

Annual Report and Accounts
for the year ended 29 June

2013

Leading
the way

Go Ahead

Leading the way

Since its formation 26 years ago, Go-Ahead has grown and developed into one of the UK's leading transport operators. We pride ourselves on our consistent delivery of high quality bus and rail services, our longstanding commitment to our local approach, our continued focus on the needs of our passengers and making a positive contribution to the communities we serve.

We have chosen **leading the way** as our theme for this year's report. This is about leading our people to deliver great service and develop themselves, leading our companies to success and leading the industry in environmental standards and innovation.

We have included case studies throughout this report which demonstrate how we lead the way, and deliver value to our stakeholders.

Leading the way...

- Sector-leading bus passenger satisfaction of 90%
- Operator of the UK's only high speed rail network
- Largest operator in the London bus market
- Investors in People status
- Commitment to attractive dividends
- Largest smartcard scheme outside London
- Carry more rail passengers than any other operator in the UK
- Carbon Trust accredited
- Only transport operator with Business in the Community Platinum ranking
- £45.3m investment in new buses in the year
- CO₂ emissions per passenger journey down 15% since 2008



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Our business model

Go-Ahead creates shared value for its stakeholders through three operating divisions.

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Stakeholder engagement

Go-Ahead identifies its key stakeholders, and discusses how and why the Group engages with these important groups.

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Chairman's statement

Andrew Allner discusses taking over as Chairman and how the Group is well positioned for the future.



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Group Chief Executive's review and Q&A

David Brown provides an overview of the year and addresses topical questions about the Group's performance, challenges ahead and plans moving forward.



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Finance and business review

Keith Down reports on the Group's operational and financial performance for the year.



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Directors' remuneration report

Katherine Innes Ker presents the Directors' remuneration policy, the annual report on remuneration and this year's annual statement.



Leading the way in integrated reporting

We are pleased to introduce Go-Ahead's first integrated annual report. Sustainability is integral to our strategy and the way we operate at every level of the business. We feel it is important that this is reflected in our reporting. This report is designed to provide readers with a comprehensive, integrated view of our business, strategy performance and outlook.

As a result, we have not produced a separate sustainability report. In addition to the information in this annual report, you can read more about Go-Ahead's approach to sustainability and its performance in this area on our corporate website: www.go-ahead.com/sustainability

Our five key sustainability areas



Safety



Environment



Passengers



Employees



Communities



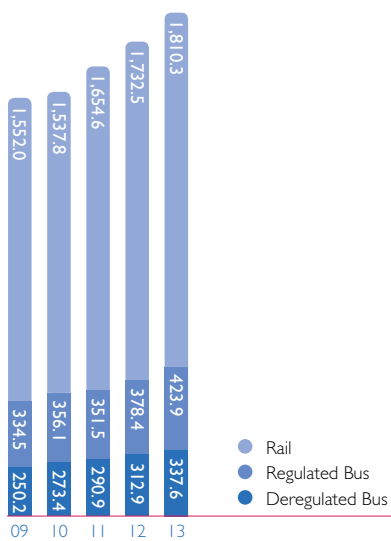
For more information about Go-Ahead and our operating companies visit: www.go-ahead.com

Our performance and highlights

- Overall results slightly ahead of management expectations
- Record passenger levels across both bus and rail divisions
- Good progress towards bus operating profit target of £100m by 2015/16
- Sector-leading deregulated passenger revenue growth
- Solid revenue growth in rail
- Shortlisted for Thameslink and Crossrail franchise bid competitions
- Maintained full year dividend at 81.0p

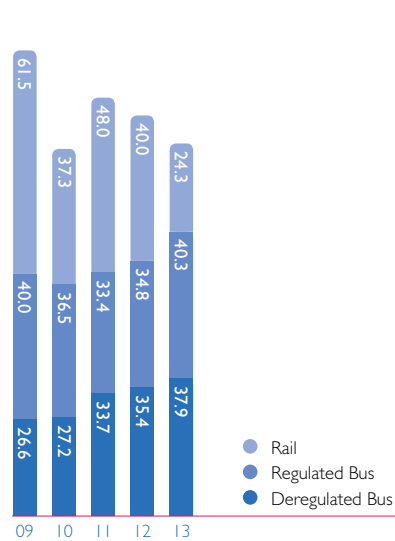
Total revenue (£m)

£2,571.8m



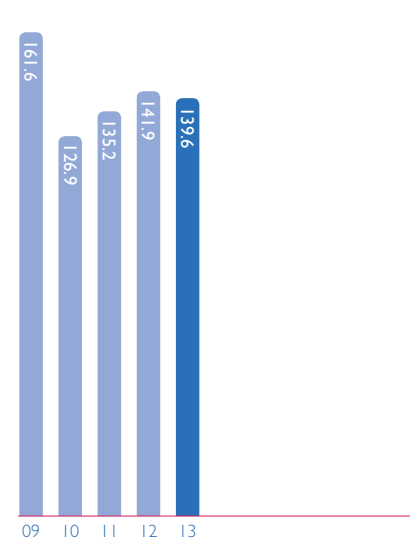
Total operating profit (£m)

£102.5m



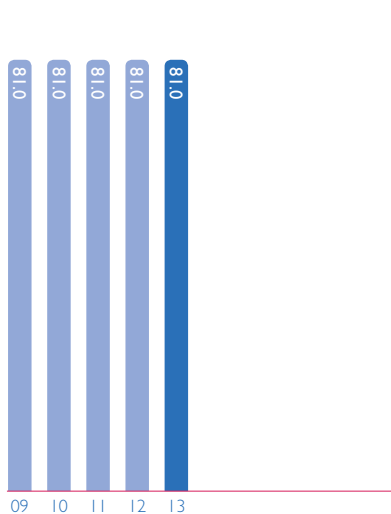
Adjusted earnings per share (p)

139.6p



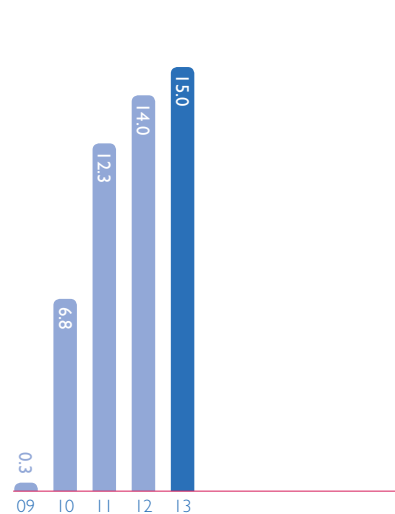
Dividend paid and proposed per share (p)

81.0p



Reduction in CO₂ emissions per passenger journey (%)*

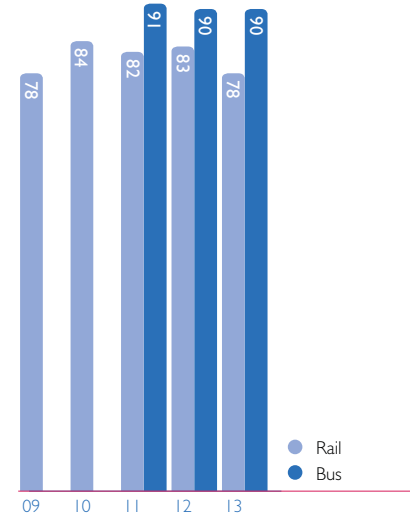
15.0%



Customer satisfaction (%)+

Bus: 90%

Rail: 78%



Unless otherwise stated, references made to operating profit throughout this report exclude amortisation and exceptional items.

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

* The graph shows the cumulative reduction since 2007/08 when our Driving Energy Further initiative was launched and the target to reduce CO₂ emissions by 20% by 2015 was set.

+ In 2011 Go-Ahead became the first major transport group to conduct an annual independent bus customer satisfaction survey.

Divisions at a glance

Over one billion passenger journeys are made on our services every year. Our locally focused businesses are tailored to our customers' needs.

Our divisions

Bus

Go-Ahead is one of the UK's leading bus operators. We are the largest operator in London, running services for Transport for London (TfL), and we have commercial businesses in Oxford, East Anglia and Southern, South East and North East England.

	2013*	2013	2012
Total bus operations			
Revenue (£m)	761.5	691.3	
Operating profit (£m)	78.2	70.2	
Margin	10.3%	10.2%	
Deregulated bus			
Revenue (£m)	337.6	312.9	
Operating profit (£m)	37.9	35.4	
Margin	11.2%	11.3%	
Regulated bus			
Revenue (£m)	423.9	378.4	
Operating profit (£m)	40.3	34.8	
Margin	9.5%	9.2%	
Revenue growth			
Deregulated	4.3%	7.9%	4.7%
Regulated	5.0%	12.0%	5.8%
Volume growth			
Deregulated – passenger journeys	1.1%	3.1%	2.8%
Regulated – miles operated	1.9%	7.3%	3.9%

* On a like for like basis, excluding acquisitions and adjusting for the impact of the Olympic Games on the regulated bus division.

Rail

Our rail division operates Southern (including Gatwick Express), Southeastern (including High Speed) and London Midland franchises through our 65% owned subsidiary Govia. In England around 30% of all train journeys are made on our services.

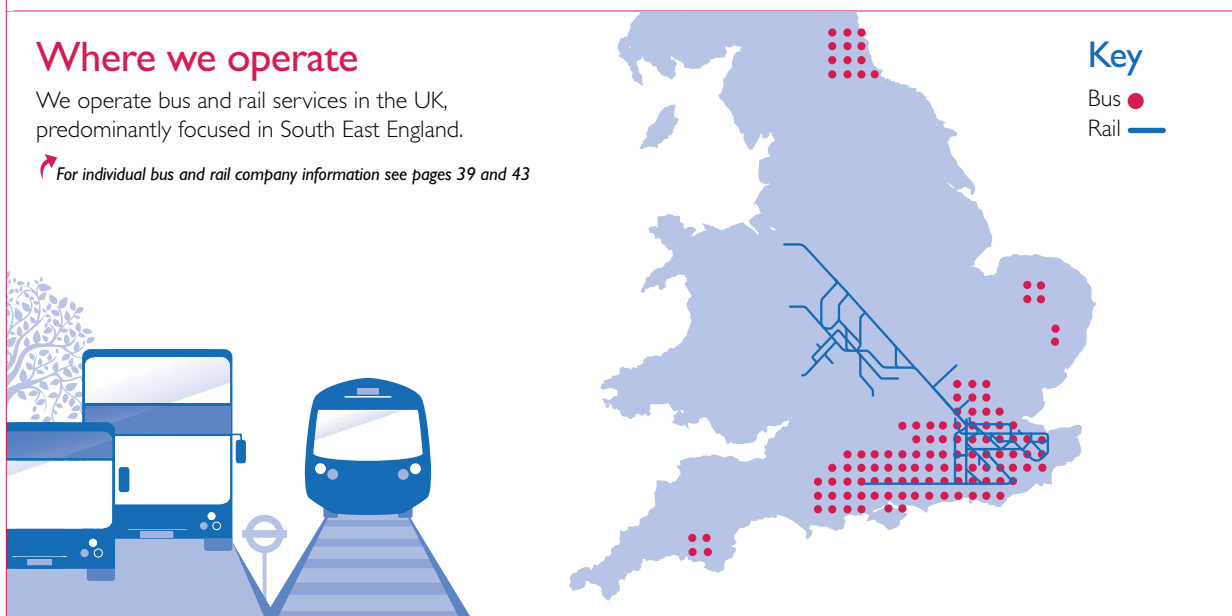
	2013*	2013	2012
Total rail operations			
Total revenue (£m)		1,810.3	1,732.5
Operating profit (£m)		24.3	40.0
Margin		1.3%	2.3%
Passenger revenue growth			
Southern	5.4%	5.6%	7.9%
Southeastern	6.7%	8.0%	10.1%
London Midland	11.5%	12.1%	13.3%
Volume growth			
Southern	0.8%	1.1%	1.2%
Southeastern	3.1%	4.7%	1.3%
London Midland	2.1%	2.4%	7.4%

* On a like for like basis, adjusting for the estimated impact of the Olympic Games.

Where we operate

We operate bus and rail services in the UK, predominantly focused in South East England.

For individual bus and rail company information see pages 39 and 43



Group overview

Go-Ahead is a leading provider of high quality passenger transport services in the UK. The Group's 23,500 employees are empowered to work to their full potential to meet the needs of our customers and the communities in which we operate.

Our Group...

Our mission

To be the UK's leading provider of high quality, innovative, customer-focused passenger transport, delivering the local needs of passengers and communities.



Key facts

Customer satisfaction is one of the best measures of our performance. Go-Ahead consistently achieves high levels across its bus and rail businesses, surpassing those of leading organisations in other industries.

Our values

Our values underpin our approach to working at Go-Ahead. By embedding these values across the Group we are making a commitment to our employees, our customers and other stakeholders as we work towards our mission.

Our customer focused values are: working hard to provide a quality service; understanding our customers' needs; innovating to provide the best customer experience; and working in partnership with local communities.

Our people focused values are: working together as a team; listening, respecting and supporting each other; working hard to be the best we can be; sharing what works; and celebrating success.

Go-Ahead values the views of all of its 23,500 employees. Through annual staff surveys we gain important feedback from our people about what it means to work for Go-Ahead's companies.

81%

of employees surveyed said they understand how their work contributes to the success of the Group.

Our business model

Our three divisions are:



Deregulated bus

Outside London, we operate commercial bus businesses, predominantly in the south of England.



Regulated bus

We operate around 170 tendered contracts in the capital for Transport for London (TfL).



Rail

We operate three rail franchises in England for the Department for Transport (DfT).

Go-Ahead is the largest operator in the London bus market, with **24%** market share.

Go-Ahead's three rail franchises carry around **30%** of passengers in England.

Through its devolved deregulated bus businesses, Go-Ahead supports **local communities and economies.**

See page 6 to read more about our business model

Strategy

Our strategy is designed to deliver earnings and growth for our investors by being a responsible employer and operator, providing high quality services for our passengers in the communities we serve. We continuously monitor our performance against financial and non-financial Key Performance Indicators (KPIs) in order to measure progress against our strategy.

Through our commitment to our four strategic priorities we are working towards Target 100 – our target to organically grow our bus division operating profit to £100m by 2015/16.

See page 24 to read more about our strategy



Our strategic principles

1 Society

To run our companies in a safe, socially and environmentally responsible manner

2 Customers

To provide high quality, locally focused passenger transport services

3 People

To be a leading employer in the transport sector

4 Finance

To run our business with strong financial discipline to deliver sustainable shareholder value



Stay up to date and register to receive email alerts:
www.go-ahead.com/siteservices/alerts

Our Group...

Key facts

Governance

Good governance is at the core of our business. The Group is headed by an effective Board which is committed to maintaining a governance framework that protects the interests of our shareholders and other stakeholders. Through our devolved structure we empower our local managers to focus on driving innovation and meeting the needs of our passengers and the communities in which we operate.

We have an experienced Board that provides the oversight to help our Executive Team and our people lead the way in the bus and rail industry.

See page 50 to read more about governance

50%
of the Board comprises Independent Non-Executive Directors (excluding the Chairman).

Remuneration

The Group's overall remuneration policy is set to attract, retain and motivate high calibre individuals to deliver the best possible performance in the interests of the Group's shareholders and the overall objectives of the business. For this reason, when setting the remuneration of the Executive Directors, the Remuneration Committee seeks to ensure that the incentive structure does not raise risks by inadvertently encouraging irresponsible behaviour; and that a substantial part of remuneration is linked to performance.

This year, we have incorporated a number of the new Directors' remuneration reporting requirements, recently published by the Department of Business, Innovation & Skills, including the reporting of a single remuneration figure for Executive Directors.

See page 66 to read more about remuneration

Single figure remuneration (£'000)

Includes salary, performance-related cash bonus, deferred share bonus plan, pension allowance and private medical insurance.

	2013	2012
David Brown	942	1,022
Keith Down	646	696

Risk

Through the Board's risk management process, potential risks to our business are identified, assessed and prioritised. We seek to minimise, monitor, and control their probability and impact, whilst maximising the opportunities they present.

Material risks identified in the year:

- economic environment;
- political and regulatory framework; and
- sustainability of rail profits.

See page 32 to read more about how we manage our risk

Sustainability

Sustainability is at the heart of everything we do. We are committed to running high quality services in a safe, socially and environmentally responsible manner. By encouraging more people to use our buses and trains, we are strengthening our business and the economy whilst helping to reduce road congestion and carbon emissions.

This is the first year Go-Ahead has produced an integrated annual report to reflect its approach to sustainability throughout the business.

Case studies are included throughout this report to illustrate our leading approach and initiatives to ensure the successful and sustainable future of the Group.

Our approach to sustainability covers five key areas



Safety

93%
of bus and train fleet has CCTV



Environment

15%
reduction in CO₂ emissions since 2008



Passengers

91.2%
bus punctuality



Employees

9.4%
staff turnover rate



Community and economic impacts

£11.1m
corporation tax paid to the Government

Our business model

Our business model is underpinned by our commitment to provide safe, socially and environmentally responsible services, creating value for our passengers, employees, shareholders and the wider society and economy. Our UK focus and decentralised structure differentiate us from other major public transport groups.

What we do

Deregulated bus

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

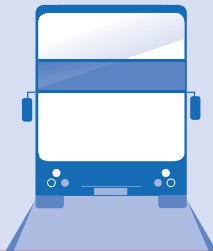
Outside London, we have operations in North East England, Brighton, Oxford, Plymouth, the South Coast and East Anglia. We own 100% of these businesses.



Regulated bus

We operate tendered contracts for Transport for London (TfL)

In London, we operate around 170 routes from 17 depots in the capital. Around 85% of these depots are freehold.



Rail

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

Go-Ahead currently operates three UK rail franchises through Govia, a 65% owned joint venture with Keolis.



How we generate revenue

Deregulated bus

70%

Fare paying passengers

By offering high quality services and value for money fares we are able to grow passenger numbers, which directly contributes to the success of our business.

20%

Reimbursement for concessionary travel

Government policy entitles anyone of pensionable age to free travel on local bus services in England. Bus operators are reimbursed a percentage of the full fare for revenue foregone. This is paid by local authorities from a fund allocated by central Government, based on a principle of the operator being 'no better or no worse off'. Our typical reimbursement rates are around 50%.

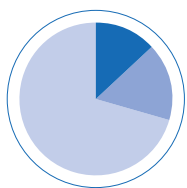
10%

Tendered contracts

Services which are not commercially viable, such as rural routes and school buses, are tendered by local authorities. We also operate commercial contracts for universities and other third parties.

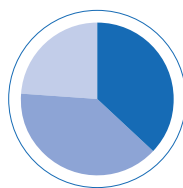


Group revenue £2,571.8m



- Deregulated bus – 13.1%
- Regulated bus – 16.5%
- Rail – 70.4%

Group operating profit £102.5m



- Deregulated bus – 37.0%
- Regulated bus – 39.3%
- Rail – 23.7%

Regulated bus

95%

Running bus services in London for TfL

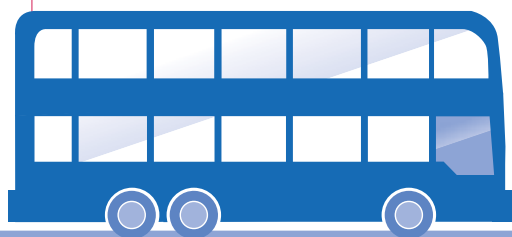
Operating under a regulated system, TfL issues tenders for bus routes in London and private operators enter a competitive bidding process for the right to operate them. Contracts are usually five years in duration with a possible two year performance-based extension. Our revenue comes directly from TfL and is based on the contract price.

5%

Quality incentive bonuses and other revenue

Performance targets are set by TfL through Quality Incentive Contracts (QICs) to encourage the provision of punctual and high quality service. Operators receive bonus payments when targets are met and are penalised for poor performance.

Other sources of revenue include providing rail replacement services and operating other third party contracts.



Rail

95%

Passenger revenue and subsidies

Operating under a regulated system, the DfT issues tenders for rail franchises and private operators enter a competitive bidding process for the right to operate them. Operators submit detailed franchise bids that specify the level of premium the operator will pay to the DfT or the level of subsidy it will require from the DfT for operating the franchise, dependent on the level of passenger revenue assumed. The existing franchise structure includes a mechanism that shares any excess revenue with the DfT and provides mitigation for any revenue shortfall in the final years of a franchise. The model is designed to maximise the value to the taxpayer by incentivising train companies to operate efficiently and encourage passenger growth.

5%

Other revenue

A small proportion of revenue is generated through other activities on the rail franchise network such as car parking, station retailing, advertising at stations and on trains and third party engineering work.



Our business model continued

Our effective business model creates value for all our stakeholders. As a public transport provider, our growth benefits the economy, society and the environment.

How we create shared value



Shared value

At Go-Ahead, we believe it is important to deliver value for all of our stakeholders. Our bus and rail operations create value for our 23,500 employees; the communities we serve; and our passengers, who make over a billion journeys on our services each year. Through our robust business model, we are committed to delivering sustainable shareholder value.

Established, responsible and well respected operator

Go-Ahead has operated for 26 years in the UK bus market and for 16 years in UK rail and has established strong market positions. Over this period, we have strengthened our reputation as a reliable and responsible operator. For Go-Ahead, sustainable transport means running our trains and buses safely, reducing the impact of our operations on the environment and being passenger focused. It also means developing our staff and enriching our local communities while growing our business profitably for our shareholders.

Providing employment

Go-Ahead is proud to employ 23,500 people throughout the UK, providing jobs in a challenging economic environment and contributing directly to the Treasury. We invest in our people and believe that providing opportunities for our staff to learn and develop makes for a stronger, more engaged and productive workforce. We also offer graduate schemes and apprenticeships across our businesses.

Supporting the community and the economy

Our operations are at the heart of local communities. We operate in vibrant economic towns and cities where there is high demand for public transport. Our services enable people to access employment, education, retail and leisure facilities, supporting economic growth. Our local management teams work closely with local authorities to address the needs of these communities.

Offering high quality, innovative services and providing value for money

Providing high quality services is one of our strategic priorities and we are proud to have some of the highest customer satisfaction scores in the sector. We invest in modern fleets, operate punctual, reliable and convenient services, train and develop our staff to enable them to provide the highest levels of service, and are committed to innovation. We are passionate about providing value for money alternatives to the private car and enabling social inclusion for our communities. We always strive to improve the products and services we offer.

Strong environmental credentials

In an industry with an inherent environmental impact, Go-Ahead is committed to reducing its carbon emissions. We are also dedicated to reducing the wider impact of vehicles on the roads by attracting people from their cars to our buses and trains with our high quality, reliable and value for money services. Our Driving Energy Further strategy to reduce carbon emissions by 20% by 2015 is progressing well, with a 15% reduction achieved to date. We are also committed to sustainable procurement which is embedded into our supply chain.

Effective leadership

Effective leadership is key to the success of the Group. We have a strong and knowledgeable Board and experienced Executive Directors who are committed to supporting and developing our people while delivering high quality services and sustainable shareholder value. Our business model is underpinned by a robust governance framework.



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

Experienced and resourceful management with a local focus

Our longstanding commitment to our devolved structure enables our locally based management teams to address passengers' needs at a local level. These teams know their markets well and have the knowledge and experience to deliver high quality services. The economic challenges of recent years have required our management teams to draw on this experience to steer their businesses to success. This local focus is complemented by skills, expertise and support at Group level in areas such as marketing, IT and procurement.

Open and transparent communication

Our regular and transparent engagement with stakeholders instils trust in our passengers, communities and employees, and enables investors to make good investment decisions. The media value our willingness to communicate openly, and relationships with our suppliers benefit from transparent communication. Strong relationships with the Government and local authorities are key to the success of the Group. Our continual and open dialogue underpins these strong and longstanding relationships.

Financially disciplined and cost efficient

We aim to deliver sustainable shareholder value, and strong financial discipline is key to this aim. We are committed to preserving a strong capital structure, maintaining our investment grade credit ratings, ensuring compliance with our bank covenants and maintaining low levels of debt.

Good cash generation and balance sheet management provide a solid foundation for the Group. Close management of our cost base is critical to our success, particularly in winning and retaining bus contracts and rail franchises, reinvesting in our business and maintaining our dividend. Our rail franchises have strong cost management which enables them to remain profitable despite being in the challenging final stages of the initial franchise terms. By sharing best practice across our bus division, cost savings of £1.0m were identified in this year, helping us progress towards our £100m bus profit target by 2015/16.

Leading the way

Economic contribution

Public transport is vital to building a strong and sustainable UK economy. Our services ensure that millions of people are able to get to work and can access key services and leisure activities. Both directly and indirectly, we make a significant contribution to the UK economy through the £0.8bn paid to the 23,500 people we employ, the £11.1m we pay in taxes to the Government and the £1.5bn of payments to suppliers.

Train operators now generate more than four times as much money for the Government to reinvest in rail services than 15 years ago. This money is helping to reduce public subsidies and sustain the biggest investment programme in rail in decades¹. Go-Ahead made a net contribution of £12.4m to the DfT in the year to 29 June 2013, an increase of £85.9m compared to the previous year.

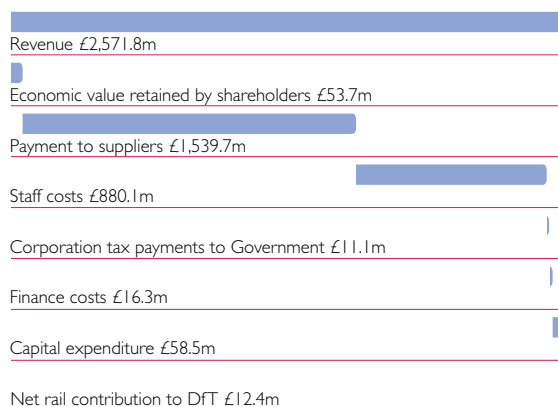
The bus industry also supports the economy. It is estimated that £27.2 billion is spent by bus users on leisure activities and shopping each year in the UK².

Our attractive dividend is a key part of the investment decision for many shareholders. Setting an attractive dividend per share remains a high priority for the Board. We paid £34.7m in dividends to shareholders in the year, the majority of whom are UK pension and investment fund providers.

1. Association of Train Operating Companies, July 2013.
2. Greener Journeys, 2013.

Total revenue

£2,571.8m



Stakeholder engagement

Go-Ahead's mission is to be the UK's leading provider of high quality, innovative, customer-focused passenger transport, delivering the local needs of passengers and communities. This table identifies the key stakeholders impacted by this mission and outlines how and why we engage with them.

	Passengers	Employees	Communities	Investors
Why we engage	Our passengers make over one billion journeys a year on our services; we want to know how we are performing so we can deliver change and improvements.	High levels of employee engagement, commitment and job satisfaction directly contribute to the success of Go-Ahead.	Our businesses are part of the local communities in which they operate. Our aim is to play a constructive role in the towns and cities we serve.	As a publicly listed company we need to provide open and transparent information which instils confidence and enables informed investment decisions to be made.
Material issues	<ul style="list-style-type: none"> Punctuality and reliability Value for money Access to information Customer service; standards (e.g. cleanliness of vehicles and stations) 	<ul style="list-style-type: none"> Pay and conditions Career progression 	<ul style="list-style-type: none"> Frequency and geographical coverage of routes Social inclusion Impact of Group activities on the wider community 	<ul style="list-style-type: none"> Operating and financial performance Transparency Access to management Dividend Future of rail franchising Approach to expansion and diversification Appetite for risk
What we are doing	<ul style="list-style-type: none"> Independent review of rail reliability and performance Customer satisfaction surveys Offer a range of good value fares Engaging via social media for up to the minute information Focus on customer service and maintaining high standards <p>90% bus passenger satisfaction</p>	<ul style="list-style-type: none"> Annual employee surveys New talent and leadership development schemes implemented New graduate scheme in bus division Robust appraisal process in place <p>£13m spent on staff training and development in the year</p>	<ul style="list-style-type: none"> Annual independent survey to measure wider societal reputation Host and attend events to raise profile of wider community-based activity e.g. Go-Learn; new community partnerships Business in the Community Corporate Responsibility (BITC CR) Index (Platinum) <p>97% scored in BITC CR Index</p>	<ul style="list-style-type: none"> Provision of clear and detailed information in regular updates Responding to specific investor queries and meeting requests Achieved recognition in socially responsible investor indices including EIRIS and FTSE4Good <p>4 times consecutive winner of Investor Relations Society FTSE 250 Corporate Website award</p>



To view and find out more about Go-Learn visit: www.go-ahead.com/go-learn

Government	Suppliers	Media	Other stakeholders
<p>Policy and regulatory changes may affect our bus and rail businesses. Working closely with both central and local Government enables us to provide input into new policies and ensure we receive regular feedback on our performance.</p>	<p>Professional relationships with core suppliers support efficient delivery of our bus and rail services.</p>	<p>Relationships with national, financial and trade press are a key element of the Group's communications strategy.</p>	<p>Stakeholders such as Passenger Focus and rail and bus user groups help inform our decisions and enable effective partnership working.</p>
<ul style="list-style-type: none"> Operational performance Future of rail franchising Changes to bus policy Local issues such as bus priority lanes, CO₂ reduction strategies 	<ul style="list-style-type: none"> Safe service provision Cost efficiency Ongoing quality management 	<ul style="list-style-type: none"> Transparency of reliable and timely information around key areas of national and local focus, such as fares, punctuality and Directors' remuneration 	<ul style="list-style-type: none"> Transparency Innovation Service reliability Staff training and customer service Changing passenger needs
<ul style="list-style-type: none"> Ensuring Government is informed of performance improvement developments through regular updates, engaging with relevant stakeholders on future bus and rail policy development <p><i>"It's good to see Go-Ahead equipping young people to travel independently."</i> Norman Baker, Transport Minister</p>	<ul style="list-style-type: none"> Monitoring quality delivery through new systems and use of KPIs Annual supplier surveys Certification from Chartered Institute of Purchasing and Supply <p>91% of suppliers surveyed said they had clear lines of communication with Go-Ahead and its companies</p>	<ul style="list-style-type: none"> Good relationships with regular dialogue to keep media up to date with key business and industry matters Regular briefings, visits and meetings to keep media informed <p><i>"Go-Ahead's focus on improving ticketing, cost savings and other earning enhancing steps in its bus business is positive. These are long-term sustainable businesses."</i> <i>Questor, The Telegraph, October 2012</i></p>	<ul style="list-style-type: none"> Operating companies ensure stakeholders are consulted, updated and informed about key business decisions Opportunities for partnership working and research identified and implemented <p><i>"Go-Ahead makes good use of our passenger-led research and advocacy work to help them better understand their bus and rail customers."</i> <i>Anthony Smith, CEO, Passenger Focus, 2013</i></p>

Leading the way

Go-Learn education programme

Go-Ahead's unique online education programme is aimed at helping children and young people improve their knowledge of public transport to become confident and informed travellers.

Launched by Transport Minister, Norman Baker, Go-Learn uses the theme of public transport to deliver informative and engaging resources that help pupils (aged four to 14) develop skills and confidence for independent travel. The resources, mapped against the National Curriculum, can be used to support literacy; numeracy; citizenship and elements of Personal, Social and Health Education.

Go-Ahead is the only major UK transport operator to provide resources of this kind. Go-Learn consists of factsheets and worksheet topics which are free for teachers to download from Go-Ahead's website. Exercises include whole-class and group discussions, individual written tasks and opportunities to carry out research. Word glossaries and suggestions for further study are also provided.

To see more of our case studies go to:
www.go-ahead.com/sustainability/case-studies

Chairman's statement



Andrew Allner, Chairman

Dear Shareholder,

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

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

A responsible business

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

A clear strategy

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

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

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

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

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

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

Dividend

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

Total shareholder return (rebased to 100)



Board effectiveness

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

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

One area in which your Board has made changes is that of remuneration. As you will read in the Directors' remuneration report (beginning on page 66), we have incorporated a number of the new Directors' remuneration reporting requirements, recently published by the Department for Business, Innovation and Skills. Our objective has been to ensure that remuneration arrangements clearly reflect our strategic objectives, and that the interests of management and shareholders are properly aligned.

Board and people

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

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


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

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

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

Conclusion

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



Andrew Allner, Chairman

4 September 2013

Leading the way

Committed to sustainability

Go-Ahead's commitment to operating sustainably was acknowledged during the year when it was highly commended by FTSE Group in the first Sir Mervyn Pedely Award. The award recognises significant improvements to business sustainability in recent years and was created in memory of the late Sir Mervyn Pedely, former Chief Executive of the Co-operative Bank, and former Chair of the FTSE4Good Policy Committee. The awarding committee said Go-Ahead demonstrated strong environmental performance and had a serious approach to social responsibility and governance. It added that Go-Ahead had a clear demonstration of integrating environmental and social performance into corporate strategy, setting ambitious goals and measuring progress against them.

Speaking at the event Go-Ahead's Chief Executive, David Brown, challenged industry leaders on the importance of ensuring sustainability was a prominent issue in investor relations and investment decisions. David Brown pointed out that environmental performance is a key competitive issue for Go-Ahead.

To see more of our case studies go to:
www.go-ahead.com/sustainability/case-studies

Delivering sustainable growth



David Brown, Group Chief Executive

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

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

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

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

[Turn to page 38 to read about our financial and operational performance](#)

Bus

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

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

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

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

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

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

[Turn to page 39 for details about bus division performance](#)

Target 100

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

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

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



How are we doing?

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

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

What next?

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

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

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

Why is this achievable?

Revenue growth

We believe the strong and consistent growth in our deregulated business is driven by our high quality, value for money services, supported by a number of push and pull factors, discussed in detail in our market report (beginning on page 20). We work hard to attract passengers to our services using our sector leading approach to marketing and customer facing technology, innovative and flexible products and reliable and convenient services.

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

Assumed deregulated revenue growth of 3.5% is lower than recent historic growth rates in the division, which has consistently achieved annual underlying revenue growth

of between 4% and 4.5%. Similarly, our regulated business has historically delivered average annual revenue growth well in excess of 2.5% growth.

Cost efficiencies

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

Leading the way

Target 100 cost efficiencies

Our target to increase bus operating profits to £100m by 2015/16 assumes a number of cost efficiencies from a range of initiatives across our bus business.

IT infrastructure

One such example is improvements in IT infrastructure. During the year, the Group reduced its reliance on expensive fixed infrastructure by replacing a server-based email system with a Google-based cloud solution. Over time this is expected to deliver material savings through lower infrastructure and support costs.

Fuel efficiency

We have invested heavily in fuel efficient initiatives which are set to deliver benefits over the next few years. In the year, the roll-out of a spill-free fuel system was completed in our bus division, minimising fuel wastage. This alone could save around half a million litres of fuel each year which is good for us and the environment. We are also focused on monitoring and improving driving behaviour. Around 95% of our bus fleet is now fitted with Mix Telematics, an innovative fuel efficient system that identifies areas such as rapid acceleration and heavy braking. This has already resulted in cost savings in our businesses and has also helped to reduce the number of accidents through more responsible driving. In line with our commitment to reducing carbon emissions, we are continuing to invest in energy efficient hybrid buses which will also help to reduce overall fuel costs.

Many other initiatives in areas such as staff productivity, engineering and insurance will also contribute to Target 100.

To see more of our case studies go to:

www.go-ahead.com/sustainability/case-studies

Group Chief Executive's review continued

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

Rail

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

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

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

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

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

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

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

Our five key areas of sustainability

We report on five key areas of sustainability and set ourselves challenging targets within these areas to ensure that we are always striving to be the best we can be. Some of our achievements in these areas are set out below. More information about our performance and achievements is available on our corporate website: www.go-ahead.com/sustainability

Safety

- 93% of our bus and train fleet has CCTV
- 11.5% improvement in bus accidents per million miles
- 25% increase in rail signals passed at danger per million miles



Passengers

- 90% bus passenger satisfaction
- Excess waiting time in London bus improved by 7.4%
- Southeastern achieved public performance measure of 91.3% during the year, the highest score ever achieved on the Southeastern network



Communities

- Achieved Platinum ranking in Business in the Communities Corporate Responsibility Index
- Donated over £300,000 to charities and community groups, including our charity partners Transaid and Railway Children



Environment

- Overall 15% reduction in CO₂ emissions per passenger journey achieved against Driving Energy Further target of 20% by 2015
- Almost 70% of waste recycled
- 100% site energy from renewable sources



Employees

- 62% rail staff engagement score
- Go-Ahead achieved Investors in People status during the year, along with Plymouth Citybus. Southeastern achieved Champion status, the highest possible accreditation



We are committed to being open and transparent and providing information about our performance. In addition to the detail included throughout this report, further information is available on our corporate website. We have used signposts throughout this report to indicate where you can find out more about a particular area or topic.



To read 'The Future of Transport' report go to:
www.go-ahead.com/sustainability/future-of-transport

Operating sustainably

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

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

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

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

Outlook

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

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

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

As well as thinking about the coming year, we need to look further ahead and consider how the transport industry will evolve and

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

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

David Brown, Group Chief Executive

4 September 2013

Leading the way

Developing talent

We have well established apprenticeship schemes running across our bus and rail divisions in customer service and engineering roles. People have the chance to train for national vocational qualifications (NVQs) while working as apprentices and the expectation is that those who successfully complete the apprenticeships will secure permanent positions at the companies.

Go-Ahead London sponsors apprentices that secure permanent work at the bus company to study for Higher National Certificates and in the past eight years around 50 apprentices have joined the organisation through this channel.

Southeastern is in the third year of its apprentice scheme giving a number of people the opportunity to build a successful professional career within the rail industry.

Our three train operating companies have joined with 25 other rail organisations to launch a new cross-industry paid internship scheme, assisting 100 graduates looking to start a career in the transport sector. The scheme, known as 'Track and Train', endeavours to provide all-round industry experience over 18 months. Graduates benefit from three six-month-long placements ensuring they develop an understanding of infrastructure, freight, passenger and other rail sector businesses. The scheme targets people who have graduated in the last two years but due to the current difficult economic climate have struggled to find appropriate roles.

To see more of our case studies go to:
www.go-ahead.com/sustainability/case-studies

Group Chief Executive's Q&A

David Brown addresses some topical questions from our shareholders. David has over 30 years' experience in the transport sector and has been Chief Executive of Go-Ahead since July 2012.

What were your key highlights in the year?


Being involved in the Olympic Games was a key highlight for me. It was great to have the opportunity to showcase our high quality services and staff. I'm proud of the contribution we made to the event.

Another fantastic achievement was the good progress we made towards Target 100. We did not expect to grow bus profits in the first year of the target period due to the headwinds we faced, and yet we achieved record bus operating profit of £78.2m in the year.

I would like to thank all of our staff who contributed to our successes in the year.

How do you plan to reach £100m of bus operating profit by 2015/16?

Around two thirds of targeted profit growth is expected to come from revenue growth outstripping the cost of inflation, and a third from cost efficiencies. The target does not include acquisitions or additional investment in maintenance capital expenditure. I am pleased with the progress made this year, with bus profits up 11.4%, and cost savings of £1.0m. Despite significant cost headwinds in the year, margins have remained in line with last year.

 For more details on Target 100 and how we plan to drive revenue growth and cost efficiencies please see page 14



David Brown, Group Chief Executive

What are the biggest risks to you meeting the target?

We are fully committed to this target and remain well placed to deliver it. External factors that are out of our control perhaps pose the biggest risks. For example, another significant economic downturn could have an impact, as could significant regulatory changes. That said, we have successfully managed external risks over a number of years and have consistently delivered growth in bus profits.

Do you expect any significant cost increases in 2013/14?

In 2012/13, we faced increased fuel costs and a reduction in BSOG, totalling around £20m. I'm pleased to say there are no expected headwinds of this scale in 2013/14, but we do remain focused on our cost base.

Are you worried about Government cuts?

The Government supports the public transport industry and understands its role in supporting economic growth through providing vital transport links across the UK. This support was demonstrated in the 2013 Spending Review. We continue to work closely with trade associations, campaign groups and other industry partners, to promote the benefits of investment in UK public transport.

What is your view on Quality Contracts?

In August 2013 the Tyne & Wear Integrated Transport Authority began a consultation period with a view to introducing a Quality Contract Scheme in North East England. We strongly believe that passengers and taxpayers would be better served by Quality Partnerships, where the operator and the Local Authority work together to improve bus services.

Can you provide details about the challenges in your rail business?

We have faced a number of different challenges in the year.

Southern is in the final two years of its franchise term. This period is particularly tough as revenue targets have become more challenging and payments to the Government have increased. Our experienced management team is handling these trading conditions well and we are working closely in partnership with Network Rail to improve performance.

Our London Midland franchise faced operational challenges in the first half of the year due to driver shortages. We were pleased to agree a package of benefits with the DfT to compensate our passengers who were affected by disruption to services. We are successfully managing these issues, and punctuality and performance are now improving at London Midland.

We continually seek to improve our approach to running our businesses. During the year, we commissioned an independent external review of train service performance in our rail business. The review identified areas for improvement, including our approach to performance management which we have acted on by introducing a new joint performance board, which is run in partnership with Network Rail.

Despite the challenges we faced during the year, we increased our contribution to the Government by £85.9m, making a net payment to the DfT of £12.4m.

Do you plan to continue your partnership with Keolis in the future?

Our 16 year relationship with Keolis is the longest standing partnership in the rail industry. As Govia, we have together successfully managed some of the largest and most complex commuter networks in the UK. We are shortlisted to bid for the Thameslink and Crossrail franchises in partnership with Keolis and are likely to bid with them again in the future, particularly for the three franchises we currently operate together. However, we consider each franchise opportunity on a bespoke basis and identify what kind of partner, if any, we need, to ensure we have the best possible credentials to win and deliver a franchise.

What are your thoughts about the rail franchising issues that impacted the industry this year?

It has been a difficult period for the industry following the cancellation of the West Coast franchise bid. The timetable for franchise tenders was put on hold and the franchising system itself was independently reviewed. Through our involvement in the review, I was glad we were able to contribute to the debate about the future of the industry and I am pleased with the recommendations that were made. Although it caused a hiatus in the timetable, I believe we will ultimately end up with a more robust franchising system.

We now have much greater clarity around the future of rail franchising and I'm looking forward to the part Go-Ahead will continue to play in the industry.

The railways are in good health. As shown in recent research from the Association of Train Operating Companies (ATOC), we have the fastest growing and safest railway in Europe. UK rail franchising is a business model that works and private operators have made a huge contribution to the economy through this framework.

Why have you placed more emphasis on your employees in your strategy this year?

Go-Ahead has always been committed to its people and I place great value on all of our employees and the role they play in the Group's success. We've always been focused on making Go-Ahead a great place to work and it's right to reflect this as a strategic priority.

We use relevant KPIs to track our performance, such as staff turnover and employee engagement, and ensure we're working towards making Go-Ahead the employer of choice in our sector. We invest in our people to develop their skills and ensure we maintain high standards for our passengers.

We conducted employee engagement surveys across the whole Group for the first time this year. We really value the feedback our staff give us and we act on this feedback to make improvements across the Group. Our position as a good employer has been recognised, with Investors in People accreditation in a number of our businesses.

➔ *Turn to page 24 to read more about our new strategic priority and see how we are performing against our KPIs*

Are you considering diversifying the Group's activities?

We have successfully operated bus and train companies in the UK for many years and our focus remains on those key markets. In the short term, we are focused on strengthening the Group by working towards Target 100 and securing rail franchises in forthcoming bids. That said, we always look to the future and consider opportunities both within and outside our current markets.

How secure is the dividend?

We are focused on providing attractive dividends to our shareholders and Target 100 underpins this commitment. We recognise that our dividend is a key part of the investment decision for many shareholders and I am pleased that we have maintained our full year dividend at 81p for this year. In addition to our bus profit target, the dividend is supported by our strong balance sheet and cash generation.

➔ *For more information see page 46 in finance review*

What are your hopes for 2013/14?

The coming year promises to be another interesting one for the Group. Our aim for the year is to continue delivering high quality bus and rail services to our passengers while strengthening the Group for our employees and our shareholders. We want to play a bigger part in our communities and to reduce our impact on the environment.

Go-Ahead's bus division will be working hard to carry on the great progress we have made towards our bus operating profit target, driving revenue growth and achieving cost efficiencies.

Our rail division will continue to focus on managing our existing franchises well while working with the DfT to agree terms for the planned extension periods on Southeastern and London Midland.

Our bid team is focused on delivering strong bids for Thameslink and Crossrail.



To watch David Brown's full year results video interview please visit: www.go-ahead.com/ir/results-centre

Our markets

The UK public transport industry is fundamentally strong. Despite sustained challenges in the wider economy both the bus and rail sectors continue to grow. Continued innovation and investment in the industry are essential to the economic and sustainable future of the UK.

Key market features

Deregulated bus

- Outside London, not regulated
- Services operated on a largely commercial basis
- Comprises local markets with unique features
- Mainly private operators, some local authority owned operators
- Operators make their own decisions, such as setting bus fares, routes and service frequencies
- Some tendered services are run on behalf of councils, such as school contracts
- Operators have a relatively flexible cost base which can be adapted to the economic environment

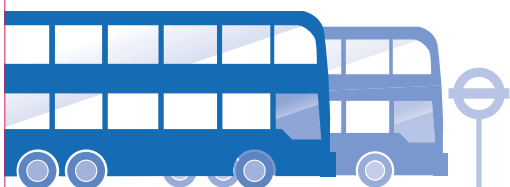


Growth opportunities

There are significant opportunities in this market. Go-Ahead currently operates just 7% of the deregulated bus market. There is also potential for increased modal shift from cars to buses.

Regulated bus

- In London, regulated
- Services operated for Transport for London (TfL) which sets routes and service frequency
- Fares set by the Mayor of London
- Private operators bid for the right to run the routes
- Revenue paid to operators by TfL on a revenue per mile basis
- Five to seven year contracts, dependent on performance
- Gross cost contracts require tight control of cost base



Growth opportunities

Go-Ahead is the largest bus operator in London with around 24% market share. Growth opportunities exist through additional contract wins, by moving into new areas through acquisition and, longer term, if the scope of the network increases as London population growth continues.

Rail

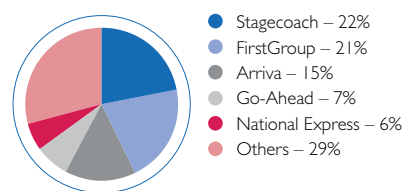
- Regulated
- Peak fares, routes and service frequencies set by the Government
- Franchise structure has been independently reviewed
- Franchise timetable revised this year
- Existing franchises typically had initial contract terms of around eight years
- The infrastructure is largely owned and managed by Network Rail
- Trains are leased from rolling stock operators
- Operators have a relatively fixed cost base, reducing flexibility to adapt to changes in the wider economy

Growth opportunities

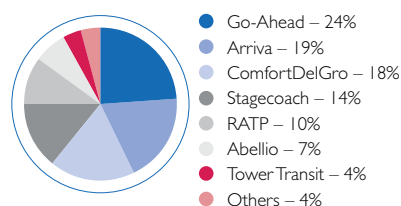
There are significant opportunities in this market in the coming years with six retendered franchises due to start before the end of 2015.



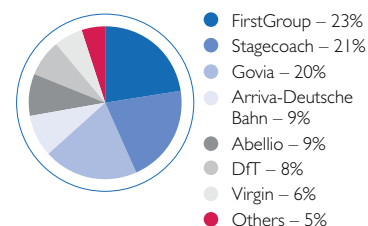
UK deregulated bus market share



UK regulated bus market share



UK rail market share



Source: Go-Ahead

Key market drivers

Competition

The public transport market in the UK is competitive with many established operators. Go-Ahead is able to compete due to its expertise, experience and reputation as a high quality operator of value for money services. We face competition from other bus and train operators as well as other modes of transport including the private car.

Political support

There is recognition across all major political parties that an efficient public transport system strengthens the economy, creates jobs, reduces traffic congestion and air pollution and helps improve social inclusion.

The Government supports public transport and is committed to investing in projects and initiatives to ensure the network's long term future. Particularly of note, in the Government's 2013 Spending Review was the protection of the Bus Service Operators Grant (BSOG), the only subsidy bus operators receive. This subsidy was cut by 20% in April 2012 due to budgetary constraints

and was announced in the Government's Comprehensive Spending Review in October 2010. No regulatory changes to the concessionary travel scheme were made, acknowledging the value of free travel for older people. Investment projects include High Speed 2, Crossrail, Thameslink, and the Green Bus Fund.

Regulatory changes

The London bus and UK rail markets are regulated by TfL and the Office of Rail Regulation respectively. Whilst the London bus market is relatively stable, operating under an established and successful model, the rail industry faced disruption in the last year in the wake of the collapse of the West Coast franchise bid in October 2012. The Department for Transport has since reviewed the rail franchise model and concluded it is fundamentally sound, notwithstanding flaws identified in the procurement process causing the temporary suspension of the franchise timetable.

Economic environment

The wider economic climate has an impact on the transport industry.

In the 12 months to June 2013, GDP growth remained low at 1.4%. However, unlike many sectors that have been impacted by the weaker economy, the bus and rail markets have remained relatively resilient. Go-Ahead has been particularly strong, outperforming the wider local bus market (see graph on page 23), and has seen consistent growth across its bus and rail businesses throughout the recession, demonstrating the strength of its business model and strategy and a change in the way people are travelling.

Employment and population growth

Employment is an important driver of the transport market. Many passengers use bus and rail services for their everyday journeys to and from work. In the 12 months to June 2013, employment in the UK rose by 1.02%.

Population growth also plays a part in influencing transport industry performance. In London there is a direct correlation between population growth in the capital and rising passenger numbers on London buses.

Rail franchises expected to be tendered over the next five years

Franchise	Invitation to Tender Issued	Contract Awarded	Start date
Essex Thameside	September 2013	April 2014	September 2014
Thameslink	September 2013	May 2014	September 2014*
Crossrail	September 2013	Late 2014	May 2015**
Scotrail	January 2014	October 2014	April 2015
East Coast	February 2014	October 2014	February 2015
Northern	December 2014	October 2015	February 2016
TransPennine	December 2014	October 2015	February 2016
Great Western	March 2015	March 2016	July 2016
Greater Anglia	August 2015	June 2016	October 2016
West Coast	January 2016	November 2016	April 2017
London Midland	April 2016	February 2017	June 2017
East Midlands	August 2016	June 2017	October 2017
Southeastern	April 2017	February 2018	June 2018
Wales & Borders	August 2017	June 2018	October 2018

* Scheduled to merge with existing Southern franchise in June 2015.

** Full route is not expected to be incorporated until December 2019.

Dates shown are subject to change.

Our markets continued

Go-Ahead attributes its resilience in challenging economic times to its high quality, value for money services, supported by a combination of 'push and pull' factors.

Push factors

Go-Ahead continually assesses the external environment to identify factors that may encourage motorists to consider our services as attractive alternatives to the private car.

High cost of motoring

Petrol prices alone have increased by over 50% over the last six years. Combined with the increasing cost of insurance, car parks and road tax, travelling by private car can be very expensive. As household budgets continue to be squeezed, the public are increasingly turning to public transport.

FACT: The cost of getting a teenage learner driver on the road is £5,000¹, with the average cost of car insurance for drivers aged between 17 and 22 up 80% since 2010².

Congestion

Congestion in urban areas and on motorways is at very high levels in the UK, costing the economy an estimated £20bn a year in wasted time, resources and lost business. This is set to rise to £32bn by 2025³. In addition, insufficient network capacity and poor quality maintenance are common frustrations.

FACT: British drivers are spending up to three days a year in gridlock⁴.

Behavioural shift towards public transport

In recent years, there has been a notable shift in attitudes towards using public transport, particularly amongst young urban dwellers. It is often more convenient to travel on public transport because of road congestion and limited car parking spaces, and there is an increasing focus on living greener and healthier lifestyles, evidenced by the significant rise in cyclists. In addition, an increasing number of young people are living in cities, living with their parents, marrying older and having children later – all of which makes them less likely to drive⁵.

FACT: Average car driver mileage for Londoners aged 16 to 29 fell about 50% between 1996 and 2010 and about 33% in the rest of the country⁶.

Renaissance of the city

The rehabilitation of city centres is helping reverse the trend of people moving out of cities when they have children, leading to increased demand for integrated city centre public transport networks. There is also a growing focus on the suburban renaissance. 80% of Britons live in suburbs, and planners are getting behind the strategy of using suburbs to make towns and cities more resilient in coping with future congestion stresses. Their connection with and integration into city centres becomes of paramount importance⁷.

FACT: Cities and their surrounding areas are home to 74% of our population and 78% of our jobs⁸. London's population is increasing by the equivalent of two buses full of people every day⁹.

A mobile ageing population

The UK population is steadily ageing as people live longer. From 2010 to 2030, there is expected to be a 50% increase in people aged 65 and over¹⁰. Many older people are leading highly active and mobile lifestyles, benefiting from increased life expectancy, higher levels of disposable income and improved healthcare. Initiatives such as the national bus pass, which gives older people free off-peak bus travel anywhere in England, and senior rail discounts encourage the use of public transport.

FACT: Over the last six years, the number of people using a Senior Railcard has increased by almost 50% to hit a record 1.1 million last year¹⁰.



1. ASDA Money; 2. The AA; 3. CBI and Highways Term Maintenance Association; 4. INRIX; 5. The Financial Times; 6. RAC; 7. Passenger focus/Go-Ahead; 8. Deputy Prime Minister's Office; 9. Transport for London; 10. The Guardian

“The number of young people taking driving tests has dropped almost a fifth in the past five years as the economic downturn, high insurance costs and demographic changes begin to transform a generation’s relationship with cars.”

The Financial Times, February 2013

Pull factors

The Group aims to be at the forefront of passengers’ needs, ensuring services are safe, reliable and convenient, products offer value for money and customer facing technology is innovative.

High quality services

Investment by operating companies and funding from the Government in public transport has resulted in higher quality services. Journey times have improved, services are more frequent and reliable and vehicles are of a higher standard.

FACT: Go-Ahead’s bus customer satisfaction levels are the highest in the sector at an impressive 90%.

Safety

Investment by operating companies and local and central Government in safety measures such as CCTV on buses, trains and stations, coupled with the enforcement of the British Transport Police, has significantly improved the safety and the perception of safety on public transport.

FACT: 93% of Go-Ahead’s bus and train fleet has CCTV. This compares with 70% in 2005.

Convenience

Travelling by bus or rail can often be quicker and more relaxing than travelling by car. In addition, time spent on public transport can be used productively, especially with the increasing availability of Wi-Fi.

FACT: Passengers make good use of their time on our buses, with the average Wi-Fi session on our services lasting 24 minutes.

Technology

Technological improvements such as smart-ticketing, social media and apps have made travelling by public transport easier and more convenient, meeting the demands of the ‘always-on’ society.

FACT: 400,000 passengers now have our smartcard ‘the key’ and make 130,000 journeys per day using our cards.

Value for money

Public transport can provide a cost efficient way to travel and economic pressures have increased the need to look for value for money alternatives to using the private car. The Association of Train Operating Companies reported that the number of cheap advance rail fares sold in UK has almost doubled over the last five years.

FACT: Go-Ahead strives to offer value for money across its bus and rail services. London Midland offers advanced single fares between Birmingham and London from just £6.

Effective marketing

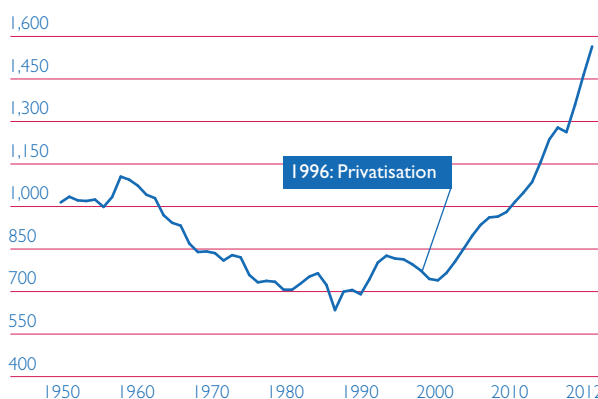
In recent years, public transport companies have invested in marketing campaigns and customer databases in order to better understand customers’ needs and tailor products accordingly. Go-Ahead is leading the industry in the development of targeted marketing.

FACT: Some 80,000 passengers are signing up to our online Customer Relationship Management (CRM) database every month. We expect over four million passengers to be on the database by the end of 2013.

Bus passenger journey growth (%)



UK rail passenger journeys (m)



Our strategy and key performance indicators (KPIs)

Go-Ahead's commitment to its strategic priorities enables growth and the delivery of sustainable shareholder value. Every person at Go-Ahead plays a part in the successful and responsible delivery of our strategy.

Our mission

Our mission is to be the UK's leading provider of high quality, innovative, customer-focused passenger transport, delivering the local needs of passengers and communities.

Our bus and rail divisions apply the Group's strategic principles while delivering against their own strategic objectives.



Our people are key to our success as a leading transport provider in the UK. Our 23,500 strong staff-base is our greatest asset and we work hard to make Go-Ahead a great place to work.

We have updated our strategic priorities to incorporate our continued focus on our people and making Go-Ahead a leading employer.

Our Group strategic priorities

1 Society

To run our companies in a safe, socially and environmentally responsible manner

2 Customers

To provide high quality, locally focused passenger transport services

3 People

To be a leading employer in the transport sector

4 Finance

To run our business with strong financial discipline to deliver sustainable shareholder value

See pages 25–31 to read more about our performance against our strategy

Our divisional strategies

Bus

Target 100

Organically grow bus operating profit to £100m by 2015/16, through a combination of revenue growth and cost efficiencies. The aim of this target is to protect overall Group profitability through our 100% owned, stable bus business.



Deregulated bus

Grow our share of the deregulated UK bus market organically and through value adding acquisitions, and improve operating profit margins by driving revenue growth and achieving cost efficiencies as we progress towards Target 100. Our longstanding commitment to delivering high quality and value for money services to our local markets combined with our leading approach to marketing, smart-ticketing and innovative solutions will be key to revenue generation, while cost savings will be achieved through benchmarking, sharing best practice, and the successful introduction of cost efficiency initiatives.

Regulated bus

Maintain our sector leading performance and market position through strong and effective management, providing high quality and cost efficient operations while seeking expansion through additional contract wins and value adding acquisitions. A stable contract base, inflationary revenue growth and cost efficiencies will also contribute towards Target 100.

See page 14 for more details on Target 100

Rail

Successfully and responsibly deliver the commitments of our existing franchises while maximising returns for the remainder of the contracts. We are focused on negotiating new terms for the extension periods proposed for Southeastern and London Midland, while working hard towards delivering competitive and compelling bids for the franchises we are currently shortlisted to bid for. The UK rail market offers significant opportunities over the coming years, identified in the DfT's revised franchise timetable. We have a strong position and a good track record in the industry and we aim to protect the future of rail profitability by exploring these opportunities.

Society

To run our companies in a safe, socially and environmentally responsible manner

As a public transport operator, sustainability is integral to the way we run our business. Ensuring the safety of our passengers and employees is an absolute priority for the Group. We are also committed to reducing the environmental impact of our operations. We strongly believe that a sustainable public transport network is essential to the future of the UK.

2013 progress

Safety

- 93% of our bus and train fleets are fitted with CCTV.
- Another significant reduction in bus accidents per million miles, down 11.5% on last year.
- 91% of our train stations have 'secure station' status.
- Significant reduction in employee accidents reported under the 'reporting of injuries, diseases and dangerous occurrences' regulation (RIDDOR), down 28.7% per 100 employees in the year.

Driving Energy Further

We have now achieved 15% of our target to reduce carbon emissions by 20% in 2015 with a 1% reduction in the year to 29 June 2013.

Waste and recycling

Almost 70% of waste is now recycled. During the year we began a collaborative programme with waste partners at Southern stations. The successful model, which resulted in 97% of waste being diverted from landfill, is now being replicated at other Go-Ahead sites.

Fuel efficiency

We have maintained our focus on driver training to encourage more fuel efficient driving and achieved an improvement of 2.6% in the year. We have introduced Mix Telematics across 95% of our fleet. The innovative system monitors driving behaviour to identify areas such as rapid acceleration and heavy braking.

SPADs per million miles

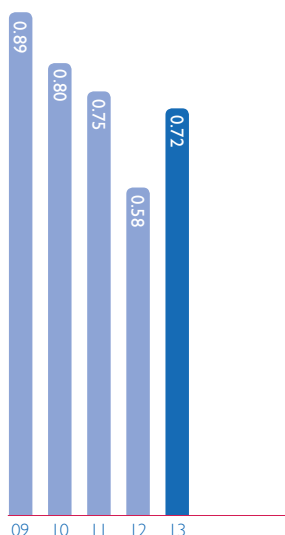
Across the rail industry, train operating companies are legally required to report Signals Passed at Danger (SPADs). Although every SPAD is treated as a serious incident, most SPADs occur at low speed, where braking distance has been misjudged and the train is stopped by automatic warning systems, and therefore the likelihood of an accident is very low. In line with the industry, we do not report SPADs that occur in our depots.

Why it's important: Helps us to measure against our commitment to provide a safe rail passenger service.

2013 performance: 0.72 SPADs per million miles, a decline in performance of 25%.

2014 priorities: To continue progress towards a 60% reduction by 2015.

SPADs per million miles



RIDDOR accidents per 100 employees

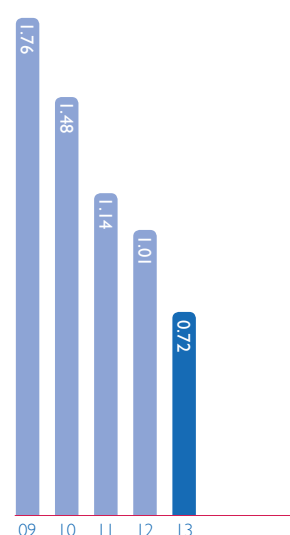
RIDDOR is a statutory requirement for all companies and relates to a work place incident that results in absence from work for over three days or a legally reportable incident to the Health & Safety Executive. We are pleased to report no employee fatalities this financial year.

Why it's important: Helps us to measure against our commitment to provide a safe working environment for our employees.

2013 performance: 0.72 RIDDOR accidents per 100 employees, an improvement of 28.7%.

2014 priorities: To continue progress towards a 60% reduction by 2015.

RIDDOR accidents per 100 employees



2 Customers

Bus accidents per million miles

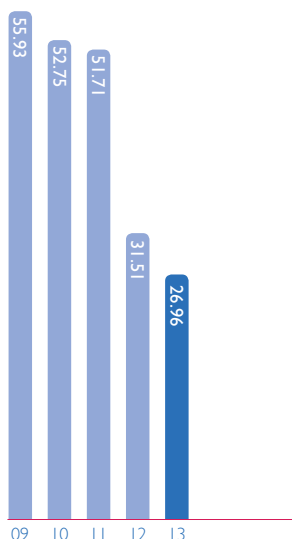
The Board monitors the number of bus accidents that result in a notification to a claims handler.

Why it's important: Helps us to measure against our commitment to provide a safe and positive travel experience for our bus passengers and minimise risk to the general public. Helps us to manage insurance claim costs.

2013 performance: 26.96 bus accidents per million miles, an improvement of 11.5%.

2014 priorities: To reduce bus accidents per million miles by 60% by 2015 (previously 50%).

Bus accidents per million miles



Carbon emissions per passenger journey

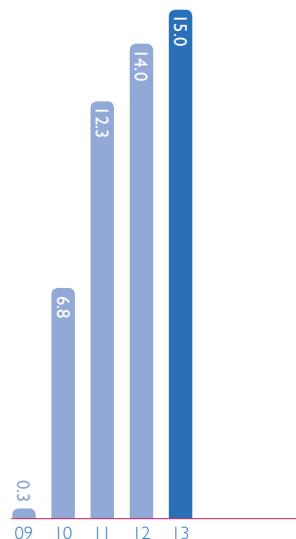
We monitor the carbon emissions from our operations per passenger journey. CO₂ conversion factors used are in accordance with the most recent Department for Energy and Climate Change guidelines.

Why it's important: Helps us to measure against our commitment to improve our energy efficiency and deliver high quality services that provide attractive alternatives to car travel.

2013 performance: 15% reduction in carbon emissions per passenger journey since 2008.

2014 priorities: To continue progress towards a 20% reduction by 2015.

Reductions in CO₂ emissions per passenger journey*



*The graph shows the cumulative reduction since 2007/08.

To provide high quality, locally focused passenger transport services

We believe providing a reliable and convenient service encourages passenger growth and offers a value for money alternative to the private car. Our decentralised structure ensures a strong local focus to provide our customers with high quality bus and rail services.

2013 progress

Punctuality

- Punctuality in deregulated bus improved to 91% and remained high at 89% in the rail division.
- Excess wait time in regulated bus improved to 0.88 minutes, ahead of the industry average.
- Southeastern achieved a Public Performance Measure (PPM) score of 91.3% during the year, the highest since the franchise began in 1994.

Customer satisfaction

- Sector leading customer satisfaction scores achieved in deregulated bus at 90%.
- Rail customer satisfaction levels remained high at 78%.
- Continue to be highly ranked in TfL performance league tables.

Smart-ticketing

- Our smartcard, 'the key', is the UK's largest smartcard scheme outside of London. 400,000 bus passengers now have one and around 130,000 journeys are made using 'the key' each day.
- In less than 12 months, mobile-ticketing has generated £1m of revenue from 65,000 app downloads.

Online sales

- Use of online channels has continued to accelerate in our bus division. Online sales increased by 86% in the year.
- Online sales increased by 17% in the rail division following a strong comparative year.

Customer satisfaction

Passenger satisfaction is measured by the independent passenger watchdog, Passenger Focus. This happens twice a year for our rail franchises and annually for our bus operations. The average score for train operators in London and the South East was 81%¹ and the industry average for bus passenger satisfaction was 84%².

Why it's important: Providing a high quality service is a strategic priority for the Group. Measuring customer satisfaction is therefore a key measure of our performance.

2013 performance:
Deregulated bus: 90%
Rail: 78%

2014 priorities: To maintain our sector leading bus passenger satisfaction scores and improve on our already high scores in the rail division.

Rail punctuality

The punctuality of our rail operations is measured on the basis of the DfT's 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, having called at all scheduled stations. The London and South East industry average for PPM is 91.0%³.

Why it's important: Providing a punctual service is one of the most important factors for our passengers. Our PPM performance also forms part of the franchise agreement.

2013 performance:
Southern: 87.5%
Southeastern: 91.3%
London Midland: 85.4%

2014 priorities: Increase levels of punctuality in all our franchises to 90% or above.

London bus excess waiting time

The reliability of regulated bus operations is primarily measured by excess waiting time. This is the time passengers have to wait for a bus above the average scheduled waiting time. Therefore, the lower the excess waiting time the better. The industry average is 0.96 minutes⁴.

Why it's important: Service punctuality is important to our passengers. We earn extra revenue through QICs if we exceed TfL punctuality targets, on a contract route basis.

2013 performance: Average excess waiting time was 0.88 minutes, an improvement of 7.4%.

2014 priorities: Maintain low average excess waiting time of below one minute.

Deregulated bus punctuality

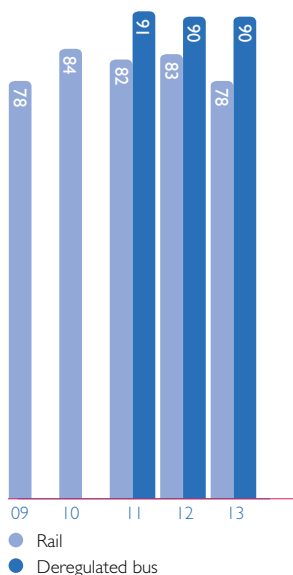
The punctuality of our deregulated bus operations is measured as a percentage of buses that arrive at their stop between one minute before and five minutes after their scheduled time. Therefore the higher the percentage the better.

Why it's important: Providing a punctual service is one of the most important factors for our passengers. Delivering a high quality service helps us to grow passenger numbers.

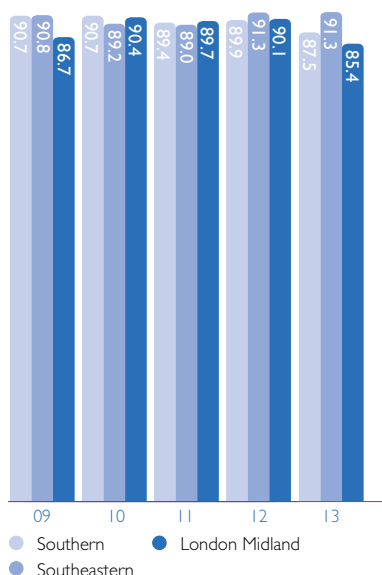
2013 performance: 91.2%.

2014 priorities: Achieve deregulated bus punctuality of over 95%.

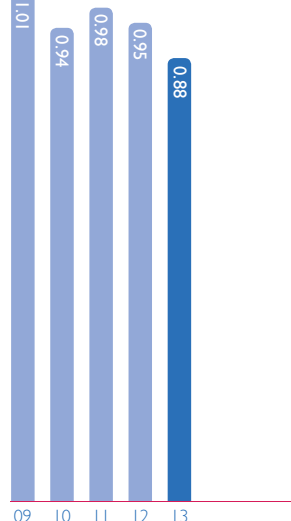
Passenger satisfaction (%)



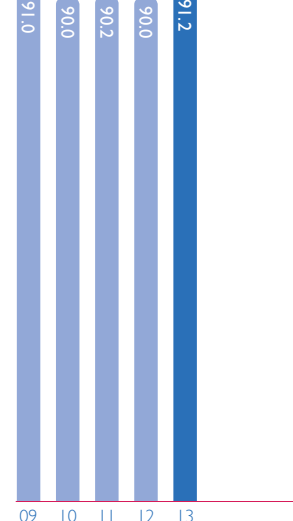
Rail punctuality (%)



Excess waiting time (minutes)



Bus punctuality (%)



1. National Passenger Survey, Spring 2013
2. Passenger Focus Bus Passenger Survey

3. Office of Rail Regulation
4. Transport for London

3 People

To be a leading employer in the transport sector

Our people are our greatest asset. Investing in and developing our staff enables them to fulfil their own potential and assists them in providing high quality service, thereby improving the customer experience.

New this year

We have introduced the strategic priority to invest in our people for the first time this year.

Go-Ahead has always been committed to its people and places great value on all 23,500 of our employees. We have always been focused on making Go-Ahead a great place to work and it is right we reflect this as a strategic priority.

We use relevant KPIs to track our performance, such as staff turnover and employee engagement, to ensure we are working towards making Go-Ahead the employer of choice in our sector. We invest in our people to develop their skills and maintain high standards for our passengers.

We conducted employee engagement surveys across the whole Group for the first time this year. We really value the feedback our staff give us and we act on this feedback to make improvements across the Group. Our position as a good employer has been recognised by Investors in People in a number of our businesses.

Employee Engagement Index (%)

We measure employee engagement through annual independent staff surveys, conducted across our businesses. This is the first year that we have conducted employee surveys across both our bus and rail divisions.

Why it's important: Go-Ahead strives to be an employer of choice in the transport sector and values the insight gained from employee feedback. In addition to making Go-Ahead a great place to work, high levels of employee engagement will contribute to the success of the Group.

2013 performance:

Bus: 45%
Rail: 62%

2014 priorities: Increase levels of employee engagement in both bus and rail divisions.

Absenteeism (%)

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

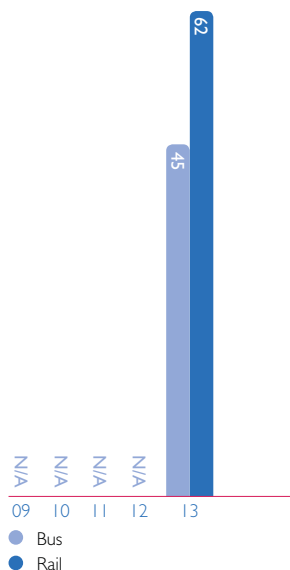
Why it's important: High levels of absenteeism could be reflective of low levels of staff satisfaction and engagement. By monitoring levels of absence we are able to identify areas of the business with potential employee relations or staff shortage issues. This also helps us with our resource planning and allocation.

2013 performance:

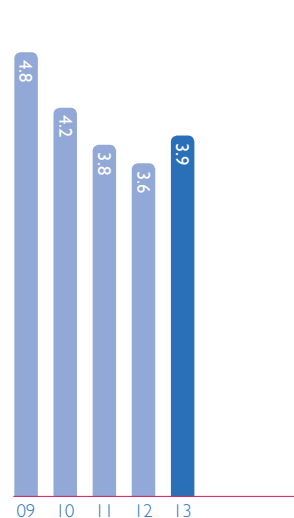
In the year, the overall rate of Group absence was 3.9%.
Bus: 3.8%
Rail: 4.0%

2014 priorities: Maintain low levels of absenteeism at 5% or below.

Employee Engagement Index (%)



Employee absenteeism (%)



Employee turnover (%)

Employee turnover is measured by the percentage of total employees who leave the business in a defined time period.

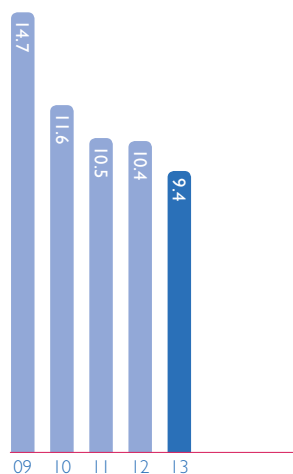
Why it's important: High levels of employee turnover could be reflective of low levels of staff satisfaction and engagement. By monitoring levels of turnover we are able to identify areas of the business with potential employee relations issues. This also helps to identify issues such as staff shortage and assists us in resource planning and allocation.

2013 performance: The overall rate of employee turnover was 9.4% for the Group.

Bus: 12.1%
Rail: 6.0%

2014 priorities: Reduce employee turnover to levels of below 9%.

Employee turnover (%)



Leading the way

A great place to work

Go-Ahead's philosophy is to empower its companies to serve their local communities in the best way possible. All of our bus and rail companies are locally branded and we believe management teams who know their markets better than anyone else can apply their local knowledge and experience to deliver great service for customers.

This approach means engaged and committed employees are vital to Go-Ahead's success. We are dedicated to investing in employee training and development, and seeking the views of our staff. All Group companies now conduct annual employee surveys.

Go-Ahead's Group Head Office has recently achieved the Investors in People (IIP) standard following an independent review. The assessor gave feedback that the Group had a strong team spirit, with individuals trusted and empowered to take responsibility. Communication within the organisation was open and honest and the workforce was engaged.

Plymouth Citybus, London Midland, Southern and Go North East have also achieved IIP status, and Southeastern is the UK's first and only rail operator to be awarded IIP Champion status. This is the highest IIP accolade and just 0.7% of the 21,000 organisations with IIP achieve it.

To see more of our case studies go to:
www.go-ahead.com/sustainability/case-studies

4 Finance

To run our business with strong financial discipline to deliver sustainable shareholder value

Our aim is to deliver shareholder value through a combination of earnings growth, and strong cash generation and balance sheet management, supplemented by value adding acquisitions and disposals.

2013 progress

Cash management

We continue to manage cash closely with an operating cash to EBITDA ratio of 0.78 in the year.

Dividend

We understand the importance of our dividend to our shareholders and maintained the full year dividend at 81.0p per share.

Debt

We maintained low levels of debt in the year, with an adjusted net debt to EBITDA ratio of 1.87x, within our target range of 1.5x to 2.5x.

Operating profit growth

Operating profit is measured before amortisation and exceptional items to provide more comparable year-on-year information.

Why it's important: Helps us to measure the underlying performance of our operating companies. Profit growth enables us to reinvest in the business and deliver shareholder value.

2013 performance: Total Group operating profit was £102.5m. Bus operating profit increased 11.4% to £78.2m.

2014 priorities: Continue progress towards Target 100 by increasing bus operating profit.

Cashflow/EBITDA

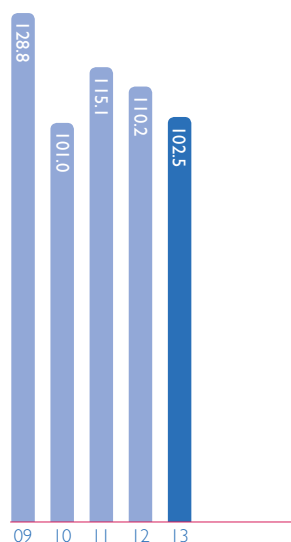
We manage payments and receipts closely to convert operating profit into operating cash.

Why it's important: Demonstrates strong working capital management and financial discipline. Strong cash generation provides liquidity.

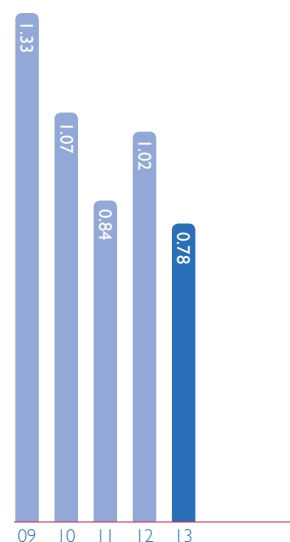
2013 performance: Cashflow generated from operations was 0.78 times EBITDA.

2014 priorities: Match or exceed cashflow generated from operations to EBITDA.

Operating profit (£m)



Cashflow generated from operations/EBITDA (x)



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

Adjusted net debt/ EBITDA

We measure adjusted net debt (net debt plus restricted cash in our rail division) to EBITDA.

Why it's important: Helps us measure against our commitment to preserve a strong capital structure, maintain our investment grade credit ratings and ensure we are within our bank covenant limit of 3.5x.

2013 performance: Adjusted net debt to EBITDA was 1.87x.

2014 priorities: Maintain adjusted net debt/EBITDA at between our target range of 1.5x and 2.5x throughout the economic cycle.

Net capital investment/ depreciation

We invest in capital to both maintain and enhance our operations.

Why it's important: Ongoing investment in our business is beneficial. We want to maintain our high quality operations and invest in new, innovative products to continually improve service quality and reduce costs.

2013 performance: Net capital investment to depreciation was 98%.

2014 priorities: Maintain capital investment to match depreciation through the cycle, supplemented by additional discretionary investment if value adding.

Dividend cover

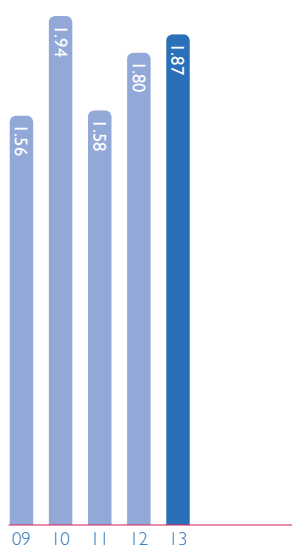
We are committed to delivering shareholder value through our dividend policy.

Why it's important: We measure our dividend cover (adjusted earnings per share* divided by dividend per share) to help us assess how much of our profits we can pay out as a dividend.

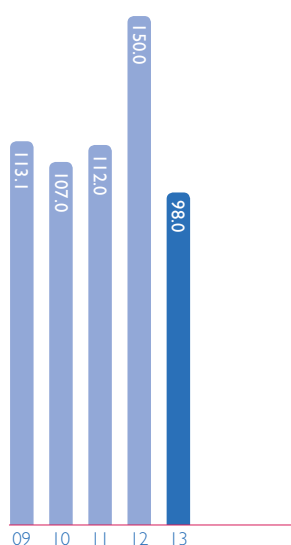
2013 performance: Dividend cover was 1.72x.

2014 priorities: Maintain adequate dividend cover throughout the economic cycle.

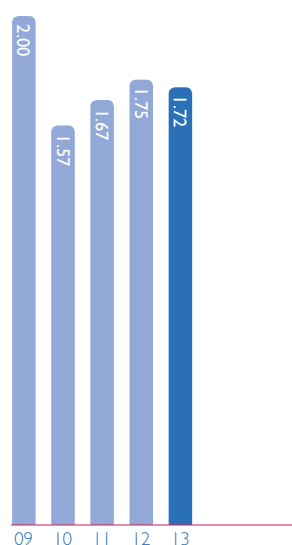
Adjusted net debt to EBITDA (x)



Net capital investment/ depreciation (%)



Dividend cover (x)



* Excludes amortisation and exceptional items.

Managing risk



Adrian Ewer, Chairman of the Audit Committee

Effective risk management and internal control is high on the Board's agenda and is embedded into our approach as responsible operators. Our robust framework relies on top-down and bottom-up communication.

Dear Shareholder,

Since joining the Board in April, I have been impressed by Go-Ahead's approach to risk management. Go-Ahead takes a conservative view of risk and limits its exposure to undue risk. This is reflected in the Group's strategy, and the culture of the organisation ensures that all activities, from day-to-day operations to high level strategic decisions, are performed in line with this approach.

How we manage risk

Through our robust risk management and internal control systems, we are able to identify, assess and prioritise risks to our business and seek to minimise, monitor and control their probability and impact whilst maximising the opportunities they present. Risks are monitored on an ongoing basis through our risk management processes and are mitigated through the internal control environment. Residual risks are assessed and it is determined whether they will be accepted as an integral part of the business, or deemed unacceptable and therefore either reduced, transferred to third parties or avoided by no longer pursuing the relevant activities. We are always looking at ways to develop and improve our risk management processes. During the year, the Audit Committee regularly reviewed reports from the Group's internal auditors and health and safety consultants. External auditors' reports were also regularly reviewed along with updates from the Executive Directors.

Who is involved in risk management

All of our 23,500 employees manage risks of varying levels in their roles. We empower our people to take responsibility for risks facing themselves or colleagues, our passengers, the general public and the success of the Group. The diagram opposite illustrates the key roles and responsibilities of each of the respective functions within our formalised risk management framework.

Ultimate accountability for risk management lies with the Board, supported by the work of the Audit Committee, to which the Board has delegated responsibility for reviewing the effectiveness of the Group's risk management and internal control systems. With clear leadership from the Board and Audit Committee, the Executive Directors play an integral role in helping the operating companies identify, assess and monitor their respective risks and controls. Through monthly meetings with the senior management of each operating company, the Executive Directors encourage open bottom-up communication on risk matters within a clearly defined framework and reporting process. Ownership of risk identification and mitigation lies with senior management in the operating companies, where it is an integral part of day-to-day local company operations.

What are our risks

The tables on pages 34 to 37 summarise our assessment of the key risks that could have a material impact on the Group's performance. Whilst all risks are closely managed, this report does not identify risks that are considered to have a lesser impact or likelihood of occurrence. A principal risk or uncertainty for the Group is defined as an occurrence that would result in significant reputational or financial loss.

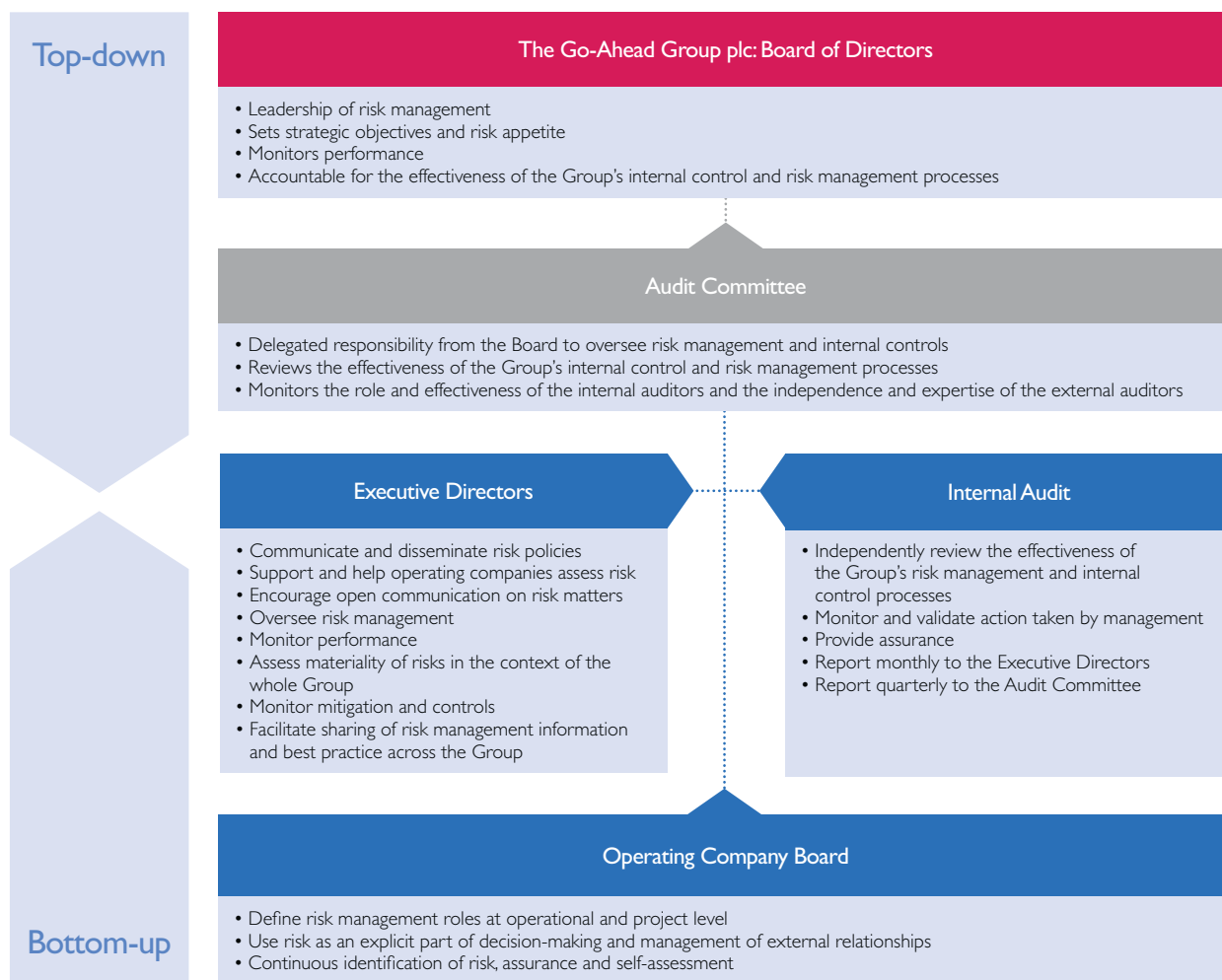
Where to find out more

The corporate governance report on pages 50 to 65 provides more detail of Go-Ahead's risk management and internal control framework.

A handwritten signature in black ink, appearing to read 'Adrian Ewer', written in a cursive style.

Adrian Ewer, Chairman of the Audit Committee

4 September 2013



Leading the way

Bus driver training

Links to risks:

- Catastrophic incident or severe infrastructure failure
- Insurance and claims

Turn to page 44–46 to read more about our risks

Ensuring the health and safety of our employees, our passengers and the general public is our main priority. We invest heavily in driver training in our bus division with an aim to reducing the number of bus accidents and improving road safety.

Three years ago, our largest bus company, Go-Ahead London, launched a voluntary scheme for drivers at one of its largest garages through which staff could gain accreditation with the Institute of Advanced Motorists (IAM). To become a member, drivers were required to sit a driving test assessed by the IAM. This challenging test was in addition to the passenger carrying vehicle (PCV) licence the drivers already held.






Around 50% of drivers at the garage chose to participate in the scheme, which resulted in a reduction of 40% in the number of bus accidents. As well as the significant health and safety benefits this brought, monetary savings were also achieved by reducing costs associated with accidents by 30%. Following its success, the scheme has since been extended to other bus garages and companies across the Group.

In the last five years, the number of bus accidents per million miles across the Group has reduced by over 50%, with significant improvements in the last two years. We believe that by sharing best practice across the Group we can make further improvements to make our operations even safer. We hope that this will also result in the added benefit of lower insurance claim costs. Bus division claim costs were down £1.0m in the year, and £3.6m the year before.

To see more of our case studies go to:
www.go-ahead.com/sustainability/case-studies

Managing risk continued

Key risks for 2013	Potential impact	Mitigating action
External Economic environment	Negative impact on the Group's businesses, largely through a reduction in demand for services. In rail, franchise bids make economic assumptions years into the future. A weaker economy can lead to under performance against bid targets.	<ul style="list-style-type: none"> • Continue to focus our operations in more resilient geographical areas. • Local management constantly assesses the needs of the local markets and tailors services and products accordingly. • Focus on driving volumes through innovative and targeted marketing. • Generate customer loyalty through smart-ticketing. • Proactive cost control.
Political and regulatory framework	Changes in Government or to laws, regulations, policies (e.g. concessionary travel), local authority attitudes towards public transport and reductions in the availability of Government financial support could adversely impact the Group's operations and financial position.	<ul style="list-style-type: none"> • Limited exposure to local authority funding as 90% of deregulated bus operations are commercial. • Actively participate in key industry, trade and Government steering groups. • Maintain close relationships with key industry partners and stakeholders. • Use internal initiatives across the business to offset external issues.
Strategic Sustainability of rail profits	The sustainability of rail profits is dependent on a number of factors. The nature of the current rail franchising model leads to high volatility of earnings; failure to retain or win new franchises could impact on the overall profitability of the Group; failure to comply with conditions of rail franchise agreements could lead to financial penalties or even the termination of a rail franchise.	<ul style="list-style-type: none"> • Flexible and experienced management team which responds quickly and expertly to changing circumstances. • Shared risk through Govia, which is 65% owned by Go-Ahead and 35% by Keolis. • Element of protection through revenue support arrangements. • 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.
Ongoing risks	Potential impact	Mitigating action
Operational Catastrophic incident or severe infrastructure failure	An incident, such as a major accident, an act of terrorism, an Act of God, a pandemic or severe failure of rail infrastructure, could result in serious injury, disruption to service and loss of earnings.	<ul style="list-style-type: none"> • 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. • Close relationship and proactive allying with Network Rail, which maintains the rail infrastructure.
Labour costs, employee relations and resource planning	Poor employee relations or reduced availability of staff could impact on reputation, revenue, staff morale and our ability to fulfil contract obligations. Labour costs are a high proportion of our cost base. Even relatively small percentage increases in wages could have a material impact on profits. For example, an increase of 1% in staff costs would increase costs by £8.8m.	<ul style="list-style-type: none"> • Ensuring Go-Ahead is viewed as an employer of choice. • Robust and regularly reviewed recruitment and retention policies, training schemes, resource planning and working practices. • Experienced approach to wage negotiations and fostering good relationships with employees and unions. • Employee engagement surveys across all businesses to identify issues.
Information technology (IT) failure or interruption	Prolonged or major failure of IT systems could pose significant risk to the ability to operate and trade.	<ul style="list-style-type: none"> • Process standardisation and continued investment in best practice systems. • Clear and tested business continuity plans.
Supply chain management	Our suppliers are key to the successful delivery of our services. One of our key suppliers failing to fulfil contractual obligations could result in disruption to our operations.	<ul style="list-style-type: none"> • Maintain strong relationships with key suppliers. • Ensure effective tender processes and policies.

Potential opportunities	Change in risk in the year	
<ul style="list-style-type: none"> A more challenging economic environment encourages modal shift, as motorists seek value for money alternatives to the private car. 	<p>The economic risk was similar in the year as economic growth rates for the year ended June 2013 remained low at 1.4%.</p>	
<ul style="list-style-type: none"> Changes in law, regulation or funding could positively impact the Group, potentially leading to increased funding or more flexibility for operators. For example, the potential introduction of Quality Contracts may increase our ability to bid for contracts in new areas. 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. 	<p>Two years ahead of the next general election we are mindful of the major political parties' developing policies. Our good levels of engagement with these parties enable us to influence policies impacting on the industry and Go-Ahead.</p> <p>The Tyne & Wear Integrated Transport Authority began a consultation period with a view to introducing Quality Contracts in the North East.</p> <p>In the 2013 Government spending review, TfL's funding was reduced. This could impact on the London bus market.</p> <p>Positively, BSOG has been protected until at least 2016.</p>	
<ul style="list-style-type: none"> Following the review of rail franchising, the Government issued a revised franchise timetable. Fourteen rail franchises are up for tender in the next five years presenting growth opportunities for the Group. There may be the opportunity for increased earnings if the economic climate is stronger than assumed in a franchise bid. 	<p>The proposed extensions of the Southeastern and London Midland franchises enable us to renegotiate contract terms with the DfT.</p> <p>Southern qualifies for revenue support in September 2013, providing protection against significant losses.</p> <p>Being shortlisted for two forthcoming franchise competitions gives confidence in our ability to secure future franchises.</p>	
Potential opportunities	Change in risk in the year	
<ul style="list-style-type: none"> 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. 	<p>We have made good progress against our safety KPIs in the year; demonstrating our efforts to minimise this risk.</p> <p> <i>Turn to page 32 to read a case study about bus drivers training</i></p>	  <i>Turn to page 24 to read more about our KPIs</i>
<ul style="list-style-type: none"> Through fostering positive employee relations and offering good employment packages we have a motivated and committed workforce, with low staff turnover and absenteeism rates across all businesses. 	<p>We faced operational issues in our London Midland franchise during 2012/13 due to driver shortages. Punctuality and performance are now improving in this franchise.</p>	
<ul style="list-style-type: none"> Ensuring our systems are efficient and reliable strengthens day-to-day operations across the Group. 	<p>Continued investment and maintenance of IT systems across the Group.</p>	
<ul style="list-style-type: none"> Through forming alliances and working closely with suppliers, we seek to deliver efficiencies, improve the quality of our services and reduce our impact on the environment. 	<p>Certification from the Chartered Institute of Purchasing and Supply (CIPS), in recognition of the high standards of procurement we have achieved.</p>	

Managing risk continued

Ongoing risks	Potential impact	Mitigating action
Financial Increased pension scheme funding required	<p>The Group participates in a number of pension schemes (detailed on page 47). Any funding shortfalls in defined benefit schemes could adversely impact the Group's financial position.</p> <p>During the year, the Group complied with the new auto-enrolment legislation and introduced a new section of the pension scheme. This could result in increased contributions.</p>	<ul style="list-style-type: none"> • Rail pension schemes and obligations are guaranteed by DfT at the end of the franchise. • Bus defined benefit schemes are closed to new entrants and from June 2013 the Group has been consulting with unions and members on closure to future accruals. • Board participation in overall pensions strategy decisions for bus pension arrangements. • A dedicated Investment Sub-Committee works with management on de-risking of investments to mitigate volatility.
Fuel cost	<p>Fuel is a significant cost to the Group. Both our bus and rail operations are exposed to fuel cost volatility, primarily diesel for buses and electricity for rail traction. Increased prices could adversely impact our financial position.</p>	<ul style="list-style-type: none"> • Established fuel hedging policy (detailed on page 42) reduces uncertainty and enables us to plan ahead. • Ability to offset fuel cost increases in bus division outside of London by improving yield through fare policy. • Regular forward buying of rail electricity.
Insurance and claims	<p>The number and magnitude of claims falling within the Group's self-insured limits could impact the financial position of the Group.</p>	<ul style="list-style-type: none"> • Catastrophe insurance cover in place, with self-insurance up to defined limits and purchases above these limits from reputable global insurance firms. • Insurance and claims activity monitored and managed closely. • Rigorous training programme, educating drivers how to drive safely and efficiently. • Sharing best practice across the Group.
Financing risk	<p>Loss of liquidity, credit risk on cash investments and interest rate risk could have a negative impact on the financial position of the Group.</p>	<ul style="list-style-type: none"> • Board approved treasury policy, regularly reviewed. • Investment grade credit rating (Standard & Poor: BBB-; Moody's: Baa3). • Medium-term financing secured through our £200m sterling bond, until September 2017 and our five year £275m revolving credit facility, until February 2016. • Comprehensive, low risk cash investment policy. • 60% of debt is subject to fixed interest rates.
Strategic Contract work	<p>Our London bus business and a small proportion of our bus operations outside London are reliant on running contracted services. Should we fail to retain existing contracts or win new work this could have an adverse impact on Group profitability.</p>	<ul style="list-style-type: none"> • Good reputation for quality and deliverability. • Strong management teams, experienced in submitting competitive tenders. • In London, we have well located depots (85% freehold). • 90% of our operations outside London are commercial.
Competition	<p>Loss of business to existing competitors or new entrants to the markets in which we operate could have a significant impact on our business.</p>	<ul style="list-style-type: none"> • Work hard to maintain our good reputation with our customers. • 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.
Inappropriate strategy or investment	<p>Inappropriate strategic or investment decisions could adversely impact on the Group's economic and shareholder value.</p>	<ul style="list-style-type: none"> • Comprehensive strategic discussions with main Board and advisers. • Extensive valuation and due diligence, supported by external expertise. • Maintain strong financial discipline when assessing viability of opportunities. • Minimum return on capital requirements of all investment opportunities. • Cautious approach to investment opportunities overseas and outside our core operating areas.
Environmental Environmental risk	<p>Our reputation as a responsible operator is a key strength of our business. A failure to maintain our high standards may negatively impact the Group.</p>	<ul style="list-style-type: none"> • Committed to operating in a safe, socially and environmentally responsible way. • Share best practice across the Group to reduce our environmental impact. • Dedicated Environment and Energy Manager focused on reducing this impact. • Launched the Driving Energy Further scheme in 2010 with a target of cutting our carbon emissions per passenger journey by 20% by 2015.

Potential opportunities	Change in risk in the year	
<ul style="list-style-type: none"> As the Board is actively engaged in discussions regarding Group pensions, a regular review of pension arrangements may benefit the Group. 	<p>In June 2013 the Group commenced a consultation process with existing members and representatives to close the bus defined benefit section of the pension plan to future accruals.</p>	
<ul style="list-style-type: none"> Increases in fuel costs also affect motorists, who may look to public transport for a better value for money means of travel. Passenger numbers in our deregulated bus business have increased at the greatest rate in the sector, suggesting more people are switching to our services. Reduced hedged prices in future years could result in lower overall fuel costs to the Group. 	<p>In 2012/13 we were exposed to around £20m of additional costs from increased fuel prices and the reduction of BSOG. The Government has protected BSOG from further cuts until at least 2016 and our fuel hedging price increased more modestly in the year.</p>	
<ul style="list-style-type: none"> Investing in driver training and continually assessing health and safety improves the quality of our business for employees and passengers. If controlled well, insurance costs could significantly decrease, supporting Target 100. <p><i>Turn to page 14 to read more about Target 100</i></p>	<p>Our processes around driver training, accident prevention and managing claims more closely have enabled us to stabilise the cost of claims.</p> <p>The potential impact of new legislation regarding legal process around insurance claims is not yet clear.</p> <p><i>Turn to page 32 to read a case study about bus driver training</i></p>	
<ul style="list-style-type: none"> In a difficult economic environment there is a requirement to monitor and manage finances more closely, giving greater assurances of tight financial control and discipline. Investment grade credit rating is beneficial when tendering for contracts and franchises. 	<p>We remain in a strong financial position, with financing secured out to 2016.</p>	
<ul style="list-style-type: none"> There is the opportunity to win more contracts, widening the areas in which we operate and increasing our share of the market. Competition in low margin markets could lead to poor performers exiting the market in the long term. 	<p>The contract retention rate in our London bus business is one of the highest in the sector, demonstrating our reputation for consistent delivery of high quality services.</p>	
<ul style="list-style-type: none"> Partnering with local authorities and other operators may provide opportunities and aims to improve the passenger experience and perception of public transport as a whole. 	<p>We continue to work successfully with industry partners and other operators, (e.g. in Oxford, where we work in partnerships with the local council and Stagecoach, benefiting passengers, the community and the environment.)</p>	
<ul style="list-style-type: none"> Continual focus on and review of strategy ensures the Board is well placed to seize value adding opportunities as they arise. 	<p>Go-Ahead has a clear strategy, communicated to all levels of the organisation.</p> <p><i>Turn to page 24 to read more about our strategy</i></p>	
<ul style="list-style-type: none"> By attracting more people away from their cars and onto our services we have the opportunity to help reduce carbon emissions in the UK. People are becoming more concerned about the environmental impact of the companies they engage with. By demonstrating our environmental credentials, passengers may be more likely to use our services. 	<p>We have made good progress against our Driving Energy Further target, having achieved a 15% reduction in CO₂ emissions since 2007/08.</p>	



Keith Down, Group Finance Director

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

Overview and highlights

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

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

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

Summary income statement

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

* Excludes amortisation and exceptional items.

Revenue and operating profit by division

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

Leading the way

Driving Energy Further

In a scheme praised by Prime Minister David Cameron, Oxford Bus Company has installed solar panels on its city centre depot to reduce its carbon emissions. The project, delivered in partnership with the Low Carbon Hub, supports new energy-saving technology purchases for local schools, community groups and businesses. The panels will contribute to Go-Ahead's Driving Energy Further target, to reduce carbon emissions by 20% by 2015 from a 2007/08 baseline.

Oxford Bus Company and local stakeholder group, Low Carbon Oxford, together created a partnership known as an Industrial and Provident Society, enabling tax breaks for investors. The Low Carbon Hub is able to benefit from a much lower cost of capital than the Oxford Bus Company. This means the payback period is reduced and returns can be used to reimburse investors and to reinvest in other community energy projects. Through this initiative, Oxford Bus Company has become the first Oxfordshire business to develop a renewables scheme designed to benefit the local community.

David Cameron said it inspired replication across the UK and he sincerely hoped other Oxfordshire businesses would follow suit.

To see more of our case studies go to:
www.go-ahead.com/sustainability/case-studies

BUS

Go-Ahead is a leading operator of innovative, high quality and value for money bus services in and outside London. Accounting for two thirds of all public transport journeys, buses are the backbone of the local transport network. Over 10% of all UK bus users travel with Go-Ahead and our customer satisfaction rates of 90% surpass those of our competitors and leading companies in other industries including retail and leisure.

Our operating companies



Revenue	£361.0m
Passenger journeys	433m
Average no. of employees	5,608



Revenue	£83.8m
Passenger journeys	78m
Average no. of employees	1,426



Revenue	£58.1m
Passenger journeys	49m
Average no. of employees	1,165



Revenue	£82.7m
Passenger journeys	45m
Average no. of employees	1,491



Revenue	£16.5m
Passenger journeys	8m
Average no. of employees	415



Revenue	£19.3m
Passenger journeys	15m
Average no. of employees	456



Revenue	£95.0m
Passenger journeys	71m
Average no. of employees	2,037



Revenue	£45.1m
Passenger journeys	24m
Average no. of employees	737



No. of employees

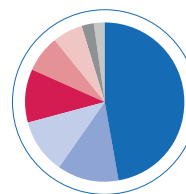
13,400

No. of buses

4,400

2013 bus revenue

£761.5m 2012: £691.3m

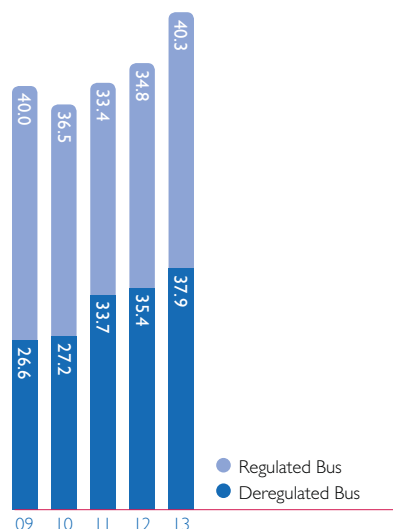


- Go-Ahead London
- Go North East
- Metrobus
- Go South Coast
- Brighton & Hove
- Oxford Bus Company*
- Plymouth Citybus
- Companies in East Anglia

* Includes Thames Travel and Carousel Buses.

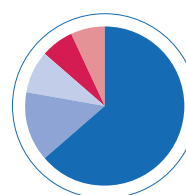
2013 bus operating profit

£78.2m 2012 £70.2m



2013 bus operating cost base

£683.3m 2012: £621.1m



- Labour – 63.7%
- Fuel – 14.1%
- Engineering – 8.8%
- Depreciation – 6.7%
- Other – 6.7%

Finance and business review continued

Overall bus performance review

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

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

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

Acquisitions

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

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

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

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

Deregulated bus operations

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

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

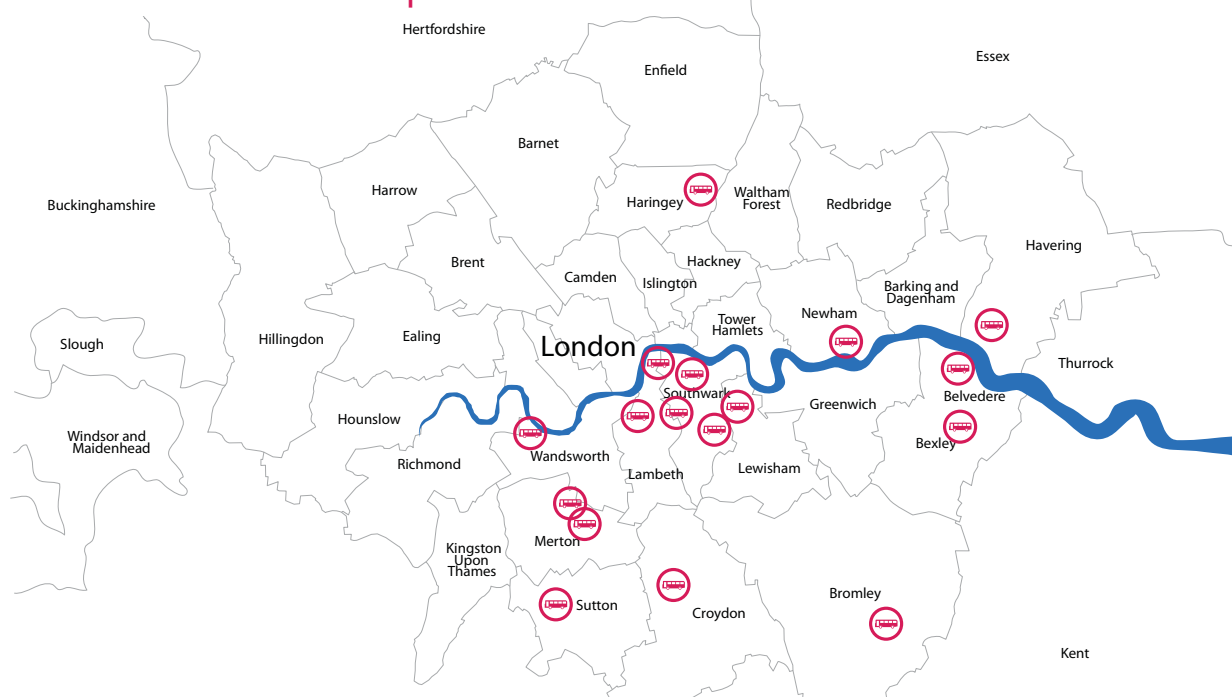
In the second half of the year, we lapped the 4-7% fare increases introduced in April 2012 in response to the reduction of BSOG. This resulted in a more challenging comparative figure as average fare increases in the current year have been more in line with inflation.

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

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

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

Go-Ahead's London bus depots



Regulated bus operations

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

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

Operating margins increased to 9.5% (2012: 9.2%), although when adjusting for revenue associated with Olympic Games contracts of £5.6m and operating profit of £1.6m, the underlying margin was 9.2%, consistent with last year. Incremental fuel costs and the impact of the reduction in BSOG have also been mitigated by strong cost control and Quality Incentive Contract (QIC) payments of £9.9m (2012: £6.8m), up £3.1m.

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

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

North America

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

Capital expenditure and depreciation

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

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

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

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

Leading the way

Mobile-ticketing driving revenue

Go-Ahead has been leading the field in its approach to smartcard technology and marketing for some time. More recently, the Group has begun to see the benefits of another type of ticketing. Mobile-ticketing (m-ticketing) has been operational across the Group for little over a year and has already delivered good results. Over £1m of revenue was generated through m-ticketing in less than 12 months.

This revenue has been generated via 65,000 ticket downloads. Usage statistics show that almost half of the m-ticketing travel apps downloaded by our customers resulted in a sale. From its fast take up, it is clear that this retail channel is proving hugely popular with our customers, making it easier for our passengers to buy and use their ticket, removing the need to carry cash or queue to buy tickets.

M-ticketing allows people to download tickets via their smart phones instantly. First trialled at Go North East for six months, it was quickly introduced at Plymouth Citybus, Go South Coast, and Brighton & Hove and has proved a great success, especially on student routes.

M-ticketing is just one part of Go-Ahead's continual development in improving our understanding of what our customers want. Most of our rail and bus websites are now responsive so they are easy to use and display information correctly, no matter what type of device customers are using.

Our online customer database can be used for effective, targeted marketing campaigns across our bus and rail businesses and now has almost four million registered customers.

The data gathered through this channel enables us to gain a fuller understanding of passengers' travel habits and purchase preferences. This means we can provide them with relevant information and products to suit their needs.

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Finance and business review continued

Fuel

Bus fuel hedging prices

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

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

Bus fuel costs

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

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

Overall bus outlook

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

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

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

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

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

Leading the way

Building a greener fleet

Flywheel technology

Go-Ahead is constantly looking at ways to improve fuel efficiency, to minimise our impact on the environment and reduce cost. Together with Williams Hybrid Power (WHP), we have introduced a flywheel energy storage application for use on buses. Originally developed for Formula One, the flywheel is an energy storage system that improves fuel efficiency and reduces carbon emissions. Six Go-Ahead buses have been fitted with the innovative WHP flywheel technology, delivering up to 20% fuel savings and reducing carbon emissions.

This collaborative project between WHP and Go-Ahead won a Low Carbon Champion Award during the financial year, for its strong contribution to reducing road transport emissions. The judges recognised the potential in the initiative for mass market hybridisation of public transport to become a tangible reality.

Alternative fuel

Go-Ahead is leading the way in the industry by introducing the first carbon-neutral buses in the UK to its fleet. Thirteen Go-Ahead Anglian EcoCity buses entered service in November 2012. The buses are fuelled by biogas – a renewable energy source produced from waste materials. These gas operated engines vibrate less than conventional ones, resulting in less air pollution, noise and a smoother and more pleasant journey for passengers. A wider national roll out of these vehicles would reduce the need for liquid fuel deliveries, decreasing the number of vehicles on the roads and minimising the risk of oil spillages. Go-Ahead's high profile buses were used to carry visitors during a royal visit by HRH The Prince of Wales to a renewable gas plant in Poundbury, Dorset.

In another industry first, the Group will become the first operator in the UK to run purely electric 12 metre single deck vehicles in London, following an agreement between Go-Ahead, BYD China and Transport for London.

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Rail

Go-Ahead's rail operation is the busiest in the UK, responsible for around 30% of all train passenger journeys. Operating over 5,300 services each day, our strong and longstanding relationships with industry partners are key to us delivering high quality service on complex rail networks. Our award winning marketing campaigns and use of social media ensure our customers receive great deals and are kept up to date with information that affects them and their journey.

Our operating companies

SOUTHERN		GATWICK EXPRESS	
Revenue	£704.3m		
Passenger journeys	169m		
Average no. of employees	4,017		

londonmidland	
Revenue	£356.4m
Passenger journeys	61m
Average no. of employees	2,320

southeastern.

Revenue	£749.6
Passenger journeys	173m
Average no. of employees	3,803

No. of employees

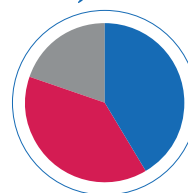
10,150

No. of trains

830

2013 rail revenue

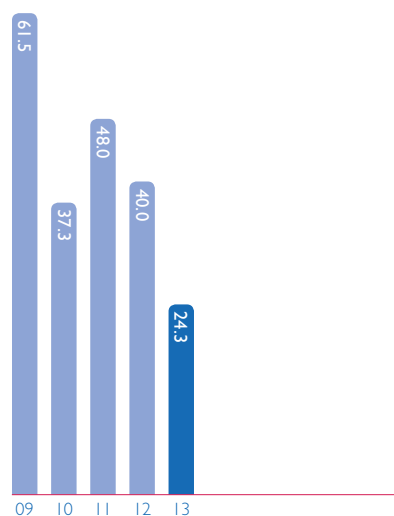
£1,810.3m 2012: £1,732.5m



- Southeastern
- Southern
- London Midland

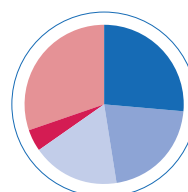
2013 rail operating profit

£24.3m 2012: £40.0m

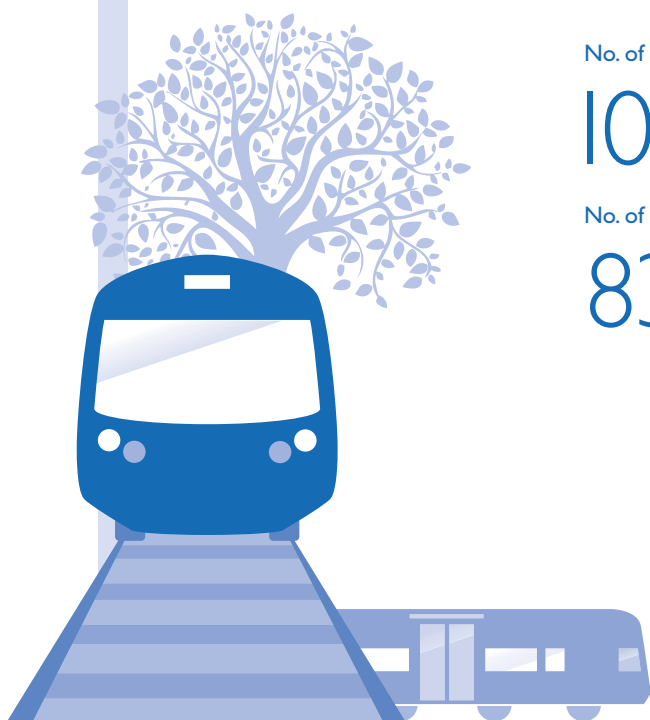


2013 rail operating cost base

£1,786.0m 2012: £1,692.5m



- Labour – 26.5%
- Fuel – 21.2%
- Depreciation – 17.6%
- Engineering – 4.6%
- Other – 30.1%



Finance and business review continued

Rail performance review

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

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

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

Revenue

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

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

Premium payments

Southern's premium payments are included in operating costs.

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

Operating profit

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

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

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

Individual franchise performance

Southern

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

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

Leading the way

Engineering excellence: Southeastern's wiki

Southeastern's award winning 50,000 page wikipedia site was developed and built by the company's engineering team. The website features technical processes and manuals, supported by more than 30,000 images and includes everything the company's fleet technicians need to maintain the organisation's 400 strong train fleet.

The wiki has transformed the engineering function at Southeastern, and has supported a more efficient way of maintaining and overhauling trains. It contains the entire management system, including all work logs and manuals, and is accessible through one central web-based portal, available from any device, anywhere. This allows colleagues to share knowledge quickly, saving critical time on the shop floor. The company no longer relies on outdated paper systems.

Maintaining a large fleet of trains for one of the most demanding commuter networks in the UK is challenging. Almost every train is in passenger service every day, so the smallest delay in a depot could result in cancelled services. Moving to a paperless system has resulted in significant time savings and improved efficiencies.

Having seen the benefits Southeastern's innovative system has delivered, other train operators and even aviation companies are looking to replicate its success. The wiki was awarded 'Small Scale Project of the Year' at the 2013 Railway Industry Innovation Awards and has been shortlisted for the 2013 National Rail Awards and the National Transport Awards.

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Southeastern

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

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

London Midland

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

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

Capital expenditure and depreciation

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

Rail outlook

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

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

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

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

Leading the way

Project 110: reducing journey times and increasing network capacity

In an attempt to reduce journey times into London and increase capacity on one of the most intensely used rail networks in Europe, train company London Midland launched Project 110. By increasing speeds from 100mph to 110mph, the length of a journey reduced by over half an hour between London and Nuneaton, Lichfield, Tamworth, Rugby, Stafford and Stoke.

What on the surface seems like a simple solution was in fact a complex and challenging project for London Midland and required the collaboration of industry partners Siemens, Angel Trains, Network Rail and Department for Transport.

Two hundred hours of 'dynamic testing' were needed to obtain industry approval to run the trains at 110mph. Around 2,700 hours of engineering time was spent testing systems, reprogramming onboard computers, and enhancing the suspension to improve ride quality. The duration of the project was 12 months from concept to delivery.

In addition to reduced journey times, passengers have also benefitted from increased service frequency. By increasing the speed of the trains, additional capacity was created. London Midland can now operate two services an hour rather than just one, increasing the number of passengers that can travel on the network in these locations.

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Finance and business review continued

Other financial items

Earnings per share

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

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

Dividend

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

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

Summary cashflow

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

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

Cashflow

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

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

Capital structure

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

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

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

Net debt

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

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

Net finance costs

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

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

Goodwill/amortisation

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

Taxation

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

Non-controlling interest

The non-controlling interest in the income statement of £6.2m (2012: £11.0m) arises from our 65% holding in Govia Limited which owns 100% of our current rail operations and therefore represents 35% of the profit after taxation of these operations.

Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the year of £35.5m (2012: £34.3m) consisting of bus costs of £4.8m (2012: £4.9m) and rail costs of £30.7m (2012: £29.4m). Group contributions to the schemes totalled £46.9m (2012: £51.1m).

Bus pensions

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

Rail pensions

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

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

IAS 19 (revised)

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

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

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

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



Keith Down, Group Finance Director

4 September 2013

Leading the way

Making travel accessible for all

Train company Southern has embarked on an exercise to encourage disabled people to travel by train. Working together with passengers, Southern is aiming to ensure train services are easy to access, use and navigate, and that people feel confident and safe using them. A series of 'Try a Train' days have been held, designed to help new or infrequent rail travellers familiarise themselves with the process of travelling by railway. From buying a ticket, to boarding a train and finding out information, the day helps those with additional needs to build confidence in train travel as a viable option of public transport.

As 60% of disabled people have no car within their household, (compared with 27% of the overall population), unplanned travel can be difficult and sometimes even impossible. A survey for the Disabled Persons Transport Advisory Committee (DPTAC) in 2002 showed that disabled people made only two thirds as many journeys as non-disabled people.

Through positive feedback from customers the 'Try a Train' days have been expanded to the initiative 'Try a Train and See Where It Can Take You'. Southern wanted to go one step further and show what opportunities lay beyond a train trip such as new places to visit, shopping trips, meeting friends and even employment. It aimed to show this group of passengers the wider benefits of train travel and the opportunities they could access either independently or with support.

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Board of Directors



Andrew Allner Chairman

Remuneration Committee, Nomination Committee (Chairman)

Term of office

Andrew Allner joined the Board in October 2008 and succeeded Sir Patrick Brown as Chairman in April 2013. He was last re-elected by shareholders at the 2012 AGM and will stand for annual re-election at the AGM in October 2013.

Length of service

4 years, 10 months

Independent

On appointment

Skills & experience

Former Partner at PricewaterhouseCoopers and a Fellow of the Institute of Chartered Accountants in England & Wales.

Group Finance Director of RHM plc between 2004 and 2007.

External appointments

Non-Executive Chairman of Marshalls plc (Chairman of the Nomination Committee); Non-Executive Director of CSR plc (Chairman of the Audit Committee and member of the Nomination and Remuneration Committees); Non-Executive Director of Northgate plc (Chairman of the Audit & Risk Committee and member of the Nomination and Remuneration Committees); Senior Independent Director of AZ Electronics Materials S.A. (Chairman of the Audit Committee and member of the Nomination Committee); Non-Executive Chairman of Fox Marble Holdings plc.

David Brown Group Chief Executive

Nomination Committee

Term of office

David Brown was appointed as Deputy Chief Executive on 1 April 2011 before his accession to Group Chief Executive on 3 July 2011. He was last re-elected by shareholders at the 2012 AGM and will stand for annual re-election at the AGM in October 2013.

Length of service

2 years, 5 months

Skills & experience

Over 30 years' experience in the industry with particular expertise in the London bus market, having started his career there.

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 main Board adviser. Prior to this he held the positions of Managing Director and Operations Director for London General/London Central.

External appointments

Non-Executive Director of the Association of Train Operating Companies Limited (member of the Remuneration Committee) and Director of Rail Delivery Group Limited.

Keith Down Group Finance Director

Term of office

Keith Down was appointed to the Board as Group Finance Director in March 2011. He was last re-elected by shareholders at the 2012 AGM and will stand for annual re-election at the AGM in October 2013.

Length of service

2 years, 6 months

Skills & experience

Chartered Accountant and former Finance Director of JD Wetherspoon plc.

Brings a wealth of skills and experience to the Board, combined with a sharp focus on the interests of shareholders.

Before joining JD Wetherspoon plc in 2007 he served as Commercial Finance Director of Tesco plc.

Experience in businesses with a strong consumer angle alongside complex logistics is an invaluable contribution to the Board.

External appointments

None

Katherine Innes Ker Senior Independent Director

Audit Committee, Remuneration Committee (Chairman), Nomination Committee

Term of office

Katherine Innes Ker joined the Board in July 2010 and succeeded Andrew Allner as Senior Independent Director in April 2013. She was last re-elected by shareholders at the 2012 AGM and will stand for annual re-election at the AGM in October 2013.

Independent

Yes

Length of service

3 years, 1 month

Skills & experience

Extensive executive and non-executive experience in helping to grow successful and dynamic organisations.

Spent a decade working in the City as a financial analyst.

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.

External appointments

Senior Independent Director of Tribal Group plc (Chairman of the Remuneration Committee and member of the Audit and Nomination Committees); Non-Executive Director of S&U plc (member of the Audit, Remuneration and Nomination Committees); Non-Executive Director of Colt S.A.



Rupert Pennant-Rea
Non-Executive Director

Term of office

Rupert Pennant-Rea joined the Board in October 2002. He was Senior Independent Director and Remuneration Committee Chairman until October 2011. Rupert was last re-elected by shareholders at the 2012 AGM and will be retiring at the AGM in October 2013.

Length of service

10 years, 10 months

Independent

Non-independent

Skills & experience

Over 15 years' experience as Non-Executive Director and Chairman of international plcs has made Rupert well known to investors and financial professionals.

Former Editor of The Economist.

Deputy Governor of the Bank of England from 1993 to 1995.

External appointments

Non-Executive Chairman of PGI Group Ltd, The Economist Newspaper Limited and The Royal London Mutual Insurance Society Limited. Non-Executive Director of Times Newspapers Holdings Ltd and Specialist Waste Recycling Ltd. Director of Sanef Tolling Limited and The Economist Group Trustee Company Limited.



Nick Horler
Non-Executive Director

Audit Committee, Remuneration Committee, Nomination Committee

Term of office

Nick Horler joined the Board in November 2011. Following his appointment, he was elected by shareholders at the 2012 AGM and will stand for annual re-election at the AGM in October 2013.

Length of service

1 year, 9 months

Independent

Yes

Skills & experience

Extensive general management experience in UK and USA regulated markets, specialising in sales and marketing.

Brings valuable insights into Go-Ahead's development of social networks and digital marketing to attract new passengers.

Former Chief Executive Officer of Scottish Power and Managing Director of E.On Retail.

External appointments

Non-Executive Director of Royal Mail Group Limited (member of the Audit & Risk and Nomination Committees); Non-Executive Director of Secure Electrans Limited; Chairman of KPMG Energy and Natural Resources Advisory Board; Chief Executive Officer of Alderney Renewable Energy Limited.



Adrian Ewer
Non-Executive Director

Audit Committee (Chairman), Remuneration Committee, Nomination Committee

Term of office

Adrian Ewer joined the Board in April 2013. He will stand for election before shareholders at the 2013 AGM for the first time.

Length of service

4 months

Independent

Yes

Skills & experience

Became a Chartered Accountant in 1977 and has sound recent and relevant financial experience.

Wealth of experience of major long term contracts.

Strong customer focus and flair for strategy and finance.

External appointments

Chief Executive Director of John Laing plc and associated limited companies.



Carolyn Ferguson
Group Company Secretary

Term of office

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

Length of service

7 years, 2 months

Skills & experience

A Fellow of the Institute of Chartered Secretaries and Administrators.

Spent 12 years working for Northern Electric, predominantly in the field of pensions, before joining Go-Ahead in 2001.

Prior to her appointment as Group Company Secretary she was Assistant Company Secretary for the Group with responsibility for non-rail pensions and a wide range of company secretariat functions including share schemes, legislative compliance, corporate governance and the Group's code of conduct, policies and procedures.

External appointments

None

Sir Patrick Brown, former Chairman, retired as a Director of the Company on 24 April 2013.



Read the biographies of our senior management team;
www.go-ahead.com/aboutus/senior_management.aspx



Andrew Allner, Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to present Go-Ahead's corporate governance report for 2013.

During the year Sir Patrick Brown, who joined the Board in 1999, retired as Chairman. As a Board, it is important to set the right 'tone' from the top and Sir Patrick Brown left the Group with a well-defined and robust corporate governance framework which supports the Board's aim of achieving long term and sustainable shareholder value. I would like to thank Sir Patrick Brown for his long standing stewardship and commitment to high governance standards. Good governance remains integral to the way our business is run and continues to underpin the Board's high standards of corporate ethics and behaviour.

I am personally committed to building on the framework already in place. Corporate governance is about doing the right things in the right way. It is about the Board demonstrating accountability and transparency in our decisions and actions. I will endeavour to maximise the individual and collective contribution of the Board and lead the business effectively through high standards of governance and behaviour and a culture based on integrity and compliance.

I am pleased to endorse this corporate governance report, which demonstrates how, through its actions, the Board and its Committees fulfil their governance responsibilities.

Board membership

Upon my accession to Chairman, I stepped down as Senior Independent Director and Chairman of the Audit Committee. Katherine Innes Ker, who joined the Board in July 2010, succeeded me as Senior Independent Director. Adrian Ewer, who joined the Board in April 2013 as a Non-Executive Director, also assumed the role of Chairman of the Audit Committee. Following Adrian's appointment, half of the Board are independent Non-Executive Directors in accordance with the UK Corporate Governance Code's recommendations. The Nomination Committee was responsible for leading the process for these appointments, full details of which can be found in the Nomination Committee report on page 63.

Board evaluation

I believe we have the right range of experience, knowledge and diversity on the Board to create value for shareholders and protect the interests of all stakeholders. The Board's most recent evaluation, which supported this view, was undertaken by an external facilitator in accordance with good practice. The objectives of the evaluation were to build upon the improvements made since the previous evaluation, and to improve not only the collective contribution of the Board but also individual Director behaviour, competence and effectiveness. The actions we have now implemented further enhance the Board's stewardship of the business, which continues to operate in a challenging environment. Further details of the review, and the improvements subsequently made, can be found on page 55 of this report.

Governance overview: Setting Go-Ahead's priorities

What the Board achieved in 2012/13

An enhanced strategic planning process including a comprehensive annual review of strategy and delivery plans.

Smooth succession planning of Chairman and Senior Independent Director positions, with new appointments effective from 25 April 2013.

Adrian Ewer appointed as Chairman of the Audit Committee with effect from 25 April 2013.

An externally facilitated Board evaluation.

More effective risk, mitigation and contingency planning, including improved collaboration between the external and internal auditors.

Continued pursuit to ensure that core governance processes and values, and the means to monitor them, are embedded throughout our businesses.

Board priorities for 2013/14

A review of the Group's longer term strategy focusing on embedding processes, structure and people. For example, our target to organically grow bus operating profit to £100m by 2015/16.

The successful development of Andrew Allner and Katherine Innes Ker in their first full financial year as the new Chairman and Senior Independent Director respectively.

The successful integration of Adrian Ewer in his first full financial year as the new Chairman of the Audit Committee and Board member.

Build upon the improvements implemented from the 2012/13 evaluation and identify opportunities to enhance the Board's stewardship of the business as part of the 2013/14 Board evaluation.

Continued focus on ensuring that appropriate systems and processes exist to identify, monitor and manage evolving risks.

Continuing to build on corporate governance excellence.

Diversity

At The Go-Ahead Group plc, diversity has always been a fundamental value. We remain committed to providing equality of opportunity and treating everyone fairly regardless of gender, age, religion or belief, sexual orientation, race and, where practicable, physical disability. Our Nomination Committee carries out its search for candidates from the widest possible pool of talent, against a set objective criteria, making appointments on the basis of merit.

The Board recognises that gender is an important aspect of the overall diversity of the Board. We support the aspirations of the Davies Report, including the representation of women at the highest levels in the organisation. Details of the Board's policy on diversity can be found in the Nomination Committee report on page 65.

Remuneration policy

During the year, the Remuneration Committee reviewed the remuneration of the Executive Directors' to ensure that the policy in place remained appropriate. In conjunction with the Committee's advisers, New Bridge Street, the review concluded that remuneration arrangements remain broadly fit for purpose, with the exception of a small number of changes for which we sought the views of the Company's largest shareholders. These changes, which will be effective from the 2013/14 financial year, will not result in any increase to the overall quantum of Executive Directors' remuneration. Full details can be found in the Directors' remuneration report on page 66.

Remuneration Committee overview

Katherine Innes Ker, Chairman of the Remuneration Committee and Senior Independent Director, reports on the Remuneration Committee's composition and activities during the financial year ended 29 June 2013 in the Directors' remuneration report on page 70.

Strategy

Each year, the Board formally reviews the Group's strategy and delivery plans for achieving our key strategic objectives. In addition, regular debates take place throughout the year to challenge and review progress against the Group's strategy and budget performance.

In 2012/13, there was a continued focus on both corporate and strategic planning processes and reporting, the effectiveness of which underpins the delivery of our strategy. From a cultural perspective, the new performance management processes, supported by talent planning, leadership reviews and behavioural frameworks, continued to be strengthened and embedded across the Group.

I am pleased to report that considerable progress has been made in delivering the strategy agreed last year. Cultures and behaviours are changing and there is clarity in the business of the Group's future strategy and a common vision on how to achieve this. Importantly our robust governance framework enables us to monitor and deliver the Group's strategic objectives.

↗ *Full details of our key strategic principles and priorities for 2013/14 can be found on pages 24 to 31*

"Good governance remains integral to the way our business is run and continues to underpin the Board's high standards of corporate ethics and behaviour."

Corporate governance

Corporate governance continues to evolve and we support the revisions made to the UK Corporate Governance Code in September 2012. While not applicable to the Group until next year, we are already in the process of implementing the changes appropriate to our own corporate governance arrangements. As a Board, our aim is to ensure that good governance is inherent in our business and continues to return enhanced value to our shareholders over the longer term while enabling our companies to operate in a safe, socially and environmentally responsible manner.

We consider that the Group's values, leadership and strategy are underpinned by the highest standards of corporate governance.



Andrew Allner, Chairman

4 September 2013

Meet our new Chairman

Andrew Allner joined the Board as Non-Executive Director and Chairman of the Audit Committee in October 2008. Andrew was appointed Senior Independent Director in October 2011 and Chairman in April 2013.

First thoughts on becoming Chairman of Go-Ahead?

I am delighted to become Chairman at such an exciting time for the Group. I am looking forward to working with the Board and Executive Team to create further growth in shareholder value whilst at the same time continuing to improve the already high standard of our bus and rail operations.

What do you bring to the role of Chairman?

A strong ambition for the future of the business, and a significant knowledge and understanding of the Group gained through nearly five years served on the Board and extensive board experience. I feel hugely privileged to be leading a first class business which has significant opportunities for growth and business development.

What will be your strategic focus?

Supporting management in their delivery of organically growing bus operating profit to £100m by 2015/16, continuing to improve the quality and operating performance of our current rail franchises and winning new rail franchises that bring an appropriate balance of risk and return for shareholders.

What is the outlook for the future?

I believe we have the right strategy in place to deliver long term sustainable growth. I am committed to sound corporate governance and believe in openness and transparency in the Boardroom. It is this robust framework that enables us to monitor, build on and deliver the Group's strategic objectives.

↗ *To read Andrew's biography see page 48*

Corporate governance continued

Compliance with the UK Corporate Governance Code

Throughout the year ended 29 June 2013, the Company complied with all of the provisions of the UK Corporate Governance Code 2010 (the Code) and has applied the main and supporting principles of the Code as described on pages 53 to 75 of this report.

The Code was revised in September 2012 (the 2012 Code), with minor changes including a greater focus on a company's approach to diversity. The 2012 Code will apply to the Company in 2013/14, but we have decided to adopt some of the new principles and provisions early to ensure we maintain our high standards. These changes are reflected in the reports of the Audit and Nomination Committees which can be found on pages 60 and 63.

The Codes and associated guidance can be found on the Financial Reporting Council's website at www.frc.org.uk

senior management directly into the Board through the Group Chief Executive and the Group Finance Director (the Executive Directors). These include:

- monthly Board meetings with the senior management of all operating companies;
- regular cross-business forums such as the Rail and Bus Steering Groups, Finance Director Forum and Commercial, Operational, Engineering, Communications and HR Forums that identify opportunities to share experience and best practice across operations; and
- monthly meetings with the senior managers responsible for the key centralised Group functions (Group Executives' Team) to 'look across' the businesses to identify and realise synergies.

In addition, there are a number of Group forums that are held on a regular basis such as the Energy, Health & Safety and Better Together Forums. These report to the Executive Directors and enable representatives from all operating companies to share best practice, seek synergies and cost savings, improve quality and achieve economies of scale where possible.

This infrastructure allows the right balance between local initiatives and initiatives able to deliver Group benefits. It also ensures the Board remains well informed about our businesses, employees, passengers and stakeholders enabling it to respond pro-actively to the changing dynamics of the businesses.

Sustainability

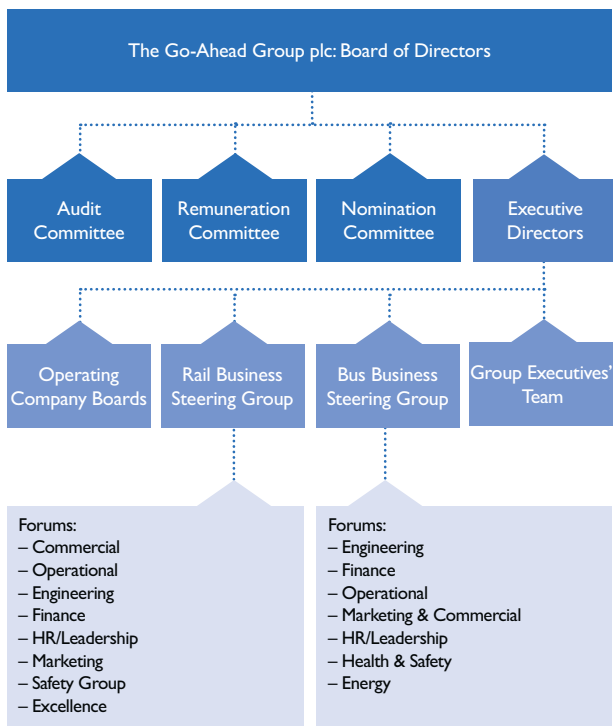
The responsible operation of our business is integrated into the daily running of our bus and rail services. Operating our companies in a safe, socially and environmentally responsible manner is central to our strategy.

Our devolved structure

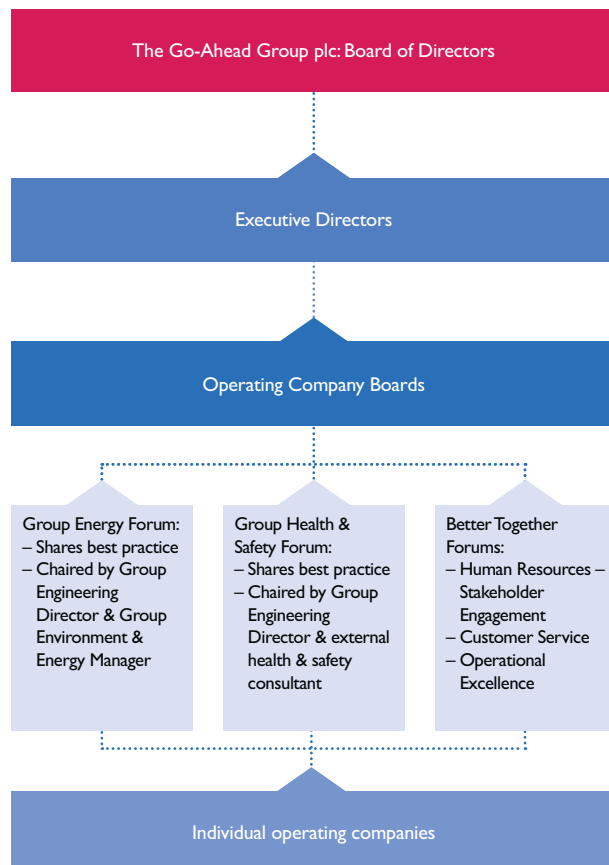
We believe that our devolved management structure, illustrated below, enables the Group to be managed in a particularly effective way. Local management teams throughout the Group are empowered to operate our companies as autonomous business units, whilst working together to share experience and expertise around the Group.

For example, many aspects of the Group's day-to-day operations are reported through operating company

Board and management structure



Internal corporate responsibility structure



Our businesses regularly report on five key areas of responsibility (safety, environment, passengers, employees and community/economic impact), progress against which is reviewed at Board level. Progress against our sustainability targets and key performance indicators is linked to both operating company senior managers' and Executive Directors' remuneration. A health and safety audit of each of our businesses is undertaken by an external consultant each year.

The Board is ultimately responsible for sustainability across the Group. Therefore we do not have sustainability or health and safety committees at Board level as we believe that all Board members should be involved in these fundamental areas that are central to our business. The Group's flat structure provides the Board with good visibility of performance at each operating company.

Applying the principles of good governance

Leadership

The Board is collectively responsible for the overall management of the Group and is accountable to shareholders for the performance of the business and the long term success of the Group. The Board's role is to provide entrepreneurial leadership by setting direction for the Group's strategic aims, values and governance. It regularly, prudently and effectively assesses the governance framework of the Group, reviewing internal controls and maintaining a robust system of risk management.

Division of responsibilities

The offices of the Chairman and Group Chief Executive are held separately and the division of responsibility between these roles is clearly established, as shown opposite. The Board has adopted a written Statement of Division of Responsibilities between the Chairman and the Group Chief Executive.

The Chairman leads the Board, ensuring its effectiveness by promoting challenge and debate and managing a regular evaluation process. The Group Chief Executive is responsible for the performance, management and supervision of the Group in accordance with the strategies and values set by the Board. The Chairman and Group Chief Executive have an effective and co-operative working relationship and are supported by the Senior Independent Director who provides a sounding board to the Chairman and is an alternative point of contact for Directors and shareholders, where contact with the Chairman or Group Chief Executive is inappropriate.

The Chairman holds regular informal meetings with the Board members to encourage a culture of openness. Integrity is considered of utmost importance in the Boardroom and our Non-Executive Directors challenge the Executive Directors to encourage constructive debate and facilitate effective decision making.

Role of the Board

The Board has a formal Schedule of Matters reserved that can only be decided by the Board and which is reviewed each year. Examples of some of the key governance and business matters discussed by the Board during the year are shown below:

- reviewing and agreeing Group strategy and monitoring development and progress against the same;
- setting the Group's core values and standards of business conduct and ensuring these are understood throughout the Group;
- approving the appointments of Andrew Allner as Chairman, Adrian Ewer as Audit Committee Chairman and Katherine Innes Ker as Senior Independent Director;
- implementing the actions from the previous external Board evaluation and agreeing the objectives for the next evaluation; and

- approving the Annual Report & Accounts, interim dividend and recommending the final dividend for shareholder approval.

The Board has delegated specific responsibilities to the Audit, Remuneration and Nomination Committees, each of which has Terms of Reference that detail their authority and duties. While the Board delegates some of its responsibilities to these Committees, it still retains full responsibility for a number of key areas such as health & safety, sustainability and risk management.

Day-to-day management of the Group, and the implementation of strategies agreed by the Board across Group companies, has been delegated to the Executive Directors.

Individual roles

Chairman

- Leadership of the Board
- Ensures Board effectiveness
- Facilitates contribution of Directors
- Sets Board agenda
- Safeguards shareholder interests
- Ensures effective shareholder engagement

Group Chief Executive

- Overall responsibility for Group performance
- Leadership of the Group
- Stewardship of Group assets
- Plans and executes objectives and strategies

Group Finance Director

- Maintains strong financial management and implements effective financial controls
- Develops the Group's policies and strategies
- Ensures a commercial focus across all business activities
- Ensures the appropriateness of risk management
- Supports and advises the senior management team
- Maintains effective communications with shareholders and investors

Senior Independent Director

- Leads review of Chairman's performance
- Provides a sounding board for the Chairman and intermediary for other Directors
- Available to meet with major shareholders

Non-Executive Directors

- Help develop strategy
- Challenge management proposals
- Scrutinise performance of management
- Monitor reporting of performance
- Available to meet with major shareholders

Group Company Secretary

- Secretary to the Board and its Committees
- Ensures efficient information flows within the Board and its Committees and between senior management and Non-Executive Directors
- Facilitates induction of new Directors and assists with any training and development needs as required
- Ensures compliance with Board procedures
- Regularly updates the Board on corporate governance matters, legislative changes and regulatory regimes affecting the Group

The Committees in action

The Board has established the Audit, Nomination and Remuneration Committees to deal with specific delegated aspects of the Group's affairs. The responsibilities of each Committee are determined by its Terms of Reference which are summarised in the Committee Reports on pages 60, 63 and 70 respectively. The Committee Reports are also available in full on the corporate website or upon request from the Group Company Secretary. The Committees' Terms of Reference are reviewed and updated, if appropriate, annually.

No person other than the Committee Chairman and members are entitled to be present at a meeting of these Committees. Others may attend upon invitation only.

The Executive Directors meet regularly with senior management in the Group and across our businesses, both formally via monthly meetings and less formally on a regular basis. The Board and management structure can be found on page 52.

The full Schedule of Matters reserved for the Board and Terms of Reference for the Committees can be found on the Group's corporate website (www.go-ahead.com).

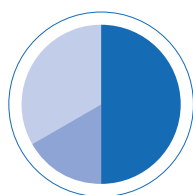
How we ensure Board effectiveness

Composition

At the year ending 29 June 2013, the Board comprised the Chairman, four Non-Executive Directors and two Executive Directors. The biographies of all members of the Board, outlining the experience they bring to their roles, are set out on pages 48 and 49. All Directors were members of the Board throughout the financial year, with the exception of Adrian Ewer who was appointed on 25 April 2013.

The Directors are of the view that the members of the Board and its Committees have an appropriate balance of skills, experience, independence and diversity of background to enable them to discharge their duties and responsibilities effectively. As shown in the diagram below, excluding the Chairman, half of the Board are independent Non-Executive Directors who bring a wide range of experience and objectivity to the Boardroom. The Executive Directors bring additional perspective to the Board's work through a deep understanding of the Group's business. Each member of the Board brings different attributes, skills and expertise to Board discussions, the range of which is shown in their biographies on pages 48 and 49.

Balance of Non-Executive and Executive Directors¹



- Independent Non-Executive Directors – 50%
- Non-independent Non-Executive Director – 16.7%
- Executive Directors – 33.3%

1. Excluding the Chairman, 50% of the Board comprises independent Non-Executive Directors.

Independence

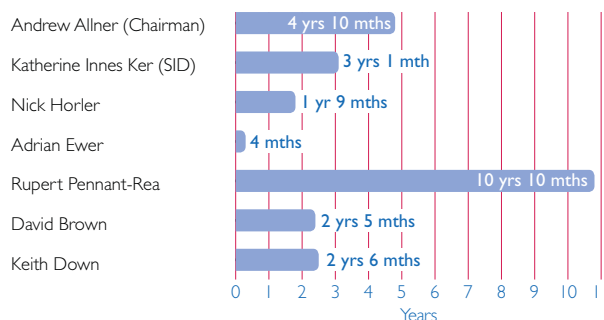
In accordance with the Code, the Chairman was considered independent on his appointment.

The Board considers all Non-Executive Directors to be independent except Rupert Pennant-Rea who has served on the Board for over ten years and, since October 2011, could no longer be considered independent under provision B.1.1 of the Code. Notwithstanding Rupert's length of tenure, the Board determined that Rupert continued to demonstrate complete independence, robustness of character and judgement as a Board member. Rupert therefore continued to serve on the Board as a Non-Executive Director to ensure continuity and support following the changes to the Executive Team in 2011. In accordance with best practice, Rupert resigned as member of the Audit and Remuneration Committees but continued to attend by invitation. Rupert will be retiring at the next Annual General Meeting (AGM) on 24 October 2013. Nick Horler was appointed in November 2011 as an independent Non-Executive Director to replace Rupert and ensure compliance with provision B.1.2 of the Code which requires at least half the Board excluding the Chairman to be independent Non-Executive Directors.

The Nomination Committee regularly assesses the other commitments of the Non-Executive Directors. This year, the Committee is again satisfied there are no conflicts of interest and that the Chairman and the Non-Executive Directors, particularly those who are also chairing Committees, have sufficient time to fulfil their responsibilities. Prior to any new commitments being made by Directors, agreement is sought from the Chairman.

The Board aims to ensure planned and progressive refreshing of the Board and the appropriate balance of Board experience relative to length of tenure. Further details of succession planning can be found in the Nomination Committee's report on page 63. The balance of Executive and Non-Executive Directors at the date of this Report and their length of tenure are shown in the charts below.

Directors' tenure



Board meetings

The full Board normally meets at least seven times a year, with at least one meeting dedicated to reviewing the Group's strategy. Additional meetings are held when required.

The Chairman and the Non-Executive Directors periodically meet without the Executive Directors being present. During the year, the Chairman met individually with each Director.

During the year ended 29 June 2013, the Board held seven scheduled meetings. The table on page 55 shows Directors' attendance at scheduled meetings they were eligible to attend. The agenda for each Board meeting is set by the Chairman, in consultation with the Group Chief Executive and Group Company Secretary. A move to the electronic distribution of Board papers was successfully implemented during the year. Detailed briefing papers in relation to the business to be conducted at each meeting are circulated to the Board

electronically at least one week before each meeting for review before meetings. The Executive Directors and Group Company Secretary are readily available should any Board member wish to receive additional information.

Board meetings are structured to allow open discussion and debate and the Chairman ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. Following the Board evaluation, agendas have been reset to include a new item at the beginning of all Board meetings for 'Key Issues and Strategic Matters'.

Key senior managers and advisers attend relevant parts of Board meetings on a regular basis to ensure that the Board is properly informed about the current issues facing the business. Minutes of all meetings are circulated promptly afterwards.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Andrew Allner ¹	7/7	4/4	4/4	3/3
Katherine Innes Ker	7/7	4/4	4/4	4/4
Nick Horler ²	6/7	3/4	3/4	5/5
Adrian Ewer ¹	2/2	1/1	1/1	–
Rupert Pennant-Rea	7/7	4/4	4/4	5/5
David Brown	7/7	4/4	2/2	5/5
Keith Down	7/7	4/4	2/2	5/5
Sir Patrick Brown ¹	5/5	3/3	3/3	3/3

- Sir Patrick Brown retired as Chairman of the Board on 24 April 2013. Andrew Allner was appointed as Chairman of the Board on 25 April 2013 and concurrently resigned as Chairman and member of the Audit Committee. Adrian Ewer was appointed as Non-Executive Director and Chairman of the Audit Committee on 25 April 2013.
- Nick Horler missed one Board, Audit Committee and Remuneration Committee meeting in June 2013 due to these meetings being changed from that agreed and scheduled at the start of the year.

The Board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Company'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 was

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.

Performance evaluation

A formal evaluation of the Board, its Committees and individual Directors is carried out on an annual basis.

During the year under review, an external evaluation of the Board was undertaken by Bvalco, a business that has no other connection with the Company. The key objectives of the evaluation, which were mutually agreed with the Chairman and the Group Company Secretary in advance, were to build upon the improvements made after the previous evaluation and to further enhance not only Board effectiveness, but individual Director effectiveness.

The evaluation included Bvalco reviewing Board and Committee papers before meeting with each Director individually. At these meetings, the Directors were encouraged to raise any issue that they felt may assist the way in which the Board worked. Having completed their interviews, Bvalco then observed the Board and its Committees in action. The key outcomes of the Board review were then discussed at a one-to-one meeting with the Chairman and a subsequent one-to-one meeting with the Group Company Secretary. The Board Evaluation Report was then distributed to the full Board in advance of a meeting at which the findings were discussed in detail.

Overall, Bvalco's review found a well-run Board. There was consistency between the interviews and observations made in the Board and Committee meetings. The Board 'hygiene' factors were in place: a small Board of quality Non-Executive Directors; a Board with diverse skills and knowledge; well written and presented Board papers; Board meetings in which Executive and Non-Executive Directors were engaged; and an approach to governance where governance practices were executed effectively as part of the way the Board does its business.

Although there were no areas of material concern highlighted, the Board determined that the following matters should be considered to ensure improved Board stewardship in the future.

Board performance evaluation

Matters considered	Actions taken
Clarify the Non-Executive Directors' role in strategy formulation.	Timetable revised to include a staged process for the annual review of strategy, which involves the Non-Executive Directors in strategy discussions earlier. More formalised updates on how progress is being made against strategy.
Create more space, in Board meetings, for thorough debate on key issues.	A new agenda item at the beginning of all Board meetings for 'Key Issues and Strategic Matters' to create the time for thorough debate and challenge.
Consider succession planning and talent management as a broader topic for the Group as a whole.	Improved process established for succession planning, to encompass not only Board succession but also the broader topic for the Group and operating companies.
More formalised individual Director review and development.	More formalised development reviews to maximise the effectiveness of each Director's challenge and debate.

Performance evaluation

Board briefing

Board briefing to agree external evaluation process, list of potential providers, recommended provider and objectives for the evaluation.



Background research

Initial meetings with Bvalco, Chairman and Group Company Secretary to define objectives for the evaluation.



Review of Board papers

Review of Board papers, governance model and the results of the previous internal evaluation governance model review.



Individual interviews

Chairman, Non-Executive Directors, Executive Directors and Group Company Secretary.



Board & Committee observations

Observe Board, Audit & Remuneration Committee meetings.



Initial findings

Key outcomes of review discussed with the Chairman and Group Company Secretary.



Board report

Board Evaluation Report discussed in detail with the full Board.



Action plan

Action Plan agreed with full Board.



Director support, information, induction and development

The Board is supplied with high quality information, presented in a form appropriate 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.

All new Directors undertake a full induction programme either shortly before or upon joining the Board. This is a personalised induction programme, tailored to their experience, background and particular areas of focus and is designed to develop their knowledge and understanding of the Group's structure and operations as well as their role and responsibilities as a Non-Executive Director. The Secretary, working closely with the Chairman, agrees the personalised induction plan with each new Director.

Adrian Ewer's induction, which is still ongoing, has also been specifically tailored to his responsibilities as Chairman of the Audit Committee and includes the following:

- meeting Executive Directors separately and all the key senior managers responsible for the Group's centralised functions;
- visiting each of the Group's operating companies to meet with the local senior management teams;
- meeting independently with both the internal and external auditors and a number of key advisers of the Group;
- reviewing copies of recent Board and Audit Committee reports, key documents (including Group risk reports) and minutes of meetings;
- reviewing the formal procedures governing the working of the Board, including a full briefing of the Board's responsibilities and obligations under law, including aspects such as directors' duties, conflicts of interest, codes of conduct and compliance; and
- a corporate governance briefing on changes to the Code and FRC Guidance, including FRC Guidance on Audit Committees.

The Chairman regularly encourages the Non-Executive Directors to continually update their skills, knowledge and ongoing familiarity with the Company in order to competently carry out their responsibilities. In addition to Board and Committee meeting attendance, the Chairman and the Non-Executive Directors regularly visit operating companies and attend the Group's annual Senior Management Conference each year.

Ongoing Director development is further achieved through legal and best practice updates from the Group Company Secretary, presentations from management on significant matters and presentations from external advisers. During the year under review, these included corporate governance updates from the Group Company Secretary on the revised UK Corporate Governance Code and Guidance on Audit Committees published by the FRC and changes to the regulatory requirements for annual reporting (including remuneration reporting) in 2013.

Group Company Secretary

Carolyn Ferguson joined the Group in June 2001 and has been Group Company Secretary since July 2006. Her biography can be found on page 49. The Group Company Secretary reports to the Chairman in her role as Secretary to the Board and its Committees. She reports to the Group Finance Director for all other Company Secretariat matters, including the management of the Group's non-rail pension arrangements.

All Directors have access to the advice and services of the Group Company Secretary and may also 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.

Appointment & re-election to the Board

New appointments to the Board are made on merit and against objective criteria, with due regard to the benefits of diversity, including gender. During the year this policy, which is described further in the Nomination Committee Report on pages 63 to 65, was followed for the appointments of Andrew Allner as Chairman, Katherine Innes Ker as Senior Independent Director and Adrian Ewer as Non-Executive Director and Chairman of the Audit Committee.

At the 2013 AGM, shareholders will be asked to elect Adrian Ewer to the Board for the first time.

In accordance with the Company's Articles of Association and the Code, all Directors will be offering themselves for annual re-election except Rupert Pennant-Rea who will be retiring at the 2013 AGM. The Board has agreed that each Director standing for re-election continues to contribute effectively and demonstrates commitment to the role. The Board is also confident that all Directors have the knowledge, skills and experience to perform the functions required of a director of a listed company in this industry. Full biographical details for each of the Directors can be found on pages 48 and 49.

Our induction programme

in action with Adrian Ewer, Chairman of the Audit Committee

Board's procedure manual

Instruction and information on how the Board and its Committees operate

Board minutes

An overview of discussions and decisions made at recent Board and Committee meetings

Key supporting papers

Reading Board reports from Executive Directors and senior management

A briefing on the Group's governance structure

Including relevant laws, regulations and the UK Corporate Governance Code

Meetings with senior management at Group and within operating companies

Gaining an understanding of the Group's relationships with the internal and external auditors and other key advisers

"The induction process so far has enabled me to develop my knowledge of the Group, its operations and staff in order to apply the skills and experience I have gained elsewhere for the benefit of the Group. The tailored and structured approach of the induction has enabled me to assimilate key and essential information at the outset, preparing me for my role on the Board and, specifically, as Chairman of the Audit Committee. I am looking forward very much to continuing my visits to operating companies and meeting more senior managers and employees across the business. This will further enhance my understanding of the nature of the Group, its businesses and the markets in which it operates."

How the Group engages with its investors

Relations with investors

Open and frequent dialogue with investors enables the Group to share strategy, objectives and governance with this important group of stakeholders throughout the year. The Executive Directors and the Group's dedicated Investor Relations Team engage with investors in a range of ways:

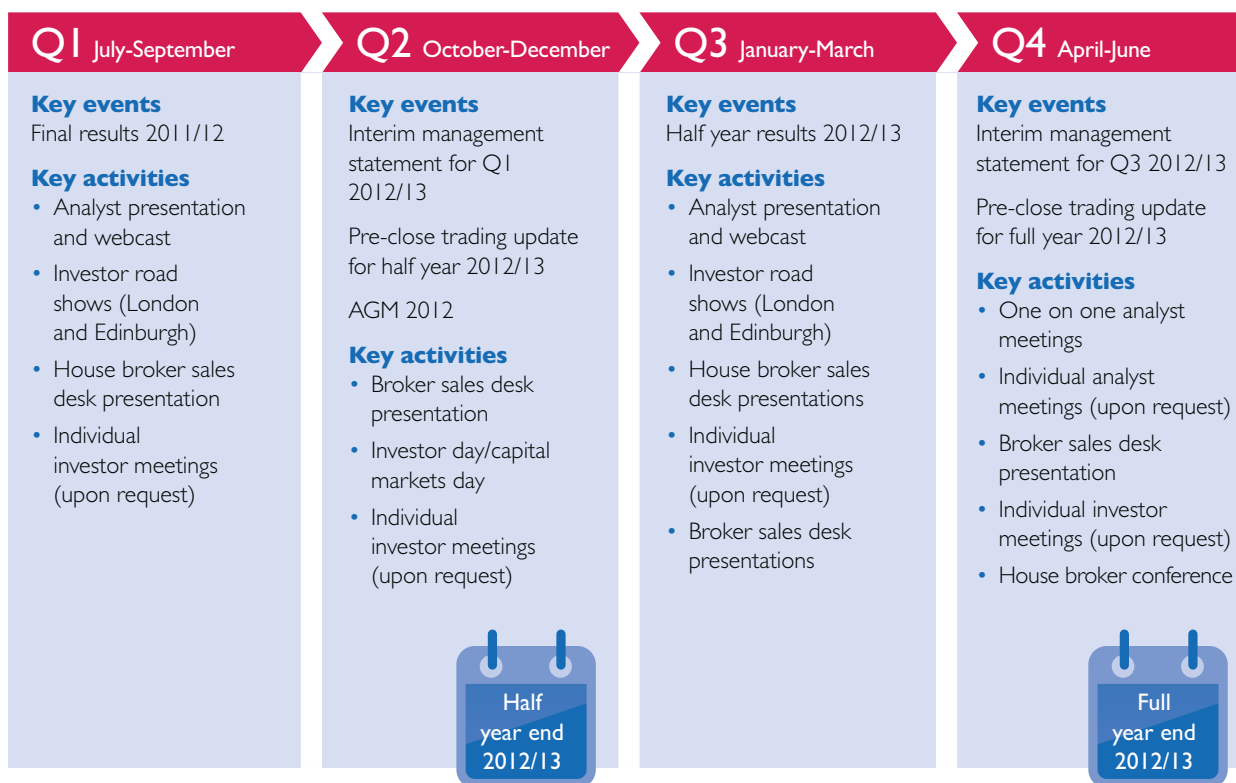
- the Group Chief Executive and Group Finance Director meet with institutional shareholder representatives regularly during the year to discuss strategic and other issues as well as to give presentations on the Group's results (copies of which are available on the Group's corporate website), feedback on which is reported back to the Board;
- the institutional shareholders have further opportunities to make their views on reporting, strategy and governance known through follow-up interviews conducted by the Group's brokers, feedback from which is also provided to the Board;
- the Investor Relations Team provides an update report at every Board meeting which includes a share register and share price analysis together with analysts' reviews;
- the Board regularly reviews the Share Register with a view to engaging with those key investors not currently investing in the Group;
- as part of the Group's investor relations programme, presentations are regularly given to brokers' sales teams, enabling the Group to communicate its key messages to the people dealing with investors every day;
- the Executive Directors always accept requests for meetings from shareholders, potential shareholders and/or their representatives;
- the Chairman of the Remuneration Committee consults with major shareholders before any significant changes in executive remuneration, the results of which are reported to the Remuneration Committee; and
- the Group Corporate Affairs Director and Head of Investor Relations meet with socially responsible investors to outline the Group's sustainability and broader governance strategies.

Key shareholder engagement activities during the financial year are shown in the timeline on page 58. The reporting calendar, which can be found at the back of this report and on the corporate website, is dominated by the publication of the annual and half year results each year. In addition, the interim management and trading statements provide investors with a balanced and regular understanding of the Group's operational performance, its financial results and prospects.

While key shareholder engagement activities are undertaken by the Executive Directors, overall responsibility for ensuring that there is regular and effective dialogue with investors rests with the Chairman, who makes himself available to meet investors for this purpose. Since assuming the role of Chairman, Andrew Allner has written to key investors to invite them to meet with him. The Senior Independent Director and the Chairmen of the Board's Committees are also available to meet key investors on request. The Senior Independent Director has a specific responsibility to be available to investors who have concerns, and in cases where contact with the Chairman, Group Chief Executive or Group Finance Director has either failed to resolve their concerns, or for whom such contact is inappropriate. There were no such concerns raised this year.

➔ See pages 10 and 11 to read more about how we engage with our key stakeholders

Corporate governance continued



Annual General Meeting (AGM)

The principal communication with shareholders is through the Annual Report and the AGM. The AGM is attended by all Directors and all shareholders are invited and encouraged to attend as it provides an opportunity to develop their understanding of the Group and ask questions. There is also the opportunity to meet informally with the Directors before and after the meeting. If you have any questions you wish to register in advance of the AGM, you can send them to agm@go-ahead.com or write to the Group Company Secretary at The Go-Ahead Group plc, 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne, NE1 6EE.

Full details of the business to be discussed at the AGM can be found in the Notice of Meeting sent to registered shareholders in advance of the meeting and is also available on our corporate website.

Ordinary business which is raised for consideration at the AGM each year includes receiving the financial statements for the year; together with the Directors' and auditor's reports, the Directors' remuneration report and the final dividend; electing and re-electing members of the Board; and re-appointing the Group's auditor. Other matters included on the agenda for the AGM may vary from year to year in accordance with the requirements of the Group.

Corporate website

Go-Ahead's award-winning corporate website and new investor relations iPad app provide a wealth of information including a dedicated results centre, latest news, access to reports, presentations and other useful documents, as well as share price, market capital and general shareholder information. Detailed information on the Group's share capital can be found on page 77 of this Report.

During the year the Group continued to inform a wider audience about Go-Ahead news through our Facebook and Twitter accounts. These accounts are in addition to the range of award-winning social media activity in place across our bus and rail companies which update passengers about real time service information.

The Group's Investor Relations Team will also respond to shareholder queries via enquiries@go-ahead.com. For further information visit our website at www.go-ahead.com/goahead/irl/

How we manage the Group's risk management and internal control system

The Board's responsibilities

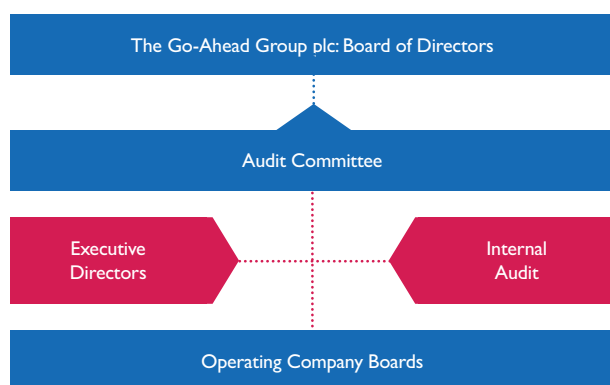
For the financial year ended 29 June 2013 and up to the date of approval of this report, the Board confirms that it has complied with provision C.2.1 of the UK Corporate Governance Code and has established procedures that implement in full the guidance given in 'Internal Control: Revised Guidance for Directors on the Combined Code' (the Turnbull Guidance).

The Board recognises its responsibility for the Group's risk management and internal control system and is committed to ensuring its effectiveness in every respect. The Board is satisfied that there are procedures in place that identify, evaluate and manage the significant risks facing the Group, including social, environmental and governance risks. A formal review of the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives is undertaken at the end of each financial year. A formal review at the half year is also undertaken to take account of material changes and trends in the Group's risk profile. These reviews include top-down risk assessment at Group level and bottom-up risk assessments at operating company level. A bespoke risk categorisation and assessment model exists which is used across the Group to ensure that risks are identified and reported on a consistent basis. A process is in place to aggregate key risks on a Group wide basis and share information across the operating companies.

Board-level reporting

The Board is supported by the work of the Audit Committee which has delegated responsibility from the Board for reviewing the effectiveness of the Group's risk management and internal control systems. During the year the Audit Committee regularly reviewed reports from PricewaterhouseCoopers, the Group's internal auditor for risk management and internal controls, and PHSC, the Group's Health and Safety consultants. Reports were also regularly reviewed from the external auditor, Ernst & Young, and the Executive Directors. The Audit Committee provides the Board with an independent assessment of the Group's position and the Board receives regular updates on how specific risks that are assessed as material are being managed on at least a biannual basis.

Risk structure



The tables on pages 34 to 37 summarise the Board's assessment of the key risks and uncertainties that could impact the Group's performance

Group structure

Ownership of risk identification and mitigation lies with the senior management in operating companies where it is an integral part of day-to-day local company operations. The Group's decentralised organisation structure enables the Executive Directors to play an active role in supporting senior management in assessing and managing risks and internal controls. Through monthly meetings, there is open and ongoing communication on risk matters which is then supported by the more formal year end and half year reviews. The Executive Directors also communicate the objectives, risk strategy and policy of the Group. The Group's structure has the benefit of enabling it to respond quickly to new, emerging or changing risks, with risk management information shared across the Group as well as reported upwards.

Internal audit

The Group's internal audit function has been outsourced to PricewaterhouseCoopers on a rolling 12 month contract, with overall responsibility and direction being retained by the Board. 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 Executive Directors at least six times a year and to the Audit Committee at least three times a year. The co-ordination between the internal and external auditors has continued to improve throughout the year, which has facilitated increased reliance on the work of the internal audit function.

Compliance management

The Group's Policy and Procedures Manual (the Manual) is designed to reinforce the Group's corporate governance, internal control processes and management of risk. All operating companies must adhere to this Manual and annually certify that they have done so. In addition, the Board gains assurance that there are effective risk management and internal control systems in place from the Group's core management structure and the operating, financial, risk management and compliance reporting processes.

Financial reporting and planning processes

In accordance with the Manual, there are formally defined lines of financial reporting responsibility, delegated authorities, capital investment approval policies and clear operating processes. Monthly reporting of financial information to the Board encompasses profit and loss, cashflow and balance sheet information, and key operating ratios. The annual budgeting and strategic planning process includes regular re-forecasting of results, taking into account key risks and opportunities.

Adherence to the Manual by finance teams throughout the Group ensures that transactions and balances are recognised and measured in accordance with prescribed accounting policies and that information is appropriately reviewed and reconciled as part of the reporting process. The use of a standard reporting pack by all Group entities ensures that information is gathered and presented in a consistent way that facilitates the production of the consolidated financial statements.

There is regular reporting to the Board on specific matters including safety, insurance, pensions, tax and treasury management. Business planning encompasses due diligence and risk assessments where businesses are being acquired or divested and all projects and partnerships are entered into taking into account an appropriate risk-reward balance.

Health and safety reporting processes

Health and safety standards have been established across all operating companies and key performance indicators are closely monitored at monthly operating company board meetings. The Group Chief Executive reports on health and safety, which includes key performance indicators, at each Board meeting.

Whistle blowing & anti-bribery procedures

The Group is committed to the highest standards of quality, honesty, openness and accountability and a 'whistle blowing' policy has been issued to all operating companies to ensure a consistent approach across the organisation. 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. During the year, no issues of significance were raised.

The Board supports the objectives of the Bribery Act 2010 (the Bribery Act) and procedures have been established to ensure that compliance is achieved. Any issues arising under the Bribery Act are dealt with promptly and appropriately by the Group Compliance Officer. Training has been provided to the Board of Directors and senior management (who are in turn responsible for ensuring their staff comply with the provisions of the Bribery Act). Training is refreshed on a regular basis. Any breach of the Bribery Act will be regarded as serious misconduct, potentially justifying dismissal.



Adrian Ewer, Audit Committee Chairman

Audit Committee report

Dear Shareholder,

During the year, the Audit Committee has deepened its focus on the effectiveness of risk management, internal controls, compliance, assurance and surety of numbers.

As the new Chairman of the Audit Committee since 25 April 2013, I would like to pay tribute to Andrew Allner for his valuable contribution to the Committee during the last five years. Under Andrew's leadership, there has been an increased emphasis on obtaining surety of numbers and the rigour of the approach taken by management. Maximising the effectiveness of the Group's risk management and internal control system has remained a key focus and the Committee has continued to work closely with both the internal and external auditors in order to enhance the value of the audit activities.

The qualifications and expertise of our Committee members ensure that we meet the requirements set out in the Committee's Terms of Reference. Over the course of the year the information that the Committee has received has been balanced, appropriate and timely, and has enabled the Committee to fulfil its remit.

During my short tenure as Chairman of the Audit Committee, I have been encouraged by the Group's clear and evident objective to implement appropriate and compliant financial accounting policies and disclosures. Our principal aim for the coming year will be to continue to ensure the integrity of the financial information and the quality of financial disclosures provided to our stakeholders.

The Committee will also look to build upon the effectiveness of the robust risk management and control processes we have in place across the business so as to help support the delivery of the Group's strategic objectives.

On the following pages, we set out the Audit Committee's report for 2012/13 which includes the role and responsibilities of the Audit Committee, our key highlights for 2012/13 and objectives for the forthcoming year. Additionally the report includes detailed information on our external auditor including their appointment, how we safeguard independence and our policy for their engagement of non-audit services.

The Committee has taken detailed note of the FRC's recently published changes to the UK Corporate Governance Code and its Guidance for Audit Committees. While not applicable to the Group until next year, we are mindful of these changes and support the FRC's aim of increasing investor confidence in the audit process and the integrity of company accounts.

Adrian Ewer, Audit Committee Chairman

4 September 2013

"We will continue to focus on strong and effective risk management and control procedures which underpin our ability to execute and implement our strategy."

Members

Adrian Ewer¹ Committee Chairman

Katherine Innes Ker Senior Independent Director

Nick Horler Independent Non-Executive Director

Composition compliant with Provision C.3.1 of the Code

Committee Secretary

Carolyn Ferguson Group Company Secretary

Meetings also regularly attended, by invitation, by:

Andrew Allner Chairman

Rupert Pennant-Rea² Non-Executive Director

David Brown Group Chief Executive

Keith Down Group Finance Director

Internal auditor representative(s)

External auditor representative(s)

1. Adrian Ewer is a Fellow of the Institute of Chartered Accountants England & Wales and was Finance Director of John Laing Plc from July 1999 until his appointment to his current position of Chief Executive Officer at John Laing Plc in 2006. Adrian Ewer therefore has recent and relevant financial experience as recommended by the Code.

2. Having served on the Board for over ten years and in accordance with the Code, Rupert Pennant-Rea must now be considered as not independent. Rupert has therefore ceased to be a member of the Committee and will be retiring as Non-Executive Director after the forthcoming AGM on 24 October 2013.

Meetings

During the year the Committee met four times, excluding meetings held to review its effectiveness as part of the annual performance evaluation. All of these meetings were scheduled. At least once a year, the Non-Executive Directors meet with the external auditor, without the Executive Directors being present.

➔ *Members' individual attendance at Committee meetings can be found on page 55*

Summary Terms of Reference

The Audit Committee is responsible for:

- monitoring the integrity of the Group's financial statements and any formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements contained in them before their submission to the Board for approval;
- keeping under review the adequacy and effectiveness of the Group's internal controls and risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- overseeing the Group's relationship with the external auditor, including monitoring and reviewing their performance, assessing their continuing independence, making recommendations as to their reappointment (or, where appropriate, making recommendations for change), and approving their terms of engagement and the level of audit fees payable to them; and
- reviewing arrangements by which the Group's employees may confidentially raise concerns about possible improprieties.

The Terms of Reference of the Audit Committee are reviewed regularly and approved by the Board, and are available on the corporate website (www.go-ahead.com) or upon request from the Group Company Secretary.

Key activities of the Committee in 2012/13

During the year, the Committee considered the following:

- the Group's half yearly results for the period ending 29 December 2012 and its interim management statements, annual results for the period ending 29 June 2013 and external auditor's reports in respect of the same;
- reports from the Group's internal and external auditors on a number of matters including pensions, insurance and information systems;
- reports from the Group's independent internal auditor, including the health and safety auditor;
- conduct of a formal year end and half year review of the Group's system for internal controls and risk assessment including receiving and reviewing risk registers from Group operating companies, and ensuring improved consistency in reporting;
- review of the going concern position of the Group concluding that the going concern basis of accounting was appropriate for the half year and annual financial statements;
- review of developments in accounting and reporting requirements in relation to changes in the UK Corporate Governance Code and The Department of Business Innovation and Skills Directors' Remuneration Reforms;
- review and approval of internal audit plan for 2012/13;
- review of adequateness of the 'whistle blowing' financial and anti-bribery procedures in place across the Group; and

- work with the Remuneration Committee to review Executive Directors' performance versus budget for performance related bonus purposes.

Priorities for 2013/14

The Committee has reviewed the requirements of the 2012 Code and will consider how to adapt procedures to provide advice to the Board on whether the 2013/14 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides all information necessary to a shareholder to assess the Group's performance, business model and strategy.

As a priority, the Committee has revised the Terms of Reference of the Audit Committee to provide for (i) the Committee reporting to the Board on how it has discharged its responsibilities; and (ii) the FRC's recommendations on audit firm tendering taking place at least once every ten years.

Auditor independence

The Board recognises the importance of auditor independence and is aware of the situations that may give rise to the impairment of auditor independence. The Audit Committee carefully considers the objectivity of the auditors on an annual basis, both in relation to the audit process and the relationship with the Company.

Leading the way

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

The Board recognises its responsibility for the Group's risk management and internal control system and has delegated responsibility for reviewing its effectiveness to the Audit Committee. The Board is satisfied that it complies with provision C.2.1 of the UK Corporate Governance Code and has established procedures that implement in full the guidance given in 'Internal Control: Revised Guidance for Directors on the Combined Code'. Key features of the Group's risk management and internal control system include:

- the Group's decentralised organisational structure which supports an effective top-down/bottom-up approach to risk management and internal control;
- clear leadership from the Board with the Executive Directors playing an integral role working with operating companies;
- continuous monitoring and reporting of risks and their mitigation through the internal control environment;
- the role of internal audit to provide assurance over the effectiveness of the key internal controls;
- robust financial, operational and compliance reporting and planning processes; and
- compliance management and reporting, including 'whistle blowing' and anti-bribery procedures.

➔ *To read more about how the Group manages risk, see pages 32 to 37*

Corporate governance continued

Policy on the engagement of the auditor for non-audit services

In order 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 total of £250,000) is subject to approval by the Audit Committee; and
- 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 principal external auditor's fees were £0.5m (2012: £0.5m). In addition, non-audit fees of £0.2m (2012: £0.5m) were payable to the auditor. In comparison, non-audit fees paid to other providers during the financial year were £0.7m (2012: £0.3m). Approval was given for the provision of taxation services and work on corporate finance projects and acquisitions where the Committee was satisfied that the external auditor was able to provide better value for money without compromise to their independence.

As part of a value for money review, several operating companies have appointed Grant Thornton as their auditor. Total fees to Grant Thornton during the financial year were £0.1m (2012: £0.1m). Grant Thornton received no non-audit fees (2012: £nil).

Appointment, reappointment and removal of the auditor

Ernst & Young was first appointed as external auditor to the Company in 1987. There are no contractual restrictions on the Company with regard to its appointment. The Audit Committee has not considered it necessary since its initial appointment to require the firm to tender competitively for the audit work. In the light of the assessments and review undertaken and having considered a recommendation of the Committee to re-appoint Ernst & Young as the Company's and Group's external auditor for the 2012/13 year, the Board endorsed the Committee's recommendation which was approved by shareholders in October 2012.

During the year, the Audit Committee considered the appropriateness of the re-appointment of Ernst & Young as the Group's external auditor for the 2013/14 year. In doing so it took account of the Committee's review of the external auditor's independence and objectivity, the ratio of audit to non-audit fees and the effectiveness of the audit process together with other relevant review processes conducted throughout the year. The Committee remains satisfied as to the external auditor's objectivity and independence.

While not applicable until next year, the Committee is conscious of provision C.3.7 of the 2012 Code which recommends FTSE 350 companies should put their audit contract out to tender at least every ten years. The Committee has therefore decided to implement a formal policy that adopts the FRC's recommendations on audit firm tendering taking place at least once every ten years and has amended their Terms of Reference to reflect the same. Accordingly, the Committee intends to conduct an audit firm tendering process prior to 2016 which coincides with the timing of the rotation of the current Senior Statutory Auditor who will be retiring before the 2015/16 audit having completed a five year term. The purpose of the audit tendering exercise will be to benchmark the quality and effectiveness of the services provided by the incumbent auditor against those offered by other firms, with the aim of obtaining the best quality and most effective audit.

Following its review, the Committee was satisfied that it should recommend to the Board the re-appointment of Ernst & Young as the Company's and Group's external auditor at the AGM on 24 October 2013.

Other safeguards

in place to ensure auditor independence:

- the Committee considers every relationship between the Group and the audit firm;
- the Committee seeks annual reassurance that the auditor and their staff have no financial, business, employment, family or other personal relationship with the Group that could affect their independence and objectivity;
- the Committee seeks details of policies and processes from the auditor regarding monitoring compliance with APB Ethical Standards for Auditors; requirements regarding rotation of audit staff; and maintaining independence;
- any key audit partner of Ernst & Young LLP shall not be employed by the Group in a management position unless a period of two years has lapsed since the conclusion of the relevant audit;
- the Committee monitors the level of fees that the Group pays in proportion to the overall fee income of the relevant audit firm;
- following audit partner rotation in 2011, the audit partner will serve as the Senior Statutory Auditor for five years, subject to the Committee's annual review, retiring by rotation before the 2015/16 audit; and
- there are no contractual obligations restricting the Group's choice of auditors and no auditor liability agreement has been entered into.



Katherine Innes Ker, Nomination Committee member

Nomination Committee report

Dear Shareholder,

I have been asked by Andrew Allner to address you on the key areas of work undertaken by the Nomination Committee throughout the last year; given that these have centred on the orderly succession by Andrew as Chairman and the appointment of a new Audit Committee Chairman in April this year.

As a small Board, succession is of vital importance given that changes to Board composition will noticeably change the dynamic, and potentially the overall contribution, of the Board. While succession is the responsibility of the Board as a whole, the Nomination Committee has been responsible for defining and following an established formal process for succession that recognises the challenges of working as a small Board.

For the appointment of the Company Chairman, the Committee's and the Board's preference was for the new Chairman to be an existing independent Non-Executive Director in order to provide continuity. Accordingly, neither an external consultant nor open advertising was appropriate. The Committee, chaired by Nick Horler, recommended Andrew Allner be appointed to succeed Sir Patrick Brown as Chairman. The key drivers for this decision were Andrew's significant knowledge and understanding of the Group, gained not least through his five years as Non-Executive Director and Chairman of the Audit Committee, but also his considerable and reputable Board experience. Andrew had also been Senior Independent Director since October 2011. The Board unanimously approved the Committee's recommendation and was also satisfied that Andrew would have sufficient time to commit to his new responsibilities as Chairman.

In accordance with best practice, neither Sir Patrick Brown nor Andrew Allner were involved in the succession process.

For the appointment of Audit Committee Chairman, a rigorous search and selection process was carried out with the assistance of independent executive search company, Norman Broadbent. Norman Broadbent did not provide any other services to the Group during the year. The Nomination Committee discussed a long list of potential candidates, taking into consideration factors such as experience, knowledge, skills, diversity and other significant

commitments, in order to assess independence and available time. A number of candidates were shortlisted for an initial interview with the Nomination Committee followed by another interview with the wider Board, including the Group Finance Director:

The Board unanimously approved the Committee's recommendation to appoint Adrian Ewer to succeed Andrew Allner as Audit Committee Chairman due to his extensive recent and relevant financial experience in both executive and non-executive positions. Additionally, as part of the formal succession process, the Nomination Committee recommended, and the Board approved, that I be appointed to replace Andrew Allner as Senior Independent Director:

As previously reported, Rupert Pennant-Rea has served on the Board for over ten years, the last two of which were as a non-independent Non-Executive Director. This was to provide a period of continuity and support following the changes to the Executive Team in 2011. Rupert has confirmed his intention to retire at the next AGM on 24 October 2013 and I would like to thank Rupert for his long standing contribution to the Group. Nick Horler was appointed as Rupert's replacement in November 2011 and is an independent Non-Executive Director:

Following the changes to the composition of the Board during the year, the Committee firmly believes that the current composition represents a strong, well balanced and diverse Board.

Aside from these changes, and to support achievement of the Group's strategic objectives, the Group continues to develop the next generation of leaders through emerging leader talent pools and formalised succession planning for the level of senior managers below the Executive Directors. The focus here will be driving high performance; developing the next generation of leaders; acknowledging and valuing the contribution of our employees; rewarding excellent performance and behaviour; and creating an engaging culture where individuals and teams can be successful.

Katherine Innes Ker, Nomination Committee member

4 September 2013

Members

Andrew Allner¹ Committee Chairman

Katherine Innes Ker Senior Independent Director

Nick Horler Independent Non-Executive Director

Adrian Ewer² Independent Non-Executive Director

David Brown Group Chief Executive

Composition compliant with Provision B.2.1 of the Code

Committee Secretary

Carolyn Ferguson Group Company Secretary

Meetings also regularly attended, by invitation, by:

Rupert Pennant-Rea³ Non-Executive Director

Keith Down Group Finance Director

1. Upon Sir Patrick Brown's retirement on 24 April 2013, Andrew Allner was appointed as Chairman and Nomination Committee Chairman on 25 April 2013.
2. Adrian Ewer was appointed on 25 April 2013.
3. Having served on the Board for over ten years and in accordance with the Code, Rupert Pennant-Rea must now be considered as not independent. Rupert has therefore ceased to be a member of the Committee and will be retiring as Non-Executive Director at the forthcoming AGM on 24 October 2013.

Nomination Committee's process for appointment

Assess balance of skills and diversity to establish criteria for new appointment.



Engage external recruitment consultant to undertake search for suitable candidates.



Devise long list of potential candidates, taking into consideration factors such as:

- specific experience;
- knowledge, skills and diversity; and
- other significant commitments, for assessing independence and available time.



Interview selected candidates.



Agree shortlist of candidates with wider Board.



Chairman, Group Chief Executive and Group Finance Director undertake final interviews with candidates (except where it relates to their own succession).



The Committee meets proposed final candidate.



Recommendation to the wider Board for approval of final candidate.



Meetings

During the year the Committee met five times, excluding interviews with potential candidates and as part of its annual performance evaluation. The Committee meets as needed to deal with necessary assignments and its responsibilities as listed below, in accordance with the needs of the Group and best practice in corporate governance. Members' individual attendance can be found on page 55.

Summary Terms of Reference

The primary purpose of the Nomination Committee is to lead, on behalf of the Board, the process for Board appointments and to make recommendations for maintaining an appropriate balance of diversity and skills on the Board. In accordance with its Terms of Reference, the Nomination Committee is required to:

- identify the balance of skills, knowledge, diversity and experience on the Board and nominate candidates to fill Board vacancies;
- review the time commitment required from Non-Executive Directors;
- consider succession planning, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board; and
- review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

The Committee's Terms of Reference are reviewed regularly, approved by the Board, and are available on the Group's corporate website (www.go-ahead.com) or upon request from the Group Company Secretary.

Key activities of the Committee in 2012/13

During the year, the Committee:

- evaluated the structure, size, composition and diversity of the Board and then prepared a role specification for the capabilities required for the three positions of (i) Non-Executive Chairman and Chairman of the Nomination Committee, (ii) Senior Independent Director and (iii) Non-Executive Director and Chairman of the Audit Committee (the Positions);
- appointed independent executive search company to identify a shortlist of candidates for the Positions where applicable;
- interviewed candidates in respect of the Positions where applicable;
- recommended to the Board appointments of Andrew Allner as Non-Executive Chairman and Chairman of the Nomination Committee, Katherine Innes Ker as Senior Independent Director and Adrian Ewer as Non-Executive Director and Chairman of the Audit Committee;
- reviewed succession plans across the Group; and
- reviewed the talent and leadership pipeline beneath Executive Director level.

Talent

The Group employs 23,500 people across the country. With a devolved structure, each local company has responsibility for its operations.

We encourage a culture of personal ownership and valuing employees' talents across our businesses.

We recognise that significant advantage is to be gained by identifying and developing our own talent, as well as bringing in the best skills from outside. Training, personal development and career planning are an integral part of how the Group equips people to do their job and encourages employees to build a long term career with the Group. Over the last year the Group has implemented a number of Talent Schemes to identify critical role successors and to develop a pipeline of future potential leaders. A Bus Graduate Scheme has been reinstated in 2013.

Diverse skills and expertise

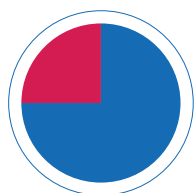
Go-Ahead appreciates the benefits of diversity, including gender, at all levels of the Group as well as the Board. Our Non-Executive Directors come from a broad range of industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business.

A full list of the Directors, with details of their biographies, is given on pages 48 and 49

Gender diversity

Our Board currently has 14% female representation and, including our Group Company Secretary, 25% female representation. When Rupert Pennant-Rea retires at the forthcoming AGM, this will increase to 17% and 29% female representation respectively. With the recent changes to Board composition, we expect and aspire to maintain a similar balance through to 2015.

Board gender diversity (including Group Company Secretary)



- Male – 75%
- Female – 25%

The Board will aspire to maintain the current levels of gender diversity going forward. However, in considering appointments to the Board and to senior executive positions, we will consider diversity across a wider range of areas including gender, background, skill set, experience and expertise. Our foremost priority remains to ensure that Go-Ahead continues to have the strongest possible leadership and we will appoint only the most appropriate candidates.

Leading the way

Engaging and involving our employees

There is a clear link between our overall strategy and the role our people play. At Go-Ahead, we have a genuine commitment to creating a working environment where employees feel engaged with and proud to work for the Group.

Open and honest communication exists at every level, facilitated not least by our Better Together Forums. These have been instrumental in ensuring there is a cultural shift towards greater collaboration and sharing of ideas and synergies across businesses by the people who understand our business best. This collaborative approach is also generating a positive pipeline of future opportunities for the Group.

The Directors consider it is important that all employees have an opportunity to acquire shares in the Group which helps align our business targets with those of our people. We currently have an employee share incentive plan and, in addition, we will be seeking shareholder approval at the AGM to launch a new savings-related share option scheme for employees of the Group and its operating companies.

“Engaged employees are more productive and customer focused, they become advocates of our business and go above and beyond what is expected of them which, in turn, creates a high performance work climate.”

Andrew Allner, Chairman



Read more about our corporate governance structure:
www.go-ahead.com/aboutus/corporate_governance.aspx

Directors' remuneration report



Katherine Innes Ker, Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' remuneration report for 2012/13, for which we will be seeking support from shareholders by way of an advisory vote at our forthcoming Annual General Meeting (AGM) on 24 October 2013.

In preparing this year's report we have sought to incorporate a number of the new Directors' remuneration reporting requirements, recently published by the Department for Business, Innovation & Skills. As such, this report is split into three sections:

- this **annual statement** which summarises and explains the major decisions and changes in respect of Directors' remuneration;
- a **Directors' remuneration policy** which sets out the remuneration policy for the Executive Directors for the new financial year commencing on 30 June 2013; and
- an **annual report on remuneration** which provides details of (i) how the remuneration policy will be implemented for the year ending 28 June 2014 and (ii) the remuneration earned by the Company's Directors in relation to the year ended 29 June 2013.

Proposed changes for 2013/14

During the year, the Remuneration Committee (the Committee) undertook a review of the remuneration policy for Executive Directors to ensure it remained appropriate. Following the review, it was decided that a number of changes were required to the existing policy. We therefore engaged with our major shareholders and shareholder representative bodies on the following proposed changes to incentive arrangements in the 2013/14 financial year:

Annual cash and deferred share bonus

The annual discretionary cash bonus (maximum opportunity of 100% of salary) and annual discretionary deferred share bonus (maximum opportunity of 50% of salary) will be combined to provide an overall bonus potential of 150% of salary. Half of the bonus going forward will be payable in cash and half will be awarded as deferred shares. This new bonus arrangement will simplify the bonus structure and increase the proportion of Executive Directors' remuneration payable in shares, further aligning Executive Directors' interests with shareholders.

As the overall quantum of annual discretionary bonus will remain the same as present, this will result in a reduction in the amount of cash bonus paid to the Executive Directors. The Committee has agreed that 65% of the bonus should be attributable to financial/profit targets, 10% to cash targets and 25% to strategic targets.

A health and safety target threshold will also apply to the full bonus, subject to the Committee's discretion. Additionally,

clawback provisions will be extended from the deferred share element only to apply to the entire bonus.

Long Term Incentive Plan (LTIP)

The Committee will also be changing the metrics and weightings of the LTIP award to align targets to current key strategic objectives, which are fundamental to delivering superior growth in value to shareholders. The proposed metrics and weightings are as follows:

- compound annual growth in earnings per share (EPS) (25%);
- relative total shareholder return (TSR) performance measured against the constituents of the FTSE 250 (25%);
- for the bus division, delivery of £100m of profit in three years time (25%); and
- for the rail division, management of the existing franchises to maintain profits, renegotiation of extensions to existing franchises and franchise wins (25%).

By targeting both the bus and rail division, we ensure the performance measures are balanced and the Executive Directors are not being incentivised to focus on one division at the expense of the other. Retaining EPS and relative TSR for 50% of the award ensures the clear linkage to overall Group performance and shareholder return is maintained.

Share ownership guidelines

During the year, the Committee agreed that the shareholder ownership guidelines should be changed from a fixed time requirement for achieving 100% of salary held in shares to a retention requirement. Under this approach, the Executive Directors will be required to retain 50% of the post-tax gain on vested LTIP and deferred share awards until such time as they have achieved a holding of 100% of salary.

Performance and reward for 2012/13

During the year, the Committee approved a 2% increase to be awarded to both Executive Directors from 1 April 2013. This was below the average pay increase awarded to employees across the Group and operating companies.

Additionally, a total performance-related cash bonus payment for the year ended 29 June 2013 of 68% of base salary (2012: 79%) and a deferred share bonus plan award of 15% of base salary (2012: 23%) was awarded to each Executive Director, and will be paid shortly after the AGM.

AGM

We will be happy to answer questions at the AGM. We were delighted that last year the Directors' remuneration report received a 99% vote in favour and we hope to receive your continued support at this year's AGM.

Katherine Innes Ker, Remuneration Committee Chairman

4 September 2013

About this report

In addition to adopting a number of the proposals from the Department for Business, Innovation & Skills on disclosure, this report has been prepared in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. It has been approved by the Remuneration Committee (the Committee) and the Board and certain parts have been audited by Ernst & Young LLP (as indicated). The auditor's opinion is included in their report on page 81.

The Board supports the principles of good corporate governance on directors' remuneration and, in preparing this report, the Committee has complied with the UK Corporate Governance Code 2010 (the Code). The Committee also takes account of guidelines issued by the Association of British Insurers (ABI) and The National Association of Pension Funds (NAPF) and other representative bodies when setting and reviewing the remuneration policy.

Directors' remuneration policy

Policy on the remuneration of Executive Directors

It is the responsibility of the Committee to set the remuneration of the Executive Directors. The Group's overall remuneration policy, as adopted by the Committee, is designed to attract, retain and motivate high calibre individuals to deliver performance to meet the overall objectives of the business, in the interests of the Group's shareholders.

To achieve this, the Group's remuneration policy is based on the following key principles which are aligned with the recommendations of the Code on directors' remuneration:

- providing Executive Directors with a remuneration package that recognises the performance and experience of the individual concerned and the role fulfilled;
- ensuring considerable emphasis is placed on performance-driven compensation where targets are aligned with the Group's strategic objectives and targeted shareholder returns; and
- ensuring the framework for remuneration is competitive in the market in which the Group competes, paying due regard to the pay practices of its peer group, to the wider pay market in the FTSE 250 and to other factors specific to the Group and to each Executive Director.

The Group Chief Executive regularly reports on the remuneration arrangements for senior managers, who are not Board members but have significant influence over the Group's ability to meet its strategic goals. The Group Chief Executive also reports on the pay and conditions of employees elsewhere within the Group. The Committee takes all of the information above into account when determining the remuneration of the Executive Directors, in addition to the Group's general reward policies and framework.

When setting the remuneration of the Executive Directors, the Committee ensures that the incentive structure does not raise risks by inadvertently encouraging irresponsible behaviour. Working with the Audit Committee and the Board, 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 ABI's Guidelines on Responsible Investment Disclosure, the Committee has linked a proportion of the annual bonus to the achievement of safety and good governance objectives.

In accordance with the Committee's policy, a substantial proportion of the Executive Directors' pay is performance-related.

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Group's annual review of the remuneration policy.

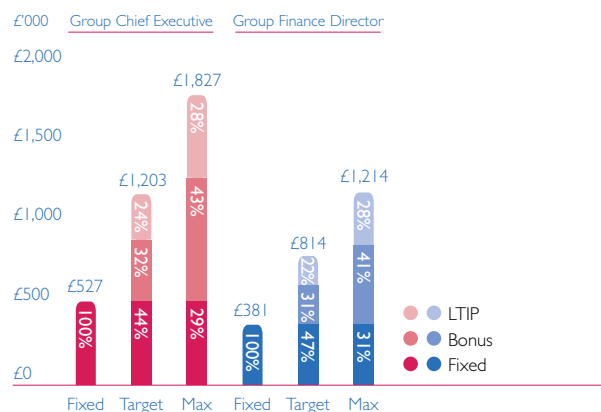
The Group has recently consulted with major shareholders on a number of proposed changes to the 2013/14 remuneration policy for Executive Directors, feedback from which has been supportive. A summary of the proposed changes is set out in the annual statement on page 66.

Summary of remuneration policy operated from 30 June 2013 onwards

The table on pages 68-69 summarises the main components of Go-Ahead's proposed remuneration policy for 2013/14, including the changes made from the 2012/13 policy.

Remuneration scenarios for Executive Directors

The chart below shows how the composition of the Executive Directors' remuneration packages would vary at different levels of performance under the proposed 2013/14 remuneration policy as a percentage of total remuneration opportunity and as a total value.



In developing the scenarios, the following assumptions have been made:

Salary: The latest known salary.

Pension: No value for the Group Chief Executive. For the Group Finance Director; the value of the allowance based on the latest salary.

Benefits: The value given in the emoluments table for this year.

Bonus: Value at maximum is 150% of salary. Value at target is 75% of salary.

Long term incentives: Value at maximum is 100% of salary. Value at target assumes vesting of 55% of salary. The values above do not incorporate any share price appreciation assumption.

Directors' remuneration report continued

Summary of remuneration policy operating from 30 June 2013 onwards

The table below summarises the main components of The Go-Ahead Group plc's proposed remuneration policy for 2013/14, including the changes made from the 2012/13 policy:

Element	Purpose and link to strategy	Operation	Maximum
Salary	<ul style="list-style-type: none"> Reflect individual's performance, experience and responsibilities 	<ul style="list-style-type: none"> Reviewed on 1 April each year Use comparable mid-market data for guidance as well as pay and conditions throughout the Group 	<ul style="list-style-type: none"> Annual salary increases for Executive Directors will not normally exceed the average increase awarded to other UK based employees. Increases may be above this level if there is an increase in the scale, scope, market comparability or responsibility of the role
Performance-related bonus	<ul style="list-style-type: none"> The bonus incentivises annual delivery of financial and operational goals Awards of deferred shares promotes alignment with shareholders 	<ul style="list-style-type: none"> 50% of the bonus payment is paid as cash and 50% is paid as deferred share bonus awards to be held for a period of three years Not pensionable Normal 'good leaver' conditions, dividend equivalent and change of control provisions apply during deferral period Clawback provisions apply to all of the bonus Deferred shares awarded will be purchased in market 	<ul style="list-style-type: none"> Maximum of 150% of salary
Long Term Incentive Plan (LTIP)	<ul style="list-style-type: none"> Aligned to main strategic objectives of delivering long term returns to shareholders' interests 	<ul style="list-style-type: none"> Annual grant of nil-cost options to acquire shares (subject to the satisfaction of performance conditions) 	<ul style="list-style-type: none"> Maximum of 100% of salary Executive Directors also eligible to participate in the Group's Share Incentive Plan on the same terms as other employees
Pension allowance (Group Finance Director only)	<ul style="list-style-type: none"> Non-pensionable cash supplement provided as an alternative to pension contribution 	<ul style="list-style-type: none"> Non-pensionable cash alternative for the Group Finance Director who has opted for fixed protection in relation to potential liabilities to the lifetime allowance charges 	<ul style="list-style-type: none"> The Group Finance Director receives a non-pensionable cash alternative of 13% of salary The Group Chief Executive does not receive any pension allowance
Other benefits	<ul style="list-style-type: none"> Ensures package is competitive with the market and provides a further retention element 	<ul style="list-style-type: none"> Private medical insurance for Executive Directors, their spouses and any children under 24 years 	<ul style="list-style-type: none"> N/A
Share ownership guidelines	<ul style="list-style-type: none"> To provide alignment between Executive Directors and shareholders 	<ul style="list-style-type: none"> Executive Directors are required to retain 50% of the post-tax gain on vested LTIP and deferred share awards until such time as they have achieved a holding of 100% of salary 	<ul style="list-style-type: none"> 100% of salary holding for Executive Directors
Non-Executive Director fees	<ul style="list-style-type: none"> Takes account of recognised best practice and set at a level that is sufficient to attract and retain high-calibre Non-Executive Directors 	<ul style="list-style-type: none"> Reviewed on 1 April each year When reviewing fee levels, account is taken of market movements in non-executive director fees, Board Committee responsibilities, and ongoing time commitment 	<ul style="list-style-type: none"> N/A

Performance targets	Changes to policy from 2012/13
<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> No change in year
<ul style="list-style-type: none"> 65% of bonus based on Group financial performance 10% of bonus determined by cash targets 25% of bonus is based on individual strategic goals A quality of earnings review and health and safety target threshold will also apply to 100% of the bonus 	<ul style="list-style-type: none"> Previously, the cash bonus and deferred share bonus (100% and 50% of base salary respectively) were awarded under separate plans and have been combined to provide overall bonus potential of 150% of salary New targets
<ul style="list-style-type: none"> Performance measured over three years Compound annual growth in EPS (25% of total award) Relative TSR (25% of total award) Profit from the bus division in 2015/16 (25% of total award) Profit from the rail division in 2015/16 (25% of total award) 	<ul style="list-style-type: none"> New strategic performance conditions with increased weighting on strategic elements
<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> No change in year
<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> No change in year
<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Changed from a fixed time requirement for achieving 100% of salary held in shares to a retention requirement
<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> No change in year

Directors' service contracts

Each Executive Director has entered into a service agreement with The Go-Ahead Group plc. The term of each service contract is undefined and is terminable by either the Company on one year's notice or the Director on six months' notice.

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 Company'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 Directors are shown in the table below.

Director	Date of service contract	Notice period from the Company	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
Rupert Pennant-Rea	October 2002	6 months	6 months
David Brown	April 2011	1 year	6 months
Keith Down	March 2011	1 year	6 months

In accordance with the Company's Articles of Association and the provisions of the Code, all Directors are required to submit themselves for re-election at each Annual General Meeting (AGM). Accordingly all Directors will be offering themselves for annual re-election at the Company's Annual General Meeting (AGM) on 24 October 2013. This is with the exception of Adrian Ewer who will stand for election by shareholders for the first time and Rupert Pennant-Rea who will retire after the forthcoming AGM.

Departure of Executive Directors

Executive Directors' service contracts contain a provision, exercisable at the discretion of the Company, to pay an amount in lieu of notice on early termination of the contract. Such payments are limited to base salary plus certain benefits but would not automatically include entitlement to bonus or share awards. 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 contract. The Remuneration Committee believes that the contracts provide as much scope as is feasible to protect the interests of shareholders when negotiating a termination, at which time it would take into account the departing Director's duty to mitigate his/her loss when determining the amount of any compensation.

External appointments

In accordance with their service contracts, 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. Keith Down does not hold any external appointments. David Brown is a Non-Executive Director of the Association of Train Operating Companies Limited and Director of Rail Delivery Group Limited; however, he does not receive any fees in these roles.

Directors' remuneration report continued

Annual report on remuneration

Remuneration Committee overview

The Remuneration Committee currently comprises four Non-Executive Directors who met four times during the year, excluding meetings held to review its effectiveness as part of the annual performance evaluation. Details of the members' attendance at the Committee meetings can be found on page 55.

The Committee's Terms of Reference are reviewed regularly and approved by the Board and are available on our corporate website (www.go-ahead.com) or upon request from the Group Company Secretary.

Role of the Remuneration Committee

The Remuneration Committee has powers delegated to it by the Board as set out in its Terms of Reference. The Committee's main responsibilities are to:

- annually review the remuneration policy for Executive Directors (including the balance between the fixed and performance-related elements of pay and benefit plans);
- determine the fees of the Chairman;
- review reports from the Group Chief Executive on salary and bonus arrangements for the senior management of each operating company and senior Group personnel, taking into consideration company performance versus budget;
- review performance conditions and targets; and
- select, appoint and regularly review the performance of any remuneration consultants who advise the Committee.

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. None of the Committee members were in attendance at meetings when matters associated with their own remuneration were considered.

Annual review of Non-Executive Directors' fees

The Chairman and Executive Directors decide the Non-Executive Directors' fees. Following the annual review in April 2013, no increase was made to the fees of the Non-Executive Directors. Reasonable travel and other expenses for costs properly incurred in the course of their duties are reimbursed.

The Committee considers the remuneration of the Chairman in his absence. Following the annual review in April 2013, no increase in fee was made.

External advisers to the Committee

New Bridge Street (a trading name of Aon Hewitt Limited, part of Aon plc) act as independent remuneration advisers to the Committee. Neither Aon Hewitt Limited nor the wider Aon plc provided any other services to the Group during the year. New Bridge Street is a member of the Remuneration Consultants Group and complies with its Code of Conduct. The fees payable to New Bridge Street for advice throughout the year were £21,366.

During the year, the Committee's recommendations were all accepted unanimously by the Board and implemented without amendment.

Shareholder voting at the 2012 AGM

At last year's AGM (25 October 2012) the Directors' remuneration report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	27,489,671	99%
Against	145,922	0.5%
Discretionary	119,693	0.4%
Total votes cast (excluding withheld)	27,755,286	100%
Votes withheld	384,759	–
Total votes cast (including withheld)	28,140,045	–

Implementation of the remuneration policy for the year ending 28 June 2014

Base salaries

During the year, the Committee awarded an increase of 2% to both Executive Directors from 1 April 2013 which represented the lowest average increase across the Group and operating companies. Base salary levels for the Executive Directors are shown below and will remain in place until April 2014 when they will be reviewed again:

Executive Director	From 1 April 2013	From 1 April 2012	Increase
David Brown	£520,200	£510,000	2%
Keith Down	£332,928	£326,400	2%

Pension

The Group Chief Executive receives no pension entitlement on top of his salary. The Group Finance Director will continue to be entitled to receive a non-pensionable cash supplement of 13% of his salary.

Remuneration Committee membership

Katherine Innes Ker Committee Chairman

Andrew Allner Chairman

Nick Horler Independent Non-Executive Director

Adrian Ewer¹ Independent Non-Executive Director

Composition compliant with Provision D.2.1 of the Code

Committee Secretary

Carolyn Ferguson (Group Company Secretary)

Meetings also regularly attended, by invitation, by:

Rupert Pennant-Rea² Non-Executive Director

David Brown (Group Chief Executive)

Keith Down (Group Finance Director)

1. Adrian Ewer was appointed on 25 April 2013.

2. Having served on the Board for over ten years and in accordance with the Code, Rupert Pennant-Rea must now be considered as not independent. Rupert has therefore ceased to be a member of the Committee and will be retiring as Non-Executive Director after the forthcoming AGM.

Performance-related bonus

The annual discretionary cash bonus (maximum opportunity of 100% of salary) and annual discretionary deferred share bonus (maximum opportunity of 50% of salary) will be combined to provide an overall bonus potential of 150% of salary. Half of the bonus going forward will be payable in cash and half will be awarded as deferred shares. This new bonus arrangement will be a simpler structure and increase the proportion of Executive Directors' remuneration payable in shares, further aligning Directors' interests with shareholders'. Clawback provisions will be extended so that the entire bonus is subject to clawback.

LTIP awards to be granted in 2013/14

For the year commencing 30 June 2013, LTIP awards will continue to have a face value of 100% of salary but the metrics and weightings will be changed to:

	Payout (% of each element)	Compound annual growth in EPS	Relative TSR vs FTSE 250 (excluding certain sectors)	Bus division profit in 2015/16	Rail division profit in 2015/16
Weighting (% of total award)	–	25%	25%	25%	25%
Below threshold	0%	Less than RPI + 2% p.a.	Below median	Achievement of long term strategic targets, as assessed by the Committee, is described below	
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		

For the bus division, the performance criteria for the 2013/14 award will be to organically grow bus division profits to £100m by 2015/16. This recognises the three year strategy to grow bus operating profit to £100m, an increase of 43%. This target excludes any acquisitions made in the period and would represent a significant improvement in bus operating efficiency, which is important in a period when the rail division faces both challenging conditions for the existing franchises and the uncertainty over the as yet undisclosed contract terms for the new franchises, and whether the Group's bids will succeed. This is particularly important in terms of ensuring a firm underpin for the Group's dividend which we recognise is very important to shareholders.

For the rail division, the performance criteria for the 2013/14 award will be to manage the existing franchises to maintain profits; to renegotiate extensions to existing franchises on terms that enhance shareholder value over the period of the extension; and to win franchise(s) on terms and with a balance of risk that will deliver superior growth in shareholder value over the term of the contract(s). If cumulative rail profits for the three years to 2015/16 are negative, this element of the LTIP will not vest. A framework for a qualitative assessment of performance will be determined at the outset.

Since the contractual terms of the extensions for the existing franchises and the franchises for which we are bidding are not known at the time of writing, it is not possible to have a financial target for this part of the 2013/14 award. However, once known, financial targets for the rail division will be adopted for subsequent years' awards.

The above targets are based on current accounting policies and will be adjusted should there be any changes to these accounting policies. Awards will continue to vest three years after grant, subject to the performance conditions being met over broadly the same period.

Non-Executive Directors' fees

Non-Executive Directors' fees are reviewed annually in April. The annual review seeks to recognise the time commitment, responsibility and technical skills required to make a valuable contribution to the Board. Non-Executive Directors are not eligible to receive pension entitlements or performance-related remuneration and may not participate in share option schemes.

A summary of current fees is as follows:

Director	1 April 2013 £'000 p.a.	1 April 2012 £'000 p.a.
Andrew Allner ¹	165	50
Katherine Innes Ker ²	50	50
Nick Horler	45	45
Adrian Ewer ^{2,3}	50	–
Rupert Pennant-Rea ⁴	45	45
Sir Patrick Brown ⁵	–	165

1. Andrew Allner was appointed as Chairman on 25 April 2013. The Remuneration Committee, with the Chairman absenting himself from discussions, sets the remuneration of the Chairman, whose annual fee is £165,000 in 2013.
2. Additional fees of £5,000 payable to Katherine Innes Ker and Adrian Ewer for chairing the Remuneration and Audit Committees respectively.
3. Adrian Ewer was appointed to the Board on 25 April 2013.
4. Rupert Pennant-Rea will be retiring at the forthcoming AGM on 24 October 2013.
5. Sir Patrick Brown retired as Chairman on 24 April 2013.

Directors' remuneration report continued

Implementation of the remuneration policy for the year ended 29 June 2013

Directors' remuneration (audited)¹

The remuneration of the Directors for the year ended 29 June 2013 was as follows:

	Bonuses					Single total remuneration figure		Value of LTIPs vested in the year ⁸
	Salary/Fees	Performance-related cash bonus	Deferred share bonus plan	Pension allowance	Private medical insurance	2013	2012	2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Executive Directors								
Andrew Allner ²	71	–	–	–	–	71	46	–
Katherine Innes Kerr	50	–	–	–	–	50	46	–
Nick Horler	45	–	–	–	–	45	28	–
Adrian Ewer ³	9	–	–	–	–	9	–	–
Rupert Pennant-Rea ⁴	45	–	–	–	–	45	44	–
Sir Patrick Brown ⁵	135	–	–	–	–	135	154	–
Executive Directors								
David Brown	513	347	75	–	7	942	1,022 ⁶	–
Keith Down	328	222	48	43	5	646	696 ⁷	–
	1,196	569	123	43	12	1,943	2,036	–

1. The remuneration table above has been presented in the format required as part of the Directors Remuneration Reporting Regulations for financial years ending 30 September 2013 onwards. Within the current guidelines, the total remuneration figure would exclude Deferred Share Bonus Plan payments to Executive Directors of £123,000 (2012: £190,000). Additionally the comparative information would exclude pension contributions of £31,000 paid relating to the period 3 July 2011 to 31 March 2012 to Keith Down as indicated in foot note 7.

2. Andrew Allner was appointed as Chairman on 25 April 2013.

3. Adrian Ewer was appointed to the Board on 25 April 2013.

4. Rupert Pennant-Rea will be retiring after the forthcoming AGM on 24 October 2013.

5. Sir Patrick Brown retired as Chairman on 24 April 2013. He was paid for his notice period worked and there was no compensation for loss of office.

6. The 2012 comparative for David Brown includes his Deferred Share Bonus Plan award of £116,000 which was granted in October 2012.

7. The 2012 comparative for Keith Down includes his Deferred Share Bonus Plan award of £74,000 which was granted in October 2012 and £31,000 pension contributions paid for the period 3 July 2011 to 31 March 2012.

8. No LTIP awards vested during the year ended 29 June 2013.

Keith Ludeman, who retired as Group Chief Executive on 2 July 2011, received no emoluments or compensation for the years ended 30 June 2012 or 29 June 2013. In September 2013, the Remuneration Committee will consider the extent to which Keith Ludeman's remaining September 2010 LTIP awards will vest in October 2013. This will be disclosed in next year's Annual Report.

During the financial year, no sums that were chargeable to UK income tax were payable to any Director of the Company by way of an expense allowance in respect of qualifying services.

Performance-Related Cash Bonus (PRC) for year ended 29 June 2013 (audited)

During the year, the Executive Directors had the opportunity to earn a maximum PRC of 100% of salary. The objective of the PRC was to incentivise the Executive Directors to achieve the annual business plan with 80% of the bonus attributable to measuring actual profit performance against budget and 20% attributable to safety and good governance.

For the year ended 29 June 2013, Group performance against the profit target was below the maximum level, as a result of which 48% of a maximum 80% was payable. For safety and good governance performance, the maximum 20% was awarded following the Committee's assessment of a range of key performance indicators. These indicators underpinned the Group's key strategic safety and governance priorities which are to run the Group's companies in a safe, socially and environmentally responsible manner.

The Audit Committee was also satisfied with the formal end of year quality of profit and budget review undertaken in conjunction with the auditor.

The total PRC of 68% of salary will be paid to the Executive Directors shortly after the AGM.

Deferred Share Bonus Plan (DSBP) awards granted in the year (audited)

The Executive Directors were entitled to earn a maximum DSBP award of 50% of salary and, for the year ending 29 June 2013, Group performance against this target was below the maximum level. As a result 15% of salary was awarded.

Shares equivalent to 15% of salary will be awarded to the Executive Directors shortly after the AGM. These shares will be bought in the market upon vesting, and therefore will not result in shareholder dilution. These deferred shares vest after a period of three years and bonus claw back provisions will apply during the deferral period. Normal 'good leaver' and change of control provisions will apply and there will be a dividend equivalent provision in operation over the deferral period.

LTIP awards granted during the year ended 29 June 2013

Awards under the LTIP are structured as nil-cost options, which are exercisable at the end of a three year performance period, subject to the satisfaction of performance conditions. The 2012/13 grant policy was to grant awards with a face value of 100% of salary as follows:

Executive Director	Basis of award granted	Share price at grant date	Number of shares over which award was granted	Face value of award (£'000) ¹	Vesting determined by performance over
David Brown	100% of salary	£13.06	37,658	492	Three financial years
Keith Down	100% of salary	£13.06	24,101	315	from 29 June 2013

1. Pursuant to the rules of the LTIP, awards have been calculated using the share price of £13.34 which is the average mid-market price for the preceding 20 days up to and including the grant date. Therefore the face value of the award will differ from a face value of 100% of salary.

The performance conditions attaching to the 2012/13 LTIP awards are as follows:

	Percentage of EPS and TSR elements vesting	Compound annual growth in EPS	Relative TSR vs FTSE 250 excluding certain sectors	Long term strategic targets
Weighting (% of award)	–	50%	40%	10%
Below threshold	0%	Less than RPI + 2% p.a.	Below median	
Threshold	25%	RPI + 2% p.a.	Median	To be disclosed retrospectively at end of three year performance period
Between threshold and maximum	25% to 100%	RPI + 2% p.a. to RPI + 6% p.a.	Between median and upper quartile	
Maximum	100%	RPI + 6% p.a. or more	Upper quartile	

EPS and TSR measures were chosen as the measures of the Group's long term performance and are consistent with the Group's objective of providing long term returns to shareholders. EPS is an important growth measure and driver, and TSR improves shareholder alignment. The EPS targets reflect the fact that over 85% of the Group's revenue is regulated.

Outstanding LTIP awards (audited)

	Award date	Balance at 30 June 2012 No.	Awards granted in year No.	Awards lapsed in year No.	Share price at date of award	Awards vested in year No.	Share price at date of vesting	Balance at 29 June 2013 No.	End of period when conditions must be met
David Brown	05 Nov 12	–	37,658	–	£13.06	–	–	37,658	27 Jun 15
	31 Oct 11	35,838	–	–	£13.90	–	–	35,838	28 Jun 14
Keith Down	05 Nov 12	–	24,101	–	£13.06	–	–	24,101	27 Jun 15
	31 Oct 11	22,936	–	–	£13.90	–	–	22,936	28 Jun 14
Keith Ludeman	30 Oct 09	35,148	–	35,148	£14.24	–	–	–	30 Jun 12
	06 Sep 10	23,091	–	–	£11.62	–	–	23,091	29 Jun 13

November 2012 and October 2011 awards (incumbent Group Chief Executive and Group Finance Director only)

The performance conditions attaching to the October 2011 and November 2012 awards are measured over the three financial years ending with the 2013/14 and 2014/15 financial periods respectively. Details of the performance conditions pertaining to these awards can be found above.

September 2010 award (retired Group Chief Executive only)

In September 2013, the third anniversary of grant for this award, the Committee will consider the extent to which the awards granted to Keith Ludeman (former Group Chief Executive) in October 2013 will vest. The awards eligible to vest at this time have been reduced accordingly to reflect the period over which Keith Ludeman was employed. These awards were based on TSR performance against the two comparator groups only, with no EPS performance conditions.

October 2009 award (retired Group Chief Executive only)

In October 2012, the third anniversary of grant for this award, the Committee considered the extent to which the awards granted to Keith Ludeman (former Group Chief Executive) in October 2009 should vest based on the three year performance period ending on 30 June 2012. The Committee determined that the entire award of 35,148 shares, which had been reduced accordingly to reflect only the period during which Keith Ludeman was employed, should lapse due to failing to pass the requisite performance conditions. These awards were based on TSR performance against the two comparator groups only, with no EPS performance conditions.

Directors' remuneration report continued

Historical awards

The following table shows historical LTIP awards which were granted prior to 2009 and the extent to which they vested or lapsed:

	Award date	Awards granted No.	Share price at date of award	Awards lapsed No.	Awards vested No.	Share price at date of vesting	Date of awards lapsing/vesting
Keith Ludeman	24 Oct 08	46,908	£14.58	35,181	11,727	£14.09	24 Oct 11
	10 Sep 07	17,974	£25.48	17,974	–	–	10 Sep 10
	11 Sep 06	24,514	£18.61	19,195	5,319	£14.15	29 Oct 09
	8 Mar 06	17,791	£18.21	13,806	3,985	£12.40	29 Apr 09
Nick Swift	30 Oct 09	28,997	£14.24	28,997	–	–	7 Mar 11
	24 Oct 08	25,799	£14.58	25,799	–	–	7 Mar 11
	10 Sep 07	9,556	£25.48	9,556	–	–	10 Sep 10

Payments to former Directors

No payments were made to former Executive Directors during the year ended 29 June 2013. As set out in the Outstanding LTIP awards table on page 73, the entire October 2009 LTIP award held by Keith Ludeman, the former Group Chief Executive, lapsed in full due to failure to meet the performance conditions.

All-employee share schemes

Share Incentive Plan (SIP)

During the year, Executive Directors participated in The Go-Ahead Group plc SIP on the same terms as other employees. The SIP is an HMRC approved plan open to all staff permanently employed by a participating company and who have completed at least six months' continuous service at the date of application. Participants may contribute up to a maximum of £125 per month (or 10% of pre-tax salary if less) which the Trustee of the SIP uses to buy partnership shares on their behalf. Deductions are made from an employee's gross income so no income tax or National Insurance will be payable, provided the shares are held in trust for up to five years.

Save As You Earn scheme (SAYE)

Subject to shareholder approval at the forthcoming AGM, the Company will be launching a new SAYE scheme for all eligible employees under which options may be granted on an annual basis at a discount of 20% of market value. Employees will be invited to participate within 42 days of the Company's half year results in February 2014. Executive Directors will be eligible to participate in the SAYE scheme on the same terms as other employees.

Further details on SIP and SAYE can be found in the other statutory information report on page 78.

Sourcing of shares and dilution

Awards under all the Group's share schemes are satisfied by market purchases of shares. Further details can be found in the other statutory information report on page 77.

Pension and other benefits

From 1 April 2012, in accordance with opting for fixed protection in relation to potential liabilities to the lifetime allowance charges, both Executive Directors ceased making all contributions into the Money Purchase Section (MPS) of the Group's pension plan. The Group Chief Executive had no specific pension entitlement on top of his salary but had elected to sacrifice some of his salary to pay into the MPS. Until 31 March 2012, the Group Finance Director had been entitled to receive an employer contribution of 13% of his salary into the MPS and so, from 1 April 2012, he received a non-pensionable cash alternative of 13% of his salary instead.

The relative importance of spend on pay

The following chart 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:

	2012/13 £m	2011/12 £m	Percentage change
Dividends	£34.7	£34.7	0%
Overall expenditure on pay	£880.1	£831.3	5.9%

Material contracts

There have been no other contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

Statement of Directors' shareholdings and share interests

The interests of the Directors, who held office at 29 June 2013, are set out in the table below:

Director	Beneficially owned at 1 July 2012	Beneficially owned at 29 June 2013	Shareholding as a % of salary at 29 June 2013 ¹	Outstanding deferred share awards ²	Outstanding LTIP awards ²
Executive Directors					
David Brown	5,792	6,505	18.5%	8,661	73,496
Keith Down	3,542	3,558	15.8%	5,543	47,037
Non-Executive Directors					
Andrew Allner	742	742	N/A	–	–
Katherine Innes Ker	–	–	N/A	–	–
Nick Horler	–	–	N/A	–	–
Adrian Ewer	–	–	N/A	–	–
Rupert Pennant-Rea	2,000	2,000	N/A	–	–
Sir Patrick Brown (retired on 24 April 2013)	10,149	10,149	N/A	–	–

- Shareholding as a % of salary includes only shares held beneficially by the Director; their spouse or children. Unvested deferred shares or LTIP awards have not been included.
- Excludes DSBP and LTIP awards which will be granted in October 2013 for the year ended 29 June 2013. The value of the DSBP awards granted in respect of the year ended 29 June 2013 is shown in the Directors' remuneration table on page 72.

Directors' share options (audited)

No share options are held or have been granted to the Executive Directors during the financial year.

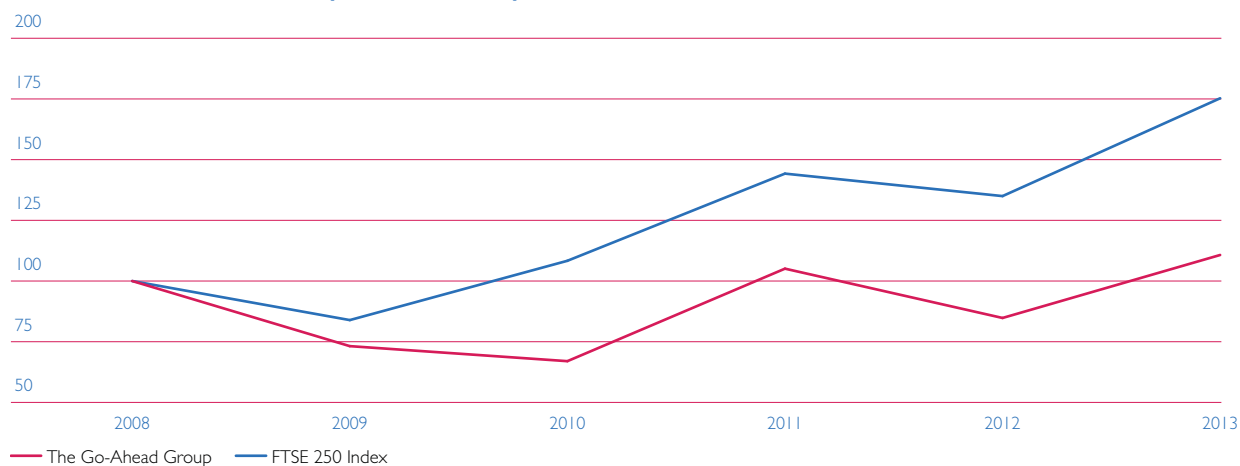
Share ownership guidelines

During the year, the Committee agreed that the shareholder ownership guidelines should be changed from a fixed time requirement for achieving 100% of salary held in shares to a retention requirement. Under this approach, the Executive Directors will be required to retain 50% of the post-tax gain on vested LTIP and deferred share awards until such time as they had achieved a holding of 100% of salary. At the end of the financial year, the Group Chief Executive beneficially held 6,505 shares. Based on the closing share price on 29 June 2013, this equates to 18.5% of base salary in the Company. The Group Finance Director beneficially held 3,558 shares, equating to 15.8% of base salary.

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 five financial years to 29 June 2013. In assessing the performance of the Group's TSR the Board believes the comparator group it has chosen represents an appropriate and fair benchmark upon which to measure the Group's performance for this purpose.

Total shareholder return (rebased to 100)



This graph shows the value by 29 June 2013 of £100 invested in The Go-Ahead Group plc on 28 June 2008 compared with the value of £100 invested in the FTSE 250 Index over the same period. The other points plotted are the values at intervening financial year ends.

For and on behalf of the Board

Katherine Innes Ker, Remuneration Committee Chairman

4 September 2013

Other statutory information

The Directors present their report and audited financial statements for the year ended 29 June 2013.

Principal activities

The principal activities of the Group throughout the year have been the provision of passenger transport services.

Results and dividends

The results for the year are set out in the consolidated income statement on page 82. The Directors propose that a final dividend of 55.5p be paid, making a total of 81.0p for the year (2012: 81.0p). The proposed final dividend, if approved, will be payable on Friday 15 November 2013 to shareholders on the register at the close of business on Friday 1 November 2013.

Business review

A review of the business of the Group during the year and its prospects for the future, together with a description of the principal risks and uncertainties facing the Group, can be found in the Directors' report: Business review from pages 2 to 47.

Board of Directors

The Directors of the Company who served during the year were as shown on pages 48 and 49, including Adrian Ewer who was appointed by the Board on 25 April 2013. Additionally Sir Patrick Brown served as Chairman of the Company until 24 April 2013 at which date he retired. Details of the fees and remuneration of the Directors and their service contracts and letters of appointment are set out in the Directors' remuneration report on pages 66 to 75.

The Chairman is responsible for ensuring that the Directors continually update their skills, knowledge and familiarity with the Company as required to fulfil their role on the Board and on Board Committees. Details of how the Company provides the necessary resources for developing and updating the Directors' knowledge and capabilities are given in the corporate governance report on page 56.

Powers of Directors

The business of the Company is managed by the Directors, who may exercise all powers of the Company that are not required to be exercised by the Company in general meeting, subject to the Company's Articles of Association (the Articles), relevant statutory law and any direction given by the Company in general meeting by special resolution.

Appointment and replacement of Directors

The appointment and replacement of Directors are governed by the Articles, the UK Corporate Governance Code, the Companies Act 2006 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.

Adrian Ewer was appointed during the year and, in accordance with the Company's Articles, he will retire at the Annual General Meeting (AGM) on 24 October 2013 and offer himself for election. With the exception of Rupert Pennant-Rea who will be retiring from the Board at the upcoming AGM, all other Directors will be submitting themselves for annual re-election at the AGM. The Board is satisfied that each Director is qualified for re-election by virtue of their skills, experience and contribution to the Board.

Compensation for loss of office

There are no agreements between the Company 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.

Directors' interests

The Directors' beneficial or family interests in the share capital of the Company as at 29 June 2013, with comparative figures for the 2012 year end, are shown in the table below. There were no changes in these interests between 29 June 2013 and 4 September 2013 apart from shares purchased by the Trustee of the SIP on behalf of the Executive Directors.

	2013 No. of Ord Shares ¹	2012 No. of Ord Shares
Andrew Allner	742	742
Katherine Innes Ker	–	–
Nick Horler	–	–
Adrian Ewer	–	–
Rupert Pennant-Rea	2,000	2,000
David Brown ²	6,505	5,792
Keith Down ³	3,558	3,542
Sir Patrick Brown ⁴	10,149	10,149

1. Shareholding stated includes only shares held by the Director; their spouse or children. Executive Directors' unvested deferred shares or Long Term Incentive Plan awards have not been included.

2. On 6 June 2013, David Brown purchased 697 shares which were immediately transferred to his spouse. Between 29 June 2013 and the date of this report, the Trustee of the Share Incentive Plan purchased 17 shares on David Brown's behalf.

3. Between 29 June 2013 and the date of this report, the Trustee of the Share Incentive Plan purchased 17 shares on Keith Down's behalf.

4. Sir Patrick Brown retired as Chairman on 24 April 2013.

Details of the Executive Directors' interests in awards granted to them as participants in the Long Term Incentive Plan (LTIP) and the Deferred Share Bonus Plan (DSBP) can be found in the Directors' remuneration report on pages 66 to 75.

No Director was interested in any contract or arrangement that was significant in relation to the Group's business.

Indemnification of Directors

The Company maintains a directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company 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 Companies Act 2006) were in force during the year ended 29 June 2013 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 Company or of any associated company. Neither the Company's indemnity nor its insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Corporate governance

A full report on corporate governance can be found in the corporate governance report of this document and the Company's corporate governance statement is on page 52. Both are incorporated by reference into this report.

Shareholder and control structure

At 29 June 2013, the Company's issued share capital comprised a single class of shares referred to as ordinary shares, with a nominal value of ten pence each. At this date there were 46,905,978 ordinary shares in issue, of which 3,902,230 were held in treasury. The Company did not purchase any of its own shares during the year for either cancellation or to hold as treasury shares, and no such shares were purchased between the year end and the date of this report. During the year ended 29 June 2013, the Company has not re-purchased any shares for potential LTIP and DSBP awards that may vest in the future (2012: 41,880).

There are no restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- restrictions pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require the approval of the Company to deal in the Company'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 Company, 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 Meeting specifies deadlines for exercising voting rights either in person or by proxy in relation to resolutions to be passed at the 2013 AGM. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM itself and published on the Group's corporate website (www.go-ahead.com) after the meeting.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

The authorities for the Company to allot relevant securities (up to an aggregate nominal amount of £1,433,458) and for the disapplication of pre-emption rights on the allotment of equity securities (for cash up to an aggregate nominal amount of £215,019), as passed by ordinary and special resolutions at the 2012 AGM, were not utilised in the financial year or up to the date of this report.

These authorities will expire at the 2013 AGM and approval for new authorities will be sought. In the last three years no shares have been issued on a non-pre-emptive basis, other than those issued under all-employee share schemes which are not included for the purposes of this authority.

The authority for the Company to make market purchases of its own ordinary shares, as passed by special resolution at the 2012 AGM, was still in effect at the end of the financial year and will expire at the 2013 AGM where approval for a new authority will be sought.

Under the existing authority the maximum aggregate number of shares that can be purchased is 4,300,375. The authority also limits the maximum number of shares held in treasury to 10% of the issued share capital of the Company and states minimum and maximum prices payable for shares purchased under the authority. During the financial year this authority was not utilised. The Company has not re-purchased any shares for potential LTIP and DSBP awards that may vest in the future during the year (2012: 41,880).

Each of the Group's rail franchise agreements is 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 and Revolving Credit Facility dated 3 February 2011 are subject to change of control clauses that contain certain specified conditions that could lead to a compulsory prepayment of the bond and loan respectively. Transport for London also has powers to prevent novation of London Bus contracts on a change of control.

Articles of Association

The Company's Articles can only be amended by a special resolution at a general meeting of shareholders. The Company last adopted Articles at the 2010 AGM in accordance with the provisions of the Companies Act 2006 and UK Corporate Governance Code. Shareholders of the Company can request a copy of the Articles by contacting the Group Company Secretary at the Registered Office.

Annual General Meeting

The 26th AGM of the Company will be held at the Hilton Newcastle Gateshead, Bottle Bank, Gateshead, NE8 2AR on Thursday 24 October 2013 at 11.00 hours. Details of the business to be considered can be found in the Notice of Meeting which will be available on the Group's corporate website (www.go-ahead.com) from 24 September 2013.

Substantial shareholdings

As at 29 June 2013 and 4 September 2013 (being the latest practicable date prior to the date of this Report), the Company had been notified, in accordance with Rule 5.1.2 of the UK Listing Authority's Disclosure and Transparency Rules, of the following significant holdings in the Company's ordinary share capital:

	Direct/ indirect	29 June 2013		4 September 2013	
		No.	%	No.	%
The Capital Group Companies, Inc	Indirect	3,168,154	7.4	3,168,154	7.4
UBS Private Banking Nominees Limited	Indirect	2,389,221	5.6	2,389,221	5.6
D Ballinger	Direct	2,525,850	5.9	2,134,828	5.0
Ameriprise Financial, Inc.	Direct	10,400	0.0	10,400	0.0
and its group	Indirect	2,134,889	5.0	2,134,889	5.0
	Direct	28,200	0.1	28,200	0.1
J Moyes	Indirect	1,460,684	3.4	1,460,684	3.4

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.

Other statutory information continued

Pension

The Final Salary Section of the Group's pension plan is closed to new entrants but existing members continue to build up further Final Salary benefits. In June 2013, the Group commenced a formal 60 day consultation process with existing members and their representatives to close the Final Salary Section to future accrual and to offer these members the opportunity to join the Money Purchase Section instead. At the time of writing this report, the Group was still considering the feedback it had received during the consultation period before reaching a final decision.

With effect from 31 March 2013, the Money Purchase Section of the Group's pension plan closed to new employees and has been replaced by a new 'Workplace Savings Section' for the purposes of auto-enrolment. This provides a default investment option and receives at least the minimum level of contributions as required under the new government regulations.

Share schemes

Executive share schemes

At the date of this report, Computershare Trustees (Jersey) Limited, as Trustee of The Go-Ahead Group plc Employee Trust, holds 0.4% of the issued share capital of the Company, 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.

Vesting of awards under the LTIP and DSBP for the Executive Directors is satisfied by market purchases of shares.

Share Incentive Plan (SIP)

The Company operated a SIP during the year under review, enabling employees of the Group to acquire shares in the Company. 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 the date of this report 1.0% of the issued share capital of the Company, 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 (SAYE)

The Directors consider it is important that all employees have an opportunity to acquire shares in the Company. Consequently approval from shareholders will be sought at the AGM for the introduction of a new HMRC approved savings-related share option scheme for employees of the Company and its operating companies. This replaces the existing 2003 savings-related share option scheme which was approved by shareholders in 2003 and whose ten-year life has now expired. The new scheme will be substantially the same as the 2003 scheme.

Employees

The Group continues to actively pursue people policies and processes that aim to engage everyone who works in its operating companies and Group Head Office. Research proves that an engaged workforce will contribute positively to their place of work, and it also means that the Group can attract and retain the best people.

As a result of the Better Together Forums and a cultural shift towards greater collaboration, a range of continuous improvement initiatives and cost reduction projects have been implemented over the last year. The regular flow of information between the operating companies and Group Head Office has become an integral part of the way that the Group now works together. As a result of this change stakeholders, business partners and our customers are experiencing performance improvements. This collaborative approach is also generating a positive pipeline of future potential opportunities for the Group.

During 2013, employee surveys have been carried out in the rail and bus divisions and Group Head Office. These surveys are managed by an independent company and are confidential. This provides everyone with an opportunity to give their views on their job and make suggestions for areas of improvement. The feedback is taken very seriously by the relevant senior management and their Boards across the Group. Comprehensive action plans are developed and a programme of activity, including more work to understand the feedback in detail, is included within each operating company People Plan. The People Plans form part of the annual corporate planning process and are reviewed quarterly. The Group values continue to underpin how we work together and have become more embedded as a result of the annual survey that measures if we are making progress in living these values in our every day dealings with each other.

The Group continues to be committed to providing equality of opportunity and treats everyone fairly regardless of gender, age, religion or belief, sexual orientation, race and, where practical, physical disability. The Group gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Training, personal development and career planning is an integral part of how the Group equips people to do their job and encourages employees to build a long term career with the Group, if that is what they want. Additionally, it is the Group's policy to provide continuing employment, and arrange appropriate training for existing employees who become disabled during their employment, and to provide training, career development and promotion as appropriate to all disabled employees. Over the last year the Group has implemented a number of talent schemes to identify critical role successors and to develop a pipeline of future potential leaders. A Bus Graduate Scheme has been reinstated in 2013.


The Group is committed to being an accredited 'Investor in People'. Through a range of activities we are building a culture that supports the individual development of our people. This includes engaging with everyone in their technical and personal development, holding individuals accountable for what they are responsible for delivering, and regularly reviewing performance.

Communication routes across the Group include internal newsletters, information updates, and intranet sites that keep everyone up to date on corporate and local developments. There are also awards in place to recognise and reward outstanding contributions by individuals or groups of people.

Employees are encouraged to participate directly in the success of the business through the Group's HMRC approved SIP which is open to all employees with six months' service (Eligible Employees) and gives the opportunity to buy shares in the Company in a tax-efficient manner. Additionally, subject to shareholder and HMRC approval, Eligible Employees will have a further opportunity to purchase shares through a new SAYE which is intended to be launched in February 2014.

Our operating companies work hard to maintain effective relationships with recognised Trade Unions and have established a network of local employee representatives who are consulted on key business decisions likely to affect their interests. The Group's rail companies have Stakeholder Boards which bring together employees, individual passengers and representative bodies to share views.

The Group Board continues to encourage employees with serious concerns regarding the interests of others or the Group to come forward. The Group has policies in place to ensure processes exist that allow serious concerns to be raised without fear of victimisation, discrimination or disadvantage.

 Further details of our responsibilities as an employer, including operating in a socially and environmentally responsible manner, can be found throughout this report and on our corporate website: www.go-ahead.com

Charitable donations

Charitable donations, sponsorship and community support over the year amounted to £0.3m (2012: £0.2m). The Group supports many worthwhile causes, including Transaid and Railway Children, health charities and local community projects. For further details, please see our corporate website (www.go-ahead.com).

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 (2012: £nil). Additionally, the Company did not incur any political expenditure as defined in the Companies Act 2006 (2012: £nil).

Land and buildings

In the opinion of the Directors, there is no material difference between the market value of the Group's interest in land and buildings and its net book value.

Suppliers and other creditors

Each Group operating company individually agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the suppliers, including the timely submission of satisfactory invoices. For the year ended 29 June 2013, the trade creditor days for The Go-Ahead Group plc as a Company (not as a Group) were five days (2012: four), based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

Auditor

A resolution to re-appoint Ernst & Young LLP as auditor of the Company will be proposed at the next AGM. A resolution will also be proposed that the Directors be authorised to fix the remuneration of the auditor.

Post balance sheet events

As part of the Thameslink rolling stock investment programme a contract for the procurement of 116 new trains was signed by Southern Railway on 30 July 2013. Under the terms of this contract, Southern Railway will facilitate the procurement of the new rolling stock which, on completion, will be financed by third party rolling stock leasing companies. Interim funding will be provided through funding from DfT however neither Southern Railway nor the Group will ultimately bear any liability for the new rolling stock.

There were no other post balance sheet events.

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 Directors' report. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are described in the financial review on pages 38 to 47. In addition note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Cash generation from the Group's bus and rail operations was excellent and the balance sheet remains strong. Core financing is provided by a £200m sterling bond securing financing to September 2017 and committed bank facilities funding of £275m to February 2016, of which £142m was undrawn and available at the year end. 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 Company and Group's ability to continue as a going concern. The Directors confirm they are satisfied that the Company and the Group have 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.

Other statutory information continued

Statement of Directors' responsibilities in relation to the Group financial statements and Annual Report

The Directors are responsible for preparing the Annual Report and the Group financial statements 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 (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group 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;
- provide additional disclosures when compliance with the specific requirements in IFRSs 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; and
- state whether the Group financial statements have been prepared in accordance with IFRSs 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 Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' report, including the Directors' remuneration report and the corporate governance report, in accordance with the Companies Act 2006 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.

Responsibility statements under the Disclosure and Transparency Rules

The Directors who were members of the Board at the time of approving the Directors' report are listed on pages 48 and 49. Each of the Directors confirm that to the best of their knowledge:

- a) the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- b) the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Directors' statement as to disclosure of information to the auditor

In the case of each of the persons who were Directors of the Company at the date when this report was approved as listed on pages 48 and 49, having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- to the best of his/her knowledge and belief, there is no relevant information (as defined in section 418 of the Companies Act 2006), that is information needed by the Group's auditor in connection with preparing their report, of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps a director might reasonably be expected to have taken to be aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

By order of the Board



Carolyn Ferguson, Group Company Secretary

4 September 2013

Independent auditor's report to the members of The Go-Ahead Group plc

We have audited the Group financial statements of The Go-Ahead Group plc for the year ended 29 June 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cashflow statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 80, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 29 June 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

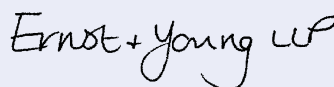
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 79, in relation to going concern;
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of The Go-Ahead Group plc for the year ended 29 June 2013 and on the information in the Directors' remuneration report that is described as having been audited.



Kathryn Barrow (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor, London
4 September 2013

Notes:

1. The maintenance and integrity of The Go-Ahead Group plc website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

for the year ended 29 June 2013

	Notes	2013 £m	2012 £m
Group revenue	4	2,571.8	2,423.8
Operating costs (excluding amortisation)	5	(2,469.3)	(2,313.6)
Group operating profit (before amortisation)		102.5	110.2
Intangible asset amortisation	12	(10.3)	(9.7)
Group operating profit (after amortisation)		92.2	100.5
Finance revenue	7	1.6	1.8
Finance costs	7	(17.9)	(17.8)
Profit on ordinary activities before taxation		75.9	84.5
Tax expense	8	(16.0)	(18.0)
Profit for the year from continuing operations		59.9	66.5
Attributable to:			
Equity holders of the parent		53.7	55.5
Non-controlling interests		6.2	11.0
		59.9	66.5
Earnings per share			
– basic	9	125.3p	129.5p
– diluted	9	124.6p	128.9p
– adjusted	9	139.6p	141.9p
Dividends paid (pence per share)	10	81.0p	81.0p
Final dividend proposed (pence per share)	10	55.5p	55.5p

Consolidated statement of comprehensive income

for the year ended 29 June 2013

	Notes	2013 £m	2012 £m
Profit for the year		59.9	66.5
Other comprehensive (losses)/income			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit pension plans	26	(28.6)	29.6
Tax relating to items that will not be reclassified	8	6.1	(8.7)
		(22.5)	20.9
Items that may subsequently be reclassified to profit or loss			
Unrealised gains/(losses) on cashflow hedges		4.0	(12.5)
Gains on cashflow hedges taken to income statement – operating costs		(3.4)	(13.0)
Tax relating to items that may be reclassified	8	(0.2)	6.5
		0.4	(19.0)
Other comprehensive (losses)/income for the year, net of tax		(22.1)	1.9
Total comprehensive income for the year		37.8	68.4
Attributable to:			
Equity holders of the parent		30.1	56.9
Non-controlling interests		7.7	11.5
		37.8	68.4

Consolidated statement of changes in equity

for the year ended 29 June 2013

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

Consolidated balance sheet

as at 29 June 2013

	Notes	2013 £m	2012 £m
Assets			
Non-current assets			
Property, plant and equipment	11	457.6	459.4
Intangible assets	12	97.5	108.6
Trade and other receivables	16	1.1	1.4
Investment in joint venture	3	2.3	3.4
Other financial assets	22	1.7	1.6
Deferred tax assets	8	11.0	7.3
		571.2	581.7
Current assets			
Inventories	15	14.2	15.2
Trade and other receivables	16	237.8	194.5
Cash and cash equivalents	17	248.9	253.7
Other financial assets	22	0.6	2.3
		501.5	465.7
Assets classified as held for sale	14	2.8	75.6
Total assets		1,075.5	1,123.0
Liabilities			
Current liabilities			
Trade and other payables	18	(465.2)	(519.6)
Other financial liabilities	22	(1.7)	(5.2)
Interest-bearing loans and borrowings	19	(0.6)	(2.4)
Current tax liabilities		(10.5)	(8.8)
Provisions	23	(45.6)	(18.9)
		(523.6)	(554.9)
Non-current liabilities			
Interest-bearing loans and borrowings	19	(336.7)	(338.8)
Retirement benefit obligations	26	(47.7)	(30.5)
Other financial liabilities	22	(1.1)	(2.8)
Deferred tax liabilities	8	(52.5)	(51.6)
Other liabilities	18	(5.3)	(4.6)
Provisions	23	(58.5)	(86.8)
		(501.8)	(515.1)
Total liabilities		(1,025.4)	(1,070.0)
Net assets		50.1	53.0
Capital & reserves			
Share capital		72.1	72.1
Reserve for own shares		(70.2)	(70.2)
Hedging reserve		(1.6)	(1.9)
Other reserve		1.6	1.6
Capital redemption reserve		0.7	0.7
Retained earnings		32.0	36.9
Total shareholders' equity		34.6	39.2
Non-controlling interests		15.5	13.8
Total equity		50.1	53.0



Andrew Allner, Chairman

4 September 2013



Keith Down, Group Finance Director

4 September 2013

Consolidated cashflow statement

for the year ended 29 June 2013

	Notes	2013 £m	2012 £m
Profit after tax for the year		59.9	66.5
Net finance costs	7	16.3	16.0
Tax expense	8	16.0	18.0
Depreciation of property, plant and equipment	11	58.1	53.8
Amortisation of goodwill and intangible assets	12	10.3	9.7
Ineffective interest swap hedge	7	(0.1)	(0.7)
Release of fuel hedge		(3.0)	(2.3)
Profit on sale of property, plant and equipment		(0.5)	(0.1)
Share based payments	6	–	0.5
Difference between pension contributions paid and amounts recognised in the income statement		(11.4)	(16.8)
Impairment of joint venture		0.7	–
Decrease in inventories		1.0	0.7
(Increase)/decrease in trade and other receivables		(42.0)	8.9
Increase in trade and other payables		22.3	9.5
Movement in provisions		(1.6)	4.1
Cashflow generated from operations		126.0	167.8
Taxation paid		(11.1)	(15.7)
Net cashflows from operating activities		114.9	152.1
Cashflows from investing activities			
Interest received		1.6	1.8
Proceeds from sale of property, plant and equipment		2.8	0.7
Purchase of property, plant and equipment		(58.5)	(77.3)
Purchase of intangible assets		(1.1)	(4.0)
Purchase of subsidiaries	13	(0.7)	(29.3)
Proceeds from sale of financial instruments		–	0.6
(Repayment)/receipt of funding for rolling stock procurement		(75.5)	75.5
Deposit paid on rolling stock		–	(75.5)
Sale of rolling stock		75.5	–
Repayments from joint venture		0.3	0.4
Cash acquired with subsidiaries	13	–	2.1
Net cashflows used in investing activities		(55.6)	(105.0)
Cashflows from financing activities			
Interest paid		(18.5)	(16.9)
Dividends paid to members of the Parent	10	(34.7)	(34.7)
Dividends paid to non-controlling interests		(6.0)	(12.0)
Payment to acquire own shares		–	(0.6)
Repayment of borrowings		(2.3)	(0.4)
Proceeds from borrowings		–	51.0
Payment of finance lease and hire purchase liabilities		(2.6)	(3.4)
Net cash outflows on financing activities		(64.1)	(17.0)
Net (decrease)/increase in cash and cash equivalents		(4.8)	30.1
Cash and cash equivalents at 30 June 2012	17	253.7	223.6
Cash and cash equivalents at 29 June 2013	17	248.9	253.7

Notes to the consolidated financial statements

for the year ended 29 June 2013

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 29 June 2013 were authorised for issue by the Board of Directors on 4 September 2013 and the balance sheet was signed on the Board's behalf by Andrew Allner and Keith Down. 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.

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 29 June 2013, and applied in accordance with the provisions of the Companies Act 2006. The Group is required to comply with international accounting requirements 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. On that basis, the Group has departed from the requirements of IAS 19 Employee Benefits and has accounted for its constructive but not legal obligations for the Railways Pension Scheme (RPS) under the terms of its UK rail franchise agreements. Details of the background and rationale for this departure are provided in note 26.

2. Summary of significant accounting policies

Basis of preparation

A summary of the Group's accounting policies applied in preparing the financial statements for the year ended 29 June 2013 are set out below.

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.

As noted above, the Group has taken the decision to depart from the requirements of IAS 19 so as to present fairly its financial performance, position and cashflows in respect of its obligation for the RPS.

New standards

The following new standards or interpretations are mandatory for the first time for the financial year ending 29 June 2013:

- IAS 1 Amendments to IAS 1 Presentation of items of other comprehensive income;
- IAS 12 Amendments to IAS 12 Deferred Tax – Recovery of underlying assets; and
- IFRS 7 Financial Instruments: Disclosures (amendments).

The amendment to IAS 1 requires the grouping of items presented in other comprehensive income so that items which may be reclassified to profit or loss in the future are presented separately from items that will never be reclassified. The amendment affects presentation only.

Adoption of the new standards did not have a material impact on the financial performance or position of the Group.

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.

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:

- the measurement and impairment testing of indefinite life intangible assets requires estimation of future cashflows and the selection of a suitable discount rate and growth rate, as detailed in note 12;
- the measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, the expected return on assets and the selection of a suitable discount rate, as set out in note 26;
- the measurement of uninsured liabilities is based on an assessment of the expected settlement of known claims and an estimate of the cost of claims not yet reported to the Group, as detailed in note 23; and
- the measurement of franchise commitments, comprising dilapidation provisions on vehicles, depots and stations and also income claims from other rail franchise operators, is based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisers, as set out in note 23.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Contract and franchise accounting

Judgements are made on an ongoing basis with regards to recoverability of amounts due and the carrying value of related assets and liabilities arising from contracts and franchises. Regular forecasts are compiled on the outcome of these contracts and franchise arrangements, which require assessments and judgements relating to the expected level of revenues and costs and, in cases where options exist, the life of the contract or franchise.

Taxation

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be fully determined until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is possible that a liability will arise. The Group reviews each significant tax liability or benefit to assess the appropriate accounting treatment.

Basis of consolidation

The consolidated financial statements comprise the financial statements of The Go-Ahead Group plc and its subsidiaries as at 29 June 2013.

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.

Interest in joint ventures

The Group has a contractual arrangement with another party which represents a joint venture. This takes the form of an agreement to share control over another entity, through an interest in a company (a jointly controlled entity). The Group recognises its interest in the entity's assets and liabilities using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of the investment. The Group income statement reflects the share of the jointly controlled entity's results after tax. Where there has been a change recognised in other comprehensive income of the jointly controlled entity, the Group recognises its share of any such changes in the consolidated statement of comprehensive income.

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, excluding discounts, rebates, VAT and other sales taxes or duty.

Rendering of services

The revenue of the Group comprises income from road passenger transport and rail passenger transport.

Bus revenue comprises 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.

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.

Finance revenue

Interest on deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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 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.

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 and an annual aggregate stop loss, 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, 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 Group by the insurer.

Franchise bid costs

A key part of the Group's activities is the process of bidding for and securing franchises 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 over the life of the franchise/franchise extension.

Profit and revenue sharing/support agreements

The rail companies have certain revenue and, historically, 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.

Exceptional items

The Group presents as exceptional items on the face of the income statement those 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.

Notes to the consolidated financial statements continued

2. Summary of significant accounting policies continued

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.

Depreciation is charged to the income statement based on cost or fair value, less estimated residual value of each asset, evenly over its expected useful life as follows:

Short leasehold land and buildings	The life of the lease
Freehold buildings and long leasehold land and buildings	Over 10 to 100 years
Bus vehicles	Over 8 to 15 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, the assets are written down to their recoverable amount.

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.

Business combinations and goodwill

(a) Business combinations since 4 July 2010

Business combinations since 4 July 2010 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 either in profit and loss or in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate from the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion, are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss.

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.

(b) Business combinations prior to 4 July 2010

Acquisitions of businesses since 3 July 2004 are accounted for under IFRS 3 Business Combinations using the purchase method. Goodwill on acquisition is initially measured at cost, being the excess of the costs of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, meeting the conditions for recognition under IFRS 3 at the acquisition date. It is capitalised and carried as an asset on the balance sheet. If an acquisition gives rise to negative goodwill, this is released immediately to the income statement.

Subsequent changes in the amount recognised for any contingent consideration are accounted for as adjustments to the consideration transferred in the business combination, with a corresponding adjustment to goodwill.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and not subsequently reversed. For the purposes of impairment testing, goodwill is allocated to the related cash-generating units monitored by management.

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 of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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.

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.

Inventories

Stocks of fuel and engineering spares are valued at the lower of cost and net realisable value. 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

Financial assets are accounted for in accordance with IAS 39. Financial assets are initially recognised at fair value, being the transaction price plus directly attributable transaction costs.

The Group uses energy 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.

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.

Notes to the consolidated financial statements continued

2. Summary of significant accounting policies continued

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.

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.

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.

Treasury shares

Re-acquired shares in the Group, which remain uncanceled, 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 within operating costs. As discussed below, the Group has invoked the provisions of IAS 1 Presentation of Financial Statements and has departed from the requirements of IAS 19 in respect of the Rail Pension Schemes (RPS).

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. The interest element of the defined benefit cost represents the change in present value of obligations during the period, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

The Group has applied the option under IAS 19 to recognise actuarial gains and losses in the statement of comprehensive income in the period in which they occur.

The difference between the expected return on plan assets and the interest cost, along with the current service cost, is recognised in the income statement within operating 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 any past service cost not yet recognised and 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 a straight-line basis over the vesting period or immediately if the benefits have vested. 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 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

Our 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 represents the deficit or surplus that the Group expects to fund or benefit from during the franchise term. This represents a departure from IAS 19 so as to present fairly the Group's financial performance, position and cashflow in respect of its obligations for the RPS.

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); and earnings per share criteria.

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, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance 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:

- 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.

Notes to the consolidated financial statements continued

2. Summary of significant accounting policies continued

New standards and interpretations not applied

The IASB has issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
Annual Improvements to IFRSs (2009-2011)	1 January 2013
IFRS 7 Disclosures (amendment) – Offsetting financial assets and financial liabilities	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IAS 27 Separate Financial Statements (as revised in 2011)	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)	1 January 2013
IFRS 12 Disclosure of Involvement with Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 19 Employee Benefits (revised)	1 January 2013
IAS 1 Presentation of Financial Statements – Clarification of requirements for comparative information	1 January 2013
IAS 16 Property, Plant and Equipment – Classification of servicing equipment	1 January 2013
IAS 32 Financial Instruments: Presentation – Tax effects of distributions to holders of equity instruments	1 January 2013
IAS 34 Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities	1 January 2013
IFRS 10 Consolidated Financial Statements (amendment)	1 January 2014
IFRS 12 Disclosure of Involvement with Other Entities (amendment)	1 January 2014
IAS 27 Separate Financial Statements (amendment)	1 January 2014
IAS 32 Offsetting Financial Assets and Financial Liabilities (amendment)	1 January 2014
IFRS 9 Financial Instruments – Classification and measurement	1 January 2015

With the exception of the amendment to IAS 19 Employee Benefits, which will reduce the credit in the income statement for returns on scheme assets, the Directors do not anticipate adoption of these standards and interpretations will have a material impact on the Group's financial statements. The estimated impact of the amendment to IAS 19 for the year ended 28 June 2014, is a £10m reduction in net profit attributable to equity holders of the parent.

The effective dates stated above are those given in the original IASB standards and interpretations. As the Group prepares its financial statements in accordance with IFRS, as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation.

3. Segmental analysis

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

The Deregulated Bus division comprises bus operations outside London.

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

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

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

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

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

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

Year ended 29 June 2013

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

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

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

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

Notes to the consolidated financial statements continued

3. Segmental analysis continued

Year ended 30 June 2012

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

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

4. Group revenue

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

5. Operating costs (excluding amortisation)

	2013 £m	2012 £m
Staff costs (note 6)	880.1	831.3
Operating lease payments		
– bus vehicles	18.9	15.9
– non-rail properties	2.5	2.7
– other non-rail	0.1	0.1
– rail rolling stock	307.7	283.7
– other rail	65.7	57.9
Total lease and sublease payments recognised as an expense (excluding rail access charges)*	394.9	360.3
– rail access charges	439.4	405.9
Total lease and sublease payments recognised as an expense**	834.3	766.2
DfT Franchise agreement payments	152.7	106.9
Other operating income	(23.7)	(21.2)
Depreciation of property, plant and equipment		
– owned assets	46.4	41.2
– leased assets	11.7	12.6
Total depreciation expense	58.1	53.8
Auditors' remuneration		
– audit of the financial statements (EY)	0.5	0.5
– audit of the financial statements (Grant Thornton)	0.1	–
– taxation services	0.1	0.4
– other services	0.1	0.1
Total auditors' remuneration	0.8	1.0
Trade receivables not recovered	0.6	(0.9)
Energy costs		
– bus fuel	93.6	69.6
– rail diesel fuel	7.9	7.6
– rail electricity (EC4T)	82.8	67.7
– cost of site energy	12.2	10.8
Total energy costs	196.5	155.7
Government grants	(2.9)	(1.7)
Profit on disposal of property, plant and equipment	(0.5)	(0.1)
Costs expensed relating to franchise bidding activities	3.2	2.1
Other operating costs	370.1	420.5
Total operating costs	2,469.3	2,313.6

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

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

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

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

Notes to the consolidated financial statements continued

6. Staff costs

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

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

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

The information required by Schedule 5 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is provided in the Directors' remuneration report.

Long Term Incentive Plans

The Executive Directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 (LTIP). The LTIP provides for Executive Directors and certain other senior employees to be awarded nil cost shares in the Company conditional on specified performance conditions being met over a period of three years. Refer to the Directors' remuneration report for further details of the LTIP.

The expense recognised for the LTIP during the year to 29 June 2013 was less than £0.1m (2012: £0.5m).

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

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

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

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

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

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

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

Deferred Share Bonus Plan

From the financial year 30 June 2012, the Executive Directors were able to participate in the Deferred Share Bonus Plan (DSBP). The DSBP provides for Executive Directors to be awarded shares in the Company conditional on the achievement of profit before tax targets that are higher than the profit targets set for the annual performance-related cash bonus. The shares are deferred over a three year period. Refer to the Directors' remuneration report for further details of the DSBP.

The expense recognised for the DSBP during the year to 29 June 2013 was less than £0.1m (2012: £nil).

Notes to the consolidated financial statements continued

6. Staff costs continued

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

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

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

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

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

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

Directors' discretionary deferred share awards

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

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

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

Share incentive plans

The Company operates an HM Revenue & Customs ('HMRC') approved share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (SIP). The SIP is open to all Group employees (including Executive Directors) who have completed at least six months' service with a Group company at the date they are invited to participate in the plan.

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

Sharesave Scheme

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

7. Finance revenue and costs

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

8. Taxation

a. Tax recognised in the income statement and in equity

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

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

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

b. Reconciliation

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

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

Notes to the consolidated financial statements continued

8. Taxation continued

c. Deferred tax

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

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

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

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

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

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

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

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

9. Earnings per share

Basic and diluted earnings per share

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

	2013	2012
Basic weighted average number of shares in issue ('000)	42,845	42,851
Dilutive potential share options ('000)	254	217
Diluted weighted average number of shares in issue ('000)	43,099	43,068

Earnings per share:

Adjusted earnings per share (pence per share)	139.6	141.9
Basic earnings per share	125.3	129.5
Diluted earnings per share	124.6	128.9

The weighted average number of shares in issue excludes treasury shares held by the Company, and shares held in trust for the LTIP and DSBP arrangements.

No shares were bought back and cancelled by the Group in the period from 29 June 2013 to 4 September 2013.

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

Adjusted earnings per share

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

Year ended 29 June 2013

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

Year ended 30 June 2012

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

Notes to the consolidated financial statements continued

10. Dividends paid and proposed

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

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

11. Property, plant and equipment

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

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

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

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

Notes to the consolidated financial statements continued

12. Intangible assets

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

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

Rail franchise asset

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

Software costs

Software costs capitalised exclude software that is integral to the related hardware.

Franchise bid costs

A part of the Group's activities is the process of bidding for and securing franchises to operate rail services in the UK. Directly attributable, incremental costs incurred after achieving preferred bidder status or entering into a franchise extension are capitalised as an intangible asset and amortised over the life of the franchise/franchise extension.

Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period.

Goodwill

Goodwill acquired through acquisitions has been allocated to individual cash-generating units for impairment testing on the basis of the Group's business operations. The carrying value of goodwill is tested annually for impairment by cash-generating unit and is as follows:

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

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three year period which have then been extended over an appropriate period. The Directors feel that the extended period is justified because of the long term stability of the relevant income streams. Growth has been extrapolated forward from the end of the three year forecasts over the extended period plus a terminal value using a growth rate of 2.25%-3.0% which reflects the Directors' view of long term growth rates in each business.

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

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

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

Notes to the consolidated financial statements continued

13. Business combinations

Year ended 29 June 2013

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

Net assets at date of acquisition:

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

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

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

Year ended 30 June 2012

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

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

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

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

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

Net assets at date of acquisition:

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

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

Receivables have been assessed and are considered to be recoverable.

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

14. Assets classified as held for sale

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

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

Notes to the consolidated financial statements continued

15. Inventories

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

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

16. Trade and other receivables

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

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

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

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

As at 29 June 2013, the ageing analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	90 – 120 days £m	Past due but not impaired – More than 120 days £m
2013	102.2	97.0	4.5	0.3	0.1	–	0.3
2012	100.4	90.4	7.4	1.7	0.7	0.1	0.1

17. Cash and cash equivalents

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

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The fair value of cash and cash equivalents is not materially different from book value.

Amounts held by rail companies included in cash at bank and on short term deposit can be distributed only with the agreement of the DfT, normally up to the value of revenue reserves or based on a working capital formula. As at 29 June 2013, balances amounting to £208.7m (2012: £205.0m) were restricted. Part of this amount is to cover deferred income for season tickets which was £122.8m at 29 June 2013 (2012: £116.0m).

18. Trade and other payables

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

* At 30 June 2012, £75.5m was included within amounts payable to central Government representing deposit payments associated with the rolling stock payment detailed in note 14.

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

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

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

Notes to the consolidated financial statements continued

19. Interest-bearing loans and borrowings

Net debt and interest-bearing loans and borrowings

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

Year ended 29 June 2013

	Effective interest rate %	Maturity	Current	Non-current		Total £m
			Within one year £m	After one year but not more than five years £m	After five years £m	
Syndicated loans (see below)	1.82	0-3 years	–	133.0	–	133.0
Debt issue costs on syndicated loans			(0.6)	(0.3)	–	(0.9)
Dollar loans (see below)	2.04	0-3 years	–	3.2	–	3.2
£200m sterling 7.5 year bond (see below)	5.38	0-5 years	–	200.0	–	200.0
Debt issue costs			(0.4)	(1.2)	–	(1.6)
Finance leases and HP commitments (see below)	8.36	0-4 years	1.6	2.0	–	3.6
Total interest-bearing loans and borrowings			0.6	336.7	–	337.3
Debt issue costs			1.0	1.5	–	2.5
Total interest-bearing loans and borrowings (gross of debt issue costs)			1.6	338.2	–	339.8
Cash and short term deposits (note 17)			(248.9)	–	–	(248.9)
Net debt			(247.3)	338.2	–	90.9
Restricted cash						208.7
Adjusted net debt						299.6

Year ended 30 June 2012

	Effective interest rate %	Maturity	Current	Non-current		Total £m
			Within one year £m	After one year but not more than five years £m	After five years £m	
Syndicated loans (see below)	1.92	0-4 years	–	135.0	–	135.0
Debt issue costs on syndicated loans			(0.4)	(1.1)	–	(1.5)
Dollar loans (see below)	2.04	0-4 years	–	3.5	–	3.5
£200m sterling 7.5 year bond (see below)	5.38	0-6 years	–	–	200.0	200.0
Debt issue costs			(0.4)	(1.5)	(0.1)	(2.0)
Finance leases and HP commitments (see below)	8.20	0-5 years	3.2	3.0	–	6.2
Total interest-bearing loans and borrowings			2.4	138.9	199.9	341.2
Debt issue costs			0.8	2.6	0.1	3.5
Total interest-bearing loans and borrowings (gross of debt issue costs)			3.2	141.5	200.0	344.7
Cash and short term deposits (note 17)			(253.7)	–	–	(253.7)
Net debt			(250.5)	141.5	200.0	91.0
Restricted cash						205.0
Adjusted net debt						296.0

Analysis of Group net debt

	Cash and cash equivalents £m	Syndicated loan facility £m	Dollar loan £m	Hire purchase/ finance leases £m	£200m sterling bond £m	Total £m
2 July 2011	223.6	(84.0)	(3.9)	(5.5)	(200.0)	(69.8)
On acquisitions	2.1	–	–	(4.1)	–	(2.0)
Cashflow	28.0	(51.0)	0.4	3.4	–	(19.2)
30 June 2012	253.7	(135.0)	(3.5)	(6.2)	(200.0)	(91.0)
Cashflow	(4.8)	2.0	0.3	2.6	–	0.1
29 June 2013	248.9	(133.0)	(3.2)	(3.6)	(200.0)	(90.9)

Syndicated loan facility

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

As at 29 June 2013, £133.0m (2012: £135.0m) of the facility was drawn down.

£200m sterling 7.5 year bond

On 24 March 2010, the Group raised a £200m bond of 7.5 years maturing on 29 September 2017 with a coupon rate of 5.375%.

Dollar loan

On 26 July 2010, a \$10.0m five year facility was entered into for the purposes of financing our Go-Ahead North America joint venture. As at 29 June 2013, \$4.8m (2012: \$5.5m) or £3.2m (2012: £3.5m) of this facility was drawn down.

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

Debt issue costs

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

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

The Group is subject to two covenants in relation to its borrowing facilities. The covenants specify a maximum adjusted net debt to EBITDA and a minimum net interest cover. At the year end and throughout the year, the Group has not been in breach of any bank covenants.

Notes to the consolidated financial statements continued

20. Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for bus vehicles and various items of plant and machinery. These contracts have no terms of renewal or purchase option escalation clauses. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments, are as follows:

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

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

21. Financial risk management objectives and policies

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.

The Group also enters into derivative transactions, primarily interest rate swaps and fuel swaps. The purpose of these is to manage the interest rate and fuel price risks arising from the Group's operations and its sources of finance.

It is, and has been throughout 2013 and 2012, 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. Risks arising from fuel derivatives are explained in note 22.

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Board's policy toward cash deposits is to deposit cash short term on UK money markets. Interest payable on senior bank borrowings is based on re-fixing the rate of interest over short periods of time of up to 36 months. During the year the Group has partially managed interest rate risk by hedging. Excluding fixed rate debt, the Group has net borrowings and hence the present adverse risk is an increase in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group as at 29 June 2013 and 30 June 2012 is as follows:

	Average rate %	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Year ended 29 June 2013								
Floating rate (assets)/liabilities								
Variable rate loans	1.82	–	–	136.2	–	–	–	136.2
Gross floating rate liabilities		–	–	136.2	–	–	–	136.2
Cash assets	0.59	(248.9)	–	–	–	–	–	(248.9)
Long term deposits	3.60	–	(1.6)	–	–	–	–	(1.6)
Net floating rate (assets)/liabilities		(248.9)	(1.6)	136.2	–	–	–	(114.3)
Fixed rate liabilities								
£200m sterling 7.5 year bond	5.38	–	–	–	–	200.0	–	200.0
Obligations under finance lease and hire purchase contracts	8.36	1.6	1.1	0.5	0.4	–	–	3.6
Net fixed rate liabilities		1.6	1.1	0.5	0.4	200.0	–	203.6
Year ended 30 June 2012								
Floating rate (assets)/liabilities								
Variable rate loans	1.92	–	–	–	138.5	–	–	138.5
Interest rate swaps	2.40	(80.6)	–	–	–	–	–	(80.6)
Gross floating rate (assets)/liabilities		(80.6)	–	–	138.5	–	–	57.9
Cash assets	0.79	(253.7)	–	–	–	–	–	(253.7)
Long term deposits	3.60	–	–	(1.6)	–	–	–	(1.6)
Net floating rate (assets)/liabilities		(334.3)	–	(1.6)	138.5	–	–	(197.4)
Fixed rate liabilities								
£200m sterling 7.5 year bond	5.38	–	–	–	–	–	200.0	200.0
Obligations under finance lease and hire purchase contracts	8.20	3.2	1.4	0.9	0.4	0.3	–	6.2
Interest rate swaps	2.40	80.6	–	–	–	–	–	80.6
Net fixed rate liabilities		83.8	1.4	0.9	0.4	0.3	200.0	286.8

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 above tables are non-interest bearing and are therefore not subject to interest rate risk.

Notes to the consolidated financial statements continued

21. Financial risk management objectives and policies continued

At 29 June 2013, the Group had no interest rate swaps (2012: three interest rate swaps totalling £80.0m) as all interest rate swaps expired during the year ended 29 June 2013. During the year ended 29 June 2013, these three interest swaps have resulted in a realised loss of £0.5m (2012: £1.6m).

The net fixed rate liability at 29 June 2013 was £nil (2012: £0.6m).

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).

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2013			
GBP	50.0	(0.5)	(0.5)
GBP	(50.0)	0.5	0.5
2012			
GBP	50.0	(0.2)	(0.2)
GBP	(50.0)	0.2	0.2

Liquidity risk

The Group has in place a £275.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range.

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 19.

Available liquidity as at 29 June 2013 and 30 June 2012 was as follows:

	2013 £m	2012 £m
Five year syndicated facility 2016	275.0	275.0
£200m 7.5 year 5.375% sterling bond 2017	200.0	200.0
Total core facilities	475.0	475.0
Amount drawn down at 29 June 2013	333.0	335.0
Headroom	142.0	140.0

The Group's road passenger 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

On 26 July 2010, a \$10.0m five year facility was agreed with RBS to ensure dollar investment in our US joint venture is funded by dollar borrowings to provide an effective foreign currency hedge.

The amount drawn on the facility reflects the investment in and the working capital requirements of the Group's share in its US joint venture. As the investment and borrowings are both denominated in US \$ this provides a natural hedge over the Group's foreign currency exposure.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables (see note 16) and cash deposits (see note 17). 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. Other than this, the Group does not consider it has significant concentrations of 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. Our treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

Contractual payments

The tables below summarise the maturity profile of the Group's financial liabilities at 29 June 2013 and 30 June 2012 based on contractual undiscounted payments.

Year ended 29 June 2013

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	–	0.9	3.0	142.7	–	146.6
£200m sterling 7.5 year bond	–	10.4	–	233.7	–	244.1
Other financial liabilities	–	0.4	1.3	1.1	–	2.8
Trade and other payables	36.6	219.4	33.0	1.0	–	290.0
	36.6	231.1	37.3	378.5	–	683.5

Year ended 30 June 2012

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	–	2.3	4.6	150.2	–	157.1
£200m sterling 7.5 year bond	–	10.4	–	41.5	202.6	254.5
Other financial liabilities	–	1.3	3.9	2.8	–	8.0
Trade and other payables	19.9	217.2	118.5	1.2	0.2	357.0
	19.9	231.2	127.0	195.7	202.8	776.6

Notes to the consolidated financial statements continued

21. Financial risk management objectives and policies continued

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. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 29 June 2013 and 30 June 2012.

The Group applies the primary objective by managing its capital structure such that net debt (adjusted to exclude restricted cash) to EBITDA (before exceptionals) is within a range which retains an investment grade debt rating of at least BBB-.

In the year ended 2 July 2011, the Group obtained investment grade long term credit ratings from Standard & Poor's and Moody's as follows:

Standard & Poor's BBB- (Stable outlook)

Moody's Baa3 (Stable outlook)

Those ratings have been maintained in the year ended 29 June 2013.

The Group's policy is to maintain an adjusted net debt to EBITDA ratio of 1.5x to 2.5x through the cycle. The Group's calculation of adjusted net debt is set out in note 19 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. During the year no specific actions were required to be taken by the Group to maintain this ratio and ensure the investment grade debt rating.

Adjusted net debt at the year end was £299.6m (2012: £296.0m), equivalent to 1.87x (2012: 1.80x) EBITDA (operating profit before depreciation, amortisation and exceptional items).

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 £2.6m (2012: £2.3m) 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 £44.2m (2012: £55.9m).

The majority of assets in the rail division are financed by operating leases, in particular rolling stock. Leases are entered into by the respective operating companies and are not the subject of parent company guarantees.

22. Derivatives and financial instruments

a. Fair values

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

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

Year ended 29 June 2013

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

Year ended 30 June 2012

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

Notes to the consolidated financial statements continued

22. Derivatives and financial instruments continued

The fair value of all other assets and liabilities in notes 16, 18 and 19 is not significantly different from their carrying amount, with the exception of the £200m sterling 7.5 year bond which has a fair value of £216.6m (2012: £212.7m) but is carried at its amortised cost of £200.0m. The fair value of the £200m sterling 7.5 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives and interest rate swaps were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

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

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

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

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

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

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

b. Hedging activities

Fuel derivatives

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

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

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

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

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

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

23. Provisions

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

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

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

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

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

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

Notes to the consolidated financial statements continued

24. Issued capital and reserves

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

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

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

Share capital

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

Reserve for own shares

The reserve for own shares is in respect of 4,061,312 ordinary shares (8.7% of share capital), of which 159,082 are held for LTIP and DSBP arrangements.

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 29 June 2013 the Company has not purchased any shares (2012: 41,880 shares purchased for potential LTIP and DSBP awards that may vest in the future for a consideration of £0.6m). The Company has not cancelled any shares during the year (2012: no shares).

Other reserve

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

Hedging reserve

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

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

25. Commitments and contingencies

Capital commitments

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

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

Contractual commitments

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

Operating lease commitments – Group as lessee

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

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

As at 29 June 2013

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

As at 30 June 2012

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

Details of the lease cost for the year are shown in note 5.

Operating lease commitments – Group as lessor

The Group's train operating companies hold agreements under which they sub-lease rolling stock, and agreements with Network Rail for access to the railway infrastructure (track, stations and depots).

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

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

Performance bonds

The Group has provided bank guaranteed performance bonds of £100.1m (2012: £88.7m), and season ticket bonds of £157.4m (2012: £144.3m) to the DfT in support of the Group's rail franchise operations.

These bonds are supported by a 65% several guarantee from The Go-Ahead Group plc and a 35% several guarantee from Keolis (UK) Limited.

To support subsidiary companies in their normal course of business, the Group has indemnified certain banks and insurance companies who have issued certain performance bonds and a letter of credit. The letter of credit at 29 June 2013 is £43.0m (2012: £38.0m).

Notes to the consolidated financial statements continued

26. Retirement benefit obligations

Retirement benefit obligations consist of the following:

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

Bus schemes

The Go-Ahead Group Pension Plan

For the majority of bus employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the Go-Ahead Plan), which consists of a funded defined benefit scheme and a defined contribution section as follows.

The defined contribution section of the Go-Ahead Plan is not contracted-out of the State Second Pension Scheme and is open to new entrants. The expense recognised for the defined contribution section of the Go-Ahead Plan is £6.9m (2012: £6.0m), being the contributions paid and payable.

The defined benefit section of the Go-Ahead Plan is contracted-out of the State Second Pension Scheme and provides benefits based on a member's final salary. The assets of the scheme are held in a separate trustee-administered fund. Contributions to this section are assessed in accordance with the advice of an independent qualified actuary. The section is effectively closed to new entrants, however existing members continue to build up further Final Salary benefits. In June 2013, the Group commenced a formal 60-day consultation process with existing members and their representatives to close the defined benefit section to future accrual and to offer members the opportunity to join the defined contribution section instead. At the time of writing this report, the Group was still considering the feedback it had received during the consultation period before reaching a final decision.

The Go-Ahead Plan is a Group plan for related companies where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19. Each of the participating companies accounts on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 cost of the scheme and the aggregate contributions paid.

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

Other pension plans

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

Summary of year end assumptions

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

* In excess of any Guaranteed Minimum Pension (GMP) element.

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male member of each pension scheme at age 65.

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

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

Sensitivity analysis

In making the valuation, the above assumptions have been used. For bus pension schemes, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation, the following adjustments would adjust the pension deficit and cost as shown.

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

Category of assets at the year end

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

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

The weighted average expected long term rates of return were:

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

Funding position of the Group's pension arrangements

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

Pension cost for the financial year

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

Notes to the consolidated financial statements continued

26. Retirement benefit obligations continued

Experience recognised in other comprehensive income

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

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

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

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

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

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

Estimated contributions for future

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

Rail schemes

The Railways Pension Scheme (the RPS)

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

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

It is our experience that all pension obligations to the RPS cease on expiry of the franchises without cash or other settlement, and therefore the obligations recognised on the balance sheet under IAS 19 are only those that are expected to be funded during the franchise term. However, in spite of our past experience and that of other train operating companies proving otherwise, our legal obligations are not restricted. On entering into a franchise, the operator becomes the designated employer for the term of the contract and under the RPS rules is obliged to meet the schedule of contributions agreed with the scheme trustees and actuaries, in respect of which no funding cap is set out in the franchise contract.

Summary of year end assumptions

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

* In excess of any Guaranteed Minimum Pension (GMP) element.

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

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

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

Category of assets at the year end

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

The weighted average expected long term rates of return were:

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

Funding position of the Group's pension arrangements

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

Notes to the consolidated financial statements continued

26. Retirement benefit obligations continued

Pension cost for the financial year

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

Experience recognised in other comprehensive income

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

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

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

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

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

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

Estimated contributions for future

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

IAS 19 would require the Group to account for its legal obligation under the formal terms of the RPS and its constructive obligation under the terms of each franchise agreement. Following industry practice, the Group has concluded that the appropriate accounting policy for the RPS to ensure that the financial statements present fairly the Group's financial position, financial performance and cashflows, is to recognise its constructive but not its legal RPS defined benefit obligations. In all other respects the Group's accounting policy is consistent with IAS 19 and the treatment adopted for non-rail defined benefit schemes. In doing so, the Group has applied the provisions of paragraph 17 of IAS 1 and departed from the requirements of IAS 19 in order to achieve a fair presentation of the Group's obligations regarding its rail schemes and prevent gains arising on transfer of the existing RPS deficits to a new franchise owner at exit.

The total surplus or deficit recorded is adjusted by way of a 'franchise adjustment', which is that portion of the deficit or surplus projected to exist at the end of the franchise which the Group will not be required to fund or benefit from.

If the Group had accounted for the rail schemes in accordance with the full provisions of IAS 19 the following adjustments would have been made to the financial statements:

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

IAS 19 disclosures

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

Notes to the consolidated financial statements continued

27. Related party disclosures and Group undertakings

The consolidated financial statements include the financial statements of The Go-Ahead Group plc and the following material Group undertakings:

Name	Country of incorporation	% equity interest	
		2013	2012
Principal subsidiaries			
Go-Ahead Holding Limited	United Kingdom*	100	100
Go North East Limited	United Kingdom	100	100
London General Transport Services Limited	United Kingdom	100	100
London Central Bus Company Limited	United Kingdom	100	100
Dockland Buses Limited	United Kingdom	100	100
Blue Triangle Buses Limited	United Kingdom	100	100
Metrobus Limited	United Kingdom	100	100
Brighton & Hove Bus and Coach Company Limited	United Kingdom	100	100
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 and District Omnibuses Limited	United Kingdom	100	100
Anglian Bus Limited	United Kingdom	100	100
HC Chambers and Son Limited	United Kingdom	100	100
New Southern Railway Limited	United Kingdom**	65	65
London and South Eastern Railway Limited	United Kingdom**	65	65
London and Birmingham Railway Limited	United Kingdom**	65	65
Southern Railway Limited	United Kingdom**	65	65
Govia Limited	United Kingdom**	65	65
Go-Ahead Leasing Limited	United Kingdom	100	100
Go-Ahead Holding LLC	United States of America	100	100
Jointly controlled entities			
Go-Ahead North America LLC	United States of America	50	50

* Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.

** The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.

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 (2012: £0.5m).

The Group owns 50% of the ordinary shares in Go-Ahead North America, a 50:50 joint venture with Cook-Illinois. Details of transactions and balances are included in note 3. In addition, £0.3m (2012: £0.4m) of loans was repaid to the Group by Go-Ahead North America during the year.

Compensation of key management personnel of the Group

The key management are considered to be the Directors of the Group.

	2013 £m	2012 £m
Salaries	1.4	1.3
Bonus	0.8	0.7
Pension contributions	0.1	0.1
	2.3	2.1

Independent auditor's report to the members of the Go-Ahead Group plc

We have audited the Parent Company financial statements of The Go-Ahead Group plc for the year ended 29 June 2013 which comprise the Parent Company balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 80, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 June 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

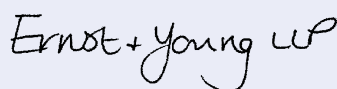
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of The Go-Ahead Group plc for the year ended 29 June 2013.



Kathryn Barrow (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor, London
4 September 2013

Notes:

1. The maintenance and integrity of The Go-Ahead Group plc website is the responsibility of the Directors; the work carried out by the auditor's does not involve consideration of these matters and, accordingly, the auditor's accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Parent Company balance sheet

as at 29 June 2013

	Notes	2013 £m	2012 £m
Fixed assets			
Tangible assets	2	89.9	83.1
Investments	3	151.9	151.9
Deferred tax asset	6	0.5	0.2
		242.3	235.2
Current assets			
Debtors: amounts falling due within one year	4	579.7	561.2
Cash on deposit		0.7	4.7
Financial assets		–	0.8
		580.4	566.7
Creditors: amounts falling due within one year	5	(115.1)	(116.3)
Net current assets		465.3	450.4
Total assets less current liabilities		707.6	685.6
Creditors: amounts falling due after more than one year	5	(200.7)	(200.1)
Provisions for liabilities: other	7	(9.1)	(9.5)
Net assets		497.8	476.0
Capital and reserves			
Share capital	9, 10	4.7	4.7
Share premium	10	67.4	67.4
Revaluation reserve	10	10.3	10.3
Other reserve	10	8.8	8.8
Capital redemption reserve	10	0.7	0.7
Reserve for own shares	10	(70.2)	(70.2)
Profit and loss account	10	476.1	454.3
Equity shareholders' funds		497.8	476.0



Keith Down, Group Finance Director

4 September 2013

Directors' responsibilities in relation to the Parent Company financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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). 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 proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Notes to the Parent Company financial statements

I. Parent Company accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006 and were approved for issue on 4 September 2013. They have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006 and the Company has taken the exemptions under FRS 1 not to present a cashflow statement.

The Company has taken advantage of the exemption available to parent companies under FRS 29 Financial Instruments: Disclosures so as not to provide the information otherwise required by the standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 Financial Instruments: Disclosures.

Tangible fixed assets

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

Depreciation is charged to the profit and loss account based on cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:

Short leasehold land and buildings	The life of the lease
Freehold buildings and long leasehold land and buildings	Over 10 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 Company is a member of The Go-Ahead Group Pension Plan operated by The Go-Ahead Group plc for the majority of its employees. This defined benefit scheme is a multi-employer scheme for which the individual employer's share of the underlying assets and liabilities cannot be identified and accordingly the Company accounts for them as defined contribution schemes.

For the defined contribution schemes, the amount charged to the profit and loss account 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 Company has taken advantage of the transitional provision of FRS 20 and has applied FRS 20 only to those options granted after 7 November 2002. 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 valuing equity-settled options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of The Go-Ahead Group plc (market conditions), conditions not related to performance or service (non-vesting conditions) and earnings per share criteria.

The cost of options is recognised in the profit and loss account 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, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance 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.

Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided on all timing differences which have originated but not reversed at the balance sheet date. Except where otherwise required by accounting standards, no timing differences are recognised in respect of:

- property revaluation surpluses where there is no commitment to sell the asset;
- gains on sale of assets where those gains have been rolled over into replacement assets; and
- deferred tax assets except to the extent that it is more likely than not that they will be recovered.

Deferred tax is calculated at the enacted rates at which it is estimated the tax will be payable. The deferred tax provision is not discounted to net present value.

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 profit and loss.

Financial assets

Financial assets are accounted for in accordance with FRS 26. Financial assets are initially recognised at fair value, being the transaction price plus directly attributable transaction costs.

The Company uses energy derivatives to hedge its risks associated with fuel price fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently remeasured at fair value at each balance sheet date.

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 profit and loss account. When the cashflow hedge results in the recognition of a non-financial asset or 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 profit and loss account 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 profit and loss account 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 profit and loss account 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 profit and loss account.

Leasing commitments

Leases where a significant portion of all 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 profit and loss account on a straight-line basis over the lease term.

Debt

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 profit and loss account.

Notes to the Parent Company financial statements continued

2. Tangible fixed assets

	Freehold land and buildings £m	Leasehold properties £m	Plant and equipment £m	Total £m
Cost or valuation:				
At 30 June 2012	80.3	6.0	15.9	102.2
Additions	8.5	1.1	1.0	10.6
Disposals	(0.1)	–	–	(0.1)
At 29 June 2013	88.7	7.1	16.9	112.7
Depreciation:				
At 30 June 2012	8.6	1.7	8.8	19.1
Charge for the year	1.0	0.3	2.4	3.7
At 29 June 2013	9.6	2.0	11.2	22.8
Net book value:				
At 29 June 2013	79.1	5.1	5.7	89.9
At 30 June 2012	71.7	4.3	7.1	83.1

Freehold land and buildings include non-depreciable land amounting to £32.0m (2012: £27.6m).

The net book value of leasehold properties comprises:

	2013 £m	2012 £m
Leases with 50 or more years unexpired	1.2	1.2

3. Fixed asset investments

	Shares in Group companies £m
Cost:	
At 29 June 2013 and 30 June 2012	151.9
Provisions:	
At 29 June 2013 and 30 June 2012	–
Net carrying amount:	
At 29 June 2013 and 30 June 2012	151.9

For details of the principal operating subsidiary undertakings as at 29 June 2013, refer to note 27 of the Group financial statements. As permitted under Section 410 (1) and (2) of the Companies Act 2006, the information is given only for the undertakings whose results or financial position, in the opinion of the Directors, principally affect the figures shown in the financial statements.

4. Debtors

Amounts falling due within one year

	2013 £m	2012 £m
Amounts owed by Group companies	567.8	554.2
Corporation tax	4.6	4.1
Other debtors	7.3	2.9
	579.7	561.2

5. Creditors

Amounts falling due within one year

	2013 £m	2012 £m
Amounts owed to Group undertakings	99.5	100.3
Other creditors	15.6	14.9
Other financial liabilities	–	1.1
	115.1	116.3

Amounts falling due after more than one year

	2013 £m	2012 £m
Interest-bearing loans and borrowings repayable:		
In more than two years but not more than five years	200.7	3.5
In more than five years	–	196.6
	200.7	200.1

The Company has no security over its liabilities.

6. Deferred taxation

	Deferred tax £m
At 30 June 2012	0.2
Provided during the year	0.3
At 29 June 2013	0.5

Deferred taxation provided at the enacted rate is as follows:

	2013 £m	2012 £m
Capital allowances in advance of depreciation	0.3	–
Other timing differences	0.2	0.2
	0.5	0.2

7. Other provisions

	Uninsured claims £m	Other £m	Total £m
As at 30 June 2012	9.0	0.5	9.5
Provided (after discounting)	(0.4)	–	(0.4)
Released	–	(0.2)	(0.2)
Utilised	0.2	–	0.2
As at 29 June 2013	8.8	0.3	9.1

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 the next six years.

The other provision relates to dilapidation costs. This provision is in respect of the Bus division. It is expected that the dilapidations will be incurred within the next two to three years.

Notes to the Parent Company financial statements continued

8. Pension commitments

Defined contribution:

The Company participates in the defined contribution scheme of The Go-Ahead Group Pension Plan. This scheme is not contracted out of the State Second Pension Scheme and is open to new entrants. The expense recognised in these accounts for the year is £0.2m (2012: £0.2m), being the contributions paid and payable.

Defined benefit:

The Company participates in a scheme which is part of The Go-Ahead Group Pension Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The most recent actuarial valuation of the scheme was at 31 March 2009 and was updated by Towers Watson Limited to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 29 June 2013 and 30 June 2012. The contributions paid to the scheme are paid in line with the schedule of contributions, being 16.4% and 14.3% of pensionable salaries paid to upper and lower tier sections respectively.

The defined benefit scheme is effectively closed to new entrants, however existing members continue to build up further Final Salary benefits. In June 2013, the Group commenced a formal 60-day consultation process with existing members and their representatives to close the defined benefit section to future accrual and to offer members the opportunity to join the defined contribution section instead. At the time of writing this report, the Group was still considering the feedback it had received during the consultation period before reaching a final decision.

The scheme is a multi-employer scheme and, in accordance with FRS 17, the Company has accounted for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the Company's share of the net assets and liabilities in the scheme on a consistent and reasonable basis due to the high volume of members/pensioners and the historic interaction between Group companies.

The following disclosures provide details of the entire defined benefit scheme.

The main assumptions are:

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

The fair value of the scheme assets, the expected rate of return, the present value of the scheme liabilities and the resulting deficit are:

	2013		2012	
	Long term rate of return expected %	Value £m	Long term rate of return expected %	Value £m
Equities	6.2	208.4	6.6	171.0
Bonds	4.1	30.8	5.0	28.4
Properties	6.3	30.4	6.2	30.5
Cash/other*	1.9	289.6	2.0	296.1
Total market value of assets		559.2		526.0
Present value of scheme liabilities		(604.1)		(545.8)
Pension liability before deferred tax		(44.9)		(19.8)
Related deferred tax asset		10.3		4.8
Net pension liability		(34.6)		(15.0)

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

9. Called up share capital

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

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

10. Share capital and reserves

	Share capital £m	Share premium £m	Revaluation reserve £m	Other reserve £m	Capital redemption reserve £m	Reserve for own shares £m	Profit and loss reserve £m	Total capital & reserves £m
At 2 July 2011	4.7	67.4	10.3	8.8	0.7	(69.8)	444.6	466.7
Profit for the year	–	–	–	–	–	–	51.8	51.8
Dividends	–	–	–	–	–	–	(34.7)	(34.7)
Other recognised losses	–	–	–	–	–	–	(7.7)	(7.7)
Acquisition of own shares	–	–	–	–	–	(0.6)	–	(0.6)
Exercise of share options	–	–	–	–	–	0.2	(0.2)	–
Share based payment charge	–	–	–	–	–	–	0.5	0.5
At 30 June 2012	4.7	67.4	10.3	8.8	0.7	(70.2)	454.3	476.0
Profit for the year	–	–	–	–	–	–	58.7	58.7
Dividends	–	–	–	–	–	–	(34.7)	(34.7)
Other recognised losses	–	–	–	–	–	–	(2.2)	(2.2)
At 29 June 2013	4.7	67.4	10.3	8.8	0.7	(70.2)	476.1	497.8

The cumulative amount of goodwill written off to the profit and loss reserve of the Company at 29 June 2013 is £0.2m (2012: £0.2m).

The reserve for own shares is in respect of 4,061,312 ordinary shares (8.7% of total share capital), of which 159,082 are held for LTIP and DSBP arrangements. The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for re-issue in appropriate circumstances. During the year ended 29 June 2013 the Company has not repurchased any shares (2012: 41,880 shares purchased for potential LTIP and DSBP awards that may vest in the future for a consideration of £0.6m). The Company has not cancelled any shares during the year (2012: no shares).

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is provided in the Directors' report.

The audit fee payable in respect of the Company was £0.2m (2012: £0.1m).

11. Operating lease commitments

The Company's annual commitments under non-cancellable operating leases are as follows:

	Property	
	2013 £m	2012 £m
Within one year	0.7	0.1
In second to fifth years	1.1	2.0
After five years	–	0.1
	1.8	2.2

12. Capital commitments

There were capital commitments of £5.0m at 29 June 2013 (2012: £nil).

Notes to the Parent Company financial statements continued

13. 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 £34.6m as at 29 June 2013 (2012: £15.0m).

At 29 June 2013 letters of credit amounting to £43.0m (2012: £38.0m) 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.

14. Share based payments

Full disclosures of the Group's sharesave scheme, SIP, LTIP and DSBP are given in note 6 to the Group financial statements.

15. Related party transactions

The Company has taken advantage of the exemption under FRS 8, Related Party Disclosures, 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. Thameslink Rail Limited, New Southern Railway Limited ('New Southern'), London and Southeastern Railway Limited ('Southeastern'), London and Birmingham Railway Limited ('London Midland') and Southern Railway Limited ('Southern') are 100% owned by Govia Limited and hence the Company owns a 65% interest.

	Govia		Southeastern		London Midland		Thameslink		New Southern		Southern	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Interest paid to related party	0.3	0.1	–	–	–	–	–	–	–	–	–	–
Interest received from related party	–	–	–	–	–	–	–	–	–	–	–	–
Loans to related party	(50.5)	(42.5)	–	–	–	–	–	–	–	–	–	–
Repayment of loan from related party	39.4	54.6	–	–	–	–	–	–	–	–	–	–
Management charges	–	–	1.1	0.9	1.0	0.8	–	–	–	–	1.2	1.0
Amounts owed from related party	43.4	48.2	–	–	21.1	7.9	–	–	–	–	2.0	0.5
Amounts owed to related party	–	–	55.2	54.8	–	–	0.6	0.6	13.0	14.4	–	–

During the year Southern, Southeastern and London Midland have traded with wholly owned subsidiaries of the Company; £4.9m (2012: £4.1m) of costs were incurred by Southern, Southeastern and London Midland on an arm's length basis.

Shareholder information

Corporate website

Our corporate website (www.go-ahead.com) provides a wealth of information on the Company 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 on the website, to receive email alerts or RSS feeds when the website has been updated with announcements, press releases and other publications.

Managing your shares

The Company's Registrar, Equiniti, is responsible for maintaining our register of members. Shareholders with queries relating to their shareholding should contact Equiniti directly using the details on page 140.

Shareholders can sign up for a Shareview portfolio which enables you to:

- view information regarding your holding;
- change your address and bank details online; and
- sell or purchase shares in the Company online.

Go to www.shareview.co.uk and click on 'Register' in the top left corner to sign up for these services. When completing your details you will need your shareholder reference number which is the eleven digit number found on your latest tax 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.

Dividend payments

The dividend dates are available on our corporate website in the financial calendar. Following each dividend payment date we will send a tax 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; and
- 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.

Electronic communications

As far as possible, the Company provides shareholder documents via the corporate website. If you wish to receive future shareholder communications electronically, please sign up via Shareview (details above). By electing to receive shareholder communications electronically you will be allowing us to communicate with you securely in a more environmentally friendly and cost effective way.

Shareholder security

Shareholders are advised to be extremely cautious of any unsolicited advice from third parties; offers to buy shares at a discount; or offers of free reports about the Company. By law, the Company's register of members is open to public inspection; however, we do not endorse any specific share dealing facilities or pass on shareholder information to any third party; and any requests for access to the register are subject to 'proper purpose' requirements which ensure that personal data is not used unlawfully.

Shareholder profile by size of holding as at 29 June 2013

	No. of holdings	%	Shares held	%
1-10,000	3,368	94.3	2,293,658	4.9
10,001-100,000	141	4.0	4,931,567	10.5
100,001-500,000	44	1.2	9,506,443	20.3
500,001-1,000,000	6	0.2	4,271,291	9.1
Over 1,000,001	11	0.3	25,903,019	55.2
Total	3,570	100	46,905,978	100

Shareholder profile by category as at 29 June 2013

	No. of holdings	%	Shares held	%
Treasury shares	1	0	3,902,230	8.3
Directors	4	0.1	12,773	0
Other individuals	2,884	80.8	4,686,970	10.0
Institutional investors	681	19.1	38,304,005	81.7
Total	3,570	100	46,905,978	100

It should be noted that many private investors hold their shares through nominee companies, therefore the percentage of shares held by private holders is likely to be higher than that shown.

Financial calendar

Annual General Meeting	11 am, 24 October 2013
Final dividend record date	1 November 2013
Final dividend payment date	15 November 2013
Half year end	28 December 2013
Half year results announcement	February 2014
Half year dividend payment	April 2014
Next financial year end	28 June 2014
Full year results announcement	September 2014

Corporate information

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* Calls cost 8p per minute plus network extras.
Lines are open 8.30am to 5.30pm Monday to Friday.

Want to find out more?

Our website has been the winner of the Investor Relations Society Best Practice FTSE 250 Corporate Website award for four years running.

Up to date information

Within our website you can find a wealth of up to date information including:

- an overview of who we are, what we do and the markets in which we operate
- profiles of our operational directors, the Board of Directors and our corporate governance framework
- a timeline of the Group's history and development
- an interactive map showing the areas in which we operate and information about our bus and rail companies
- the latest Group news and our financial calendar

Sustainability


Our sustainability section provides detailed information about our approach to sustainability, our targets and performance, including:

- progress against KPIs for our five areas of sustainability – safety, environment, passengers, employees and community, including our economic impacts
- datasheets showing detailed sustainability performance for the Group and our operating companies
- the Group's awards and achievements
- Go-Learn – our free downloadable education programme for teachers

Investor relations

You can access a wide range of information in the investor relations centre including:

- a five year history of Group and divisional key financials
- a record of all trading updates, half year and full year announcements in the results centre
- our dividend policy, dividend history and dividend calculator
- detailed information about our rail franchises
- our bus fuel hedging policy and profile of the Group's hedging prices

 Download our dedicated investor relations iPad app

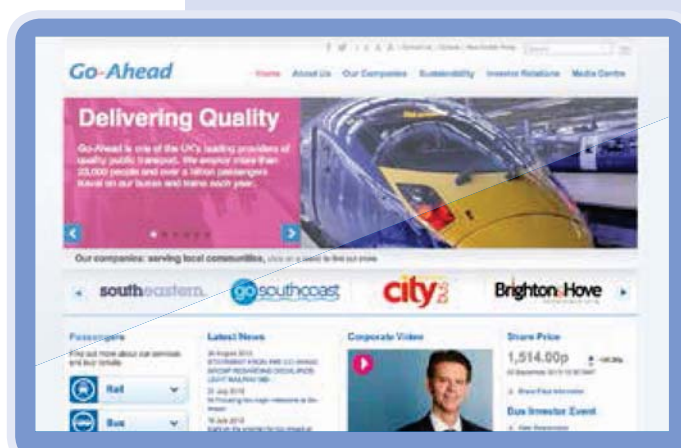
Social media

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 twitter.com/GoAheadGroup

www.go-ahead.com



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**BUREAU
VERITAS**

Summary Verification Statement from Bureau Veritas UK Ltd

For the fifth year, Bureau Veritas UK Ltd has worked with the Go-Ahead Group plc to verify selected sustainability key performance indicator (KPI) data contained within the Group's annual report.

The information and data reviewed for this verification process relates to the period from 1 July 2012 to 29 June 2013.

Go-Ahead