all Group employees (including executive directors) who have completed at least six months' service with a Group company at the date they are invited to participate in the plan.

The SIP permits the Group to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Group has, so far, made awards of partnership shares only. Under these awards, the Group invites qualifying employees to apply between £10 and £150 per month in acquiring shares in the Group at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Group and employees.

8. Finance revenue and costs

Finance revenue comprises interest received from bank deposits. Finance costs mainly arise from interest due on the bond and bank loans. For accounting policies see 'Finance revenue' and 'Interest-bearings loans and borrowings' in note 2.

	2017 £m	2016 £m
Bank interest receivable on bank deposits	**2.4**	3.2
Finance revenue	**2.4**	3.2
Interest payable on bank loans and overdrafts	**(2.7)**	(2.0)
Interest payable on £200m sterling 7.5 year bond	**(11.0)**	(11.3)
Other interest payable	**(1.7)**	(2.2)
Unwinding of discounting on provisions	**(0.2)**	(2.4)
Interest payable under finance leases and hire purchase contracts	**(0.2)**	(0.8)
Interest on net pension liability	**–**	(2.1)
Finance costs	**(15.8)**	(20.8)

9. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note sets out the deferred tax assets and liabilities held across the Group. For accounting policies see 'Taxation' in note 2.

The Group tax policy can be found at www.go-ahead.com.

a. Tax recognised in the income statement and in equity

	2017 £m	Restated 2016 £m
Current tax charge	**27.2**	28.5
Adjustments in respect of current tax of previous years	**–**	0.6
	27.2	29.1
Deferred tax relating to origination and reversal of temporary differences at 19.75% (2016: 20%)	**1.9**	1.3
Adjustments in respect of deferred tax of previous years	**0.3**	0.2
Impact of opening deferred tax rate reduction	**(4.1)**	(3.7)
Tax reported in consolidated income statement	**25.3**	26.9

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

	2017 £m	Restated 2016 £m
Tax on remeasurement (losses)/ gains on defined benefit pension plans	**(4.1)**	10.1
Deferred tax on cashflow hedges	**0.9**	2.1
Deferred tax on share based payments (taken directly to equity)	**0.3**	0.5
Corporation tax on share based payments (taken directly to equity)	**–**	(0.3)
Impact of opening deferred tax rate reduction	**–**	1.2
Tax reported outside of profit or loss	**(2.9)**	13.6

9. Taxation continued

b. Reconciliation

A reconciliation of income tax applicable to accounting profit on ordinary activities before taxation, at the statutory tax rate, to tax at the Group's effective tax rate for the years ended 1 July 2017 and 2 July 2016 is as follows:

	2017 £m	Restated 2016 £m
Accounting profit on ordinary activities before taxation	**136.8**	145.0
At United Kingdom tax rate of 19.75% (2016: 20%)	**27.0**	29.0
Adjustments in respect of current tax of previous years	**–**	0.6
Bid costs not allowable for tax purposes	**0.6**	0.8
Share scheme costs not allowable for tax purposes	**0.3**	(0.2)
Non-qualifying depreciation	**0.6**	–
Expenditure not allowable for tax purposes	**0.4**	0.2
Adjustments in respect of deferred tax of previous years	**0.3**	0.2
Movement on unrecognised deferred tax on losses carried forward	**0.6**	–
Effect of the difference between current year corporation tax and deferred tax rates	**(0.4)**	–
Impact of opening deferred tax rate reduction	**(4.1)**	(3.7)
Tax reported in consolidated income statement	**25.3**	26.9
Effective tax rate	**18.5%**	18.6%

The Group had subsidiary companies in Germany, Scandinavia and Singapore during the year. Costs incurred by these companies were either expensed in the UK without tax relief being claimed or were carried forward as prepayments without tax relief being claimed during the year. As such the Group was entirely taxable in the UK during the course of the financial year.

The Group has not recognised a deferred tax asset of £0.9m based on a rate of 29% in respect of losses incurred in Germany carried forward.

c. Reconciliation of current tax liabilities

A reconciliation of the current tax liability is provided below:

	2017 £m	2016 £m
Current tax liability at start of year	**18.9**	14.9
Corporation tax reported in consolidated income statement	**27.2**	29.1
Corporation tax (taken directly to equity)	**–**	(0.3)
Paid in the year	**(34.1)**	(24.8)
Current tax liability at end of year	**12.0**	18.9

d. Deferred tax

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

	2017 £m	2016 £m
Deferred tax liability		
Accelerated capital allowances	**(25.0)**	(28.4)
Other temporary differences	**(10.8)**	(8.4)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(12.0)**	(13.3)
Deferred tax liability included in balance sheet	**(47.8)**	(50.1)
Deferred tax asset		
Retirement benefit obligations	**3.6**	0.5
Cashflow hedges	**1.9**	2.8
Share based payments	**0.6**	0.9
Deferred tax asset included in balance sheet	**6.1**	4.2

The deferred tax asset is recognised as it is considered probable that there will be future taxable profits available.

The deferred tax liabilities and assets included in the balance sheet have been calculated using applicable enacted rates.

9. Taxation continued

Of the deferred tax liability, £1.5m (2016: £1.6m) is classed as current and £46.3m (2016: £48.5m) is classed as non-current. Of the deferred tax asset, £1.3m (2016: £2.0m) is classed as current and £4.8m (2016: £2.2m) as non-current.

The movements in deferred tax in the income statement and other comprehensive income for the years ending 1 July 2017 and 2 July 2016 are as follows:

Year ended 1 July 2017

	At 2 July 2016 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Acquisitions £m	At 1 July 2017 £m
Accelerated capital allowances	**(28.4)**	**3.2**	**–**	**–**	**0.2**	**(25.0)**
Asset backed funding pension arrangement	**(8.3)**	**(1.8)**	**–**	**–**	**–**	**(10.1)**
Other temporary differences	**(0.1)**	**0.2**	**–**	**–**	**(0.8)**	**(0.7)**
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(13.3)**	**1.3**	**–**	**–**	**–**	**(12.0)**
Retirement benefit obligations	**0.5**	**(1.0)**	**4.1**	**–**	**–**	**3.6**
Cashflow hedges	**2.8**	**–**	**(0.9)**	**–**	**–**	**1.9**
Share based payments	**0.9**	**–**	**–**	**(0.3)**	**–**	**0.6**
	(45.9)	**1.9**	**3.2**	**(0.3)**	**(0.6)**	**(41.7)**

Year ended 2 July 2016 Restated

	At 27 June 2015 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Transfer categories £m	At 2 July 2016 £m
Accelerated capital allowances	(29.6)	1.2	–	–	–	(28.4)
Asset backed funding pension arrangement	(6.5)	(1.8)	–	–	–	(8.3)
Other temporary differences	5.4	0.8	–	–	(6.3)	(0.1)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(15.4)	2.1	–	–	–	(13.3)
Retirement benefit obligations	11.9	(0.1)	(11.3)	–	–	0.5
Cashflow hedges	–	–	(2.1)	–	4.9	2.8
Share based payments	–	–	–	(0.5)	1.4	0.9
	(34.2)	2.2	(13.4)	(0.5)	–	(45.9)

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

	2017 £m	Restated 2016 £m
Accelerated capital allowances	**(0.4)**	0.2
Revaluation	**(0.6)**	(0.6)
Retirement benefit obligations	**1.0**	0.1
Temporary differences arising on pension spreading	**2.3**	2.4
Other temporary differences	**(0.4)**	(0.8)
	1.9	1.3
Adjustments in respect of prior years	**0.3**	0.2
Adjustments in respect of opening deferred tax rate reduction	**(4.1)**	(3.7)
Deferred tax expense	**(1.9)**	(2.2)

The standard rate of UK corporation tax reduced from 20% to 19% from 1 April 2017. A rate of 19.75% therefore applies to the current tax charge arising during the year ended 1 July 2017.

In addition to the change in rate of corporation tax identified above, further reductions in the rate to 17% from 1 April 2020 were substantively enacted prior to the balance sheet date and have been applied where applicable to the Group's deferred tax balance at the balance sheet date.

10. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

Basic and diluted earnings per share

	2017 £m	Restated 2016 £m
Net profit attributable to equity holders of the parent	**89.1**	93.7

	2017	Restated 2016
Basic weighted average number of shares in issue ('000)	**42,902**	42,951
Dilutive potential share options ('000)	**122**	247
Diluted weighted average number of shares in issue ('000)	**43,024**	43,198

Earnings per share:		
Basic earnings per share (pence per share)	**207.7**	218.2
Diluted earnings per share (pence per share)	**207.1**	216.9

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 1 July 2017 to 6 September 2017.

11. Dividends paid and proposed

Dividends are one type of shareholder return, historically paid to our shareholders in April and November.

	2017 £m	2016 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2016: 67.52p per share (2015: 63.4p)	**28.9**	27.2
Interim dividend for 2017: 30.17p per share (2016: 28.33p)	**12.9**	12.2
	41.8	39.4

	2017 £m	2016 £m
Proposed for approval at the AGM (not recognised as a liability as at 1 July 2017)		
Equity dividends on ordinary shares:		
Final dividend for 2017: 71.91p per share (2016: 67.52p)	**31.0**	29.0

Payment of proposed dividends will not have any tax consequences for the Group.

12. Property, plant and equipment

The Group holds significant investments in land and buildings, bus vehicles and plant and equipment, which form our tangible assets. All assets (excluding freehold land) are depreciated over their useful economic lives. For accounting policies see 'Property, plant and equipment' in note 2.

	Freehold land and buildings £m	Long term leasehold land and properties £m	Short term leasehold land and properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost:						
At 27 June 2015	185.7	0.4	14.2	541.2	189.6	931.1
Additions	13.4	–	0.5	78.4	21.6	113.9
Acquisitions	–	–	–	1.2	–	1.2
Disposals	(0.2)	–	–	(45.9)	(2.0)	(48.1)
Transfer categories	–	–	–	(2.1)	2.1	–
At 2 July 2016	198.9	0.4	14.7	572.8	211.3	998.1
Additions	**8.2**	**–**	**1.0**	**97.1**	**35.6**	**141.9**
Acquisitions	**4.0**	**–**	**–**	**4.5**	**0.2**	**8.7**
Disposals	**–**	**–**	**(0.1)**	**(28.6)**	**(8.3)**	**(37.0)**
Transfer categories	**–**	**–**	**–**	**1.7**	**(1.7)**	**–**
Transfer of assets held for sale	**(1.7)**	**–**	**–**	**–**	**–**	**(1.7)**
Transfer of intangible assets	**–**	**–**	**–**	**–**	**(1.8)**	**(1.8)**
At 1 July 2017	**209.4**	**0.4**	**15.6**	**647.5**	**235.3**	**1,108.2**
Depreciation and impairment:						
At 27 June 2015	28.8	–	7.4	297.0	160.5	493.7
Charge for the year	3.3	–	1.4	42.3	8.2	55.2
Disposals	–	–	–	(43.5)	(1.6)	(45.1)
Transfer categories	–	–	–	(0.8)	0.8	–
At 2 July 2016	32.1	–	8.8	295.0	167.9	503.8
Charge for the year	**1.1**	**–**	**1.4**	**50.0**	**12.9**	**65.4**
Disposals	**–**	**–**	**(0.1)**	**(27.8)**	**(8.1)**	**(36.0)**
Impairment of assets	**0.7**	**–**	**–**	**–**	**0.2**	**0.9**
Transfer assets held for sale	**(0.8)**	**–**	**–**	**–**	**–**	**(0.8)**
Transfer of intangible assets	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
At 1 July 2017	**33.1**	**–**	**10.1**	**317.2**	**172.6**	**533.0**
Net book value:						
At 1 July 2017	**176.3**	**0.4**	**5.5**	**330.3**	**62.7**	**575.2**
At 2 July 2016	166.8	0.4	5.9	277.8	43.4	494.3
At 27 June 2015	156.9	0.4	6.8	244.2	29.1	437.4

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

	2017 £m	2016 £m
Bus vehicles	**0.7**	2.7

13. Intangible assets

The consolidated balance sheet contains significant intangible assets mainly in relation to goodwill, software, franchise bid costs and customer contracts. Goodwill, which arises when the Group acquire a business and pay a higher amount than the fair value of the net assets primarily due to the synergies the Group expect to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise bid costs are amortised over the life of the franchise/franchise extension. Customer contracts are amortised over the life of the contract. For further details see 'Software', 'Franchise bid costs', 'Franchise assets', 'Business combinations and goodwill', 'Impairment of assets' and 'Customer contracts' in note 2.

	Goodwill £m	Software costs £m	Franchise bid costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost:						
At 27 June 2015	80.8	20.6	11.5	16.7	11.9	141.5
Additions	–	0.7	–	–	–	0.7
Acquisitions	–	–	–	–	0.4	0.4
At 2 July 2016	80.8	21.3	11.5	16.7	12.3	142.6
Additions	**–**	**1.9**	**3.1**	**–**	**–**	**5.0**
Acquisitions	**5.6**	**–**	**–**	**–**	**1.1**	**6.7**
Transfer from tangible fixed assets	**–**	**1.8**	**–**	**–**	**–**	**1.8**
Disposals	**–**	**(1.9)**	**–**	**–**	**–**	**(1.9)**
At 1 July 2017	**86.4**	**23.1**	**14.6**	**16.7**	**13.4**	**154.2**
Amortisation and impairment:						
At 27 June 2015	4.9	15.8	8.7	16.7	10.7	56.8
Charge for the year	–	1.5	0.6	–	0.9	3.0
At 2 July 2016	4.9	17.3	9.3	16.7	11.6	59.8
Charge for the year	**–**	**1.8**	**0.8**	**–**	**0.5**	**3.1**
Transfer from tangible fixed assets	**–**	**0.3**	**–**	**–**	**–**	**0.3**
Disposals	**–**	**(0.5)**	**–**	**–**	**–**	**(0.5)**
At 1 July 2017	**4.9**	**18.9**	**10.1**	**16.7**	**12.1**	**62.7**
Net book value:						
At 1 July 2017	**81.5**	**4.2**	**4.5**	**–**	**1.3**	**91.5**
At 2 July 2016	75.9	4.0	2.2	–	0.7	82.8
At 27 June 2015	75.9	4.8	2.8	–	1.2	84.7

Software costs

Software costs capitalised exclude software that is integral to the related hardware.

Franchise bid costs

A part of the Group's activities is the process of bidding for and securing franchises to operate rail and bus services in the UK and overseas. Directly attributable, incremental costs incurred after achieving preferred bidder status or entering into a franchise extension are capitalised as an intangible asset and amortised over the life of the franchise/franchise extension.

Rail franchise asset

This reflects the cost of the right to operate a rail franchise, and relates to the cost of the intangible asset acquired on the handover of the franchise assets relating to the Southeastern rail franchise. The intangible asset was being amortised on a straight-line basis over the original life of the franchise.

Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period.

13. Intangible assets continued

Goodwill

Goodwill acquired through acquisitions has been allocated to individual cash-generating units for impairment testing on the basis of the Group's business operations. The carrying value of goodwill is tested annually for impairment by cash-generating unit and is as follows:

	2017 £m	2016 £m
Go South Coast	**34.2**	28.6
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
Konectbus	**3.6**	3.6
Thames Travel	**2.7**	2.7
Carousel	**2.1**	2.1
	81.5	75.9

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three year period which have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long term stability of the relevant income streams. Growth has been extrapolated forward from the end of the three year forecasts over a total period of ten years plus a terminal value using a growth rate of 2.0% which reflects the directors' view of long term growth rates in each business, and the long term recurrent nature of the businesses.

The Group's weighted average cost of capital has been initially calculated as 4.6% (2016: 5.4%). 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 WACC or revenue growth falling by 1.0% are considered the most likely sensitivities that could impact recoverable amounts. These sensitivities would not cause the carrying value of any of the businesses to exceed their recoverable amount, except for Konectbus (a division of the East Anglian business) where the estimated recoverable amount exceeds goodwill held of £3.6m by c.£1.0m. An improvement to past levels of profitability at Konectbus is forecast following the current investment in fleet, management and other operational changes. Whilst a 0.5% increase in WACC from 8.0% to 8.5% would not impair the £3.6m goodwill value, a revenue growth fall of 1.0% after the 3 year forecast period could impair the balance by £0.7m. There has been investment in fleet and people in the period to support the growth forecast and the discount rate at 8.0% as noted above is considered conservative. Furthermore reflecting that the property, plant and equipment associated with the business represents buses which can be either sold or deployed no wider impairment risks arise.

14. Business combinations

This note details acquisition transactions carried out in the current and prior periods. For accounting policies see 'Business combinations and goodwill' and 'Customer contracts' in note 2.

Year ended 1 July 2017

On 3 February 2017, Go South Coast Limited, a wholly owned subsidiary of the group, took control of Thamesdown Transport Limited from Swindon Borough Council. Thamesdown services operate across Swindon and north Wiltshire with a fleet of 85 buses.

Net assets at date of acquisition:

	Total acquisitions – Provisional fair value to Group £m
Property, plant and equipment	6.5
Inventories	0.3
Cash	0.5
Deferred tax	(0.5)
Trade and other receivables	1.5
Trade and other payables	(1.5)
Interest-bearing loans and borrowings	(1.7)
Net assets	5.1
Goodwill arising on acquisition	5.6
Cash	10.7
Total consideration	10.7

Interest bearing loans and borrowings comprise finance leases and hire purchase commitments.

Acquisition costs of £0.1m have been expensed through operating costs.

From the date of acquisition in the period, the acquisition recorded an operating profit of less than £0.1m and revenue of £4.1m. Had the acquisition been completed on the first day of the financial period, the impact on the Group's operating profit would have been an increase of £0.5m and the impact on revenue would have been an increase of £9.9m.

On 4 October 2016, Go South Coast Limited, a wholly owned subsidiary of the Group, acquired the Excelsior group of companies – Excelsior Coaches Limited, Excelsior Transport Limited and Excelsior Travel Limited – for a cash consideration of £1.0m.

Net assets at date of acquisition:

	Total acquisitions – Provisional fair value to Group £m
Property, plant and equipment	2.2
Intangible assets – customer contracts	1.0
Deferred tax	(0.1)
Interest-bearing loans and borrowings	(2.1)
Net assets	1.0
Cash	1.0
Total consideration	1.0

Interest-bearing loans and borrowings comprise finance leases and hire purchase commitments.

Acquisition costs of less than £0.1m have been expensed through operating costs.

From the date of acquisition in the period, the acquisition recorded an operating loss of £0.1m and revenue of £1.2m. Had the acquisition been completed on the first day of the financial period, the impact on the Group's operating profit would have been £0.1m and the impact on revenue would have been £1.6m.

15. Assets classified as held for sale

This note identifies any non-current assets or disposal groups that are held for sale. The carrying amounts of these assets will be recovered principally through a sale rather than through continuing use. For accounting policies see 'Non-current assets held for sale' in note 2.

At 1 July 2017, assets held for sale, with a carrying value of £1.7m, related to property, plant and equipment available for sale, and were included in the regional bus segment.

The Group expects to sell £1.7m within 12 months of them going onto the 'for sale' list and being actively marketed. The assets held for sale relate to land and buildings whereby offers have been made which management are currently assessing. The value at each balance sheet date represents management's best estimate of their resale value less disposal costs. During the year ended 1 July 2017, there were no sales of assets held for sale.

At 2 July 2016, assets held for sale, with a carrying value of £0.8m, related to property, plant and equipment available for sale, and were included in the regional bus segment.

16. Inventories

Inventory primarily consists of vehicle spares and fuel and is presented net of allowances for obsolete products. For accounting policies see 'Inventories' in note 2.

	2017 £m	2016 £m
Raw materials and consumables	**18.9**	18.3

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

17. Trade and other receivables

Trade and other receivables mainly consist of amounts owed by principal contracting authorities and other customers, amounts paid to suppliers in advance, amounts receivable from central government and taxes receivable. Trade receivables are shown net of an allowance for bad or doubtful debts.

	2017 £m	2016 £m
Current		
Trade receivables	**147.5**	178.1
Less: Provision for impairment of receivables	**(2.1)**	(1.7)
Trade receivables – net	**145.4**	176.4
Other receivables	**37.2**	32.7
Prepayments	**68.2**	48.5
Accrued income	**42.4**	45.4
Receivable from central government	**39.3**	34.0
	332.5	337.0

	2017 £m	2016 £m
Non-current		
Other receivables	**–**	1.6

As at 1 July 2017 and 2 July 2016, the ageing analysis of trade receivables was as follows:

	Total £m	Neither past due nor impaired £m	Less than 30 days £m	30-60 days £m	60-90 days £m	90-120 days £m	Past due but not impaired – more than 120 days £m
2017	**145.4**	**130.8**	**4.9**	**1.9**	**3.3**	**1.2**	**3.3**
2016	176.4	166.5	3.0	3.4	2.2	0.5	0.8

Trade receivables at nominal value of £2.1m (2016: £1.7m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total £m
At 2 July 2016	1.7
Charge for the year	0.7
Utilised	(0.1)
Unused amounts reversed	(0.2)
At 1 July 2017	**2.1**

As at 1 July 2017, the ageing analysis of impaired and fully provided for trade receivables is as follows:

	2017 £m	2016 £m
60-90 days	**0.1**	–
90-120 days	**–**	–
More than 120 days	**2.0**	1.7
	2.1	1.7

18. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements. For accounting policies see 'Cash and cash equivalents' in note 2.

	2017 £m	2016 £m
Cash at bank and in hand	**87.0**	82.1
Cash and cash equivalents	**503.2**	554.2
	590.2	636.3

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 1 July 2017, balances amounting to £516.1m (2016: £562.3m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £178.0m at 1 July 2017 (2016: £181.3m).

19. Trade and other payables

Trade and other payables mainly consist of amounts owed to suppliers that have been invoiced or accrued, deferred income and deferred season ticket income. They also include taxes and social security amounts due in relation to our role as an employer and amounts owed to central government.

	2017 £m	2016 £m
Current		
Trade payables	**266.0**	262.0
Other taxes and social security costs	**32.4**	30.6
Other payables	**77.3**	67.9
Deferred season ticket income	**178.0**	181.3
Accruals	**114.6**	122.1
Deferred income	**54.2**	56.0
Payable to central government	**108.9**	149.9
Government grants	**5.2**	2.7
	836.6	872.5

	2017 £m	2016 £m
Non-current		
Government grants	**1.0**	4.3
	1.0	4.3

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

- Trade payables are non-interest-bearing and are normally settled on 30 day terms
- Other payables are non-interest-bearing and have varying terms of up to 12 months

20. Interest-bearing loans and borrowings

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. For accounting policies see 'Interest-bearing loans and borrowings' and 'Cash and cash equivalents' in note 2.

Net cash/debt and interest-bearing loans and borrowings

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

Year ended 1 July 2017

			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 (see below)	1.00	0-4 years	–	156.0	–	156.0
Debt issue costs on syndicated loans			(0.3)	(0.5)	–	(0.8)
£200m sterling 7.5 year bond (see below)	5.38	0-1 years	200.0	–	–	200.0
€20m revolving credit facility	1.30	0-1 years	0.9	–	–	0.9
Finance leases and HP commitments (see note 21)	4.96	0-5 years	0.9	2.0	0.1	3.0
Total interest-bearing loans and borrowings			201.5	157.5	0.1	359.1
Debt issue costs			0.3	0.5		0.8
Total interest-bearing loans and borrowings (gross of debt issue costs)			201.8	158.0	0.1	359.9
Cash and short term deposits (note 18)			(590.2)			(590.2)
Net cash			(388.4)	158.0	0.1	(230.3)
Restricted cash*						516.1
Adjusted net debt						285.8

Year ended 2 July 2016

			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 (see below)	1.00	0-5 years	–	113.0	–	113.0
Debt issue costs on syndicated loans			(0.3)	(0.6)	–	(0.9)
£200m sterling 7.5 year bond (see below)	5.38	0-2 years	–	200.0	–	200.0
Finance leases and HP commitments (see note 21)	8.89	0-1 years	0.3	–	–	0.3
Total interest-bearing loans and borrowings			–	312.4	–	312.4
Debt issue costs			0.3	0.6	–	0.9
Total interest-bearing loans and borrowings (gross of debt issue costs)			0.3	313.0	–	313.3
Cash and short term deposits (note 18)			(636.3)	–	–	(636.3)
Net cash			(636.0)	313.0	–	(323.0)
Restricted cash*						562.3
Adjusted net debt						239.3

* Restricted cash balances are amounts held by rail companies which are included in cash and cash equivalents. The restricted cash can only be distributed with the agreement of the DfT, normally up to the value of revenue reserves or based on the working capital formula.

Analysis of Group net cash

	Cash and cash equivalents £m	Syndicated loan facility £m	Hire purchase/ finance leases £m	£200m sterling bond £m	€20m RCF £m	Total £m
27 June 2015	604.2	(111.0)	(0.3)	(200.0)	–	292.9
Cashflow	32.1	(2.0)	1.1	–	–	31.2
On acquisition	–	–	(1.1)	–	–	(1.1)
2 July 2016	636.3	(113.0)	(0.3)	(200.0)	–	323.0
Cashflow	**(46.6)**	**(43.0)**	**1.1**	**–**	**(0.9)**	**(89.4)**
On acquisition	**0.5**	**–**	**(3.8)**	**–**	**–**	**(3.3)**
1 July 2017	**590.2**	**(156.0)**	**(3.0)**	**(200.0)**	**(0.9)**	**230.3**

Syndicated loan facility

On 16 July 2014, the Group re-financed and entered into a £280.0m five year syndicated loan facility. The loan facility is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group. The facility had an initial maturity of July 2019, with two one-year extensions, the second of which was agreed on 20 June 2016, extending the maturity of the facility to July 2021 from that date.

As at 1 July 2017, £156.0m (2016: £113.0m) of the facility was drawn down.

£200m sterling bond

On 24 March 2010, the Group raised a £200m bond of 7.5 years maturing on 29 September 2017 with a coupon rate of 5.375%.

Post year end, on 6 July 2017, the Group raised a £250m bond of 7 years maturing on 6 July 2024 with a coupon rate of 2.5%.

€20m revolving credit facility (RCF)

On 27 April 2017, the Group's subsidiary, Go-Ahead Verkehrgesellschaft Deutschland GmbH, entered into a €20m one year revolving credit facility. As at 1 July 2017, €1.0m or £0.9m (2016: £nil) was drawn down. The facility is unsecured and interest is charged at 1.3% plus EURIBOR.

Debt issue costs

There are debt issue costs of £0.8m (2016: £0.9m) on the syndicated loan facility.

The £200m sterling 7.5 year bond has debt issue costs of £nil (2016: £nil).

The Group is subject to two covenants in relation to its borrowing facilities. The covenants specify a maximum adjusted net debt to EBITDA and a minimum net interest cover. At the year end and throughout the year, the Group has not been in breach of any bank covenants.

21. Finance lease and hire purchase commitments

This note details finance lease and hire purchase commitments. For accounting policies see 'Interest bearing loans and borrowings' in note 2.

The Group has finance leases and hire purchase contracts for bus vehicles and various items of plant and equipment. These contracts have no terms of renewal or purchase option escalation clauses. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments, are as follows:

	2017		2016	
	Minimum payments £m	**Present value of payments £m**	Minimum payments £m	Present value of payments £m
Within one year	**0.9**	**0.9**	0.3	0.3
After one year but not more than five years	**2.3**	**2.0**	–	–
Over five years	**0.1**	**0.1**		
Total minimum lease payments	**3.3**	**3.0**	0.3	0.3
Less amounts representing finance charges	**(0.3)**	**–**	–	–
Present value of minimum lease payments	**3.0**	**3.0**	0.3	0.3

22. Financial risk management objectives and policies

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to interest rate, liquidity, foreign exchange and credit risk, and the policies in place to monitor and manage these risks.

Financial risk factors and management

The Group's principal financial instruments comprise bank loans, a sterling bond, hire purchase and finance lease contracts, and cash and short term deposits. The main purpose of these financial instruments is to provide an appropriate level of net debt to fund the Group's activities, namely working capital, fixed asset expenditure, acquisitions and dividends. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

It is Group policy to enter into derivative transactions, primarily fuel swaps and interest rate swaps. The purpose of these is to manage the fuel price and interest rate risks arising from the Group's operations and its sources of finance. At the year end, the Group did not hold any interest rate swaps.

It is, and has been throughout 2015/16 and 2016/17, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk and credit risk. Commodity price risk is managed via fuel derivatives. Risks arising from these are explained in note 23.

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. Interest payable on senior bank borrowings can be based on re-fixing the rate of interest over short periods of time of up to 36 months.

The Group manages interest rate risk through a combination of fixed rate instruments and/or interest rate derivatives. During the years ended 1 July 2017 and 2 July 2016 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 1 July 2017 and 2 July 2016 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 1 July 2017								
Floating rate (assets)/liabilities								
Variable rate loans	**1.00**	**–**	**–**	**–**	**156.0**	**–**	**–**	**156.0**
€20m revolving credit facility	**1.30**	**0.9**	**–**	**–**	**–**	**–**	**–**	**0.9**
Gross floating rate liabilities		**0.9**	**–**	**–**	**156.0**	**–**	**–**	**156.9**
Cash assets	**0.31**	**(590.2)**	**–**	**–**	**–**	**–**	**–**	**(590.2)**
Net floating rate (assets)/liabilities		**(589.3)**	**–**	**–**	**156.0**	**–**	**–**	**(433.3)**
Fixed rate liabilities								
£200m sterling 7.5 year bond	**5.38**	**200.0**	**–**	**–**	**–**	**–**	**–**	**200.0**
Obligations under finance lease and hire purchase contracts	**4.96**	**0.9**	**0.6**	**0.5**	**0.4**	**0.5**	**0.1**	**3.0**
Net fixed rate liabilities		**200.9**	**0.6**	**0.5**	**0.4**	**0.5**	**0.1**	**203.0**
Year ended 2 July 2016								
Floating rate (assets)/liabilities								
Variable rate loans	1.00	–	–	–	–	113.0	–	113.0
Gross floating rate liabilities		–	–	–	–	113.0	–	113.0
Cash assets	0.55	(636.3)	–	–	–	–	–	(636.3)
Net floating rate (assets)/liabilities		(636.3)	–	–	–	113.0	–	(523.3)
Fixed rate liabilities								
£200m sterling 7.5 year bond	5.38	–	200.0	–	–	–	–	200.0
Obligations under finance lease and hire purchase contracts	8.89	0.3	–	–	–	–	–	0.3
Net fixed rate liabilities		0.3	200.0	–	–	–	–	200.3

The expected maturity of the financial assets and liabilities in the table above is the same as the contractual maturity of the financial assets and liabilities.

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are non-interest bearing and are therefore not subject to interest rate risk.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) based on recent historic changes.

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2017			
GBP	**50.0**	**(0.8)**	**(0.8)**
GBP	**(50.0)**	**0.8**	**0.8**
2016			
GBP	50.0	(0.5)	(0.5)
GBP	(50.0)	0.5	0.5

Liquidity risk

The Group has in place a £280.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range.

On 16 July 2014, the Group re-financed and entered into a £280.0m five year syndicated loan facility, with two one-year extensions replacing the previous £275.0m five year syndicated loan facility. The second of the one-year extensions was agreed on 20 June 2016, extending the maturity of the current facility to July 2021.

On 24 March 2010, the Group raised a £200m bond of 7.5 years maturing on 29 September 2017. The level of drawdown and prevailing interest rates are detailed in note 20.

On 27 April 2017, the Group's subsidiary, Go-Ahead Verkehrgesellschaft Deutschland GmbH, entered into a €20m one year revolving credit facility. The level of drawdown and prevailing interest rates are detailed in note 20.

Post year end, on 6 July 2017, the Group raised a £250m bond which will replace the £200m bond.

Available liquidity as at 1 July 2017 and 2 July 2016 was as follows:

	2017 £m	2016 £m
Five year syndicated facility 2021	**280.0**	280.0
£200m 7.5 year 5.375% sterling bond 2017	**200.0**	200.0
€20m revolving credit facility	**17.5**	–
Total core facilities	**497.5**	480.0
Amount drawn down at 1 July 2017	**356.9**	313.0
Headroom	**140.6**	167.0

The Group's bus vehicles can be financed by hire purchase or finance lease arrangements, or term loans at fixed rates of interest over two to five year primary borrowing periods. This provides a regular inflow of funding to cover expenditure as it arises.

Foreign currency risk

The Group has foreign exchange exposure in respect of cashflow commitments to both its operations in Germany and in Singapore, of which neither are currently material to the Group.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables (see note 17) and cash deposits (see note 18). The maximum credit risk exposure of the Group comprises the amounts presented in the balance sheet, which are stated net of provisions for doubtful debt. A provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of future cashflows.

The majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT). The Group does not consider these counterparties to be a significant credit risk. Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A- or A3 or above by at least one of the credit rating agencies. The treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

22. Financial risk management objectives and policies continued

Contractual payments

The tables below summarise the maturity profile of the Group's financial liabilities at 1 July 2017 and 2 July 2016 based on contractual undiscounted payments.

Year ended 1 July 2017

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	–	0.3	3.7	162.4	0.1	166.5
£200m sterling 7.5 year bond	–	210.7	–	–	–	210.7
Other financial liabilities	–	2.0	5.5	3.0	–	10.5
Trade and other payables	18.2	458.5	84.3	–	–	561.0
	18.2	671.5	93.5	165.4	0.1	948.7

Year ended 2 July 2016

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	–	0.2	0.9	116.9	–	118.0
£200m sterling 7.5 year bond	–	10.7	–	202.7	–	213.4
Other financial liabilities	–	2.4	7.9	4.1	–	14.4
Trade and other payables	24.0	483.4	86.7	–	–	594.1
	24.0	496.7	95.5	323.7	–	939.9

Managing capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Details of the issued capital and reserves are shown in note 25. Details of interest-bearing loans and borrowings are shown in note 20.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 1 July 2017 and 2 July 2016.

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 1 July 2017.

The Group's policy is to maintain an adjusted net debt to EBITDA ratio of 1.5x to 2.5x. The Group's calculation of adjusted net debt is set out in note 20 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. During the year no specific actions were required to be taken by the Group with regard to this ratio or to ensure the investment grade debt rating.

Our primary financial covenant under the 2021 syndicated loan facility is an adjusted net debt to EBITDA ratio of not more than 3.5x and at 1 July 2017, was 1.30x (2016 restated: 1.08x).

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

Operating leases

The Group uses operating leases for bus and coach purchases across the Group primarily where the vehicles service specific contracts to mitigate the risk of ownership at the end of the contract. This results in £1.5m (2016: £1.1m) of cost within operating charges which would otherwise have been charged to interest. The Group holds operating leases for its bus fleet with an asset capital value of £30.2m (2016: £24.6m).

The majority of assets in the rail division are financed by operating leases, in particular rolling stock.

23. Derivatives and financial instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations. Financial instruments held by the Group include fuel hedge derivatives and finance lease/hire purchase contracts. For accounting policies see 'Financial assets and derivatives', 'Fair value measurement' and 'Interest bearing loans and borrowings' in note 2.

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 1 July 2017 and 2 July 2016 and are as follows:

	2017 £m	2016 £m
Non-current assets	**–**	0.2
Current assets	**0.2**	0.6
	0.2	0.8
Current liabilities	**(7.3)**	(10.3)
Non-current liabilities	**(3.0)**	(4.1)
	(10.3)	(14.4)
Net financial derivatives	**(10.1)**	(13.6)

Year ended 1 July 2017

	Amortised cost £m	**Held for trading –Fair value through profit and loss £m**	**Total carrying value £m**	**Fair value £m**
Fuel price derivatives	**–**	**(10.1)**	**(10.1)**	**(10.1)**
Net financial derivatives	**–**	**(10.1)**	**(10.1)**	**(10.1)**
Obligations under finance lease and hire purchase contracts	**(3.0)**	**–**	**(3.0)**	**(3.0)**
	(3.0)	**(10.1)**	**(13.1)**	**(13.1)**

Year ended 2 July 2016

	Amortised cost £m	Held for trading –Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(13.6)	(13.6)	(13.6)
Net financial derivatives	–	(13.6)	(13.6)	(13.6)
Obligations under finance lease and hire purchase contracts	(0.3)	–	(0.3)	(0.3)
	(0.3)	(13.6)	(13.9)	(13.9)

The fair value of all other assets and liabilities in notes 17, 19 and 20 is not significantly different from their carrying amount, with the exception of the £200m sterling 7.5 year bond which has a fair value of £202.1m (2016: £209.5m) but is carried at its amortised cost of £200.0m (2016: £200.0m). The fair value of the £200m sterling 7.5 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives 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 1 July 2017 and 2 July 2016, 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 recognized financial principles, relevant current market conditions and reasonable estimates about relevant future market conditions.

During the year ended 1 July 2017, there were no transfers between valuation levels.

23. Derivatives and financial instruments continued

b. Hedging activities

Fuel derivatives

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

Bus

As at 1 July 2017 the Group had derivatives against bus fuel of 282 million litres for the four years ending June 2021. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 1 July 2017 the amounts hedged are as follows:

	2018	2019*	2020*	2021*
Actual percentage hedged	100%	70%	40%	20%
Litres hedged (million)	124	85	49	24
Price (pence per litre)	34.7	32.1	33.0	32.2

* Assuming consistent usage and that hedging is completed at June 2017 market price.

Rail

As at 1 July 2017 the Group had derivatives against rail fuel of 4 million litres for the 2018 financial year, representing the anticipated fuel usage in London Midland. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

The movement during the year on the hedging reserve was £2.6m credit (net of tax) (2016: £9.2m credit (net of tax)) taken through other comprehensive income.

24. Provisions

A provision is a liability recorded in the consolidated balance sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to uninsured claims and dilapidation provisions relating to franchise commitments. For accounting policies see 'Provisions' and 'Uninsured liabilities' in note 2.

	Franchise commitments £m	Uninsured claims £m	Other £m	Total £m
At 2 July 2016	60.1	42.1	3.5	105.7
Provided (after discounting)	8.8	22.3	1.7	32.8
Utilised	(6.3)	(15.7)	–	(22.0)
Released	(9.7)	(4.5)	(0.3)	(14.5)
Unwinding of discounting	0.1	0.1	–	0.2
At 1 July 2017	53.0	44.3	4.9	102.2

	2017 £m	2016 £m
Current	40.3	32.0
Non-current	61.9	73.7
	102.2	105.7

Franchise commitments comprise £50.5m (2016: £57.7m) dilapidation provisions on vehicles, depots and stations across our three active rail franchises, and £2.5m (2016: £2.4m) provisions relating to other franchise commitments. Of the dilapidations provisions, £21.2m (2016: £12.1m) are classified as current. All of the £2.5m (2016: £2.4m) provision relating to other franchise commitments is classified as current. During the year £9.7m (2016: £3.4m) of provisions previously provided were released following the successful renegotiation of certain contract conditions. The dilapidations will be incurred as part of a rolling maintenance contract over the next three years. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Of the uninsured claims, £13.2m (2016: £16.0m) are classified as current and £31.1m (2016: £26.1m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years. Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historic trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

24. Provisions continued

Within other provisions, £4.6m (2016: £3.2m) relates to dilapidations in the bus division of which £3.1m (2016: £1.2m) are classified as current, and £1.5m (2016: £2.0m) are classified as non-current. It is expected that the dilapidations will be incurred within two to five years. Reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year. The remaining other current provision of £0.3m (2016: £0.3m) relates to completion claims regarding the sale of our aviation business.

25. Issued capital and reserves

Called up share capital is the number of shares in issue at their par value. For accounting policies see 'Treasury shares' in note 2.

	Allotted, called up and fully paid			
		2017		2016
	Millions	**£m**	Millions	£m
As at 1 July 2017 and 2 July 2016	**47.0**	**4.7**	46.9	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 4,077,487 ordinary shares (8.7% of share capital), of which 175,247 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 1 July 2017 the Group has repurchased 121,084 shares (2016: 172,964 shares purchased). The Group has not cancelled any shares during the year (2016: no shares cancelled).

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.

Hedging reserve

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

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

26. Commitments

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

	2017 £m	2016 £m
Contracted for but not provided – acquisition of property, plant and equipment	45.7	78.3

Operating lease commitments – Group as lessee

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

The Group's train operating companies hold agreements under which they lease rolling stock from rolling stock operating companies, and agreements with Network Rail for access to the railway infrastructure (track, stations and depots).

Future minimum rentals payable under non-cancellable operating leases as at 1 July 2017 and 2 July 2016 were as follows:

As at 1 July 2017

	Bus vehicles and other £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m	Total £m
Within one year	12.7	1.5	584.0	387.4	156.6	1,142.2
In the second to fifth years inclusive	28.3	5.4	1,389.2	183.0	334.2	1,940.1
Over five years	–	5.0	163.9	–	–	168.9
	41.0	11.9	2,137.1	570.4	490.8	3,251.2

As at 2 July 2016

	Bus vehicles £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m	Total £m
Within one year	10.6	0.6	525.6	608.0	202.7	1,347.5
In the second to fifth years inclusive	12.3	3.0	1,801.2	1,264.9	571.8	3,653.2
Over five years	2.8	2.6	86.7	57.3	29.4	178.8
	25.7	6.2	2,413.5	1,930.2	803.9	5,179.5

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 payable under non-cancellable operating leases as at 1 July 2017 and 2 July 2016 were as follows:

	2017		2016	
	Land and buildings £m	Other rail agreements £m	Land and buildings £m	Other rail agreements £m
Within one year	2.9	9.3	3.5	9.5
In the second to fifth years inclusive	0.2	51.2	2.5	45.6
Over five years	–	–	–	2.6
	3.1	60.5	6.0	57.7

Performance bonds

The Group has provided bank guaranteed performance bonds of £76.9m (2016: £76.2m), a loan guarantee bond of £36.3m (2016: £36.3m), and season ticket bonds of £226.2m (2016: £227.1m) to the DfT in support of the Group's rail franchise operations.

To support subsidiary companies in their normal course of business, the Group has indemnified certain banks and insurance companies who have issued certain performance bonds and a letter of credit. The letter of credit at 1 July 2017 is £72.0m (2016: £45.0m).

The Group has a bond of $4.2m SGD (2016: $10.9m SGD) to the Land Transport Authority (LTA) of Singapore in support of the Group's Singapore bus operations. At the year-end exchange rate this equates to £2.4m (2016: £6.1m).

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:

	2017			2016		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Pre-tax pension scheme liabilities	(20.9)	–	(20.9)	(2.7)	–	(2.7)

	2017			Restated 2016		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Remeasurement gains/(losses) due to:						
Experience on benefit obligations	8.0	9.7	17.7	68.8	(0.4)	68.4
Changes in demographic assumptions	(0.1)	–	(0.1)	(10.6)	–	(10.6)
Changes in financial assumptions	(52.8)	(193.5)	(246.3)	(102.1)	(184.0)	(286.1)
Salary cap introduction	–	–	–	–	48.1	48.1
Return on assets greater than discount rate	20.7	128.8	149.5	99.4	102.2	201.6
Franchise adjustment movement	–	55.0	55.0	–	34.1	34.1
Remeasurement (losses)/ gains on defined benefit pension plans	(24.2)	–	(24.2)	55.5	–	55.5

Bus schemes

The Go-Ahead Group Pension Plan

For the majority of bus employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the Go-Ahead Plan), which consists of a funded defined benefit scheme and a defined contribution section as follows.

The defined contribution section of the Go-Ahead Plan is not contracted-out of the State Second Pension Scheme. It 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 for the defined contribution section of the Go-Ahead Plan is £9.6m (2016: £9.9m), being the contributions paid and payable. The expense recognised for the workplace saving scheme is £2.9m (2016: £2.8m) being the contributions paid and payable.

The defined benefit section of the Go-Ahead Plan is contracted-out of the State Second Pension Scheme and provides benefits based on a member's final salary. The assets of the scheme are held in a separate trustee-administered fund. Contributions to this section are assessed in accordance with the advice of an independent qualified actuary. The defined benefit section of The Go-Ahead Group Pension Plan has been closed to new entrants and closed to future accrual.

The Go-Ahead Plan is a plan for related companies within the Group where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19 (revised). Each of the participating companies accounts on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company and is subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2015.

The investment strategy of the Go-Ahead Plan, which aims to meet liabilities as they fall due, is to invest plan assets in a mix of equities, other return seeking assets and liability driven investments to maximise the return on plan assets and minimise risks associated with lower than expected returns on plan assets. Trustees are required to regularly review investment strategy.

Other pension plans

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

27. Retirement benefit obligations continued

Summary of bus schemes year end assumptions

	2017 %	2016 %
Retail price index inflation	**3.3**	2.9
Consumer price index inflation	**2.3**	1.9
Discount rate	**2.6**	2.8
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment and deferred pension	**2.0**	1.9

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.

	2017 Years	2016 Years
Pensioner	**21**	21
Non-pensioner	**22**	22

Sensitivity analysis

In making the valuation, the above assumptions have been used. For bus pension schemes, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation, the following adjustments would adjust the pension deficit as shown.

	2017 Pension deficit %	2016 Pension deficit %
Discount rate – increase of 0.1%	**(1.7)**	(1.7)
Price inflation – increase of 0.1%	**1.5**	1.5
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment – increase of 0.1%	**0.9**	0.9
Increase in life expectancy of pensioners or non-pensioners by 1 year	**3.6**	3.6

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.1% and 1 year in the sensitivity analysis is considered to be a reasonable illustrative approximation of possible changes, as these variations can regularly arise.

Maturity profile of bus schemes defined benefit obligation

The following tables shows the expected future benefit payments of the plan at 1 July 2017.

	2017 £m
June 2018	**24.2**
June 2019	**24.8**
June 2020	**25.3**
June 2021	**25.9**
June 2022	**26.5**
June 2023 to June 2027	**141.5**

Category of assets at the year end

	2017		2016	
	£m	%	£m	%
Equities	**306.3**	**39.1**	275.1	36.0
Bonds	**15.4**	**2.0**	16.5	2.2
Property	**43.5**	**5.5**	69.6	9.1
Liability driven investing portfolio	**341.4**	**43.5**	392.2	51.4
Cash/other	**78.0**	**9.9**	9.7	1.3
	784.6	**100.0**	763.1	100.0

All of the asset categories above are held within pooled funds and are therefore quoted in active markets.

Funding position of the Group's pension arrangements

	2017 £m	2016 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	**(805.5)**	(765.8)
Assets at fair value	**784.6**	763.1
Pension scheme liability	**(20.9)**	(2.7)

Pension cost for the financial year

	2017 £m	2016 £m
Service cost	**–**	0.1
Administration costs	**1.6**	1.8
Settlement gain	**(1.2)**	(0.5)
Interest cost on net liabilities	**–**	2.1
Total pension costs	**0.4**	3.5

The £1.2m (2016: £0.5m) settlement gain represents gains made by the pension scheme in respect of the pension increase exchange exercise undertaken in the current and prior year.

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

	2017 £m	2016 £m
Pension scheme liabilities – at start of year	**765.8**	718.7
Service cost	**–**	0.1
Interest cost	**20.7**	26.4
Settlement gain	**(1.2)**	(0.5)
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	**(8.0)**	(68.8)
Changes in demographic assumptions	**(0.1)**	10.6
Changes in financial assumptions	**52.8**	102.1
Benefits paid	**(24.5)**	(22.8)
Pension scheme liabilities – at end of year	**805.5**	765.8

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

	2017 £m	2016 £m
Fair value of assets – at start of year	**763.1**	659.2
Interest income of plan assets	**20.7**	24.3
Remeasurement gains due to return on assets greater than discount rate	**20.7**	99.4
Actuarial gain on assets	**(0.3)**	–
Administration costs	**(1.6)**	(1.8)
Group contributions	**6.5**	4.8
Benefits paid	**(24.5)**	(22.8)
Fair value of plan assets – at end of year	**784.6**	763.1

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2018	**6.5**
Estimated employee contributions in financial year 2018	**–**
Estimated total contributions in financial year 2018	**6.5**

27. Retirement benefit obligations continued

Rail schemes

Full details of the change in accounting policy for this scheme is provided in note 3.

The Railways Pension Scheme (RPS)

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

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".

British Railways Additional Superannuation Scheme (BRASS) matching AVC Group contributions of £0.6m (2016: £0.7m) were paid in the year.

All pension obligations to the RPS have to date ceased on expiry of the franchises without cash or other settlement, and therefore the obligations recognised on the balance sheet under IAS 19 (revised) are only those that are expected to be funded during the franchise term. However, in spite of our past experience and that of other train operating companies proving otherwise, our legal obligations are not restricted. On entering into a franchise, the operator becomes the designated employer for the term of the contract and under the RPS rules is obliged to meet the schedule of contributions agreed with the scheme trustees and actuaries, in respect of which no funding cap is set out in the franchise contract over the period of the franchise.

The RPS is governed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

The total surplus or deficit recorded is adjusted by way of a 'franchise adjustment', which includes an assessment of surpluses or deficits that could arise from future contributions, and is that portion of the deficit or surplus projected to exist at the end of the franchise which the Group will not be required to fund or benefit from.

Summary of year end assumptions

	2017 %	2016 %
Retail price index inflation	**3.3**	2.9
Consumer price index inflation	**2.3**	1.9
Discount rate	**2.6**	2.8
Rate of increase in salaries	**3.5**	3.1
Rate of increase of pensions in payment and deferred pension	**2.3**	1.9

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.

	2017 Years	2016 Years
Pensioner	**22**	22
Non-pensioner	**24**	24

The mortality assumptions adopted as at 1 July 2017 and 2 July 2016 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

	2017		2016	
	£m	**%**	£m	%
Equities	**2,154.2**	**96.8**	1,907.6	96.5
Property	**69.0**	**3.1**	67.2	3.4
Cash	**2.2**	**0.1**	2.0	0.1
	2,225.4	**100.0**	1,976.8	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

	2017 £m	2016 £m
Employer's 60% share of pension scheme:		
Liabilities at the end of the year	**(3,010.9)**	(2,625.8)
Assets at fair value	**2,225.4**	1,976.8
Gross deficit	**(785.5)**	(649.0)
Franchise adjustment	**785.5**	649.0
Pension scheme liability	**–**	–

Pension cost for the financial year

	2017 £m	Restated 2016 £m
Service cost	**92.6**	85.5
Administration costs	**7.2**	3.9
Franchise adjustment to current period costs	**(62.8)**	(45.2)
Interest cost on net liabilities	**18.7**	21.2
Interest on franchise adjustments	**(18.7)**	(21.2)
Pension cost	**37.0**	44.2

Analysis of the change in the employer's 60% share of pension scheme liabilities over the financial year

	2017 £m	Restated 2016 £m
Pension scheme liabilities less members share (40%) of the deficit – at start of year	**2,625.8**	2,290.4
Franchise adjustment (100%)	**(649.0)**	(548.4)
	1,976.8	1,742.0
Liability movement for members' share of assets (40%)	**126.4**	119.9
Service cost (60%)	**92.6**	85.5
Interest cost (60%)	**51.1**	60.6
Interest on franchise adjustment (100%)	**(18.7)**	(21.2)
Franchise adjustment to current period costs (100%)	**(62.8)**	(45.2)
Remeasurement losses/(gains) due to:		
Experience on benefit obligations (60%)	**(9.7)**	0.4
Changes in financial assumptions (60%)	**193.6**	184.0
Salary cap introduction (60%)	**–**	(48.1)
Benefits paid (100%)	**(68.9)**	(66.9)
Franchise adjustment movement (100%)	**(55.0)**	(34.2)
	2,225.4	1,976.8
Franchise adjustment (100%)	**785.5**	649.0
Pension scheme liabilities less members share (40%) of the deficit – at end of year	**3,010.9**	2,625.8

27. Retirement benefit obligations continued

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

	2017 £m	2016 £m
Fair value of assets – at start of year (100%)	**1,976.8**	1,742.0
Interest income of plan assets (60%)	**32.5**	39.3
Remeasurement gains due to return on assets greater than discount rate (60%)	**128.8**	102.2
Administration costs (100%)	**(12.0)**	(6.6)
Group contributions (100%)	**36.4**	43.5
Benefits paid (100%)	**(68.9)**	(66.9)
Members' share of movement of assets (40%)	**131.8**	123.3
Fair value of plan assets – at end of year (100%)	**2,225.4**	1,976.8

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2018	**32.9**
Estimated employee contributions in financial year 2018	**22.1**
Estimated total contributions in financial year 2018	**55.0**

Franchise adjustment

The effect of the franchise adjustment on the financial statements is provided below.

	2017 £m	Restated 2016 £m
Balance sheet		
Defined benefit pension plan	**(785.5)**	(649.0)
Deferred tax asset	**133.5**	116.8
	(652.0)	(532.2)
Other comprehensive income		
Remeasurement gains	**55.0**	34.1
Tax on remeasurement gains	**(9.4)**	(6.1)
	45.6	28.0
Income statement		
Franchise adjustment to current period costs	**(62.8)**	(45.2)
Interest on franchise adjustments	**(18.7)**	(21.2)
Deferred tax charge	**13.9**	12.0
	(67.6)	(54.4)

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 would also be proportionately borne by the employees as well as the Group.

Bus schemes

The number of employees in defined benefit plans is reducing, as these plans are closed to new entrants, and in the case of The Go-Ahead Group Pension 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.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	The Group final salary scheme has closed to future accrual reducing exposure to increases in life expectancy risk.
Legislative risk	Future legislative changes are uncertain. In the past these have led to increases in obligations, introducing pension increases, and vesting of deferred pensions, or reduced investment return through the ability to reclaim Advance Corporation Tax. The UK government has legislated to end contracting out in 2016. Further legislation could result in an increase in the value of Guaranteed Minimum Pension. If this legislation is implemented, this would increase the defined benefit obligation of the arrangements.	The Group final salary scheme has closed to future accrual, reducing risk to legislative change. The Group takes professional advice to keep abreast of legislative changes.

28. Related party disclosures and Group undertakings

Our subsidiaries listed below each contributes to the profits, assets and cashflow of the Group. The Group has a number of related parties including joint ventures, pension schemes and directors. 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:

		% equity interest	
Name	Country of incorporation	**2017**	2016
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 Limited	United Kingdom	**100**	100
Anglian Bus Limited	United Kingdom	**100**	100
HC Chambers and Son Ltd.	United Kingdom	**100**	100
Aviance UK Limited	United Kingdom	**100**	100
New Southern Railway Limited	United Kingdom[1]	**65**	65
London and South Eastern Railway Limited	United Kingdom[1]	**65**	65
London and Birmingham Railway Limited	United Kingdom[1]	**65**	65
Southern Railway Limited	United Kingdom[1]	**65**	65
Govia Thameslink Railway Limited	United Kingdom[1]	**65**	65
Thameslink Rail Limited	United Kingdom[1]	**65**	65
Govia Limited	United Kingdom[1]	**65**	65
Go-Ahead Scotland Limited	United Kingdom	**100**	100
Thamesdown Transport Limited	United Kingdom	**100**	100
Excelsior Coaches Limited	United Kingdom	**100**	100
Excelsior Transport Limited	United Kingdom	**100**	100
Excelsior Travel Limited	United Kingdom	**100**	100
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Germany	**100**	100
Go-Ahead Baden Württemberg GmbH	Germany	**100**	100
Go-Ahead Facility GmbH	Germany	**100**	100
Go-Ahead Seletar PTE Ltd	Singapore	**100**	100
Go-Ahead Loyang PTE Ltd	Singapore	**100**	100
Jointly controlled entities			
On Track Retail Limited	United Kingdom[3]	**50**	50

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.

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 office of Go-Ahead Verkehrsgesellschaft Deutschland GmbH is: Jean-Monnaie-Straße 2, D-10557, Berlin, Germany.

The registered office of Go-Ahead Baden Württemberg GmbH is: Büchsenstraße 20, D-73457, Stuttgart, Germany.

The registered office of Go-Ahead Facility GmbH is: Bahnhof 2, D-73457, Essingen, Germany.

The registered office of subsidiaries incorporated in Singapore is: 2 Loyang Way, Singapore 508776.

Name	Company number	Country of incorporation	% equity interest 2017	2016
Dormant subsidiaries				
East Midlands Railway Limited (previously Eastern 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 (previously South Central Limited)	4173713	United Kingdom	**100**	100
The Go-Ahead Group Trustee Co Limited	2125799	United Kingdom	**100**	100
Go-Ahead Property Development Limited	7128594	United Kingdom	**100**	100
Go-Ahead XX Limited	8205871	United Kingdom	**100**	100
GHI Limited	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
London and South East Passenger Rail Services Limited (previously Govia Northern 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 Limited	2813292	United Kingdom	**100**	100
GH Manchester Limited	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 Co. Limited	0241973	United Kingdom	**100**	100
Tourist Coaches Limited	3006529	United Kingdom	**100**	100
Wilts & Dorset Bus Company Limited	1671355	United Kingdom	**100**	100
Wilts & Dorset Investments Limited	4613075	United Kingdom	**100**	100
Wilts & Dorset Holdings Limited	2091878	United Kingdom	**100**	100
Dockland Buses Limited	3420004	United Kingdom	**100**	100
Blue Triangle Buses Limited	3770568	United Kingdom	**100**	100
Go-Ahead Leasing Limited	5262810	United Kingdom	**100**	100
Go Northern Limited	0132492	United Kingdom	**100**	100
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
Go-Ahead Sverige AB		Sweden	**100**	100
Go-Ahead Norge AS		Norway	**100**	100

28. Related party disclosures and Group undertakings continued

Name	Company number	Country of incorporation	% equity interest 2017	2016
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 Go-Ahead Sverige AB incorporated in Sweden is: Mäster Samuelsgatan 20, SE 101 39, Stockholm, Sweden.

The registered office of Go-Ahead Norge AS incorporated in Norway is: Filipstad Brygge 1, NO 0125, Oslo, Norway.

The registered office of all jointly controlled dormant entities is: Kepier House, Belmont Business Park, Durham, DH1 1TH.

All dormant companies listed above are 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 (2016: £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.

Compensation of key management personnel of the Group

The key management are considered to be the directors of the parent company.

	2017 £m	2016 £m
Short term employee benefits	**1.4**	1.3
Long term employee benefits[1]	**0.3**	1.0
Post employment benefits	**0.1**	–
	1.8	2.3

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	2017	2016
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.

	2017 £m	2016 £m
Accumulated balances of material non-controlling interest:		
Govia Limited	**23.7**	22.6
Total comprehensive income allocated to material non-controlling interest:		
Govia Limited	**22.4**	24.4

The summarised financial information of these subsidiaries is provided below. The information is based on amounts before inter-company eliminations:

Summarised income statement of Govia Limited and its subsidiary companies for the year ended 1 July 2017 and 2 July 2016:

	2017 £m	Restated 2016 £m
Revenue	**2,579.1**	2,498.0
Operating costs	**(2,499.8)**	(2,410.7)
Finance revenue	**2.3**	3.2
Finance costs	**(1.9)**	(2.9)
Profit on ordinary activities before taxation	**79.7**	87.6
Tax expense	**(16.4)**	(17.7)
Profit for the year from controlling operations	**63.3**	69.9
Total comprehensive income	**63.3**	69.9
Attributable to non-controlling interests	**22.4**	24.4
Dividends paid to non-controlling interests	**21.3**	17.8

Summarised balance sheet of Govia Limited and its subsidiary companies as at 1 July 2017 and 2 July 2016:

	2017 £m	2016 £m
Current assets – inventories, trade and other receivables, cash	**850.7**	924.5
Non-current assets – property, plant and equipment, intangible assets, deferred tax	**51.9**	35.4
Current liabilities – trade and other payables, provisions	**(776.0)**	(849.7)
Non-current liabilities – provisions	**(58.9)**	(45.6)
Total equity	**67.7**	64.6
Attributable to:		
Equity holders of the parent	**44.0**	42.0
Non-controlling interest	**23.7**	22.6

These balance sheet amounts are shown before intercompany eliminations.

Summarised cashflow information of Govia Limited and its subsidiary companies for the year ended 1 July 2017 and 2 July 2016:

	2017 £m	2016 £m
Operating	**(18.4)**	62.7
Investing	**30.0**	20.8
Financing	**(62.9)**	(53.7)
Net (decrease)/ increase in cash and cash equivalents	**(51.3)**	29.8

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 1 July 2017

	2017 £m	2016 £m
Profit for the year	**136.4**	23.4
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurement (losses)/ gains on defined benefit pension plans	**(23.7)**	56.7
Tax relating to items that will not be reclassified	**4.0**	(11.3)
	(19.7)	45.4
Other comprehensive (loss)/ income for the year, net of tax	**(19.7)**	45.4
Total comprehensive income for the year	**116.7**	68.8

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 1 July 2017

	Share capital £m	Share premium £m	Revaluation reserve £m	Share premium reserve £m	Capital redemption reserve £m	Reserve for own shares £m	Retained earnings £m	Total equity £m
At 27 June 2015	4.7	67.4	77.1	1.6	0.7	(68.8)	488.6	571.3
Profit for the year	–	–	–	–	–	–	23.4	23.4
Remeasurement on defined benefit retirement plans (net of tax)	–	–	–	–	–	–	45.4	45.4
Total comprehensive income	–	–	–	–	–	–	68.8	68.8
Dividend income (note 3)	–	–	–	–	–	–	(39.4)	(39.4)
Movement on revaluation reserve (note 14)	–	–	(3.2)	–	–	–	3.2	–
Acquisition of own shares	–	–	–	–	–	(4.4)	–	(4.4)
Share based payment charge (and associated tax) (note 2)	–	–	–	–	–	–	0.8	0.8
Reserves transfer	–	–	–	–	–	2.3	(2.3)	–
At 2 July 2016	4.7	67.4	73.9	1.6	0.7	(70.9)	519.7	597.1
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**136.4**	**136.4**
Remeasurement on defined benefit retirement plans (net of tax)	**–**	**–**	**–**	**–**	**–**	**–**	**(19.7)**	**(19.7)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**116.7**	**116.7**
Dividend income (note 3)	**–**	**–**	**–**	**–**	**–**	**–**	**(41.8)**	**(41.8)**
Movement on revaluation reserve (note 14)	**–**	**–**	**(3.5)**	**–**	**–**	**–**	**3.5**	**–**
Acquisition of own shares	**–**	**–**	**–**	**–**	**–**	**(2.4)**	**–**	**(2.4)**
Share based payment charge (and associated tax) (note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Reserves transfer	**–**	**–**	**–**	**–**	**–**	**1.4**	**(1.4)**	**–**
Share issue	**–**	**1.5**	**–**	**–**	**–**	**–**	**-**	**1.5**
At 1 July 2017	**4.7**	**68.9**	**70.4**	**1.6**	**0.7**	**(71.9)**	**597.5**	**671.9**

COMPANY BALANCE SHEET
as at 1 July 2017

Registered No: 02100855

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	4	**3.1**	1.5
Property, plant and equipment	5	**180.5**	172.7
Investments	6	**215.1**	215.1
Trade and other receivables	7	**13.8**	14.9
Financial assets	10	**–**	0.2
		412.5	404.4
Current assets			
Trade and other receivables	7	**674.9**	574.2
Cash and cash equivalents		**0.6**	0.4
Financial assets	10	**0.2**	0.6
		675.7	575.2
Total assets		**1,088.2**	979.6
Liabilities			
Current liabilities			
Trade and other payables	8	**(287.8)**	(67.6)
Financial liabilities	10	**(7.3)**	(10.3)
		(295.1)	(77.9)
Non-current liabilities			
Trade and other payables	8	**(68.5)**	(269.2)
Retirement benefit obligations	13	**(16.1)**	1.5
Provisions	11	**(8.9)**	(7.1)
Financial liabilities	10	**(3.0)**	(4.1)
Deferred tax liabilities	12	**(24.7)**	(25.7)
		(121.2)	(304.6)
Total liabilities		**(416.3)**	(382.5)
Net assets		**671.9**	597.1
Capital and reserves			
Share capital	14	**4.7**	4.7
Share premium		**68.9**	67.4
Revaluation reserve	14	**70.4**	73.9
Share premium reserve	14	**1.6**	1.6
Capital redemption reserve		**0.7**	0.7
Reserve for own shares		**(71.9)**	(70.9)
Retained earnings		**597.5**	519.7
Total equity		**671.9**	597.1

Profit for the year ended 1 July 2017 was £136.4m (2016: £23.4m)

Patrick Butcher,
Group Chief Financial Officer

6 September 2017

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE COMPANY FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

1. Company accounting policies

Authorisation of financial statements and statement of compliance with FRS101

The Company financial statements of The Go-Ahead Group plc for the year ended 1 July 2017 were authorised for issue by the Board of directors on 6 September 2017 and the balance sheet was signed on the Board's behalf by Patrick Butcher. The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in line with the recognition and measurement criteria of IFRS.

No profit or loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 1 July 2017.

The financial statements are prepared under the historical cost convention.

The financial statements are prepared in pounds sterling and are rounded to the nearest one hundred thousand (£0.1m).

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- the requirements of paragraph 45(b) and 46-52 of IFRS2 Share Based Payment;
- the requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), b64(n)(ii), B64(o)(ii), B64(p), B64(Q)(ii), B66 and B67 of IFRS3 Business Combinations;
- the requirement of IFRS7 Financial Instruments: Disclosures;
- the requirement of paragraphs 91-99 of IFRS13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS1 Presentation of Financial Statements to present comparative information in respect of:
- paragraph 79(a)(iv) of IAS1;
- paragraph 73(e) of IAS16 Property, Plant and Equipment;
- paragraph 118(e) of IAS38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 39(c), 40A, 40B, 40C, 40D, 111 and 134-136 of IAS1 Presentation of Financial Statements;
- the requirements of IAS7 Statement of Cashflows;
- the requirements of paragraphs 30 and 31 of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS24 Related Party Disclosures;
- the requirements in IAS24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS36 Impairment of Assets.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Uninsured claims

The measurement of uninsured liabilities is based on an assessment of both the expected settlement of known claims and of the cost of claims not yet reported to the Company, as detailed in note 11. 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 13. The Company engages with Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to our particular circumstances.

Accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the income will flow to the Company and the value can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and comprises intercompany management charges and property rental.

Tangible assets

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

1. Company accounting policies continued

Depreciation is charged to the income statement based on deemed cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:

Leasehold land and buildings	The life of the lease
Freehold buildings	Over 50 to 100 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount.

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 of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which obligations are to be settled directly for The Go-Ahead Group Pension Plan. Fair value is based on market price information and in the case of quoted securities is the published bid price.

For the defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share based payments

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performances or service (non-vesting condition); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Uninsured liabilities

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. A provision is recognised for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company.

Treasury shares

Re-acquired shares in the Company, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Company's shares is transferred from the reserve for own shares to revenue reserves.

Interest bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition, the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other derecognition of debt are recognised directly in the income statement.

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet, with a corresponding liability being recognised, and are depreciated over the shorter of their useful lives and the lease terms.

The capital elements of future obligations under leases are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the periods of the leases and represents a constant proportion of the balance of capital repayments outstanding.

Leases where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the income statement on a straight-line basis over the lease term.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefit will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, provisions are discounted. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain.

Financial instruments

The Company uses interest derivatives to hedge its risks associated with interest rate fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Financial instruments are accounted for in accordance with IAS 39. Financial instruments are initially recognised at fair value, being the transaction price plus, in the case of financial instruments not recorded at fair value through profit or loss, directly attributable transaction costs.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period in which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

Software

Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

2. Employee costs

This note shows total employment costs, inclusive of share based payment charges. We have a number of share plans used to award shares to directors and employees. A charge is recognised over the vesting period, based on the fair value of the award at the date of grant. The note also shows the average number of people employed by the company during the year. For accounting policies see 'Share based payments' in note 1.

	2017 £m	2016 £m
Wages and salaries	**10.8**	9.1
Social security costs	**1.4**	1.5
Other pension costs	**0.9**	1.7
Share based payments charge	**1.1**	0.9
	14.2	13.2

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

	2017	2016
Administration and supervision	**187**	156

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the directors' remuneration report.

Sharesave scheme

Shareholder approval was obtained at the 2013 AGM for the introduction of a new HM Revenue & Customs approved Savings-Related Share Option scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (the Sharesave scheme) for employees of the Group and its operating companies.

The Sharesave scheme is open to all full time and part-time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch, the maximum monthly savings limit set by the Group was £50. At the end of the savings period, employees can buy shares at a 20% discount of the market price set at the date of invitation or take their full savings back.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk free interest rate, forfeiture rate and option life.

There are savings-related options at 1 July 2017 as follows:

Scheme maturity	1 May 2019	1 May 2017
Option price (£)	**19.11**	17.34
No. of options unexercised at 1 July 2017	**4,238**	2,658
No. of options exercised during the year	**–**	1,339
No. of options exercisable at 1 July 2017	**–**	2,658

The expense recognised for the scheme during the year to 1 July 2017 was less than £0.1m (2016: less than £0.1m).

The following table illustrates the number and weighted average exercise price (WAEP) of share options for the Sharesave scheme:

	2017 No.	2017 WAEP £	2016 No.	2016 WAEP £
Outstanding at the beginning of the year	**8,986**	**18.28**	4,409	17.34
Granted during the year	**–**	**–**	4,783	19.11
Forfeited during the year	**(751)**	**18.62**	(206)	17.34
Exercised during the year	**(1,339)**	**17.34**	–	–
Outstanding at the end of the year	**6,896**	**18.43**	8,986	18.28

The weighted average exercise price at the date of exercise for the options exercised in the period was £17.34 (2016: £17.34).

At the year end, 2,658 (2016: nil) options were exercisable and the weighted average exercise price of the options was £18.43 (2016: £18.28).

The options outstanding at the end of the year have a weighted average remaining contracted life of 1.12 years (2016: 1.89 years).

Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 and 2015 (LTIP). The LTIP provides for executive directors to be awarded nil cost shares in the Group conditional on specified performance conditions being met over a period of three years. Refer to the directors' remuneration report for further details of the LTIP.

The expense recognised for the LTIP during the year to 1 July 2017 was £0.6m (2016: £0.5m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 1 July 2017 and 2 July 2016 were:

	2017 % per annum	2016 % per annum
The Go-Ahead Group plc		
Future share price volatility	**28.0**	21.0
FTSE Mid-250 index comparator		
Future share price volatility	**25.0**	20.0
Correlation between companies	**30.0**	30.0

The weighted average fair value of options granted during the year was £14.90 (2016: £20.82).

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

	2017	2016
Outstanding at the beginning of the year	**84,415**	181,302
Granted during the year	**57,771**	32,618
Forfeited during the year	**(3,047)**	(33,157)
Exercised during the year	**(27,415)**	(96,348)
Outstanding at the end of the year	**111,724**	84,415

At the year end, 11,520 options related to the 2014LTIP award, which will be eligible to vest from November 2017. The weighted average share price of the options was £17.77 (2016: £19.78).

The weighted average remaining contractual life of the options was 1.33 years (2016: 1.03 years). The weighted average share price of options exercised was £20.33 (2016: £25.44).

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 1 July 2017 was £0.5m (2016: £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 £20.08 (2016: £25.97).

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

	2017	2016
Outstanding at the beginning of the year	**81,513**	87,187
Granted during the year	**19,007**	22,813
Forfeited during the year	**–**	(14,283)
Exercised during the year	**(24,451)**	(14,204)
Outstanding at the end of the year	**76,069**	81,513

At the year end, 7,427 options related to the 2013 DSBP award and vested in November 2016 but have not yet been exercised by participants. 27,728 options relating to the 2014 DSBP will be eligible to vest from November 2017 following the end of a three year deferral period. The weighted average share price of the options was £17.77 (2016: £19.78).

The weighted average remaining contractual life of the options was 0.78 years (2016: 0.91 years). The weighted average share price of options exercised was £20.27 (2016: £25.57).

2. Employee costs continued

Share incentive plans

The Group operates an HM Revenue & Customs (HMRC) approved share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (SIP). The SIP is open to all Group employees (including executive directors) who have completed at least six months' service with a Group company at the date they are invited to participate in the plan.

The SIP permits the Group to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Group has, so far, made awards of partnership shares only. Under these awards, the Group invites qualifying employees to apply between £10 and £150 per month in acquiring shares in the Group at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Group and employees.

3. Dividends

Dividends are one type of shareholder return, historically paid to our shareholders in April and November.

	2017 £m	2016 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2016: 67.52p per share (2015: 63.4p)	**28.9**	27.2
Interim dividend for 2017: 30.17p per share (2016: 28.33p)	**12.9**	12.2
	41.8	39.4

	2017 £m	2016 £m
Proposed for approval at the AGM (not recognised as a liability as at 1 July 2017)		
Equity dividends on ordinary shares:		
Final dividend for 2017: 71.91p per share (2016: 67.52p)	**31.0**	29.0

4. Intangible assets

	Software £m
Cost:	
At 2 July 2016	10.9
Additions	**2.4**
At 1 July 2017	**13.3**
Amortisation:	
At 2 July 2016	9.4
Charge for the year	**0.8**
At 1 July 2017	**10.2**
Net book value:	
At 1 July 2017	**3.1**
At 2 July 2016	1.5

5. Property, plant and equipment

	Freehold land and buildings £m	Long term leasehold land and buildings £m	Short term leasehold land and buildings £m	Plant and equipment £m	Total £m
Cost:					
At 2 July 2016	180.6	0.4	4.4	10.3	195.7
Additions	**10.1**	**–**	**–**	**–**	**10.1**
At 1 July 2017	**190.7**	**0.4**	**4.4**	**10.3**	**205.8**
Depreciation:					
At 2 July 2016	12.5	–	1.6	8.9	23.0
Charge for the year	**1.0**	**–**	**0.1**	**0.5**	**1.6**
Impairment	**0.7**	**–**	**–**	**–**	**0.7**
At 1 July 2017	**14.2**	**–**	**1.7**	**9.4**	**25.3**
Net book value:					
At 1 July 2017	**176.5**	**0.4**	**2.7**	**0.9**	**180.5**
At 2 July 2016	168.1	0.4	2.8	1.4	172.7

Freehold land and buildings include non-depreciable land amounting to £120.0m (2016: £117.0m).

6. Investments

	Loans to Group £m	Shares in Group companies £m	**Total £m**
Cost:			
At 1 July 2017 and 2 July 2016	**63.2**	**151.9**	**215.1**
Provisions:			
At 1 July 2017 and 2 July 2016	**–**	**–**	**–**
Net carrying amount:			
At 1 July 2017 and 2 July 2016	**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 1 July 2017, refer to note 28 of the Group financial statements.

7. Trade and other receivables

Amounts falling due within one year

	2017 £m	2016 £m
Amounts owed by Group companies	**647.6**	552.9
Corporation tax	**14.4**	8.7
Other debtors	**12.9**	12.6
	674.9	574.2

Amounts falling due after more than one year

	2017 £m	2016 £m
Amounts owed by Group companies	**13.8**	14.9

8. Trade and other payables

Amounts falling due within one year

	2017 £m	2016 £m
Amounts owed to Group undertakings	**71.9**	50.8
Other creditors	**15.2**	15.5
Interest bearing loans repayable:		
In less than one year	**199.2**	–
Finance leases (note 9)	**1.5**	1.3
	287.8	67.6

Amounts falling due after more than one year

	2017 £m	2016 £m
Interest-bearing loans and borrowings repayable:		
In more than one year but not more than five years	**–**	199.1
Finance leases (note 9)	**68.5**	69.9
Amounts owed to Group undertakings	**–**	0.2
	68.5	269.2

Included in finance leases is an amount of £70.0m (2016: £71.2m) owing to Group undertakings.

The Company has no security over its liabilities.

9. Finance leases

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a sale and leaseback of certain properties used by the Group. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, for the sale and leaseback of these properties are as follows:

	2017		2016	
	Minimum value of payments £m	Present value of payments £m	Minimum value of payments £m	Present value of payments £m
Within one year	**4.5**	**1.5**	4.4	1.3
After one year but not more than five years	**19.4**	**8.0**	18.8	7.1
After five years	**81.3**	**60.5**	86.4	62.8
Total minimum lease payments	**105.2**	**70.0**	109.6	71.2
Less amounts representing finance charges	**(35.2)**	**–**	(38.4)	–
Present value of minimum lease payments	**70.0**	**70.0**	71.2	71.2

10. Financial instruments

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 1 July 2017 and 2 July 2016 and are as follows:

	2017 £m	2016 £m
Financial assets due after more than one year	**–**	0.2
Financial assets due within one year	**0.2**	0.6
	0.2	0.8
Financial liabilities due within one year	**(7.3)**	(10.3)
Financial liabilities due after more than one year	**(3.0)**	(4.1)
	(10.3)	(14.4)
Net financial instruments	**(10.1)**	(13.6)

11. Provisions

	Uninsured claims £m	Other £m	Total £m
As at 2 July 2016	6.8	0.3	7.1
Provided (after discounting)	**1.3**	**–**	**1.3**
Released	**(0.2)**	**–**	**(0.2)**
Utilised	**0.8**	**–**	**0.8**
Unwinding of discounting	**(0.1)**	**–**	**(0.1)**
As at 1 July 2017	**8.6**	**0.3**	**8.9**

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within six years. Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historic trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

The other provision relates to dilapidation costs. It is expected that the dilapidations will be incurred within two to three years.

12. Deferred taxation

Deferred taxation provided at the enacted rate is as follows:

	2017 £m	2016 £m
Capital allowances in advance of depreciation	**3.8**	3.5
Other timing differences	**11.6**	8.6
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**12.0**	13.3
Retirement benefit obligations	**(2.7)**	0.3
Deferred taxation	**24.7**	25.7

The movements in deferred tax in the income statement and other comprehensive income for the year ended 1 July 2017 are as follows:

	At 2 July 2016 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	**At 1 July 2017 £m**
Accelerated capital allowances	(3.5)	**(0.3)**	**–**	**–**	**(3.8)**
Asset backed funding pension arrangement	(8.3)	**(1.8)**	**–**	**–**	**(10.1)**
Other temporary differences	(0.6)	**(0.9)**	**–**	**–**	**(1.5)**
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(13.3)	**1.3**	**–**	**–**	**(12.0)**
Retirement benefit obligations	(0.3)	**(1.0)**	**4.0**	**–**	**2.7**
Share based payments	0.3	**–**	**–**	**(0.3)**	**–**
	(25.7)	**(2.7)**	**4.0**	**(0.3)**	**(24.7)**

13. Pension commitments

Defined contribution

During the year ended 1 July 2017, 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 (2016: £0.4m), being the contributions paid and payable. The expense recognised for the workplace saving scheme was less than £0.1m (2016: less than £0.1m), being the contributions paid and payable.

Defined benefit

During the year ended 1 July 2017, the Company participated in a scheme which is part of the Go-Ahead Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The defined benefit section of The Go-Ahead Group Pension Plan has been closed to new entrants and to future accrual.

The most recent actuarial valuation of the scheme was at 31 March 2015 and was updated by Willis Towers Watson to take account of the requirements of IAS 19 (revised) in order to assess the liabilities of the scheme at 1 July 2017 and 2 July 2016.

The total net assets and liabilities of the scheme are recognised on the Company balance sheet.

13. Pension commitments continued

The following disclosures provide details of the entire defined benefit scheme.

The main assumptions are:

	2017 %	2016 %
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment and deferred pensions	**2.0**	1.9
Discount rate	**2.6**	2.8
Retail price index inflation	**3.3**	2.9
Consumer price index inflation	**2.3**	1.9

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.

	2017 Years	2016 Years
Pensioner	**21**	21
Non-pensioner	**22**	22

Sensitivity analysis

In making the valuation, the above assumptions have been used. For The Go-Ahead Group Pension Plan, the 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.

	2017 Pension deficit %	2016 Pension deficit %
Discount rate – increase of 0.1%	**(1.7)**	(1.7)
Price inflation – increase of 0.1%	**1.5**	1.5
Rate of increase in salaries – increase of 0.1%	**n/a**	n/a
Rate of increase of pensions in payment – increase of 0.1%	**0.9**	0.9
Increase in life expectancy of pensioners or non-pensioners by 1 year	**3.6**	3.6

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.1% and 1 year in the sensitivity analysis is considered to be a reasonable approximation of possible changes, as these variations can regularly arise.

Maturity profile of defined benefit obligation

The following table shows the expected future benefit payments of the plan.

	2017 £m
June 2018	**24.2**
June 2019	**24.8**
June 2020	**25.3**
June 2021	**25.9**
June 2022	**26.5**
June 2023 to June 2027	**141.5**

Category of assets at the year end

	2017		2016	
	£m	%	£m	%
Equities	**297.3**	**38.5**	266.8	35.5
Bonds	**14.7**	**1.9**	15.8	2.1
Property	**42.5**	**5.5**	68.4	9.1
Liability driven investing portfolio	**341.3**	**44.2**	392.3	52.2
Cash/other	**76.5**	**9.9**	8.2	1.1
	772.3	**100**	751.5	100.0

All of the asset categories above are held within pooled funds and are therefore quoted in active markets.

Funding position of the Group's pension arrangements

	2017 £m	2016 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	**(788.4)**	(750.0)
Assets at fair value	**772.3**	751.5
Pension scheme (liabilities)/assets	**(16.1)**	1.5
Deferred tax asset/ (liability)	**2.9**	(0.3)
Post-tax pension scheme (liabilities)/assets	**(13.2)**	1.2

Pension cost for the financial year

	2017 £m	2016 £m
Administration costs	**1.6**	1.8
Settlement gain	**(1.2)**	(0.5)
Interest cost on net liabilities	**(0.1)**	2.0
Total pension costs	**0.3**	3.3

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

	2017 £m	2016 £m
Pension scheme liabilities – at start of year	**750.0**	703.9
Interest cost	**20.3**	25.9
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	**(8.1)**	(68.8)
Changes in demographic assumptions	**–**	10.6
Changes in financial assumptions	**51.1**	101.0
Settlement gain	**(1.2)**	(0.5)
Benefits paid	**(23.7)**	(22.1)
Pension scheme liabilities – at end of year	**788.4**	750.0

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

	2017 £m	2016 £m
Fair value of assets – at start of year	**751.5**	647.2
Interest income on plan assets	**20.4**	23.9
Remeasurement gains due to return on assets greater than discount rate	**19.3**	99.5
Administration costs	**(1.6)**	(1.8)
Group contributions	**6.4**	4.8
Benefits paid	**(23.7)**	(22.1)
Fair value of plan assets – at end of year	**772.3**	751.5

13. Pension commitments continued

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2018	**6.5**
Estimated employee contributions in financial year 2018	**–**
Estimated total contributions in financial year 2018	**6.5**

Risks associated with the defined benefit plan are outlined in note 27 to the Group financial statements.

14. Issued capital and reserves

	Allotted, called up and fully paid			
		2017		2016
	Millions	**£m**	Millions	£m
As 1 July 2017 and 2 July 2016	**47.0**	**4.7**	46.9	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 4,077,487 ordinary shares (8.7% of total share capital), of which 175,247 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 1 July 2017 the Company has repurchased 121,084 shares (2016: 172,964 shares purchased). The Company has not cancelled any shares during the year (2016: no shares cancelled).

The revaluation reserve represents the value of properties involved in an asset backed funding transaction with the Go-Ahead Pension Plan, adjusted for amortisation, together with historic revaluation balances. The movement on the revaluation reserve represents the write down of the revaluation reserve over the expected useful life of the properties, offsetting the depreciation charges being taken to the profit or loss account.

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

The information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the directors' report.

The audit fee payable in respect of the Company was £0.1m (2016: £0.1m). Other fees payable to the auditor in respect of the Company were £0.1m (2016: less than £0.1m). Please refer to note 6 of the Group consolidated financial statements.

15. Operating lease commitments

The Company's future minimum rentals payable under non-cancellable operating leases as at 1 July 2017 and 2 July 2016 are as follows:

	Bus property	
	2017	2016
	£m	£m
Within one year	**1.0**	0.2
In second to fifth years	**4.0**	1.1
More than five years	**3.8**	1.3
	8.8	2.6

16. Capital commitments

There were capital commitments of £nil at 1 July 2017 (2016: £nil).

17. Contingent liabilities

The Company provides guarantees in respect of bank and equipment finance borrowings of the subsidiaries of The Go-Ahead Group plc.

The Company has issued guarantees dated 30 March 2006 to participating subsidiaries of The Go-Ahead Group Pension Plan in respect of scheme liabilities arising. Total liabilities in respect of this guaranteed scheme were £13.2m as at 1 July 2017 (2016: asset of £1.2m).

At 1 July 2017 letters of credit amounting to £72.0m (2016: £45.0m) were provided by a Company banker, guaranteed by the Company, in favour of one of the Group's insurers, to cover liabilities of the Company and its subsidiaries.

18. Related party transactions

The Company has taken advantage of the exemption under FRS101, and transactions with 100% subsidiaries of The Go-Ahead Group plc have not been disclosed.

The Company owns 65% of the ordinary shares in Govia Limited. London and Southeastern Railway Limited (Southeastern), London and Birmingham Railway Limited (London Midland), Thameslink Rail Limited (Thameslink), New Southern Railway Limited (New Southern), Southern Railway Limited (Southern) and Govia Thameslink Railway Limited (GTR) are 100% owned by Govia Limited and hence the Company owns a 65% interest.

	Govia		Southeastern		London Midland		Thameslink		New Southern		Southern		GTR	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Interest paid to related party	**0.3**	0.3	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Repayment of loan from related party	**–**	–	**–**	–	**–**	–	**–**	–	**7.0**	–	**–**	–	**–**	–
Management charges	**–**	–	**2.7**	2.3	**1.8**	1.5	**–**	–	**–**	–	**–**	0.1	**2.6**	2.5
Amounts owed from related party	**27.7**	30.2	**0.3**	1.8	**0.4**	0.7	**–**	–	**–**	–	**–**	–	**7.8**	7.1
Amounts owed to related party	**–**	–	**–**	–	**–**	–	**0.6**	0.6	**4.0**	11.0	**–**	–	**–**	–

During the year Southeastern, London Midland, Southern and GTR have traded with wholly owned subsidiaries of the Company; £15.5m (2016: £13.1m) of costs were incurred by Southeastern, London Midland, Southern and GTR on an arm's length basis.

SHAREHOLDER INFORMATION

Financial calendar

Annual General Meeting	2 November 2017
Final dividend record date	10 November 2017
Final dividend payment date	24 November 2017
Trading update*	30 November 2017
Half year end	30 December 2017
Half year results announcement	22 February 2018
Half year dividend payment	April 2018
Trading update*	24 May 2018
Next financial year end	30 June 2018
Full year results announcement	6 September 2018

* To better reflect the long term nature of our shareholder register, we will be reducing the frequency of scheduled market updates from six to four annually.

Annual general meeting (AGM)

The 30th AGM of the Group will be held at the Hilton Newcastle Gateshead, Bottle Bank, Gateshead, NE8 2AR on Thursday 2 November 2017 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 29 September 2017.

Dividend payments

The dividend dates are available on our corporate website in the financial calendar. Following each dividend payment date we will send a dividend confirmation voucher to your home address. Please therefore ensure that Equiniti have your correct address and bank details.

We recommend that you arrange for your dividends to be paid directly into your bank account:

- To avoid the risk of losing a cheque in the post and thereby incurring a replacement fee
- For faster receipt of your dividend which is paid into your account on the payment date, rather than waiting for a cheque to be delivered, deposited and cleared

To select this method of dividend payment, please contact Equiniti directly using the details on page 178.

Managing your shares

The Group's Registrar, Equiniti, is responsible for maintaining our register of members. Shareholders with queries relating to their shareholding should contact Equiniti directly.

Shareholders can sign up for a Shareview portfolio which enables you to:

- View information regarding your holding
- Change your address and bank details online
- Sell or purchase shares in the Group online

To register, go to www.shareview.co.uk and click on 'New users: Register for an account'. You will need your 11 digit shareholder reference which is shown on your last dividend confirmation voucher or share certificate.

Duplicate documents

If you have more than one registered shareholder account, you will receive duplicate documentation and split dividend payments. To request that your accounts be combined, please contact Equiniti.

Electronic communications

As far as possible, the Group provides shareholder documents via the corporate website. If you wish to receive future shareholder communications electronically, please sign up via Shareview (see 'Managing your shares' section). By electing to receive shareholder communications electronically you will be allowing us to communicate with you securely in a more environmentally friendly and cost effective way.

Warning to shareholders

Shareholders are advised to be extremely cautious of any unsolicited and suspicious phone calls received from purported 'brokers' who offer to buy their shares at a price far in excess of their market value, or offer shares for sale, which often turn out to be worthless or high risk in US or UK investments. These operations are commonly known as 'boiler room fraud', and the callers can be very persistent and persuasive. They often have websites to support their activities, their advice and the companies they purport to represent. More detailed information, guidance and key contact details are available on the FAQs page within the investor information section of our corporate website. We also encourage shareholders to read the Financial Conduct Authority's (FCA) guidance on how to avoid scams at www.fca.org.uk/consumers/scams.

By law, the Group's register of members is open to public inspection. However, we do not endorse any specific share dealing facilities; will not pass on shareholder information to any third party; and any requests for access to the register are subject to 'proper purpose' requirements which ensure those personal data are not used unlawfully.

Shareholder profile by size of holding as at 1 July 2017

	No. of holdings	%	Total shares held	% Issued share capital
1-10,000	2,887	92.20	2,094,176	4.46
10,001-100,000	179	5.72	6,044,221	12.86
100,001-500,000	44	1.41	9,660,588	20.56
500,001-1,000,000	10	0.32	6,922,889	14.73
Over 1,000,001	11	0.35	22,271,402	47.39
Total	3,131	100	46,993,276*	100

* This total includes 3,902,230 shares held in treasury

Shareholder profile by category as at 1 July 2017

	No. of holdings	Number of shares	% of holdings	% of shares
Treasury shares	1	3,902,230	0.03	8.31
Directors	6	75,773	0.19	0.16
Other individuals	2,509	3,930,159	80.14	8.36
Institutional investors	615	39,085,114	19.64	83.17
Total	3,131	46,993,276*	100	100

* This total includes 3,902,230 shares held in treasury.

It should be noted that many private investors hold their shares through nominee companies, therefore, the percentage of shares held by private holders is likely to be higher than that shown.

Major shareholders

In accordance with Rule 5.1.2R of the UK Listing Authority's Disclosure and Transparency Rules, the Group had received the following notification of 3% or more over the Group's total voting rights and capital in issue as at 1 July 2017 and 6 September 2017 (being the latest practical date prior to the date of this report):

	Number of shares held as at 1 July 2017[1]	% of voting rights held	Nature of holding	Number of shares held as at 6 September 2017[1]	% of voting rights held	Nature of holding
Henderson Group plc	2,227,079	5.17%	Indirect (5.13%) & CFD[2] (0.04%)	–	–	–
Standard Life Aberdeen plc	–	–	–	2,475,298	5.74%	Indirect

1. These holdings include, where applicable, the aggregate of investment management clients' interests within the respective asset management companies. No further notifications have been received; however, the above holdings may have changed without triggering a further notification.
2. Contract for Difference.

Shareholder and control structure

As at 1 July 2017, 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 46,993,276 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 121,084 ordinary shares of 10p each in the Group as part of a planned programme of share purchases (2016:172,964) 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 12,560 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 2017 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 authorities for the Group to allot relevant securities (up to an aggregate nominal amount of £1,433,535, and for the disapplication of pre-emption rights on the allotment of equity securities (for cash up to an aggregate nominal amount of £215,030), as passed by ordinary and special resolutions at the 2016 AGM, were not utilised in the financial year or up to the date of this report.

These authorities will expire at the 2017 AGM and approval for new authorities will be sought. In the last three years, no shares have been issued on a non-preemptive basis, other than those issued under all-employee share schemes which are not included for the purposes of this authority.

The authority for the Group to make market purchases of its own ordinary shares, as passed by special resolution at the 2016 AGM, was still in effect at the end of the financial year and will expire at the 2017 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 4,300,605. 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 24 March 2010, the sterling bond issue dated 6 July 2017, and the revolving credit facilities dated 16 July 2014 and 27 April 2017 are subject to change of control clauses that contain certain specified conditions which could lead to a compulsory prepayment of the bond and loan respectively. Transport for London has powers to prevent the operation of London Bus contracts by an existing operator which is the subject of a change of control. The Land Transport Authority in Singapore also has powers to prevent the operation of Go-Ahead Loyang PTE. Limited contracts by an existing operator which is subject to change of control.

Corporate website

Our corporate website www.go-ahead.com provides information on the Group and its activities. Information available on the site includes half year results and interim management statements, which are not sent to shareholders, as well as share price data, dividend information and the financial calendar. You can register to receive email alerts, when the website has been updated with announcements, press releases and other publications.

CORPORATE INFORMATION

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GLOSSARY

Aslef
Associated Society of Locomotive Engineers and Firemen is a British trade union representing train drivers

Bus accidents per million miles
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

Bus fuel hedging
Contractual tool used to reduce exposure to volatile and potentially rising fuel costs

Carbon emissions per passenger journey
Calculation of our CO_2 emissions using the appropriate CO_2 conversion factor. We divide our CO_2 emissions by the number of passenger journeys made to establish CO_2 per passenger journey and we use this metric to measure our performance

Carbon Trust triple accreditation
World's leading independent certification of an organisation's impact on the environment by verifying action on the three primary components of environmental sustainability: energy use and associated greenhouse gas (CO_2e) emissions, water use and waste output

CDP
Carbon Disclosure Project is an organisation based in the United Kingdom which works with shareholders and corporations to disclose the greenhouse gas emissions of major corporations

CFD
Contract for Difference is a contract to exchange the difference in value of a financial instrument between the time at which the contract is opened and the time it is closed

Delay repay
National scheme train companies use to compensate passengers for delays

DfT
The Department for Transport is the government department responsible for the UK transport network

Euro 6 emission standards
Define the acceptable limits for exhaust emissions of new vehicles sold in EU and EEA member states

Fair Tax Mark
Independent accreditation awarded after an assessment based on transparency and tax rate, disclosure and avoidance

Fintech
Is a portmanteau of financial technology that describes an emerging financial services sector in the 21st century

Investors in People
Accreditation which sets out the standard for better people management. The standard defines what it takes to lead, support and manage people well for sustainable results

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 events

LTA
The Land Transport Authority is a statutory board under the Ministry of Transport of Government of Singapore

Materiality matrix
Assists a company in deciding which corporate social responsibility initiatives to invest in

Network rail
Owner and infrastructure manager of most of the rail network in England, Scotland and Wales

NTA
The National Transport Authority is the transport authority for Greater Dublin and the public transport licensing agency for Ireland

ORR
Office of Road and Rail is an independent regulator which regulates the rail industry's health and safety performance and ensures the rail industry is competitive and fair

PPM
The Public Performance Measure is a measure of the punctuality and reliability of passenger trains in Britain

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

RCF
Revolving Credit Facility is a type of credit that does not have a fixed number of payments, in contrast to installment credit. They are typically used to provide liquidity for a company's day-to-day operations

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

GLOSSARY CONTINUED

RIDDOR

Reporting of injuries, diseases and dangerous occurrences regulations is a statutory requirement for all companies and relates to any work place incident that results in any absence from work for over seven days or any legally reportable incident to the Health and Safety Executive

RMT

National Union of Rail, Maritime and Transport Workers is a British trade union covering the transport sector

ROSCO

A rolling stock operating company owns and maintains railway engines and carriages which are leased to train operating companies who operate the trains

SPADs per million miles

Train operating companies report signals passed at danger. All SPADs are given a risk ranking which considers the actual and possible consequences of each incident. Most SPADs occur at low speed, where braking distance has been misjudged and the train is stopped by automatic warning systems, and therefore the likelihood of an accident is very low

TfL

Transport for London is a local government body responsible for the transport system in Greater London

Thameslink Programme

A £6.5 billion project in southeast England to upgrade and expand the Thameslink rail network by providing new and longer trains between a wider range of stations to the north and to the south of London

The Voluntary Living Wage

An hourly rate set independently and updated annually in line with inflation and the cost of living. The current UK Living Wage is £8.45 an hour. The current London Living Wage is £9.75 an hour

TOC

A train operating company is a business operating passenger trains on the railway system of Great Britain under the collective National Rail brand

Transport Focus

Independent statutory watchdog, representing bus and rail passengers

NRPS

A network-wide picture of passengers' satisfaction with rail travel. Conducted by the independent transport user watchdog, Transport focus

WACC

The weighted average cost of capital is the rate that a company is expected to pay on average to all its security holders to finance its assets

View our 2017 Annual Report and Accounts online at www.go-ahead.com/en/investors/2017-online-report

Social media

Follow us on Linkedin and Twitter

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

twitter.com/TheGoAheadGroup

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 Key Performance Indicators (KPI) data contained within the Group's Annual Report. The information and data reviewed in this verification process covered the period 3rd July 2016 to 1st July 2017.

The full verification statement including Bureau Veritas' verification opinion, methodology, areas of good practice, recommendations and a statement of independence and impartiality can be found on the Go-Ahead Group website:

www.go-ahead.com/sustainability

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Bureau Veritas UK Ltd
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