The Go-Ahead Group plc
Annual Report and Accounts

For the year ended 30 June 2012

years of high quality transport

Go-Ahead

25 years of Go-Ahead

Go-Ahead is one of the leading providers of bus and rail services in the UK. We have been delivering high quality passenger transport for the last 25 years.

1987

- *Go-Ahead founded by Martin Ballinger and Christopher Moyes in North East England during the privatisation of the National Bus Company*

Go-Ahead

1990 – 1995

- *Entered the London bus market and acquired bus companies in Oxford and Brighton*
- *Listed on the London Stock Exchange*

1996 – 2000

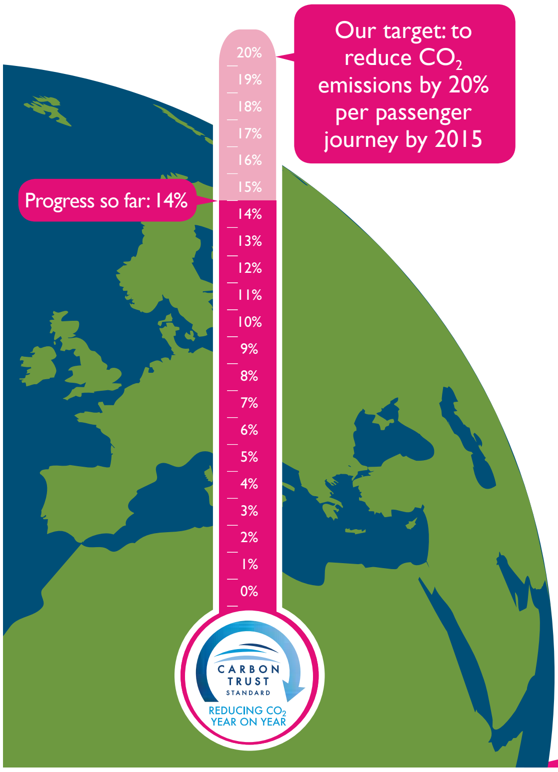
- *Entered the UK rail market with the Thameslink franchise upon privatisation of the industry*
- *Doubled the size of the London bus business through further acquisitions*

1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999

Go-Ahead today

Go-Ahead is now one of the largest transport groups in the UK.

See page 43 to learn more about Go-Ahead as a sustainable operator



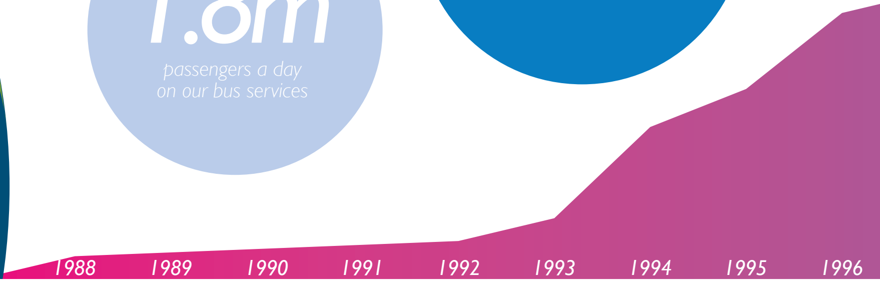
4,600 buses

£80.7m spent on new buses in the year*

Over **1m** passengers a day on our rail services

1.8m passengers a day on our bus services

around **23,000** employees



Unless otherwise stated, all statistics relate to the financial year ended 30 June 2012.

* Includes £27.1m on operating leases.

2001 – 2005

- Strengthened the rail division; awarded Southern franchise
- Entered the South Coast bus market

2006 – 2010

- Awarded a further two rail franchises: London Midland and Southeastern
- Began operating the UK's first and only high speed rail line between London and Kent
- Entered the yellow school bus market in USA through a small joint venture
- Expanded the UK bus division through acquisitions in Plymouth and Norfolk

2011 – Present

Further expanded our London bus business and operations in Oxfordshire and East Anglia

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 – Present

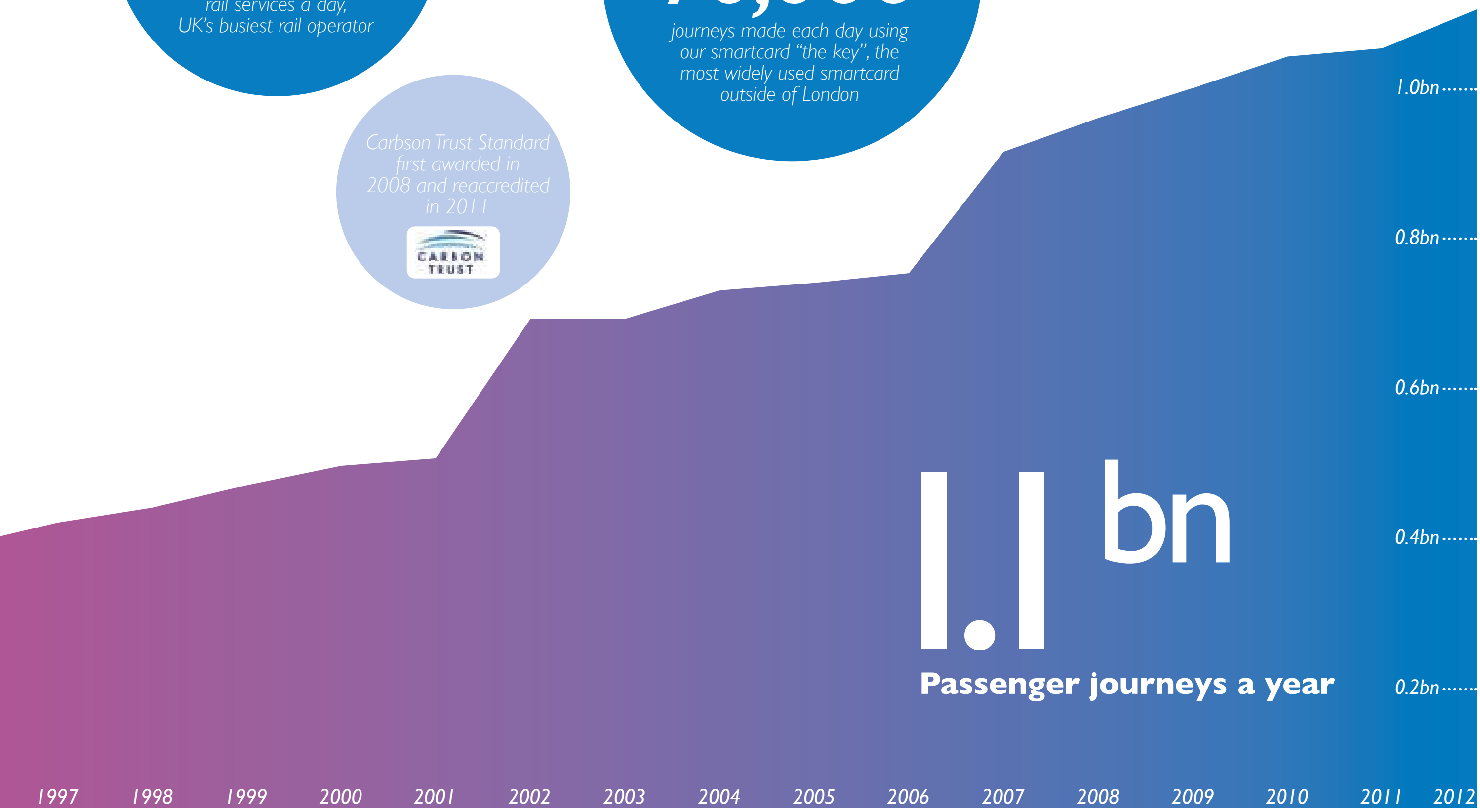
5,500

rail services a day, UK's busiest rail operator

70,000

journeys made each day using our smartcard "the key", the most widely used smartcard outside of London

Carbson Trust Standard first awarded in 2008 and reaccredited in 2011



Inside this report

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Business Review

Corporate Governance

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Shareholder Information

Essential read

Chairman's statement

p10

"May 2012 marked the 25th anniversary of Go-Ahead. Our Group is now unrecognisable from its starting point as a small bus company based in the North East. However, there are some things that haven't changed - our focus on the local nature of public transport and our dedication to provide high quality services."

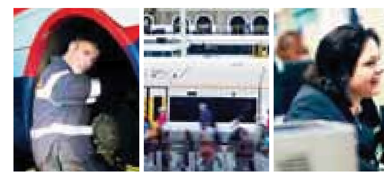
Group Chief Executive's review

p12

"Over the last year, Go-Ahead has made significant progress in building a stronger Group and delivering on our strategic goals. Most recently, I am really proud of the key role our staff played in helping to deliver a highly successful transport network for the London 2012 Olympic Games."

Our investment case

p4



Go-Ahead is a high quality transport operator with industry leading positions in the bus and rail sectors.

Finance and business review

p34

"Our strong financial discipline, balance sheet and cash generation enable us to deliver shareholder value"

Sustainability

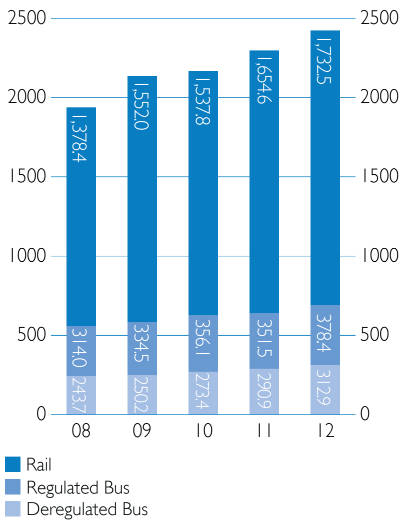
p43

Operating our companies in a safe, socially and environmentally responsible manner is central to our strategy.

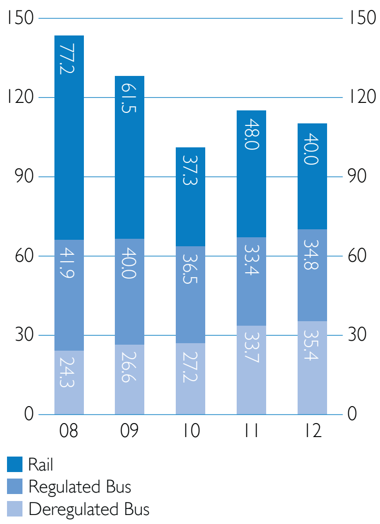
Our performance and highlights

- Highest ever passenger levels across bus and rail
- Record profits in deregulated bus; best in class London bus operator
- Robust rail performance with good revenue growth in all franchises
- Underlying profit growth; prior year included £13m of one-off rail contract management benefits
- Five value adding bus acquisitions and shortlisted for the new Thameslink franchise
- Strong cash management and robust balance sheet
- Maintained full year dividend at 81.0p; cover strengthened

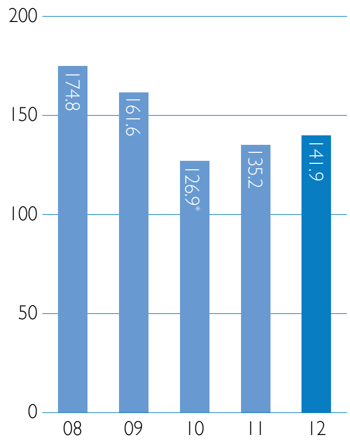
Total revenue (£m)
£2,423.8m



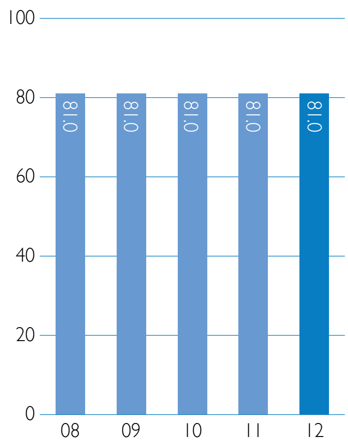
Total operating profit (£m)
£110.2m



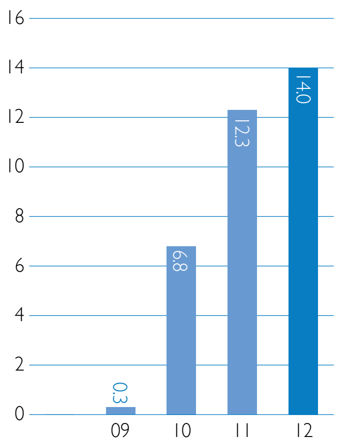
Adjusted earnings per share (p)
141.9p



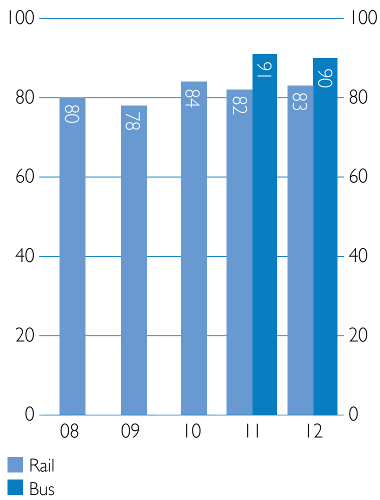
Dividend paid and proposed per share (p)
81.0p



Reduction in CO_2 emissions per passenger journey (%)*
14.0%



Passenger satisfaction (%)†
Bus: 90% Rail: 83%



Unless otherwise stated, operating profit excludes amortisation and exceptional items.

* The graph shows the cumulative reduction since 2007/08 when we launched our Driving Energy Further initiative and set the target to reduce carbon emissions per passenger journey by 20% by 2015. CO_2 conversion factors used are in accordance with the Department for Energy and Climate Change guidelines 2012.

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

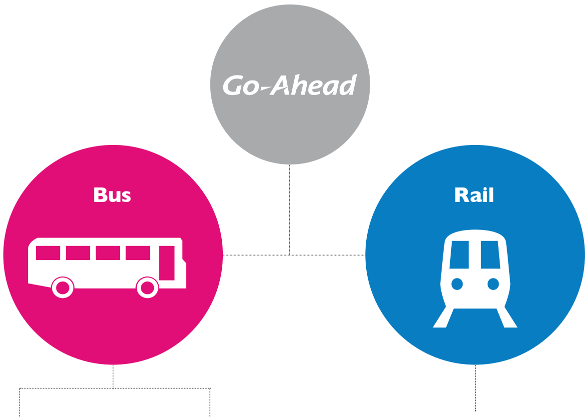
Group at a glance

Go-Ahead is one of the leading providers of bus and rail services in the UK. We have been delivering high quality passenger transport for the last 25 years.

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.

Our business model



London (Regulated)
We operate around 150 routes for TfL and are the largest operator in London

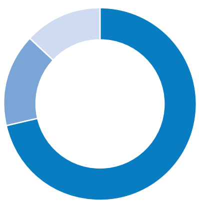
Outside London (Deregulated)
We run largely commercial services predominantly in the south of England

We operate three franchises for the DfT and carry more passengers than any other rail operator in the UK

Turn to page 6 to read more about our business model

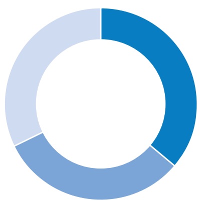
Our performance

Group revenue
£2,423.8m



Rail	71.5%
Regulated Bus	15.6%
Deregulated Bus	12.9%

Group operating profit
£110.2m



Rail	36.3%
Regulated Bus	31.6%
Deregulated Bus	32.1%

Turn to page 34 to read more about our financial and operational performance

Our markets

Overview

Whilst the economic climate has resulted in difficult trading conditions in the UK, the bus and rail markets have remained relatively resilient and we have seen continued growth across all our businesses.

Bus

The UK bus market is comprised of two models: the London market which is regulated by Transport for London (TfL) and the rest of the UK which is largely operated on a commercial basis. We are the largest bus operator in London and have a good reputation for being a high quality, cost efficient operator. Our operations outside of London are based predominately in the south of England where there is strong demand for public transport.

Rail

The UK rail industry is regulated by the Department for Transport (DfT). The DfT issues tenders for rail franchises and operators enter a competitive bidding process for the right to operate them. The Government is in the early stages of reforming the current rail franchising structure. Twelve franchises will be retendered in the next four years, presenting growth opportunities for the Group.

Turn to page 18 to read more about our markets

Our strategy and KPIs

Our strategy is designed to deliver earnings and growth for our investors through the responsible delivery of high quality services. We continuously monitor our performance against financial and non-financial Key Performance Indicators (KPIs), in order to measure progress against our strategy.

Our four strategic principles are:

1. To run our companies in a safe, socially and environmentally responsible manner
2. To provide high quality, locally focused passenger transport services
3. To focus our operations in high density urban markets
4. To run our business with strong financial discipline to deliver shareholder value

Turn to page 21 to read more about our strategy and to see how we have performed against our KPIs

Unless otherwise stated, operating profit excludes amortisation and exceptional items.

Our people

Go-Ahead employs around 23,000 people in the UK. We invest in our staff, furthering their development and ensuring we maintain high standards for our passengers.

Board of Directors

Our Board of Directors has a wide range of skills, knowledge and experience, ensuring effective corporate governance.

Turn to page 50 to read biographies

Sir Patrick Brown
Chairman

David Brown
Group Chief Executive

Keith Down
Group Finance Director

Senior Management

Our experienced senior management teams have in-depth industry knowledge and a strong understanding of the local markets in which they operate.

Turn to page 52 to read biographies

Our values

- 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.

Governance and risk

Good governance is integral to the way our business is run. The Board is responsible for providing leadership for the Group and is committed to maintaining the highest standards of corporate governance.

Our decentralised management structure enables the Group to be managed in an effective way, with a focus on local customers' needs.

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

Turn to page 54 to read more about governance and to page 30 to read more about risk

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 Company'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 performance-related.

Part of the Executive Directors' remuneration is linked to performance against KPIs.

Turn to page 71 to read more about remuneration

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.

Our approach to sustainability covers five key areas:

Turn to page 43 to read more about our approach to sustainability

Our investment case

Reasons to invest

Strong and growing bus division
At the core of the Group are our bus operations which are predominantly located in the south of England. We have successfully managed to maintain bus profits throughout the economic downturn and are committed to growing this part of our business both organically and acquisitively. This financial year we spent £29.3m on five acquisitions and grew total bus revenues by an industry leading 7.6%

£70.2m
record bus operating profit in 2012

Locally focused high quality services
We believe that public transport is about local markets. Our companies are therefore locally branded and managed and form an integral part of the communities they serve. This decentralised management structure is inherent to Go-Ahead and helps us meet the specific needs of our customers. Providing a high quality service is a strategic priority for us and we are proud to have some of the highest customer satisfaction scores in the sector.

90%
bus passenger satisfaction score

Committed to dividend policy
We understand that our dividend policy is a key part of the investment decision for many shareholders. Maintaining the amount of dividend per share remains a high priority for the Board and is supported by our strong balance sheet and cashflows.

81p
dividend per share in 2012

Established position in UK rail market
We have a very strong position in the UK rail market through Govia, a joint venture between Go-Ahead (65%) and Keolis (35%). Keolis is a leading international public transport provider, majority owned by the French State Railway, SNCF. We have a proven track record of delivering successful franchises and forming strong alliances with key industry partners to deliver value for passengers, taxpayers and shareholders

15 years
of successfully operating in the UK rail market

Effective leadership and management
Strong leadership is key to our success. Our knowledgeable and experienced Executive Directors are committed to delivering shareholder value. Go-Ahead's decentralised structure enables our highly skilled local management teams to focus on the needs of the communities they serve and empowers them to drive their businesses forward. Our decentralised business model is underpinned by a robust governance framework that incorporates stringent checks by the Group Executive Directors.

25 years
the average length of service our operational directors have in the transport sector

Unless otherwise stated, operating profit excludes amortisation and exceptional items.

Go-Ahead is a high quality transport operator with industry leading positions in the bus and rail sectors. We operate in a market that has many long term fundamental strengths. Higher motoring costs, increasing road congestion and a recognition amongst all major political parties that investment in public transport is vital to the economy, society and environment are drivers for long term growth.

Sector leading London bus business

Our London bus business accounts for around half of our bus profits. We are the capital's largest operator, running around 150 routes for Transport for London and we pride ourselves on being a high quality cost efficient operator. We have a strong network of bus depots and this year expanded our business through the acquisition of a depot and associated tendered contract routes in North London.

5.6%

mileage growth in 2012 in London, reflecting contract wins and acquisition

Innovative and responsible operator

We are committed to operating our bus and rail services in a safe, environmentally and socially responsible manner and continually seek innovative ways to improve our performance. By encouraging more people to use public transport we are strengthening our business and the economy whilst helping to protect the environment. We have made significant progress in improving our energy efficiency and are successfully working towards our target to reduce carbon emissions per passenger journey by 20% by 2015.

10th

best company in the world for sustainability[1]

Highly skilled operator of complex rail networks

We operate three franchises with our joint venture partner Keolis, carrying more passengers in the UK than any other operator. Southern, Southeastern and London Midland are complex franchises operating on high density commuter networks. We run around 5,500 services a day, more than in most European countries. We have been shortlisted to bid for the new Thameslink franchise, the largest in the UK with annual passenger revenues of £1billion.

30%

of UK rail passengers travel on our services

At the forefront of passengers' needs

Our industry leading smartcard "the key" is the most comprehensive and widely used smartcard ticketing system, second only to the Oyster in London. The development of smart-ticketing has many benefits. It significantly improves convenience for passengers, speeds up bus boarding times and enables us to attract more passengers by tailoring products and ticket types to better match changing journey patterns.

70,000

passenger journeys a day made using "the key"

Cash generative business with low levels of debt

Our businesses are highly cash generative. We converted £164.0m of EBITDA* to £167.8m of operating cashflow this financial year. Our debt levels remain low, with adjusted net debt# to EBITDA at 1.8x, well below our bank covenant limit of 3.5x.

£450,000

of cash generated each day which we use to invest in our business and pay dividends

1. Study by EIRIS, a leading provider of independent research into the ethical performance of companies, May 2012.

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

\# Net debt plus restricted cash.

Our business model

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

What we do

Deregulated Bus

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

Regulated Bus

We operate tendered contracts for Transport for London (TfL).

Rail

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

How we generate revenue[1]

Deregulated Bus

70% Directly generated from fare paying passengers
Growing passenger numbers directly contributes to the success of our business. When setting our fares we aim to provide value for money for our passengers.

20% From local authorities for carrying concessionary fare paying passengers
Currently anyone of pensionable age is eligible to travel for free on any off-peak local bus service in England. Local authorities receive a fund from central Government which they use to reimburse bus operators a percentage of the full fare. 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 and subsidised by local authorities. We also operate commercial contracts for universities and other third parties.

Regulated Bus

95% From Transport for London for running bus services
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. The contracts are usually five years in duration with a two year extension if TfL performance targets are met. Our revenue comes directly from TfL based on our contract price.

5% Quality incentive bonuses and other sources of income
TfL set performance targets called Quality Incentive Contracts (QICs) to incentivise the provision of high quality service. Operators receive cash bonuses when targets are met and are penalised if performance falls short. Revenue contribution from QICs has reduced in recent years across the sector. Other sources of revenue arise from utilising our London buses for rail replacement work and other third party contracts.

Rail

95% Passenger revenue
Operating under a regulated system, DfT issues tenders for rail franchises and private operators enter a competitive bidding process for the right to operate them. Current franchises typically last around eight years. Operators submit detailed franchise bids based on the level of passenger revenue they assume they can generate which specifies 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. The existing franchise structure includes a mechanism which shares excess revenue with the DfT and provides mitigation for any revenue shortfall in the later part of the franchise. Go-Ahead currently operates three franchises through Govia, a 65% owned joint venture with Keolis.

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 and third party engineering work.

1. Revenue proportions are approximate based on the financial year ended 30 June 2012.

How we create shared value

Buses are the most frequently used mode of public transport in the UK. As one of the largest operators we play a crucial role in facilitating economic growth and social inclusion, reducing carbon emissions and helping to maintain the fabric of our communities. Buses provide essential access to labour markets, are crucial to reducing congestion on key corridors and stimulating investment and regeneration and provide vital support to local businesses and retail economies.

Local and customer focused operations
Our locally based management teams have a thorough understanding of their markets and can respond quickly and appropriately to changing local needs.

Good relationships with local authorities
Our management teams work closely with local authorities to encourage bus use in their communities.

Geographically well located
Our operations are primarily located in urban areas in the south of England where the economy is generally more resilient and the demand for public transport is high.

High quality services
We invest in modern fleets and operate our services to a high standard in order to attract more passengers.

Innovative products and marketing
We aim to be at the forefront of innovation in our sector to ensure we deliver the best customer experience. Our award winning marketing campaigns enable us to target the right products to the right passengers.

London's buses now carry more than 2.3 billion passengers a year – more than at any time since the early 1960s. Buses are the most popular mode of public transport in the capital, with nearly twice as many journeys undertaken on the bus network compared with the London Underground. Approximately 94% of London residents live within 400 metres of a bus service. As the capital's largest operator, we play a vital role in contributing to London's economy and society.

Strong and experienced management team
Running frequent bus services in the busy and congested capital is a complex operation. Go-Ahead has a very experienced management team and has successfully run bus services in London for over 20 years.

High quality services
Operating punctual and reliable services strengthens our reputation as a credible operator and enhances our earnings potential through QICs.

Cost efficient operator
In order to win contracts and maintain value we tightly manage our cost base. We pride ourselves on being a high quality cost efficient operator.

Good network of freehold depots
Our well located depots help us to run cost efficient services and win contracts. We have 17 strategically located London depots.

Rail transport plays a key role in enabling economic growth. It moves people and goods to key centres of economic activity in a safe, efficient and sustainable way. Since the industry was privatised in 1996, passenger numbers have increased by 84% to more than 1.35bn annual passenger journeys today. This is the highest number of journeys in peacetime since the 1920s. We carry more passengers than any other UK operator and are committed to working with industry partners to provide a more cost effective and sustainable rail network for rail users and tax payers.

Experienced and highly skilled operator
Go-Ahead's management teams have been successfully running high quality rail services on busy commuter networks for 15 years.

Innovation and partnerships
Through innovation and forming strong alliances with key industry partners we have delivered improvements for passengers and efficiency savings.

Resourceful management
We have demonstrated our ability to manage our operations flexibly and resourcefully in order to maximise returns in a challenging economic environment, without compromising service quality.

Strong bid team
Compiling a rail franchise bid is a detailed process which requires a high level of skill. Our permanent rail bid team has in depth knowledge about the industry and we have a proven track record of delivering successful bids.

High quality services
By providing punctual and convenient services we attract more passengers onto our trains.

Effective marketing
Through award winning marketing campaigns highlighting value for money fares we drive demand, particularly off-peak.

Divisions at a glance

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

Bus

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

No. of employees

12,750

No. of buses

4,590

Average age of bus fleet

7.4 years

Turn to page 35 to read more about our bus division

	2012*	2012	2011
Total bus operations			
Revenue (£m)		691.3	642.4
Operating profit (£m)		70.2	67.1
Margin		10.2%	10.4%
Deregulated bus			
Revenue (£m)		312.9	290.9
Operating profit (£m)		35.4	33.7
Margin		11.3%	11.6%
Regulated bus			
Revenue (£m)		378.4	351.5
Operating profit (£m)		34.8	33.4
Margin		9.2%	9.5%
Revenue growth			
Deregulated	4.7%	7.6%	5.1%
Regulated	5.8%	7.6%	(2.3)%
Volume growth			
Deregulated – passenger journeys	2.8%	4.5%	2.3%
Regulated – miles operated	3.9%	5.6%	(0.6)%

* Like for like excluding acquisitions.

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.

No. of employees

10,150

No. of trains

1,320

No. of daily services

5,500

Turn to page 38 to read more about our rail division

	2012	2011
Total rail operations		
Total revenue (£m)	1,732.5	1,654.6
Operating profit (£m)	40.0	48.0
Margin	2.3%	2.9%
Passenger revenue growth		
Southern	7.9%	8.6%
Southeastern	10.1%	8.4%
London Midland	13.3%	8.6%
Volume growth		
Southern	1.2%	2.3%
Southeastern	1.3%	5.0%
London Midland	7.4%	7.2%

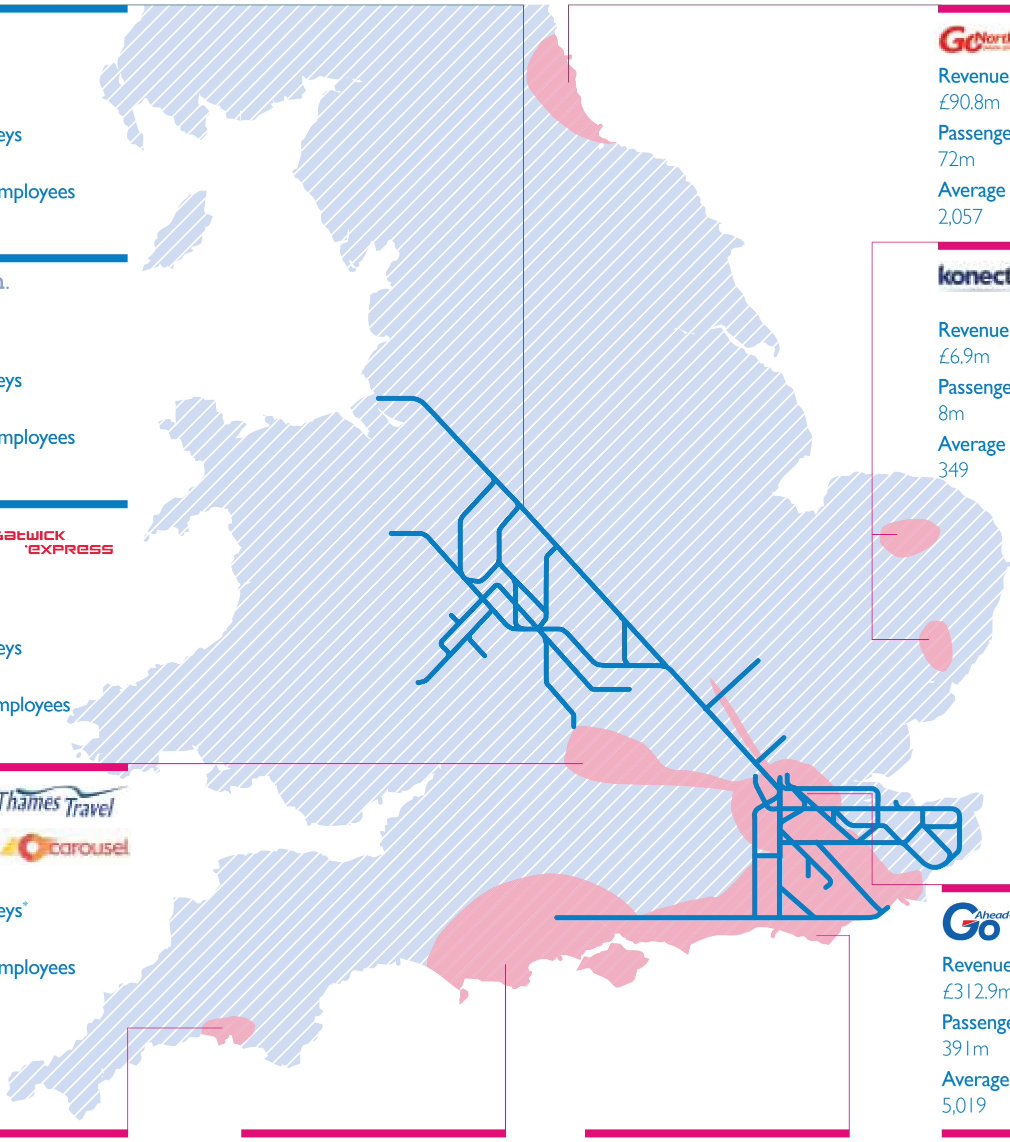
Key performance indicators

Turn to page 22 to read more about the non-financial KPI's of our divisions

Unless otherwise stated, operating profit excludes amortisation and exceptional items.

Where we operate

We operate bus and rail services predominantly in the UK, focused in South East England. We also have a small presence in the North America yellow school bus market.



londonmidland

Revenue
£332.5m
Passenger journeys
60m
Average no. of employees
2,318

southeastern.

Revenue
£733.0m
Passenger journeys
165m
Average no. of employees
3,764

SOUTHERN **Gatwick Express**

Revenue
£667.0m
Passenger journeys
164m
Average no. of employees
4,067

oxford bus company **Thames Travel** **carousel**

Revenue
£40.6m
Passenger journeys*
23m
Average no. of employees
718

Go North East

Revenue
£90.8m
Passenger journeys
72m
Average no. of employees
2,057

konectbus **Anglian Bus** **H.C. Chambers & Son Ltd.** **Hedingham and District**

Revenue
£6.9m
Passenger journeys*
8m
Average no. of employees
349

Go Ahead London

Revenue
£312.9m
Passenger journeys
391m
Average no. of employees
5,019

Plymouth citybus

Revenue
£18.9m
Passenger journeys
14m
Average no. of employees
462

go southcoast

Revenue
£81.3m
Passenger journeys
44m
Average no. of employees
1,532

Brighton & Hove

Revenue
£54.6m
Passenger journeys
48m
Average no. of employees
1,144

METROBUS

Revenue
£85.3m
Passenger journeys
79m
Average no. of employees
1,471

Key Rail Bus

* Passenger journeys for companies acquired in the year are approximate annual figures.

Chairman's statement

"May 2012 marked the 25th anniversary of Go-Ahead. Our Group is now unrecognisable from its starting point as a small bus company based in the North East. However, there are some things that haven't changed – our focus on the local nature of public transport and our dedication to provide high quality services."

Sir Patrick Brown, Chairman

"We are a high quality operator with leading market positions in the bus and rail sectors and are well placed to benefit from the growing need for a sustainable and efficient public transport system."

Over the Group's 25 year history, our bus acquisitions have provided us with a strong and sustainable core. This is complemented by our significant and established presence in the UK rail market, built up over the years following the privatisation of the industry in 1996.

Go-Ahead is now one of the largest transport groups in the UK employing around 23,000 people.

Strong demand for services in a challenging economic environment

The Group has delivered another strong performance. In the year to 30 June 2012, we carried a record 1.1 billion passengers on our bus and rail services and achieved sector leading growth in our core bus operations.

This is a significant achievement and demonstrates the effectiveness of the Group's long standing strategy of providing high quality and locally focused passenger transport services. For us, quality means meeting the expectations of our passengers across all elements of the journey from safety, comfort, and value for money to reliability, availability of information and ease of buying a ticket.

Innovative marketing campaigns combined with our efforts to make travelling on our services more convenient and cost efficient through the roll out of smart-ticketing have helped to drive organic growth. In addition, the rising cost of motoring, together with other pressures on household budgets, has encouraged more people to take advantage of the good value offered by our services.

Revenue for the year was £2,423.8m, 5.5% ahead of last year (2011: £2,297.0m) underpinned by strong passenger revenue growth in deregulated bus and rail and new contract wins in London bus. Operating profit was £110.2m (2011: £115.1m). Excluding the £13.0m of one-off rail contract management benefits last year, underlying operating profit was up £8.1m.

Business development and acquisitions

In addition to growing the Group organically, we acquired a number of value enhancing bus businesses during the second half of the year.

Complementing our existing commercial bus operations in the south of England, we acquired four deregulated businesses. We also strengthened our position in the London bus market by expanding into a new operating area through the acquisition of a depot and associated contract routes in North London.

In rail, we are delighted to be on the shortlist for the new combined Thameslink, Southern and Great Northern franchise (Thameslink) and our highly experienced rail development team are working hard to deliver a strong bid, designed to create value for shareholders, passengers and tax payers.

Full details can be found in the finance and business review from page 34

Shared value and a sustainable approach

As a public transport provider, our growth benefits the economy, society and the environment and we are proud of the role we play in creating shared value. More passengers using our services means fewer car journeys on the road, less congestion and pollution and improved social inclusion. Public transport plays a crucial role in building a successful economy by providing essential access to labour markets, businesses and education.

For Go-Ahead, running our businesses sustainably is integral to our success. Delivering safe, reliable and value for money services helps us to grow passenger numbers. At the same time, ensuring our buses and trains are energy efficient helps us to protect the environment and reduce operating costs. We work hard to build strong relationships with our local communities so that we can play a wider role as a responsible citizen in the towns and cities in which we operate.

Unless otherwise stated, operating profit excludes amortisation and exceptional items.

Our efforts to operate responsibly were recognised this year when Go-Ahead achieved the highest transport operator rating in Britain in the Government's new Carbon Reduction Commitment league table. Ranking companies on their energy efficiency performance, our score placed us in the top 5% of more than 2,000 companies. We were also delighted to be named the tenth best company in the world for our sustainability performance by EIRIS, a leading global provider of independent research into the ethical performance of companies.

As a result of acquisitions made in the financial year, the average number of employees increased by around 800, bringing the Group total up to 23,000. I would like to thank our staff for their continuing dedication and hard work to ensure we remain a strong and successful Group.

Full details can be found in the sustainability report from page 43

Robust corporate governance

Our Board of Directors has a broad range of experience and expertise and is committed to the principles of best practice in corporate governance. During the year, we implemented a number of improvements identified from the evaluation of the Board the previous year and have endeavoured to maintain and improve the overall effectiveness of the Board. We have also kept under review the advancement of Lord Davies' recommendations on gender diversity and recognise the importance that diversity, including gender diversity, can bring to our business.

I am delighted to welcome Nick Horler as independent Non-Executive Director to the Board. Nick was appointed in November 2011 to replace Rupert Pennant-Rea who, having served on the Board for more than nine years, can no longer be considered as independent. Nick brings a valuable insight into Go-Ahead's development of social networks and digital marketing which is required to attract new passengers, as well as practical experience of a regulated industry. Rupert will continue to serve on the Board as a non-independent Non-Executive Director. Rupert has been succeeded by Andrew Allner as Senior Independent Director and by Katherine Innes Ker as Chairman of the Remuneration Committee.

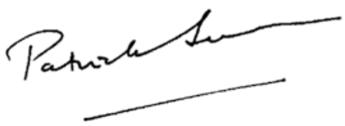
Full details can be found in the corporate governance report from page 54

Dividends

The Board remains committed to maintaining the dividend per share as we recognise its importance to the investment decision of many shareholders. This commitment is supported by our robust balance sheet and strong cashflows. The Board is proposing a final dividend of 55.5p per share (2011: 55.5p) to maintain the total dividend for the year at 81.0p (2011: 81.0p). The final dividend is payable on 16 November 2012 to registered shareholders at the close of business on 2 November 2012.

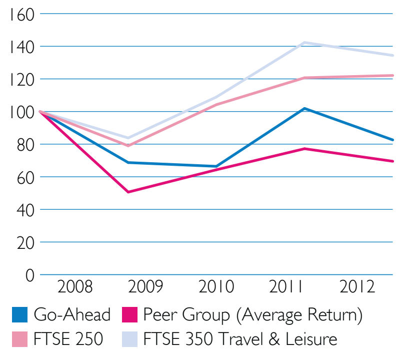
Conclusion

As Go-Ahead enters the next phase of its development, I am confident the Group will continue to deliver value for our passengers, employees and shareholders. We are a high quality operator with leading market positions in the bus and rail sectors and are well placed to benefit from the growing need for a sustainable and efficient public transport system.



Sir Patrick Brown, Chairman
5 September 2012

Total shareholder return



Peer group consists of FirstGroup plc, National Express Group plc and Stagecoach Group plc.

Group Chief Executive's review

"Over the last year, Go-Ahead has made significant progress in building a stronger Group and delivering on our strategic goals. Most recently, I am really proud of the key role our staff played in helping to deliver a highly successful transport network for the London 2012 Olympic Games."

David Brown, Group Chief Executive

Against a challenging economic backdrop, we have continued to drive growth across our bus and rail companies. Our local market focus and commitment to improving the passenger experience have attracted more people to our convenient and value for money services. During the year, we further strengthened our position in the UK bus market through five acquisitions and were delighted to have been shortlisted for the new combined Thameslink rail franchise.

We operate in a market that has many fundamental strengths. Higher motoring costs, increasing road congestion and a recognition amongst all major political parties that investment in public transport is vital to the economy, society and environment are drivers for long term growth.

Bus

At the core of the Group is our bus division which consists of commercially run businesses outside of London (deregulated) and our London business where we run tendered services on behalf of Transport for London (regulated).

Deregulated

Our deregulated bus business performed exceptionally well in the year, delivering record operating profit and sector leading passenger growth. This is a significant achievement and is driven by our high quality, locally focused services and by tailoring our marketing and products to match the changing needs of our customers.

The majority of our operations are based in the South of England in vibrant urban areas and along commuter growth corridors where demand for public transport is strong. In line with our strategy to grow our core commercial bus business we acquired four value-enhancing bus businesses from independent operators, adding to our portfolio of resilient operations

A year of progress

October 2011
- Winner of Excellence in Technology for "the key" smartcard at the National Transport Awards.

November 2011
- Go-Ahead was ranked in the top 5% of more than 2,000 UK companies in the Government's Carbon Reduction Commitment energy league table.

January 2012
- Go-Ahead achieved an industry first by installing smartcard ticket machines on all of its buses outside London.

February 2012
- Announced acquisition of Carousel Buses Limited, based in High Wycombe, Buckinghamshire.
- Southern was named Rail Business of the Year at the Rail Business Awards.

March 2012
- Acquisition of Essex-based company Hedingham Omnibuses and Northumberland Park bus depot in North London.
- Shortlisted for new Thameslink rail franchise.

April 2012
- Acquisition of HC Chambers & Son Limited, a small bus company operating on the Essex/Suffolk border.
- Achieved gold rating in Business in the Community's Corporate Responsibility Index.

May 2012
- Go-Ahead was named the 10th best company in the world for its social, environmental and governance performance by EIRIS – a leading global provider of ethical research.

June 2012
- Acquisition of Anglian Buses in Suffolk.
- Southeastern achieved 5 stars in the Recognised for Excellence (R4E) programme and was accredited with Investors in People 'Gold' standard.

Unless otherwise stated, operating profit excludes amortisation and exceptional items.

in the South. These businesses provide a strong platform from which we can drive continued growth through capital investment, commercial expertise and synergies. We believe that public transport is about local markets and we therefore recognise the importance of maintaining the strong local brands of the companies that we acquire.

Although our presence is significant in the bus market outside of London, our overall market share is relatively small. We therefore believe there is long term potential for us to strengthen our deregulated business and we continue to seek value adding acquisitions across the country.

We are committed to investing in our fleet to provide an attractive alternative to the private car. During the year we spent over £20m on 125 new buses and placed a £10m order for an additional 45 carbon efficient hybrid buses. In an industry first, we launched "the key" smartcard across our deregulated business making travelling on our services more convenient and cost effective.

The popularity of "the key" has grown significantly and it is now the most comprehensive and widely used smartcard ticketing system in Britain, outside of the Oyster card in London. We will continue to invest in the development of smart-ticketing as we believe it enhances long-term growth. In addition to making travel more convenient for our passengers, smart-ticketing enables us to develop a valuable customer marketing database. We have already made significant progress and are excited about the opportunities ahead.

As a result of increasing fuel costs and following the Government's decision to reduce funding through the Bus Service Operators Grant, it was necessary to target cost efficiencies and increase fares to offset the impact. In line with the industry, our local management teams increased fares on some of our routes between 4% and 7% in April 2012, whilst continuing to promote value for money products. We were pleased that passenger numbers continued to rise during the fourth quarter. Reductions in Government funding reinforces our view that focusing on our core commercial operations is the right business model.

Listening to our passengers and acting on their feedback is key to our business. We are the only major transport group to conduct an annual independent customer satisfaction survey across our bus companies. This year our score averaged an impressive 90%, rated the best in the sector by Passenger Focus.

Regulated

We are the largest bus operator in London operating around 150 routes for Transport for London. Our business is sector leading, driven by our ability to provide high quality and cost efficient services. During the year, like-for-like mileage operated increased by 3.9%, reflecting new contract wins.

Our operating profit margins remain best in class despite tougher targets driving down quality incentive contract payments, demonstrating the strength of our management teams and our constant process of seeking improved operating efficiencies. Running frequent and punctual bus services in the busy and congested capital is a complex business and we have been successfully operating in the London market for over 20 years .

In March 2012, we were pleased to acquire Northumberland Park depot in North London from FirstGroup, providing a new area of operation for the Group and demonstrating our long-term confidence in the London bus market. We are making good progress in aligning the performance of Northumberland Park depot with our other market leading London operations.

Along with providing our normal London bus services, we were delighted to have been awarded contracts to provide transport for the 2012 Olympic Games and played a key role in transporting officials and athletes to the spectacular opening and closing ceremonies and the sailing event in Weymouth.

Rail

Our rail division operates the Southern (including Gatwick Express), Southeastern (including High Speed) and London Midland franchises through our 65% owned subsidiary Govia.

Our rail operations performed well during the year, with operating profit ahead of last year on an underlying basis. Last year included £13.0m of one-off rail contract management benefits.

Southeastern has made significant progress in managing the business to deliver value for passengers, employees and shareholders. During the year, the franchise achieved the highest ever customer satisfaction and punctuality scores on the south eastern network since records began.

Our people: thinking like a passenger

Denise Janes, Southeastern, Ticket Office Clerk

"My passion is customers and I truly love my job."

Providing a high quality service is a strategic priority for us and we encourage our employees to think like a passenger at every stage of the journey.

Denise Janes works at the ticket office at Shortlands Station on the Southeastern network and is a well known face to all who use the station. She was crowned the national customer service champion at the prestigious annual Institute of Customer Service Awards, beating over 200 entries from a wide range of industries.

Jo Causon, Institute of Customer Service, Chief Executive said: "Dee is a perfect example of someone who puts the needs of customers at the heart of everything she does. She is a credit to her employer and a role model for all professionals working in frontline service roles."

> *"You can't buy private transport this good."*
>
> **Kobe Bryant, American professional basketball player, referring to Southeastern's Javelin service during the London 2012 Olympic Games.**

Leading the way

As our passengers' expectations around travel information change, we have led the way in embracing the use of social media. Using Twitter and Facebook, our bus and rail companies have transformed the way they communicate with customers, particularly during disruption. London Midland holds the Putting Passengers First National Rail Award for using Twitter to communicate with customers.

Value for money

We continue to raise awareness of our value for money fares through targeted marketing campaigns and by driving passengers to our online sites to ensure they receive the best fares available.

Most recently, Southeastern's Javelin rail service played a key role in the transport plan for the Olympics and Paralympics, transporting spectators from St Pancras to the Olympic Park in just seven minutes. An estimated one in ten of all ticket holders travelled at least part of their journey on a Southeastern service and punctuality over the Games was an impressive 96%. I am really proud that we were able to demonstrate the high quality of our staff and services at this historic event.

Overall, Southern performed well in the year, although as previously highlighted in June, the economic environment has started to present challenges. The bid model, which was put together in 2009, assumed stronger underlying economic growth rates than are currently being experienced.

London Midland achieved particularly strong underlying growth over the year and recently scored its highest ever customer satisfaction rating of 87%. Passenger journeys were up 7.4%, benefitting from award winning marketing campaigns aimed at driving off-peak demand. As a result of this excellent performance London Midland remains the only franchise of its time that is not in receipt of revenue support.

The European Foundation for Quality Management (EFQM) and Recognised for Excellence (R4E) programme is now embedded within all three of our rail franchises to assist us in identifying opportunities for continuous improvement in management, operation and service delivery. R4E 5 is the highest achievable rating and we were delighted that Southeastern and London Midland attained this level.

As the rail industry seeks to evolve and work together more closely, Southeastern and Southern have formed alliances with Network Rail. One of the outcomes of the alliance, in order to enhance customer experience and provide better industry value for money, saw Southern take full ownership of the day-to-day management of Gatwick Airport station from Network Rail. London Midland, in partnership with key industry players, has been working on an innovative project to increase capacity on the West Coast Main Line by modifying trains to enable them to run at a maximum speed of 110mph. Once in operation, the trains will create faster services into London Euston as well as increasing capacity on one of the most intensively used networks in Europe.

We continue to raise awareness of our value for money fares through targeted marketing campaigns and by driving passengers to our online sites to ensure that they receive the best fares available. During the financial year we generated £80m of revenue online, an increase of 60% compared to the prior year. We now have over two million rail passengers on our Group database who receive regular updates about relevant offers.

We were delighted to have been shortlisted to bid for the new Thameslink rail franchise. This franchise will be the largest in the UK with annual passenger revenues of £1billion and is expected to run for seven years.

Our three rail franchises carry almost a third of all rail passengers in England. We have significant experience of successfully managing complex commuter franchises and delivering industry-leading projects such as High Speed 1. We will be using this expertise to deliver a strong bid on an appropriate risk reward basis. We look forward to receiving the Invitation to Tender document expected in October 2012 which will include the detailed structure of the franchise. The announcement of the winning bid is due in May 2013.

We are entering a busy period for the UK rail industry. Over the next four years 12 franchise contracts will be tendered, presenting significant growth opportunities for the Group.

Decentralised structure and local focus

Underpinning Go-Ahead's strategy of running high quality transport services is our local market focus and decentralised structure and this approach has served the Group well over its 25 year history. Whilst many of the areas in which we operate have common features, they each have their own unique characteristics. Our local management teams have in-depth knowledge of the markets they operate in and this has helped us meet the recent economic challenges.

Whilst our local managers have the autonomy they need to successfully run their businesses, our devolved business model is supported by a robust corporate governance framework that incorporates frequent and stringent checks on the performance of each company by the Executive Directors. We also seek to maximise the benefits of operating together as one large organisation. For example, we have made significant progress in centralising procurement which has reduced costs by around £30m over the last four years. This year we launched internally focused 'Better Together' forums to help our companies capitalise on the shared knowledge and experience within the Group in order to drive growth and efficiencies.

Sustainability

For Go-Ahead, sustainability is about operating our trains and buses safely, reducing the impact of our operations on the environment and being totally focused on our customers' needs. It also means developing our staff and enriching our local communities. By following these values we believe we are better able to grow our business profitably for our shareholders.

Our performance across the sustainability agenda is incorporated throughout this report. We believe in being open and transparent about our performance and provide detailed information on our website, including individual reports for our bus and rail companies.

As a public transport provider many aspects of operating responsibly are integrated into the day-to-day running of our bus and rail services but we also recognise the importance of setting longer term targets and objectives. Our number one priority is ensuring the safety and security of our passengers, our people and the general public. We continually strive to improve our already high safety performance and have made good progress this year against our safety key performance indicators.

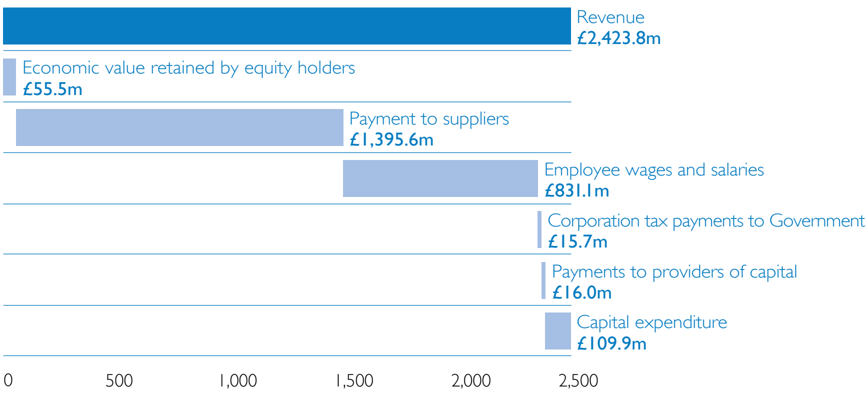
We are committed to reducing our CO_2 emissions per passenger journey by 20% by 2015 through our Driving Energy Further programme. Investment, innovation, a focus on consistently measuring our performance, together with the commitment of our employees to reduce energy use, means we have achieved a 14% reduction to date with a 2% improvement in the year.

Our 23,000 employees are key to the Group's success. I am continually impressed by the extent to which our people display a genuine commitment to providing a high quality service, to the health and safety of their passengers and colleagues, and to seeking ways of improving the passenger experience and the environmental performance of their business.

Economic contributions

As one of the leading providers of public transport in the UK we are proud of the role we play in building a strong and sustainable UK economy. We are a major UK employer, directly employing around 23,000 people and we carry over one billion passengers a year on our bus and rail services, providing essential links to labour markets and providing support to local businesses and retail economies.

We also make a direct contribution to the economy through investment and expenditure on suppliers, salaries to employees, taxes paid to the UK Government and dividends to shareholders, many of which are major UK pension and investment funds. In addition, we made a net payment to the Government of £18.0m in respect of fuel duty for running our 4,600 buses and we expect to become a net contributor to the Department for Transport in 2012/13 for our rail operations.



£2,423.8m
Total revenue

Our people: making a difference

Kevin Carr, Go North East, Managing Director

"I am immensely proud to be leading a company I have worked in for over 35 years."

The dedication and hard work of our employees underpins Go-Ahead's performance. We are committed to investing in our staff to give them the tools and training they need to develop their skills and add value to the Group through continuous improvement and innovation.

Kevin joined the former Northern General Transport Company in 1975 as an apprentice electrician and was assistant engineer when the company was acquired by Go-Ahead in 1987, following deregulation of the industry. Kevin subsequently worked in a variety of senior roles at Go North East and was appointed Managing Director in February 2012.

"the key" facts

70,000
key transactions a day

250,000
smartcards in issue – our target is 500,000 by 2014

40%
of Oxford Bus Company's bus passengers already use "the key"

87%
of passengers surveyed during the Southern pilot said they would recommend "the key" to others

David Brown, Go-Ahead Group Chief Executive, Andrew Wickham, Go South Coast Managing Director and Transport Minister Norman Baker at the launch of "the key" in Bournemouth earlier this year.

During the year, we introduced new performance management processes designed to reward individual performance, supported by talent planning, leadership reviews, behavioural frameworks and common values across the Group. We spent £10m on training our staff to further develop their skills and performance and were delighted that Southeastern achieved the impressive Gold Investors In People accreditation.

In addition, we undertook our first annual employee survey across the Group's head office and our three rail franchises to understand levels of employee engagement and identify ways of making Go-Ahead a better place to work. The results were encouraging, showing staff in our train companies are more engaged than the UK rail industry average. We plan to roll the survey out across our deregulated bus companies next year.

Supporting local communities is a key element of our sustainability strategy. Our bus and rail companies provide essential transport links to the workplace, schools and universities and to key services and leisure activities. This year we invested in 'Go Learn', a free education resource for teachers designed to help educate young people about the value of public transport in our daily lives. In total, we spent £200,000 on charitable giving and investment and entered into new three-year charity partnerships with Railway Children and Transaid.

Outlook

Despite the challenges facing the economy, the new financial year has started well and trading is in line with the Board's expectations.

We will continue to work hard to attract more passengers by providing high quality, value for money services combined with innovative marketing and products. We will also seek to drive the business forward by leveraging the benefits of Group scale, targeting further cost efficiencies and carefully assessing all potential growth opportunities.

We expect to deliver another strong result in bus, even with significant cost headwinds arising from the reduction in BSOG and increased fuel costs. In rail, we anticipate a robust performance despite higher bid costs and a weaker performance in Southern, due to the impact of the economic climate on the franchise bid profile.

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

David Brown, Group Chief Executive
5 September 2012

For further detail on bus and rail performance and outlook please refer to the finance and business review from page 34

Group Chief Executive's questions and answers

David Brown, Group Chief Executive, addresses topical questions from investors. David has nearly 30 years experience in the transport sector.

"We have a proven track record of delivering complex projects in partnership with key industry players."

You have been in the role of Group Chief Executive for a year now – are you happy with the Group's performance?
I am very pleased with the Group's performance. We have grown both organically and acquisitively in line with our strategy and have achieved record operating profit in our bus division. We have delivered the strongest growth rates in the sector in our regional bus business and have acquired four value-adding bus companies. In London, we continue to be a high quality and cost efficient operator. We have secured additional contract wins and expanded our business with the acquisition of a depot and contract routes in North London. In rail, our three franchises have performed well despite the challenging economic environment and we are delighted to be on the shortlist for the new Thameslink rail franchise.

You have significant headwinds in your bus division next year. How do you plan to offset these?
We will be impacted next year by an increase in our hedged fuel price and by a reduction in the subsidy received from Government for fuel duty, known as Bus Service Operators Grant. In line with the rest of the sector it has been necessary for us to look for cost efficiencies and increase fares in our deregulated business to mitigate this impact. In London the cost increase has been built into new contracts. Despite the significant headwinds, we expect to deliver a good result in bus next year as a result of contract wins in London, contributions from acquisitions and management action taken to offset these cost increases.

How confident are you that Go-Ahead can win the Thameslink rail franchise?
We are the busiest rail operator in the UK and with 15 successful years in the market I believe we are in a good position. As the current operator of Southern and former operator of Thameslink, we know the network very well. We have a proven track record of delivering complex projects in partnership with key industry players and with Keolis, our minority joint venture partner, we have the technological experience required for what will be the largest franchise in the UK. Our permanent bid team is very focused on delivering a successful bid that will add shareholder value.

How secure is the dividend?
We understand that our dividend policy is a key part of the investment decision for many shareholders. Maintaining the dividend per share remains a high priority for us and is supported by our strong balance sheet and cash generation.

Looking ahead, what are your priorities for the near term future of the Group?
Growing the bus business will be a key priority. I believe we can achieve this organically by remaining at the forefront of what passengers want, combined with targeted marketing, seeking further cost efficiencies and benefits of scale. I also believe there is substantial scope to grow the business through value-enhancing acquisitions. In rail, we are committed to maintaining our significant share of the market by securing franchises that deliver value to passengers, tax payers and shareholders. Our 23,000 employees underpin our good performance and we will continue to invest in training to develop their skills and performance.

Our markets

"An efficient transport network is essential for driving economic growth and is, therefore, key to our long-term prosperity as well as our everyday quality of life."

Department for Transport, March 2012

"The cost of driving a car has a substantial impact on the demand for passenger rail travel – far larger than has been traditionally expected."

Study by DfT, Oxera & Arup, May 2012

Two important drivers of the transport market are economic growth (GDP) and employment. In the 12 months ended June 2012, GDP fell by 0.8% and employment rose marginally by 0.6%. Whilst the economic climate has resulted in difficult UK market conditions, the bus and rail markets have remained relatively resilient. We have seen growth across all our businesses due to a number of push and pull factors, including the increasing cost of motoring, our focus on providing high quality convenient services, innovative products and marketing.

The Government continues to strongly support public transport and has announced a number of long term investment plans, particularly in the rail industry such as High Speed 2. 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. Bus and rail travel accounts for only 14% of total distance travelled in the UK[1]. There is therefore a significant market opportunity to stimulate modal shift from the car to public transport.

Whilst the near term outlook for the economy remains challenging, we believe we are well placed to benefit from an improvement in economic conditions and long term investment in the sector.

Declining car use

Statistics show car usage has continued to fall since 2007. The high cost of motoring is most widely cited as the main cause as petrol prices alone have increased by 40% over the last five years[2]. As a result, more and more people are leaving their cars at home and using public transport, finding that services are frequent, reliable and high quality.

However, recent research suggests the decline is not attributable solely to economic pressure. There has been a behavioural shift towards using public transport particularly amongst the younger generation living in urban centres[3]. It is often more convenient to travel on public transport because of congestion and limited car parking spaces and there is an increasing focus on living 'greener' and healthier life styles, evidenced by the significant rise in cyclists. In response to this shift, we have significantly increased cycle storage capacity at our stations and introduced innovative new products such as "the key lifestyle" which promotes bus travel with multi-modal travel benefits such as discounted bicycle hire.

Modal shift

- The number of 17 to 22 year-olds taking their driving test has fallen by 19% since 2005[4]
- Insurance premiums for 17-20 year olds have risen 68% on avg over the last five years to £2,590[5]
- A 5% rise in petrol prices can lead to around a 1% rise in journeys on the rail network[6]

Bus

The UK bus market is comprised of two models: the London market, which is regulated by Transport for London (TfL), and the rest of the UK, which is largely operated on a commercial basis.

Deregulated market (outside London)

Competitive environment

Figure 1 shows the composition of the deregulated market. Although we face competition from other operators, the private car is a major competitor to the bus industry. In order to encourage modal shift, we both invest in our fleet and promote value for money fares.

Macro economic impacts

Figure 2 shows that overall the bus market in England (excluding London) has been affected by the economic climate. However, it is important to note that there are considerable local and regional variations. As the graph shows, Go-Ahead has significantly outperformed the wider local bus market, demonstrating the strength of our business model and strategy. In general, revenue from local bus operations is less exposed to a weakening macro environment than many other types of business. Typically, around 70% of a bus company's cost base is flexible and if necessary, operators can adjust pricing and frequency of services.

1. Department for Transport, for the year ended March 2011.
2. Automobile Association (AA).
3. Schipper and Millard-Ball, Are We Reaching Peak Travel? November 2011.
4. BBC Report, August 2011.
5. Confused.com/Towers Watson, January 2012.
6. Association of Train Operating Companies, May 2011.
7. Transport for London.
8. Transport for London Business Plan.
9. National Office of Statistics May 2012.
10. Department for Transport.

Political support

The Government continues to support the bus industry, although funding has come under pressure in recent years. There has been a reduction in subsidy received for fuel duty, known as Bus Service Operators Grant (BSOG), a reduction in funding for tendered services and the amount available to operators for carrying pensioners and disabled people for free.

Go-Ahead is not highly exposed to a reduction in funding for tendered services, as around 90% of our deregulated business is run on a commercial basis and our concessionary reimbursement rates have remained relatively stable at around 50% of the full fare. Reductions in Government funding reinforces our view of focusing on our core commercial operations.

Recent initiatives to help the industry have directed support towards sustainable economic growth. For example, the Green Bus Fund encourages operators to purchase carbon efficient hybrid buses by subsidising the capital cost. The Local Sustainable Transport Fund is designed to improve partnerships between bus companies and local authorities with the key objective of building a strong economy and reducing carbon emissions.

Growth opportunities

Go-Ahead's overall market share is relatively small in comparison to those of other operators plus around 30% of the market is operated by private businesses or local authorities. Both of these factors provide the opportunity for us to grow the business acquisitively.

Encouraging modal shift presents significant organic growth opportunities. The average bus journey is fewer than three miles and almost 50% of car journeys account for the same distance[7].

Full details on our deregulated performance can be found in the finance and business review from page 34

London

Competitive environment

Figure 3 shows the composition of the London market. Although the market is competitive, with numerous operators bidding for contracts from Transport for London, we pride ourselves on being able to deliver high quality and cost efficient services.

Macro economic impacts

In general, London bus operators are not directly exposed to short term changes in the macro economy. Revenue collected from passengers is retained by TfL and the setting of fares is the prerogative of the Mayor of London. Operators receive a fixed fee from TfL for running services. The contracts are usually five to seven years in duration. Operators are exposed to changes in their cost base.

Political support

It is likely the capital's bus network will remain relatively stable over the next few years despite the economic environment. In the longer term, however, TfL remain committed to ensuring London has a growing sustainable public transport network due to an increasing population and its target to reduce London's greenhouse gas emissions by 60% by 2026[8].

Growth opportunities

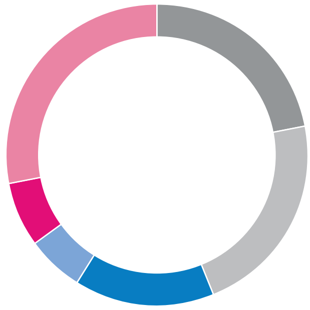
In the short term we are able to grow through additional contract wins and by moving into new areas of the market through acquisitions. In the longer term there are significant opportunities for the market driven by a growing London population. It is estimated the capital's population will grow by more than one million people in less than 10 years[9].

Full details on our London bus performance can be found in the finance and business review from page 34

Rail

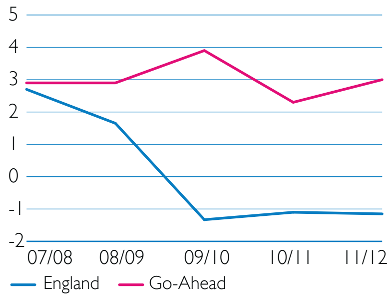
The UK rail industry is regulated by the Department for Transport (DfT). Privatisation took place in 1996 and since then passenger journeys on the rail network have increased by 84%[10]. This is as a result of unprecedented investment by train operating companies (TOCs) and the Government to improve the quality and frequency of services.

UK deregulated bus market *(Figure 1.)*

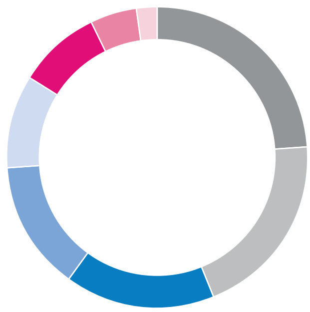


FirstGroup	22%
Stagecoach	22%
Arriva	15%
National Express	6%
Go-Ahead	7%
Others	28%

Bus volume growth in England (excluding London) vs Go-Ahead (l-f-l) (%) *(Figure 2.)*



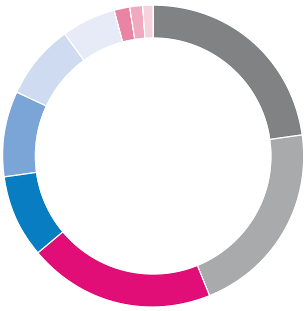
London bus market share *(Figure 3.)*



Go-Ahead London	24%
Arriva	20%
Stagecoach	16%
ComfortDelGro	14%
FirstGroup	10%
RATP	9%
Abellio	5%
Other	2%

UK rail market share (revenue)

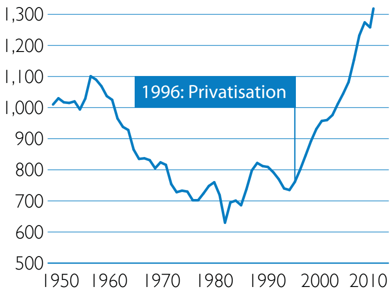
(Figure 4.)



FirstGroup	23%
Stagecoach	21%
Govia (Go-Ahead/Keolis)	20%
Abellio	9%
Arriva Deutsche Bahn	9%
DfT	8%
Virgin	6%
National Express	1.5%
Serco	1.5%
MTR	1%

UK rail passenger journeys (m)

(Figure 5.)



Since the rail industry was privatised, there has been unprecedented growth in the market, stimulated by investments in the network and better quality of services.

The DfT issues tenders for rail franchises and operators enter a competitive bidding process for the right to operate them. The UK railway infrastructure is owned and operated by Network Rail. Rolling stock is leased by rolling stock operating companies.

Competitive Environment

There are currently 19 franchises in Britain, operated by nine transport providers. Figure 4 shows the breakdown of the rail market based on revenue. Although the market is competitive with numerous transport groups bidding for franchises tendered by the DfT, we believe our expertise and experience place us in a strong position within the industry.

Competition for passengers comes from other train operators and modes of transport. We drive loyalty and growth by ensuring our rail services are convenient and reliable and by marketing attractive offers.

Macro economic factors

As much of the rail industry is driven by the economy and employment, the testing economic conditions have presented challenges. TOCs have seen volatility of earnings due to the nature of the existing franchising model requiring franchise bids to be submitted on the basis of economic forecasts years into the future.

Typically, around 70% of a rail operator's cost base is fixed and together with the high number of specifications inherent in current franchises, there is little flexibility for operators to respond to changing market circumstances.

The existing franchise structure includes a mechanism which shares excess revenue with the DfT and provides mitigation for any revenue shortfall in the later part of the franchise. Overall, the operators of rail franchises in England are net contributors to the Government. In the year ended March 2011 they provided over £200m to the Department for Transport[11].

The DfT regulates peak-time weekday fares (i.e commuter based fares). Annual increases generally do not benefit operators as the movement forms part of the subsidy reduction or premium increase built into the franchise contract. Although operators are free to set off-peak fares on a commercial basis, value for money is an important factor for price sensitive discretionary passengers.

The future of rail franchising

The Government is in the early stages of reforming the current rail franchising structure. Key features of the new structure will be the potential for greater alliancing between operators and Network Rail, in order to deliver efficiency savings and longer franchises to encourage more investment. On the basis of the details already released, it appears that each franchise will be looked at on a standalone basis and may have unique characteristics such as the time period and risk/reward profile.

Political support

All major political parties are committed to a growing rail network. Plans for the proposed High Speed 2 network, between London and the North of England, via the Midlands are progressing and in July 2012 the Government announced the biggest investment in the rail network since Victorian times.

Growth opportunities

Twelve franchises come up for tender in the next four years presenting significant growth opportunities for the Group.

Franchises expected to be tendered over the next 12 months

Franchise	Bid process begins	Awarded	Start date	Approx. annual revenue
Thameslink	December 2011	May 2013	September 2013	£1.1bn
East Coast	October 2012	August 2013	December 2013	£0.6bn
Southeastern	December 2012	December 2013	April 2014	£0.5bn
Northern	December 2012	December 2013	April 2014	£0.3bn
Scotrail	December 2012	July 2014	November 2014	£0.3bn
Greater Anglia	December 2012	March 2014	July 2014	£0.5bn
Crossrail	March 2013	September 2014	April 2015	£0.6bn

Dates shown are subject to change.

Full details on our rail performance can be found in the finance and business review from page 34

11. Association of Train Operating Companies

Strategy and KPIs

The Group has performed well this year, achieving both organic and acquisitive growth in line with our strategic principles.

Whilst Go-Ahead's Board is responsible for the key strategic decisions made for the Group, every employee contributes to the successful delivery of our strategy.

We run our business adopting four key strategic principles which enable us to grow the business and deliver shareholder value. Our bus and rail divisions apply these principles while delivering against their own strategic objectives.

Group and business strategies

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

2 **To provide high quality, locally focused passenger transport services**

3 **To focus our operations in high density urban markets**

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

Our rail strategy
Grow organically in our existing franchises and deliver on our franchise commitments. We aim to protect the future of rail profitability by managing our operations resourcefully and flexibly to maximise returns, retaining existing franchises when they come up for retender and securing new franchises. Our aim is to turn this fundamentally strong business and our significant share of the UK rail market into greater shareholder value.

Our deregulated bus strategy
Grow our market share of the deregulated UK bus industry organically, by driving passenger volumes through initiatives such as smart-ticketing and targeted marketing. We also seek to grow the business through value adding acquisitions. We comprise only 7% of the deregulated bus market therefore we believe there are significant growth opportunities.

We will strive to improve our operating profit margins by driving revenue growth and achieving efficiencies across the division, whilst our locally focused management teams continue to provide high quality operations to our customers.

Our regulated bus strategy
Maintain our sector leading 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.

Group strategic principles

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

As a public transport operator, corporate responsibility 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.

2012 progress

Safety

- Almost 90% of our bus fleet is fitted with CCTV.
- There has been a significant reduction in bus accidents per million miles, down 39% on last year.
- Crime on our rail networks has reduced by 3% in the year.
- Signals passed at danger (SPADs) reduced by over 20% in the year.

Driving Energy Further

- We have now achieved 14% of our target to reduce carbon emissions by 20% in 2015 with a 2% reduction in the year to 30 June 2012.

Site Energy

- Improvements such as fitting energy efficient LED lighting in outside areas have contributed to reducing site energy usage by almost 6% in the year.

Fuel efficiency

- A continued focus on driver training has helped to improve fuel efficiency in the year.

Olympic delivery

- Thorough preparation during the financial year enabled us to successfully play a key part in the transport provision of the 2012 Olympic Games. We were delighted to be involved in making the Games a great success and were pleased to have the opportunity to showcase our high quality services and staff. An estimated one in ten ticket holders travelled at least part of their journey on a Southeastern service. Punctuality on these services during the Olympics was an impressive 96%.

2013 priorities

Safety

- Improve performance against our Group targets to improve safety KPIs by at least 20% by 2015.

Environment

- Make further progress towards our targeted 20% reduction in carbon emissions per passenger journey by 2015.

Staff

- More staff to receive work-related training in order to enhance performance and development.

Community

- Continue to provide a positive contribution to the communities in which we operate.

Turn to page 43 for more information regarding sustainability

Our key performance indicators

The following KPIs underpin our strategic principle to be a responsible operator.

RIDDOR accidents per 100 employees

The reporting of injuries, diseases and dangerous occurrences regulation (RIDDOR) is a statutory requirement for all companies and relates to a work place incident which 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.

Aim: To reduce RIDDOR accidents by 60% by 2015[1] (previously 50%).

2012 performance: 1.01 RIDDOR accidents per 100 employees, an improvement of 11.4%.

Bus accidents per million miles

The Board monitors the number of bus accidents which 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 helps us to manage accident claim costs.

Aim: To reduce by 50% by 2015[1] (originally 20%).

2012 performance: 31.51 bus accidents per million miles, an improvement of 39.0%.

SPADs per million miles[2]

Across the rail industry train operating companies are legally required to report 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. The industry average is 0.61[3].

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

Aim: To reduce SPADS by 60% by 2015[1] (previously 50%).

2012 performance: 0.58 SPADS per million miles, an improvement of 22.7%.

Carbon emissions per passenger journey[4]

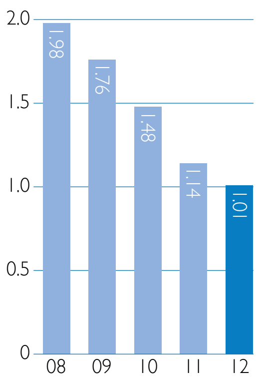
We monitor the carbon emissions from our operations per passenger journey.

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.

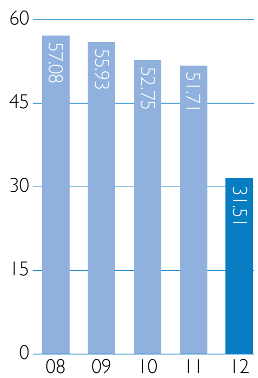
Aim: To reduce carbon emissions per passenger journey by 20% by 2015[1].

2012 performance: 14% reduction in carbon emissions per passenger journey since 2008.

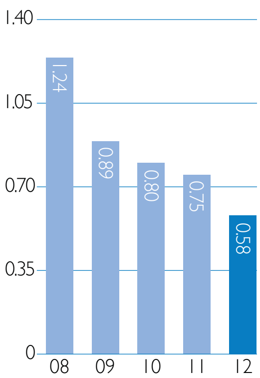
RIDDOR accidents per 100 employees



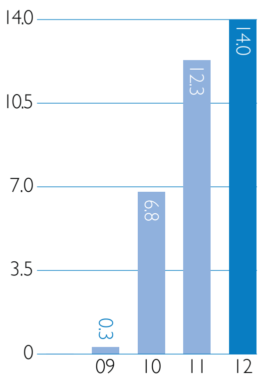
Bus accidents per million miles



SPADs per million miles



Reduction in CO_2 emissions per passenger journey (%)*



1. Target uses 2007/08 as the base year.
2. SPADs excludes those that occur in our depots, in line with industry reporting.
3. Association of Train Operating Companies (ATOC) Safety Key Performance Indicator (KPI) Report, July 2012.
4. CO_2 conversion factors used are in accordance with the most recent Department for Energy and Climate Change guidelines 2012.

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

Group strategic principles

2 To provide high quality, locally focused passenger transport services

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

2012 progress

Punctuality
- Deregulated bus and rail punctuality remained high at 90%.
- Excess wait time in London bus improved to 0.95 minutes.
- Southeastern achieved the highest Public Performance Measure (PPM) score since the franchise began in 1994, at 91%.

Customer satisfaction
- Sector leading customer satisfaction scores achieved in deregulated bus at 90%.
- Rail customer satisfaction levels increased to 83% with London Midland achieving a record high of 87%.
- Continue to be highly ranked in TfL performance league tables.

"the key"
- Our smartcard "the key" has been effectively rolled out across our bus operations outside of London. Almost 250,000 bus passengers now have "the key".
- Initial pilot schemes have been successfully introduced on two of our rail franchises.

Online sales
- Online sales in our rail division have continued to grow strongly, up a further 57% in the year.
- Our bus operations have driven online sales in the year, up 92%.

2013 priorities

Punctuality
- Maintain or improve our already high levels of punctuality in our rail and regulated bus businesses.
- Work towards deregulated bus punctuality of 95% or above.

Customer satisfaction
- Continue to achieve the highest levels of bus customer satisfaction in the sector.
- Achieve rail customer satisfaction levels in the top quartile of London and South East rail franchises.

Innovation
- Further roll-out of mobile ticketing and apps across the bus division.

Our key performance indicators

The following KPIs underpin our strategic principle to be a high quality operator.

Rail punctuality

The punctuality of our rail operations is measured on the basis of the Department for Transport'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. This time frame is an industry standard definition for 'on-time' measurement. We also monitor customer satisfaction through the National Passenger Survey, conducted by the statutory public transport users watchdog Passenger Focus. The London and South East industry average for PPM is 91.7%[6].

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.

Aim: Maintain our high levels of punctuality at or above 90%.

2012 performance:
Southern: 89.9%
Southeastern: 91.3%
London Midland: 90.1%.

London bus excess waiting time

The reliability of London bus operations is primarily measured on excess waiting time[7]. 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 0.94 minutes[7].

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.

Aim: Maintain our low average excess waiting time performance below one minute.

2012 performance:
Average excess waiting time was 0.95 minutes, an improvement of 3.1%.

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.

Aim: Achieve deregulated bus punctuality of 95% or above.

2012 performance:
90%.

Passenger satisfaction

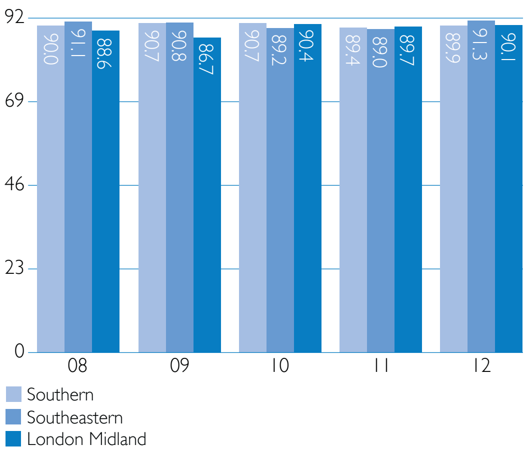
Passenger satisfaction is measured by the independent passenger watchdog, Passenger Focus. This happens twice a year for our rail franchises and annually for our bus operations. The average score for train operators in London and the South East was 82%[8] and the industry average for bus passenger satisfaction was 85%[9].

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.

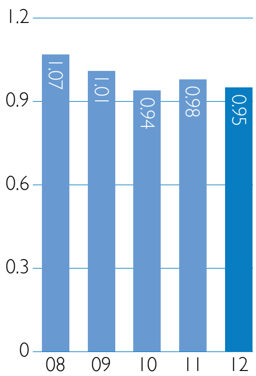
Aim: To maintain our sector leading bus passenger satisfaction scores and maintain our high score in the rail division.

2012 performance:
Deregulated bus: 90%
Rail: 83%.

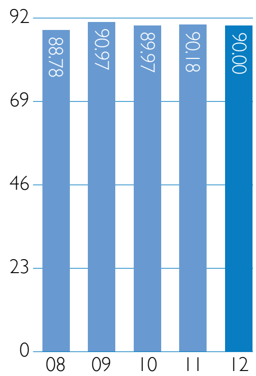
Rail punctuality (%)



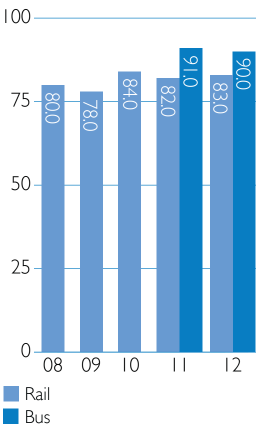
Excess waiting time (minutes)



Bus punctuality (%)



Passenger satisfaction (%)



6. Office of Rail Regulation, August 2012.
7. Transport for London, April – June 2012
8. National Passenger Survey, Spring 2012.
9. Passenger Focus Bus Passenger Survey, March 2012.

Group strategic principles

3 To focus our operations in high density urban markets

We focus our operations in high density urban markets, predominantly in Southern England, where there is strong demand for public transport.

2012 progress

Bus division

- In the second half of the year we acquired four bus companies outside of London and one depot and associated routes in North London. We expect these acquisitions to contribute around £3m to bus profit in the full year to June 2013.
- We have seen like-for-like passenger growth across all of our bus companies.

Rail division

- We were delighted to be shortlisted for the Thameslink rail franchise, due to be awarded in March 2013. This will be the largest franchise in the UK, expected to generate £1bn of revenue from 2015.
- A permanent rail bid team was introduced during the year, bringing experience and expertise in house.

2013 priorities

Bus

- Further strengthen our deregulated bus business through acquisitive growth.
- Seek expansion in our regulated bus business through additional contract wins and value adding acquisitions.

Rail

- Submit a strong bid for the Thameslink franchise.
- Assess all future franchise opportunities.

Our key performance indicators

The following KPIs underpin our strategic principle to operate in predominantly high density urban markets.

Value adding acquisitions

We are continually assessing acquisition opportunities in line with our strategy. Opportunities are only pursued if we believe they will add value for our shareholders. In the year we acquired five bus companies.

Why it's important: Demonstrates our commitment to strengthening our position in the markets in which we operate and helps us assess the value of our investment.

Aim: Post tax operating profit from transactions to exceed our estimated ongoing post tax weighted average cost of capital of 8%.

2012 performance: £29.3m was spent on acquisitions in the year, up £25.8m against the prior year.

Passenger journeys growth

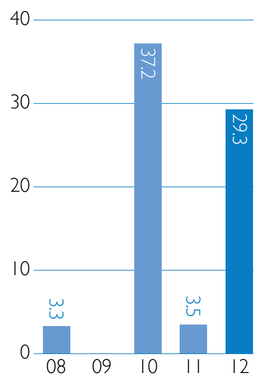
We focus our operations in predominantly high density urban markets where there is strong demand for public transport.

Why it's important: Helps us to demonstrate that our strategy of focusing our operations in urban areas is effective. Our bus and rail passenger journeys have increased despite the challenging economic conditions. Deregulated bus passenger numbers increased by 2.8% and in rail, passenger numbers were up by 2.1%. Passenger journeys also help us to measure against our commitment to provide a high quality service.

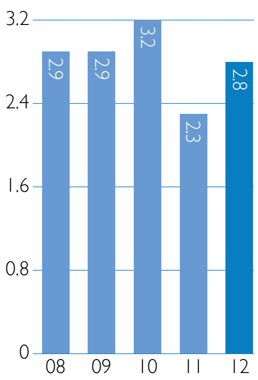
Aim: To increase passenger journeys each year by providing a high quality service.

2012 performance:
Deregulated bus: 2.8%.
Rail: 2.1%.

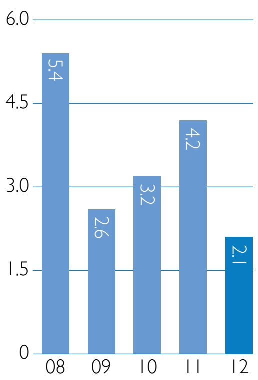
Acquisition spend (£)



Bus passenger journey growth (excl London) (%)*



Rail passenger journey growth (%)*



* On a like-for-like basis.

Group strategic principles

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

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

2012 progress

Cash management

- We continue to manage cash closely with an operating cash to EBITDA ratio of 1.02x 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 1.80x, within our target range of 1.5x to 2.5x.

2013 priorities

Cash management

- Maintain strong cash management, achieving a low EBITDA to operating cash ratio.

Dividend

- Continue to prioritise the maintenance of the dividend per share.

Debt

- Uphold low relative levels of debt with adjusted net debt to EBITDA within our target range of 1.5x to 2.5x.

Our key performance indicators

The following KPIs underpin our strategic principle to deliver shareholder value.

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.

Aim: Increase operating profit and adjusted earnings per share* year-on-year.

2012 performance: Operating profit was £110.2m.

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.

Aim: Match or exceed cashflow generated from operations to EBITDA.

2012 performance: Cashflow generated from operations was 1.02 times EBITDA.

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.

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

2012 performance: Net capital investment to depreciation was 150%.

Dividend cover

We are committed to delivering shareholder value through our progressive 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.

Aim: Dividend cover to average 2x adjusted earnings per share* through the economic cycle.

2012 performance: Dividend cover was 1.75x.

Adjusted net debt/EBITDA

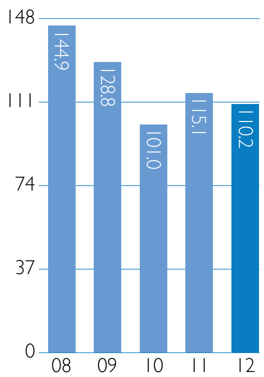
We measure adjusted net debt (net debt plus restricted cash in our rail division) to EBITDA.

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.

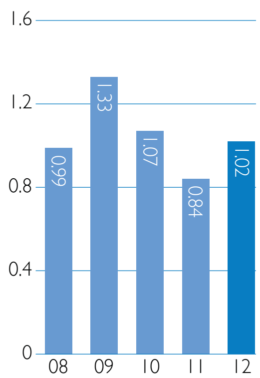
Aim: Maintain adjusted net debt/EBITDA at between 1.5x and 2.5x through the economic cycle.

2012 performance: Adjusted net debt to EBITDA was 1.80x.

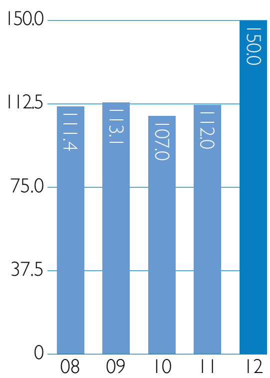
Operating profit (£m)



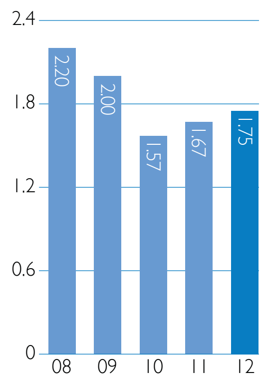
Cashflow generated from operations/EBITDA (x)



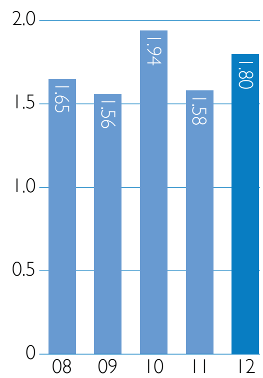
Net Capital investment/depreciation (%)



Dividend cover (x)



Adjusted net debt to EBITDA (x)



Unless otherwise stated, operating profit excludes amortisation and exceptional items.

* Excludes amortisation and exceptional items.

Managing risk

"We are committed to managing risk effectively. Our management structure incorporates a robust framework for risk management and internal control."

Andrew Allner, Audit Committee Chairman

Where to find out more
The Corporate governance report on pages 54 to 70 provides more detail of Go-Ahead's risk management and internal control framework.

How we manage risk

Through our 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. During the year, the Group continued to develop its risk management processes. The key areas of focus included improving the consistency in reporting across all operating companies, increased dialogue at monthly operating company Board meetings and enhancing the co-ordination between the internal and external auditors.

Who does what

The diagram opposite illustrates the key roles and responsibilities of each of the respective functions within our 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 communication on risk matters within a clearly defined framework and reporting process. 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.

What are the risks

The tables below and overleaf 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.

Key risks for 2012	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.	• Continue to focus our operations in more resilient geographical areas in the UK. • 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 to law, regulations, local authority attitudes towards public transport and further reductions in the availability of government financial support could adversely impact the Group's operations and financial position.	• 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.
Fuel cost	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.	• Established fuel hedging policy (detailed on page 37) reduces uncertainty and enables us to plan ahead. • Ability to offset in bus division outside of London through yield benefits.
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 greatly 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.	• 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, including the recruitment of a permanent bid team. • Regular Board review of rail performance, and Board approval of overall rail bidding strategy. • Compliance with franchise conditions closely monitored.

The Go-Ahead Group plc: Board of Directors

- Leadership of risk management
- Sets strategic objectives and risk appetite
- Monitors performance
- Accountable for the effectiveness of the Group's internal control and risk management processes

Audit Committee

- Delegated responsibility from the Board to oversee risk management and internal controls
- Reviews the effectiveness of the Group's internal control and risk management processes
- Monitors the role and effectiveness of the internal auditors and the independence and expertise of the external auditors

Executive Directors

- Communicate and disseminate risk policies
- Support and help operating companies assess risk
- Encourage open communication on risk matters
- Oversee risk management
- Monitor performance
- Assess materiality of risks in the context of the whole Group
- Monitor mitigation and controls
- Facilitate sharing of risk management information and best practice across the Group

Internal Audit

- Independently review the effectiveness of the Group's risk management and internal control processes
- Monitor and validate action taken by management
- Provide assurance
- Report monthly to the Executive Directors
- Report quarterly to the Audit Committee

Operating Company Boards

- Define risk management roles at operational and project level
- Use risk as an explicit part of decision-making and management of external relationships
- Continuous identification of risk, assurance and self-assessment

Potential opportunities	Change in risk in the year
A more challenging economic environment encourages modal shift, as motorists seek value for money alternatives to the private car. The cost of petrol alone has risen at a higher rate than the cost of travel on public transport.	The economic risk increased in the year as we re-entered a recession with economic growth rates for the year ended June 2012 down 0.8%.
Changes in law, regulation or funding could positively impact on the Group, potentially leading to increased funding or more flexibility for operators. For example, the Government announced £9bn to be injected into the rail industry in July 2012. The political and regulatory framework provides us with the opportunity to influence decisions through close dialogue with Government, local authorities and other key parties.	The recent reduction of the Bus Service Operators' Grant (BSOG) was enacted in April 2012 which will result in the Group receiving c£10m less fuel subsidy in the 2012/13 financial year. We have been aware of the planned reduction for some time and have been able to plan ahead.
Increases in fuel costs also affect motorists who may look to public transport for a better value for money means of travel.	We are exposed to around £10m of additional cost in the 2012/13 financial year due to a higher cost of diesel per litre through our fuel hedging arrangements.
Twelve rail franchises are up for tender in the next four 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.	The economic environment presents challenges in the Southern franchise as the bid model in 2009 assumed stronger underlying economic growth rates at this stage in the franchise. This has begun to impact on the financial performance of the franchise.

Managing Risk continued

Ongoing risks	Potential impact	Mitigating action
Operational Catastrophic incident	An incident, such as a major accident, an act of terrorism, an Act of God or a pandemic, could result in serious injury, disruption to service and loss of earnings.	• Rigorous, high profile health and safety programme throughout the Group. • Appropriate and regularly reviewed and tested contingency and disaster recovery plans.
Labour costs and employee relations	Poor employee relations or reduced availability of staff could impact on reputation, revenue and staff morale. 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 £8.3m.	• Ensuring Go-Ahead is viewed as an employer of choice. • Robust and regularly reviewed recruitment and retention policies, training schemes and working practices. • Experienced approach to wage negotiations and fostering good relationships with employees and unions.
Information technology failure or interruption	Prolonged or major failure of information technology systems could pose significant risk to the ability to operate and trade.	• 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.	• Maintain strong relationships with key suppliers. • Ensure effective tender processes and policies.
Financial Increased pension scheme funding required	The Group participates in a number of pension schemes (detailed on page 42). Any funding shortfalls in defined benefit schemes could adversely impact the Group's financial position.	• Rail pension schemes and obligations are guaranteed by DfT at the end of the franchise. • Non-rail defined benefit schemes closed to new entrants. • Board participation in overall pensions strategy decisions for non-rail pension arrangements. Dedicated Investment Sub-Committee works with management on de-risking of investments to mitigate volatility.
Insurance and claims	The number and magnitude of claims falling within the Group's self-insured limits could impact the financial position of the Group.	• Comprehensive insurance cover, with self-insurance up to defined limits and purchases above these limits from reputable global insurance firms. • Insurance and claims activity monitored closely.
Financing risk	Loss of liquidity, credit risk on cash investments and interest rate risk could have a negative impact on the financial position of the Group.	• 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. • 83% of net debt is subject to fixed interest rates.
Strategic Contract work	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.	• Good reputation for quality and deliverability. • Strong management teams, experienced in submitting competitive tenders. • In London, we have well located depots (85% freehold).
Competition	Loss of business to existing competitors or new entrants to the markets in which we operate could have a significant impact on our business.	• Work hard to maintain our good reputation with our customers. • Work closely with stakeholders to ensure we are meeting requirements including service quality and price.
Inappropriate strategy or investment	Inappropriate strategic or investment decisions could adversely impact on the Group's economic and shareholder value.	• Comprehensive strategic discussions with main Board and advisors. • Extensive valuation and due diligence, supported by external expertise. • Maintain discipline to turn down 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	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.	• Committed to operating in a safe, socially and environmentally responsible way. • Dedicated Environment and Energy Manager focused on reducing the Group's environmental 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
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.	We have made good progress against our safety KPIs in the year, demonstrating our efforts to minimise this risk.
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.	Although our involvement in providing transport for the London 2012 Olympic Games has presented challenges from trade unions in respect of bonus payments to bus drivers in London, overall our labour relations remain strong.
Ensuring our systems are efficient and reliable, strengthens day to day operations across the Group.	No material change.
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.	No material change.
As the Board is actively engaged in discussions regarding Group pensions, a regular review of pension arrangements may benefit the Group.	We are awaiting the result of an actuarial valuation, expected at the end of the 2012 calendar year.
Investing in driver training and continually assessing health and safety improves the quality of our business for employees and passengers.	By increasing driver training, reducing the number of accidents and managing claims more closely, we have reduced the impact of insurance claims, with the cost of claims down £3.6m in the year.
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.	No material change.
There is the opportunity to win more contracts, widening the areas in which we operate in London and increasing our share of the market. Competition in a low margin market could lead to poor performers exiting the market in the long term.	No material change.
Partnering with competitors may provide opportunities. For example, we operate a Quality Partnership with Stagecoach in Oxford which benefits passengers.	No material change.
Continual review of strategy ensures the Board is well placed to seize value adding opportunities as they arise.	Turn to page 21 to read more about our strategy.
By attracting more people away from their cars and onto our services we have the opportunity to help reduce carbon emissions in the UK.	We have made good progress against our Driving Energy Further target, having achieved a 14% reduction and were delighted to be reaccredited by the Carbon Trust Standard during the year.

Finance and business review

"Our strong financial discipline, balance sheet and cash generation enable us to deliver shareholder value."

Keith Down, Group Finance Director

Overview and highlights

The Group has delivered a strong performance in the year ended 30 June 2012 and remains in a good financial position. Revenue for the year was £2,423.8m, £126.8m, or 5.5% ahead of last year (2011: £2,297.0m) underpinned by strong passenger revenue growth in our deregulated bus and rail businesses and additional contract wins in regulated bus.

Operating profit was £110.2m (2011: £115.1m), down £4.9m, or 4.3%, with an overall operating margin of 4.5% (2011: 5.0%). Underlying operating profit increased by £8.1m, as the prior year included £13.0m of one-off rail contract management benefits.

Profit before tax for the year reduced by £0.3m, or 0.4% to £84.5m (2011: £84.8m) and adjusted earnings per share were up 5.0% at 141.9p (2011: 135.2p), the increase being primarily driven by a reduction in the effective tax rate to 21.3% (2011: 26.2%).

Net debt remains low and in line with our expectations at £91.0m (2011: £69.8m). Adjusted net debt to EBITDA of 1.80x remains comfortably within our target range of 1.5x to 2.5x.

Our bus business was strengthened through five acquisitions in the second half of the year for a total cash consideration of £29.3m.

Summary income statement

	2012 £m	2011 £m	Increase/ (Decrease) £m	Increase/ (Decrease) %
Revenue	**2,423.8**	2,297.0	126.8	5.5
Operating profit	**110.2**	115.1	(4.9)	(4.3)
Net finance costs	**(16.0)**	(17.5)	1.5	8.6
Profit before tax*	**94.2**	97.6	(3.4)	(3.5)
Amortisation	**(9.7)**	(10.5)	0.8	7.6
Exceptional items	**–**	(2.3)	2.3	100.0
Profit before tax	**84.5**	84.8	(0.3)	(0.4)
Total tax expense	**(18.0)**	(9.8)	(8.2)	(83.7)
Profit for the period	**66.5**	75.0	(8.5)	(11.3)
Discontinued operations	**–**	4.4	(4.4)	(100.0)
Non-controlling interests	**(11.0)**	(12.0)	1.0	(8.3)
Profit attributable to members	**55.5**	67.4	(11.9)	(17.7)
Adjusted profit attributable to members	**60.8**	58.0	2.8	4.8
Weighted average number of shares (m)	**42.9**	42.9	0.0	0.0
Adjusted earnings per share (p)*	**141.9**	135.2	6.7	5.0
Proposed full year dividend per share (p)	**81.0**	81.0	0.0	0.0

* Excludes amortisation and exceptional items.

Unless otherwise stated, operating profit excludes amortisation and exceptional items.

Revenue and operating profit by division

	2012 £m	2011 £m	Increase/ (Decrease) £m	Increase/ (Decrease) %
Revenue				
Deregulated Bus	**312.9**	290.9	22.0	7.6
Regulated Bus	**378.4**	351.5	26.9	7.6
Total Bus	**691.3**	642.4	48.9	7.6
Rail	**1,732.5**	1,654.6	77.9	4.7
Total	**2,423.8**	2,297.0	126.8	5.5
Operating profit*				
Deregulated Bus	**35.4**	33.7	1.7	5.0
Regulated Bus	**34.8**	33.4	1.4	4.2
Total Bus	**70.2**	67.1	3.1	4.6
Rail	**40.0**	48.0	(8.0)	(16.7)
Total	**110.2**	115.1	(4.9)	(4.3)
Operating profit margin				
Deregulated Bus	**11.3%**	11.6%		
Regulated Bus	**9.2%**	9.5%		
Total Bus	**10.2%**	10.4%		
Rail	**2.3%**	2.9%		
Total	**4.5%**	5.0%		

Bus

Overall bus performance review

Overall, the performance of our bus operations was robust with underlying passenger growth in all of our deregulated businesses, reflecting high quality services, marketing and passengers seeking value for money alternatives to the private car. Total bus revenue increased by 7.6%, or £48.9m, to £691.3m (2011: £642.4), with 2.4% from acquisitions.

The bus division delivered record operating profit of £70.2m, increasing in the year by £3.1m or 4.6% (2011: £67.1m), largely driven by strong underlying revenue growth in and outside London. Contribution from acquisitions was £1.0m.

Operating profit margin was broadly in line with the prior year at 10.2% (2011: 10.4%).

Acquisitions

We have made a number of value adding acquisitions in 2012. New businesses are included within acquisitions data until the first anniversary of each entity becoming part of the Group. Subsequent to this point their results are deemed to be like-for-like.

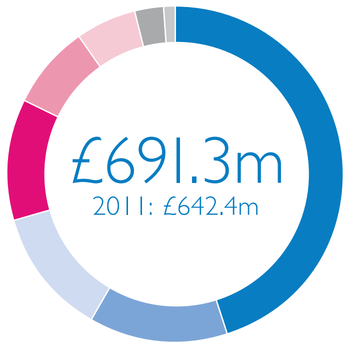
2011/12 acquisitions

Deregulated

On 3 March 2012, we purchased Carousel Buses Limited, a bus operation with around 50 buses based in Buckinghamshire, for a cash consideration of £3.1m.

Essex-based operator Hedingham and District Omnibuses Limited was acquired on 2 March 2012 for £4.3m. The company operates around 90 buses.

2012 bus revenue

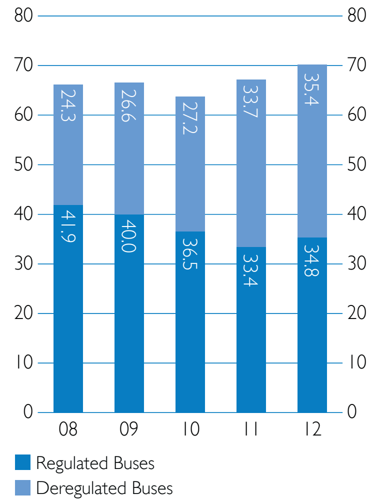


Go-Ahead London	£312.9m
Go North East	£90.8m
Metrobus	£85.3m
Go South Coast	£81.3m
Brighton & Hove	£54.6m
Oxford Bus Company*	£40.6m
Plymouth Citybus	£18.9m
Companies in East Anglia	£6.9m

* Includes Thames Travel and Carousel Buses.

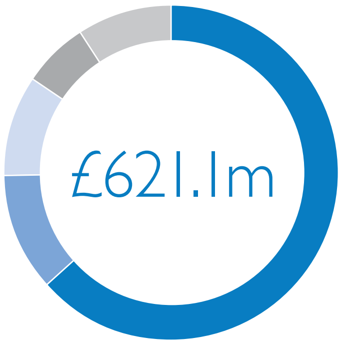
2012 bus operating profit

£70.2m 2011: £67.1m



Bus operating cost base

Ongoing cost control is an important part of running a good bus operation. Labour is the largest operating cost, accounting for 63.5% of Go-Ahead's bus cost base. Fuel accounts for 11.4%. Typically, bus operators have some flexibility within their cost base and in an economic downturn can vary service levels to demand.



Labour	63.5%
Fuel	11.4%
Other	9.7%
Depreciation	6.5%
Engineering	8.9%

Anglian Bus Limited, which operates around 70 buses in Suffolk and Norfolk, was acquired by the Group on 23 April 2012 for a cash consideration of £4.4m.

H.C.Chambers & Son Limited, was purchased on 2 June 2012, operating around 30 buses on the Essex/Suffolk border. The company was purchased for a cash consideration of £3.2m.

Regulated

On 30 March 2012 our Go-Ahead London operation purchased Northumberland Park bus depot in North London from FirstGroup for a cash consideration of £14.3m. Around 130 buses operate from the depot.

2010/11 acquisition

Deregulated

Thames Travel (Wallingford) Limited, a high quality operator based in Oxfordshire, was acquired on 24 May 2011. The operation has performed well since its acquisition, overseen by management at Oxford Bus Company.

Capital expenditure and depreciation

Capital expenditure for the division was £69.0m (2011: £35.7m), the majority of which related to the purchase of new buses. Investment in our deregulated fleet was £21.5m on 126 buses. Contract wins in our regulated business required £59.2m to be spent on 349 new vehicles, £27.1m of which related to operating leases for 176 new buses. We have one of the youngest bus fleets in the sector with an average age of 7.4 years. Depreciation for the division was £40.6m (2011: £38.1m), reflecting the increase in capital expenditure.

Deregulated bus operations

All operating companies reported growth in commercial revenue in the year. Revenue was £312.9m (2011: £290.9m), up £22.0m, or 7.6%, including acquisitions of 2.9%. Passenger numbers increased by 4.5%, of which 1.7% related to acquisitions. Strong growth in fare paying passengers was partly offset by a weaker concessionary performance.

Operating profit was £35.4m (2011: £33.7m), up £1.7m, or 5.0% and operating margins remained largely in line with last year at 11.3% (2011: 11.6%). Contribution from acquisitions was £0.5m in the year.

As reported at the half year, operating profit was slightly impacted by costs relating to the implementation of a contract. However, necessary management action has been taken and the contract was breaking even by the end of the financial year. Overall, the contract suffered a £1.5m loss in the year.

We have seen a continuing trend of passengers taking advantage of our value for money period passes and smartcards. In the short term, this reduces the average yield per journey whilst enhancing long term growth prospects for the Group.

As reported in April, we increased fares by between 4% and 7% across our business as a result of the Government's decision to reduce funding through the Bus Service Operators' Grant (BSOG), and increased fuel costs. The improved yield is in line with our expectations.

2011 operating profit	£33.7m
Change in:	
Bus Service Operators' Grant	£(0.8)m
Contract implementation	£(1.5)m
Capital costs	£(1.0)m
Acquisitions	£0.5m
Cost of insurance claims	£1.1m
Underlying organic growth	£3.4m
2012 operating profit	£35.4m

We are committed to delivering high quality services and meeting our passengers' needs. We maintained our high levels of punctuality at over 88% during the year (2011: 90%) with some operating companies achieving higher than 95%. Our customer satisfaction scores remained high at an average of 90% (2011: 91%).

Regulated bus operations

Our regulated bus operations in London delivered a very strong performance. Revenue grew by 7.6%, or £26.9m, to £378.4m (2011: £351.5m) in the year, of which the Northumberland Park depot acquisition represented 1.9%. Mileage also grew strongly, up 5.6%, reflecting new contract wins. The acquisition accounted for 1.7% of the additional mileage.

Operating profit was £34.8m, (2011: £33.4m) up £1.4m, or 4.2%, including a contribution of £0.5m from the Northumberland Park depot, acquired in March 2012. We are already making good progress in aligning the performance of this depot with our other London operations.

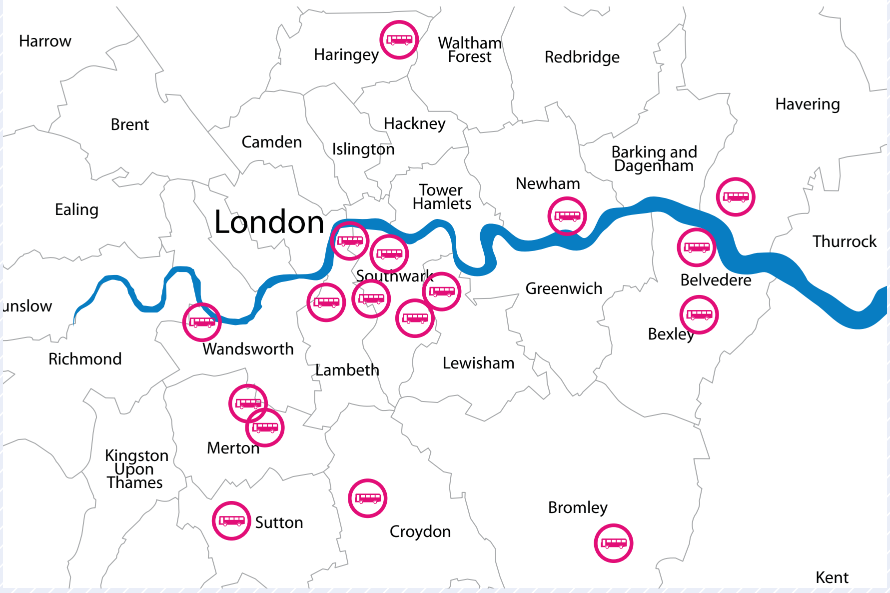
Operating margins have declined to 9.2% (2011: 9.5%), due to Quality Incentive Contract (QIC) payments being down £1.2m, to £6.8m (2011: £8.0m), and the reduction in BSOG in April 2012.

2011 operating profit	£33.4m
Change in:	
Bus Service Operators' Grant	£(0.8)m
QICs	£(1.2)m
Capital costs	£(1.0)m
Acquisition	£0.5m
Cost of insurance claims	£2.5m
Underlying organic growth	£1.4m
2012 operating profit	£34.8m

We continue to perform well in the TfL quality league tables, operating around 99.6% of our target mileage before traffic congestion losses (2011: 99.6%).

Go-Ahead's London bus depots

Our ability to tender effectively is supported by our strong network of depots, the majority of which are freehold.



North America

Our 50:50 joint venture with Cook-Illinois continues to operate two contracts in St Louis, Missouri, running around 120 buses. Our investment in the joint venture is through a combination of debt and equity and totals £3.7m (US$5.8m), provided primarily through a US$10m revolving credit facility held in the UK. Although the result for the year was a break even position, this operation remains highly cash generative. We maintain strong financial discipline in this highly competitive market. No further contracts were secured in the 2012 bidding round.

Bus fuel hedging prices

	2012*	2013	2014	2015
% hedged	Fully	Fully	50%	25%
Price (pence per litre)	41	49	51	50
Usage (m litres pa)	120	126	126	126
£'m cost	50	62	64**	63**

* Fully hedged for anticipated usage of 115m litres of fuel at the beginning of the year. Acquisitions through the year have resulted in increased fuel usage.

** Assuming hedging completed at same average price.

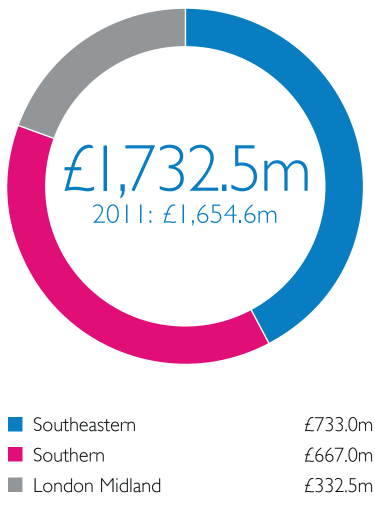
Our bus fuel hedging programme uses fuel swaps to fix the price of our diesel fuel in advance. Our aim is to be fully hedged for the next financial year three months before the start of that year, at which point we aim to have also fixed at least 50% of the following year and 25% of the year after that.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

Go-Ahead fuel costs

In 2011/12 we consumed around £120m litres of fuel this financial year at a net cost £69.6m, consisting of:

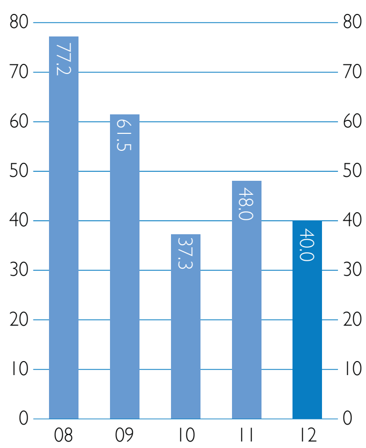
	Price per litre (p)	Approx cost (£'m)
Underlying cost (hedged price)	41	50
Duty	58	70
Delivery	1	2
Gross cost	100	122
BSOG	(43)	(52)
Net cost	57	70
Proportion of duty rebated through BSOG	74%	–

2012 rail revenue



2012 rail operating profit

£40.0m 2011: £48.0m



Overall bus outlook

We expect to deliver another strong performance despite significant cost headwinds of around £20m due to the reduction in BSOG and increased fuel costs. We expect to offset the impacts through revenue growth, contribution from new acquisitions, the full year benefit of contract wins in London and cost efficiencies across the division.

In deregulated bus, we will continue to drive organic growth by offering value for money services which provide an attractive alternative to the private car and by further developing smart-ticketing and targeted marketing. Our new businesses will continue to benefit from Group capital investment, commercial expertise and synergies.

In regulated bus, we will remain focused on delivering high quality and cost efficient services for TfL and expect mileage growth for the full year to be over 6%, with growth of over 11% in the first half. We will continue to align the performance of the Northumberland Park depot with our other sector leading London operations.

We expect our newly acquired businesses to make a positive contribution to next year's performance and we continue to seek further value adding opportunities.

Rail

Rail performance review

The rail division performed well in the year and delivered operating profit in line with our expectations.

Southeastern and London Midland achieved strong passenger revenue growth, with a slightly weaker performance in Southern. Overall, as anticipated we saw similar revenue growth in the second half of the year with higher yield and lower passenger growth.

Southern's premium payments have increased by £52.7m in the year, reflecting the franchise's challenging bid profile, whilst subsidy receipt receipts in Southeastern and London Midland have decreased by £64.3m and £13.8m respectively.

Revenue

Total revenue increased by 4.7%, or £77.9m, to £1,732.5m (2011: £1,654.6m), consisting of:

	2012 £m	2011 £m	Net change (£m)	% change
Passenger revenue	**1,442.8**	1,315.8	127.0	9.6
Southern	**615.2**	569.9	45.3	7.9
Southeastern	**596.3**	541.7	54.6	10.1
London Midland	**231.3**	204.2	27.1	13.3
Other revenue	**109.3**	105.7	3.6	3.4
Southern	**51.7**	43.5	8.2	18.9
Southeastern	**23.9**	22.3	1.6	7.2
London Midland	**33.7**	39.9	(6.2)	(15.5)
Total subsidy	**132.4**	210.5	(78.1)	(37.1)
Southeastern	**65.0**	129.3	(64.3)	(49.7)
London Midland	**67.4**	81.2	(13.8)	(17.0)
Southeastern revenue support	**48.0**	22.6	25.4	112.4
Total revenue	**1,732.5**	1,654.6	77.9	4.7

Premium payments

Southern's premium payments are included in operating costs.

	2012 £m	2011 £m	Net change (£m)	% change
Southern premium	**106.9**	54.2	52.7	97.2%

Operating profit

Operating profit in the rail division was £40.0m (2011: £48.0m). When excluding the £13.0m of one-off contract management benefits in the previous year, underlying profit was up £5.0m. Operating margins therefore slightly reduced to 2.3% (2011: 2.9%).

2011 operating profit	£48.0m
Change in:	
Passenger and other revenue	£130.7m
One-off benefits in 2010/11	£(13.0)m
Additional like-for-like costs	£(20.2)m
Premium	£(52.7)m
Subsidy/revenue support	£(52.8)m
2012 operating profit	£40.0m

Capital expenditure and depreciation

Rail division capital expenditure was £8.3m (2011: £18.4m), lower than the prior year due to fewer franchise commitments falling within the year. Depreciation for the division was £13.2m (2011: £11.1m).

Individual franchise performance

Southern

Passenger revenue growth was 7.9% (2011: 8.6%) and passenger numbers increased by 1.2% (2011: 2.3%) when compared to last year.

The current economic environment presents challenges going forward as the bid model in 2009 assumed stronger underlying economic growth rates at this stage in the franchise. At the year end the franchise was delivering revenue around 2% below the bid assumptions.

Delivering high quality services to our passengers is a priority for us. Our punctuality levels slightly improved in the year, with a public performance measure (PPM) of 89.9% (2011: 89.4%). Southern's National Passenger Survey (NPS) customer satisfaction rating remained high at 80% (2011: 82%).

Southeastern

The increase in full year passenger revenue was 10.1% (2011: 8.4%), with passenger numbers up by 1.3% (2011: 5.0%) compared with last year.

Southeastern remains in 80% revenue support, generating revenue of around 85% of that set out in the bid. We expect the franchise to require this level of support for the remainder of the franchise term. We have made significant progress in managing the business to deliver value for passengers, employees and shareholders.

The franchise has delivered record breaking operational performance with 91.3% (2011: 89.0%) of our trains arriving on time. The spring NPS showed a customer satisfaction score of 81% (2011: 82%) for Southeastern.

London Midland

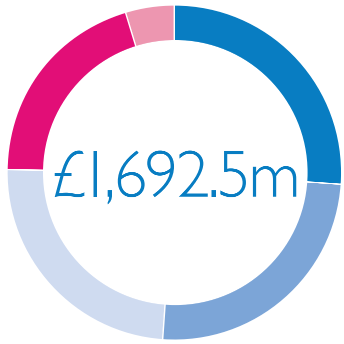
Passenger revenue grew by 13.3% (2011: 8.6%) in the year and passenger numbers increased by 7.4% on (2011: 7.2%).

Despite becoming eligible to receive revenue support in the first half of the year, this has not been required by London Midland due to its strong performance in the year, generating over 99% of revenue set out in the bid. It is the only franchise of its time not to be in receipt of revenue support, which is a testament to the excellent management of the franchise.

London Midland operational performance was strong with PPM of 90.1% (2011: 89.7%). It achieved its highest ever customer satisfaction score of 87% (2011: 83%) in the latest survey.

Rail operating cost base

Typically around 70% of a train company's cost base is fixed. The split of cost varies between franchises but around 60% of fixed costs relate to track access and around 40% to staff costs. The below pie chart shows Go-Ahead's operating cost base for the rail division.



Labour	26.3%
Other	25.0%
Track Access Charges	24.0%
Rolling Stock	20.2%
Fuel	4.5%

Rail performance against bid

The graph shows the revenue performance of our three franchises compared to the revenue forecasts included in the franchise bid for the year ended 30 June 2012 and the prior year.

Passenger revenue in the financial year was around 2% below bid assumptions in Southern, around 15% below in Southeastern and 0.4% below in London Midland.

Rail outlook

We expect to deliver a robust performance in rail next year despite expected bid costs of £6.0m and a slightly weaker performance in Southern, due to the impact of the economic climate on the franchise bid profile. Whilst we continue to take action to mitigate these impacts, Southern becomes eligible for revenue support in September 2013, should it be required.

We continue to raise awareness of our value for money fares, through targeted marketing campaigns and by driving passengers to our online sites to ensure they receive the best fares available. We will also continue the roll-out of smart-ticketing across our services to make travelling by train even more convenient for our passengers.

In October 2012, we expect the DfT to issue the Invitation to Tender document for the Thameslink rail franchise which will include the detailed structure of the franchise. Our permanent bid team are working hard to deliver a strong bid, designed to provide benefits to passengers and value for our shareholders.

We are entering a busy period for the UK rail industry. Over the next four years 12 franchises will be tendered, presenting significant growth opportunities for the Group.

Other financial items

Earnings per share

Adjusted earnings (net profit after tax on continuing operations attributable to members before amortisation and exceptional items) were £60.8m (2011: £58.0m) resulting in an increase in adjusted earnings per share from 135.2p to 141.9p. The increase is primarily driven by a reduction in the effective tax rate to 21.3% (2011: 26.2%).

The weighted average number of shares remained at 42.9 million (2011: 42.9 million), as did the number of shares in issue, net of treasury shares (2011: 42.9 million).

Dividend

The Board is proposing a total dividend for the year of 81.0p per share (2011: 81.0p). This includes a proposed final payment of 55.5p (2011: 55.5p) payable on 16 November 2012 to registered shareholders at the close of business on 2 November 2012.

Dividends of £34.7m (2011: £23.8m) paid in the period represent the payment of last year's final dividend of 55.5p per share (2011: 30.0p, being the final dividend for 2010) and the interim dividend in respect of this year of 25.5p per share (2011: 25.5p). Dividends paid to non-controlling interests were £12.0m (2011: £4.8m). Dividend cover was strengthened in the year, up to 1.75x (2011: 1.67x).

Summary cashflow

	2012 £m	2011 £m	Increase/ (Decrease) £m
EBITDA*	**164.0**	164.3	(0.3)
Working capital/other items	**20.6**	(19.3)	39.9
Pensions	**(16.8)**	(7.1)	(9.7)
Cashflow generated from operations	**167.8**	137.9	29.9
Tax paid	**(15.7)**	(24.9)	9.2
Net interest paid	**(15.1)**	(12.1)	(3.0)
Net capital investment	**(80.6)**	(55.0)	(25.6)
Free cashflow	**56.4**	45.9	10.5
Net acquisitions	**(29.3)**	(3.5)	(25.8)
Joint venture investment	**0.4**	(3.4)	3.8
Cash acquired with subsidiaries	**2.1**	–	2.1
Proceeds from sale of financial instruments	**0.6**	–	0.6
Disposal of subsidiary operations	**–**	10.9	(10.9)
Other	**(4.1)**	(2.0)	(2.1)
Dividends paid	**(46.7)**	(28.6)	(18.1)
Share issues/buybacks	**(0.6)**	(0.8)	0.2
(Increase)/decrease in net debt	**(21.2)**	18.5	(39.7)
Opening net debt	**(69.8)**	(88.3)	
Closing net debt	**(91.0)**	(69.8)	

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

Cashflow

Cash generated from operations before tax was £167.8m (2011: £137.9m), an increase of £29.9m, primarily due to a favourable movement in working capital. Tax paid of £15.7m (2011: £24.9m) comprised payments on account in respect of the current year's liabilities. Net interest paid of £15.1m (2011: £12.1m) is largely in line with charge for the period of £16.0m (2011: £17.5m). Capital expenditure, net of sale proceeds, was £25.6m higher in the year at £80.6m (2011: £55.0m) predominantly due to improvement to our fleet through increased purchase of new buses. Dividends paid to parent company shareholders amounted to £34.7m.

The Group repurchased 41,880 of its own shares at £0.6m (2011: 58,632 shares at £0.8m) for potential LTIP awards that may vest in the future. No shares were issued in the year (2011: nil).

Capital structure

	2012 £m	2011 £m
Five year syndicated facility 2016	**275**	275
7½ year £200m 5.375% sterling bond 2017	**200**	200
Total core facilities	**475**	475
Amount drawn down at 30 June 2012	**335**	284
Balance available	**140**	191
Restricted cash	**205.0**	189.7
Net debt	**91.0**	69.8
Adjusted net debt	**296.0**	259.5
EBITDA	**164.0**	164.3
Adjusted net debt/EBITDA	**1.80x**	1.58x

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 30 June 2012 $5.5m, equivalent to £3.5m, of our US$10m facility was utilised.

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

Net debt

Net debt at 30 June 2012 of £91.0m (2011: £69.8m) comprises the £200m sterling bond; amounts drawn down against the £275m (2011: £275m) five year revolving credit facility of £135.0m (2011: £84.0m); hire purchase and lease agreements of £6.2m (2011: £5.5m); US dollar facility of £3.5m (2011: £3.9m), partly offset by cash and short term deposits of £253.7m (2011: £228.6m) including £205.0m of restricted cash in rail (2011: £189.7m). There were no overdrafts in use at the year end (2011: £5.0m). The increase in net debt is primarily attributable to increased acquisition spend in the year.

Adjusted net debt, (net debt plus restricted cash) was £296.0m (2011: £259.5m), equivalent to 1.80x EBITDA (2011: 1.58x), 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 lower than the prior year at £16.0m (2011: £17.5m) including finance costs of £17.8m (2011: £19.0m) less finance revenue of £1.8m (2011: £1.5m). During the period a credit of £0.7m (2011: £nil) relating to mark to market interest swaps was released directly to income. The average underlying net interest rate for the period was 4.9% (2011: 5.5%).

Goodwill/amortisation

The charge for the year of £9.7m (2011: £10.5m) represents the non-cash cost of amortising goodwill, intangibles including assets associated with pension accounting for the rail franchises and computer costs.

KPIs

Please turn to page 21 to read more

Risk

Please turn to page 30 to read more

Financial statements

Please turn to page 83 to view the financial statements and associated notes

Exceptional items

Exceptional costs for the year were £nil (2011: £2.3m). The comparative £2.3m consisted of accelerated depreciation of £3.0m in respect of articulated London buses which were phased out in November 2011, the release of onerous bus leases of £0.3m and the release of rail reorganisation liabilities of £0.4m

Taxation

Net tax for the year of £18.0m (2011: £9.8m) includes underlying tax on ordinary activities of £21.7m (2011: £22.8m), equivalent to an effective rate of 21.3% (2011: 26.2%) below the UK statutory rate for the period of 25.5% (2011: 27.5%) reflecting a £3.7m credit in respect of the impact on deferred tax on the change in statutory rate.

Non-controlling interest

The non-controlling interest in the income statement of £11.0m (2011: £12.0m) 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 £34.3m (2011: £37.0m) consisting of bus costs of £4.9m (2011: £5.2m) and rail costs of £29.4m (2011: 31.8m). Company contributions to the schemes totalled £51.1m (2011: £44.1m).

Bus pensions

The net deficit after taxation on the bus defined benefit schemes was £17.3m (2011: £44.3m), consisting of pre tax liabilities of £22.8m (2011: £59.9m) less a deferred tax asset of £5.5m (2011: £15.6m). The decrease in deficit was largely due to an increase in asset values, primarily in our liability driven investing portfolio. The pre tax deficit consisted of estimated liabilities of £558.7m (2011: £529.7m) less assets of £535.9m (2011: £469.8m). The percentage of assets held in higher risk, return seeking assets was 45% (2011: 46%).

A triennial valuation of the Go-Ahead Group Pension Scheme is currently underway and, whilst the Group and the Pension Trustees are still considering the results of the valuation, it is likely that the life expectancy assumption for pensioners and non-pensioners will increase by one or two years thereby increasing the scheme deficit by approximately £30m in respect of this assumption alone.

Rail pensions

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

As reported previously, the rail pension schemes follow the Government's change from Retail Price Index (RPI) to Consumer Price Index (CPI). This change is expected to reduce the income statement charge by around £5m per annum over the remaining lives of the franchises beginning in the 2012/13 financial year. Until agreed with trustees as part of the December 2010 triennial valuation discussions, we have not assumed any corresponding reduction in cash contributions. On this basis, we record a pre-tax liability of £7.7m (2011: £17.0m), representing the discounted value of the additional cash contributions of around £5m per annum over the remaining lives of the franchises. If the future cash contributions were to be agreed in line with the income statement charge, this liability would no longer be required and both the income statement charge and the cash contributions would reduce over the remaining lives of the franchises.

IAS 19 (revised)

IAS 19 (revised) becomes effective for the Group in the financial year ended 30 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 £14.6m, £7.7m of which would be attributable to equity holders of the parent. This would have resulted in an 18.1p reduction to basic earnings per share and adjusted earnings per share, of which 4.8p would have related to the bus division. There would have been no effect on cash, credit rating or bank covenants had the revised standard been applied.

IAS 19 (revised)

The table below shows the impact on profit had the changes been affected in the year.

	£m
Profit adjustment – Bus	(2.8)
Profit adjustment – Rail	(11.8)
Total operating profit effect	(14.6)
Taxation (25.5%)	3.8
Profit for the year	(10.8)
Attributable to:	
Equity holders of the parent	(7.7)
Non-controlling interests	(3.1)
	(10.8)

Keith Down, Group Finance Director
5 September 2012

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.

David Brown pictured meeting Southeastern staff Corey Lewis (left) and Chris Petit at London Victoria station

Key highlights

- 14% reduction in CO_2 emissions per passenger journey since 2007/08.
- Gold ranking in Business in the Community Corporate Responsibility Index.
- Highest ranked British transport operator in the Government's first Carbon Reduction Commitment league table.
- Named tenth best company globally for our sustainable performance by EIRIS, a leading ethical performance research organisation.
- New Go-Learn education materials launched.

Ensuring our companies operate in a sustainable way is important to me personally, and our performance in this area is a permanent item on the Group Board meeting agenda. Our responsible approach to business means we ensure our services are safe for our passengers and staff; we constantly seek ways to reduce our impact on the environment and aim to deliver a high quality service to our passengers. We want our companies to be great places to work, so we invest in training and equipment which together give our staff the tools and skills they need to do their jobs well. We have also continued to build solid relationships with our local communities and with wider society more generally.

This year has once again seen Go-Ahead achieve a number of successes in all these areas. We have achieved high rankings in global and national sustainability league tables, won awards for innovation, business excellence and customer service, and developed new partnerships aimed at improving the lives of vulnerable children and delivering better transport across the developing world. Our staff have continued to provide services which achieve high levels of customer satisfaction and we support the local economy both as an employer and by providing vital transport links to jobs, retail centres and education.

We are fully committed to applying supply chain management best practice across our businesses and to ensuring our approach meets both statutory and regulatory requirements and the needs of employees, passengers and the wider community.

I am delighted that we have continued to make excellent progress towards achieving our target to reduce our carbon emissions per passenger journey by 20% by 2015, against our 2007/08 benchmark. We have improved by a further two per cent this year, bringing the total reduction figure to 14% – this is a great achievement. Over the coming months, we will be piloting innovative staff engagement programmes to further improve our environmental performance.

Our largest operating companies each produce their own sustainability reports which are available on their own websites and Go-Ahead's. I am very proud that our businesses continue to show genuine commitment to operating sustainably and to sharing their performance with a range of stakeholders.

David Brown, Group Chief Executive
5 September 2012

For further Group information on our targets and performance see our corporate website at www.go-ahead.com/responsibility where you will also find our operating company sustainability reports.

Our stakeholders

Independent survey

Our rail franchise Southern carries out an annual independent stakeholder survey. This year saw a 62% response rate, with a score of 8.2 out of ten in terms of stakeholder satisfaction – up from 7.3 the previous year.

Our approach

We operate rail and bus services across England, carrying over one billion passengers a year. 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.

Our approach covers five key areas of our business: safety, environment, our passengers, employees and the community, which includes our economic impacts. We report our performance against targets in each of these areas.

Working with stakeholders

As a leading UK transport provider, we face a wide range of complex and inter-related issues. Some of those issues are within our control, some we can influence and others are more difficult to manage. But we believe that by operating responsibly we are better placed to achieve long-term shareholder value and meet our stakeholders' expectations of our business.

Working with stakeholders is a fundamental part of our approach to sustainability and to the way we run our bus and train services. We analyse information we gather from research, meetings and surveys to understand key issues for different groups and use it to plan our sustainability strategy and set new commitments.

We work in partnership with other parties such as central and local government as well as our customers and colleagues to tackle issues and find solutions. Below we set out our approach to working with our stakeholders.

Employees

Go-Ahead staff are encouraged to put passengers at the heart of everything they do. We aim to ensure our people have the skills and tools to do that by providing training and the right equipment. We encourage our staff to give us their views through staff surveys, social media channels, regular discussions, team meetings, forums and conferences.

Internal sustainability governance structure

The Go-Ahead Group plc: Board of Directors

↑

Executive Directors

↑

Operating Company Boards

↑

Group Energy Forum	Group Health & Safety Forum	Better Together Forums
Shares best practice. Chaired by Group Engineering Director & Group Environment & Energy Manager	Shares best practice. Chaired by Group Engineering Director & external health & safety consultant	Human Resources Stakeholder Engagement Customer Service Operational Excellence

↑

Individual operating companies

Overall objectives

Key areas performance	2012 progress	2013 objectives
Safety The safety and security of our passengers, our staff and the general public are priorities for the Group. We aim to achieve a 20% to 60% improvement across our health and safety KPIs by 2015.	• 11.4% improvement in RIDDOR accidents per 100 employees. • 39% improvement in bus accidents per million miles (which result in notification to insurance claims handler). • In rail, a 23% improvement in number of signals passed at danger per million miles. • 83% of trains and 89% of buses fitted with CCTV. • Group-wide health and safety forum held every quarter. • Annual safety audit carried out in all businesses.	• Further improve high safety standards, working towards our 2015 targets against our 2007/08 base year. • Continue to reduce crime and anti-social behaviour on our networks.
Environment To operate our services in a sustainable manner and reduce our environmental impact through our Driving Energy Further strategy to reduce carbon emissions* by 20% by 2015. * Scope 1 and 2 greenhouse gas emissions.	• 14% reduction in CO_2 emissions per passenger journey achieved, against 2015 target of 20% – a 2% improvement on last year. • 68% of all waste recycled. • 27% reduction in water use. • 100% site energy from renewable sources. • Group Energy Forum met every quarter to review progress. • Continued involvement in UK-wide Greener Journeys campaign to encourage fewer car journeys and more trips by bus and coach. • Launch of staff pilot at Go South Coast to increase participation in carbon reduction initiatives.	• Improve energy efficiency to further reduce CO_2 emissions per passenger journey. • Continue focus on water use reduction and waste recycling.
Passengers To attract more passengers by providing high quality, locally focused passenger transport services.	• Sector leading passenger satisfaction score in deregulated bus, averaged at 90%. • Rail passenger satisfaction scores improved from 82% to 83%, with London Midland achieving its highest ever score of 87%. • Excess waiting time in London bus improved by 6.2%. • Roll-out of "the key" smartcard to 250,000 bus passengers. • Only owning group to carry out annual independent bus passenger survey.	• Continue to achieve highest levels of bus customer satisfaction in the sector. • Achieve rail customer satisfaction levels in the top quartile of London and South East operators. • Maintain high levels of punctuality on bus and rail. • Achieve 500,000 users of "the key" by end of 2013.
Employees To be the employer of choice in our sector. We invest in our staff, furthering their development and ensuring we maintain high standards for our passengers.	• Staff engagement survey carried out across all rail companies and Go-Ahead headquarters for first time, achieving a 61% engagement index score. • Southeastern achieved Gold Investor in People ranking, putting them among the 3% of organisations in the UK to have reached that standard. • Staff turnover and absence rates of 14% and 4% respectively.	• Roll-out staff engagement surveys to all deregulated bus companies in 2012/13. • Continue to achieve above industry benchmark in rail division staff engagement survey. • Continue regular monitoring of turnover and absence rates and action taken by each operating company where appropriate.
Community and economic impacts To be an outstanding member of the communities we operate in and to understand our economic impacts on those communities.	• Go-Ahead achieved Gold ranking in Business in the Community's (BITC) Corporate Responsibility Index. • Nearly 2,000 industry and community events held. • £200,000 donated to charities/community groups including Go-Ahead's new charity partnerships with Transaid and Railway Children. • Contributed to Greener Journeys campaign to highlight the role buses play in driving economic growth.	• Continue to use BITC's Responsibility Index to benchmark ourselves against our peers and other sectors. • Continue working closely with stakeholders to inform our decisions.

Working in partnership

Oxford Bus Managing Director Philip Kirk (right) pictured with Stagecoach's Martin Sutton (left) and Oxfordshire County Councilor Rodney Rose at the joint smartcard ticketing launch in Oxford.

Working with stakeholders continued

Our passengers

Over one billion passenger journeys are made with us every year, so our rail and bus customers are central to us as a business. We engage with them daily at local level through the day to day running of our services. We hold regular meet the manager sessions, encourage feedback via the web, social media channels, on-line passenger panels, webcasts and customer forums. Our passengers are also represented on our Stakeholder Advisory Boards; the boards bring together staff and senior managers for regular formal meetings and enable them to provide input into the company decision-making process.

Government

National and local government are key stakeholders because policy and regulation changes can affect our businesses. We work closely with local authorities to develop partnerships which contribute towards improving service quality and local facilities. We respond to consultations on specific policy areas affecting the bus and rail industries and develop effective dialogues with MPs and ministers. We provide input into potential new policies and ensure regular and open feedback on our performance as an operator is encouraged.

Community

Good relationships with our local communities are essential to our businesses. We engage with them through local authorities, schools and colleges, local businesses, charities and passenger user groups. We actively work with local community groups to enhance community programmes and local facilities.

Investors

Our open and frequent dialogue with investors takes place throughout the year and we provide information on trading through quarterly updates. Investors meet with senior management regularly; they wish to see a return on their investment and regularly engage with the Group on issues ranging from effective financial management to broader sustainability and governance issues.

Supply chain

In order to deliver our services, robust relationships with our key suppliers are hugely important. Many of our suppliers are small and medium enterprises local to our operations so we are able to support local businesses and the economy. Developing positive relationships with suppliers is important to our mutual success and where possible we encourage them to consider the economic, environmental and social impacts of their activities. We also work with some 400 larger suppliers and in our work with them we aim to ensure that the implementation of safety, health, environmental, energy and carbon policies meet both statutory and regulatory duties at all times.

Governance

The Board is accountable for sustainability at Go-Ahead. The Group's flat structure enables the Board to closely monitor the performance of each operating company across our five key sustainability areas. Key performance indicators (KPIs) are regularly reviewed at monthly operating company board meetings chaired by the Group Chief Executive and Group Finance Director.

Two specific Group-wide sustainability related forums exist, one for health and safety and one for energy. Each business has internal safety and energy targets to meet which are linked to the remuneration of senior management within our operating companies. Each of our businesses is externally audited by an independent health and safety assessor every year and we are audited by the Carbon Trust every two years. Better Together Forums were established this year, focusing on human resources, customer service, stakeholder engagement and operational excellence.

Turn to page 44 for further details on our Corporate Governance

Our performance this year

Safety

Running our companies in a safe manner is a key strategic priority for Go-Ahead. We work to strict health and safety guidelines in all our businesses, and invest in security measures to reassure our passengers and staff and to reduce crime across our bus and rail networks. This year we have seen a strong improvement in safety performance with employee RIDDOR accidents reduced by 11%, bus accidents down by an impressive 39% and Signals Passed at Danger reduced by 23%.

These improvements have been driven by a focus on driver training, including customer awareness and driving techniques, and by sharing best practice through the safety forums.

At operating company level, safety is managed by each company's board through their safety management groups. Individually, our businesses have made good progress this year too.

Oxford Bus Company has pioneered IMPACT (Incident Management, Preventing Accidents & Cycle Tolerance) as part of the new driver Certificate of Professional Competence (CPC). IMPACT covers the major types of hazards drivers are likely to encounter, their possible consequences and the associated costs. It also includes a module on driving amongst cyclists – an important factor in Oxford traffic. Go-Ahead London has focused on this aspect of driver training too in response to the growing number of bike users on the capital's roads, which has been partly driven by the introduction of Transport for London's cycle hire scheme two years ago.

This year saw the extension of Eyewitness, Southern's award winning antisocial behaviour reporting tool, from internal use to passenger use. Southeastern also introduced the scheme for the first time. A simple email system, Eyewitness supports our train operating companies' Safer Travel Teams to tackle crime on the network. The team also works closely with the British Transport Police to reduce crime and help passengers feel safer. This year, the Safer Travel Team at Southern has been working with local authorities to raise awareness amongst school children about travelling safely. The team has attended school safety days and reached around 1,000 students across the network, ensuring that young people have the confidence use rail travel safely. Our bus companies also worked hard to further improve safety on their networks. For example, Metrobus worked in partnership with the Bromley Safer Transport Team and Police to tackle criminal damage to bus vehicles.

Environment

This year, we have continued to reduce the environmental impact of our operations by improving our energy efficiency. Our Group-wide Driving Energy Further strategy has encouraged our operating companies to remain focused on reducing energy consumption. This year we have reduced CO_2 emissions per passenger journey to 0.86kgs, down from 1.00kgs established during the baseline year of 2007/08. Our target is to reduce our CO_2 emissions per passenger journey by 20% by 2015 and we are delighted to have achieved a 14% reduction to date, a 2% per cent improvement on last year.

Driving Energy Further is co-ordinated by the Group Energy Forum chaired by the Group Engineering Director. The Forum reviews progress against each operating company's energy reduction targets, shares best practice and identifies initiatives aimed at reducing energy consumption even further.

Traction electricity used by our electric train fleets and fuel used by our buses are the two main sources of our carbon emissions. In order to improve our environmental performance, Southern and Southeastern have focused on introducing regenerative braking with 82% of their regenerative braking-capable fleet now using this process, while London Midland is the first train operating company to install meters on its entire electric fleet.

Our bus companies have continued to refresh fuel efficient driving techniques for our 10,000 drivers. All drivers undergo a RIBAS driver training module (dealing with Revving, Idling, Braking, Accelerating and Speed). The RIBAS course educates drivers that their behaviour has a direct bearing on the amount of fuel a bus uses – and through this, carbon use and cost. Every bus has an indicator panel fitted in the cab which shows the driver when pre-set limits for each of the RIBAS measures is exceeded; by reference to the panel, a driver is better informed and is able to drive at the optimum level of economy. This scheme has resulted in improved fuel efficiency of up to 10% in some companies.

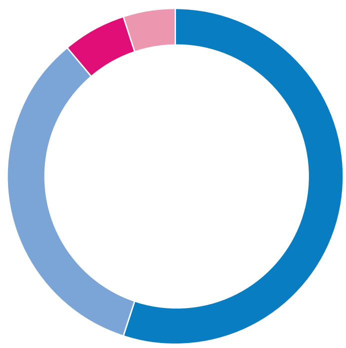
Other measures include a requirement for bus drivers to switch off engines when stationary for more than one minute, installation of a spill free fuelling system, monitoring of engine idling in the depot complex, and the evaluation of different tyre technologies to give the best fuel consumption.

This year we have continued to boost the number of hybrid buses in our fleet and expect to have 140 by 2013, with 58 gained as a result of the Green Bus Fund. More than 31% of Oxford Bus Company's fleet is comprised of hybrid buses and the company continues to work closely with local partners including local councils on the delivery of the Oxford Low Emission Zone which is due at the end of 2013. We continue to work with our key suppliers to improve the environmental performance of buses.

Reducing water usage

Improving our environmental performance is not just about reducing carbon emissions. During the year we have made significant progress in reducing our water usage through the installation of toilet flush controls and leak detection data loggers. These actions have resulted in a 27% decrease in water usage in 2012.

Group's CO_2 emissions by source



Rail traction electricity	55%
Bus fuel	34%
Site energy	6%
Rail diesel	5%

Providing value for money

Southern's Advance Fares were voted the UK's best value for money by passengers in an independent Passenger Focus Survey. 87% of passengers asked said they were satisfied.

Innovation

Go North East launched "the key lifestyle", an innovative transport package on a smartcard which brings together discounts on bus travel with great deals on car and bike hire. The package caters for the growing number of people who are questioning owning a car permanently, and provides optional free membership to car and cycle hire clubs. The lifestyle smartcard also includes a "scrap your banger" element which gives customers double the value of the car back in free bus travel with Go North East.

Environment continued

A year of firsts

We were pleased to have achieved a number of firsts this year. Go-Ahead participated in the world's first carbon footprinting gallery in central London aimed at showcasing companies which have reduced their carbon footprint. We exhibited alongside companies including BT, Manchester United and Tesco. The exhibition also went on display in Seoul, South Korea to highlight the carbon reduction efforts being made by businesses internationally.

We were named the tenth best company in the world for our social, environmental and governance performance by EIRIS – a leading global provider of independent research into the ethical performance of companies. EIRIS examined the sustainability performance of all the 2,063 companies in the FTSE All-World Development Index of large companies.

Go-Ahead was the highest ranked British transport operator in the first ever carbon reduction league table which listed more than 2,000 UK businesses according to how they manage their energy use. The new Carbon Reduction Commitment energy efficiency performance league table was published for the first time by the Environment Agency. Go-Ahead was ranked 93rd in the table, the same level as Tesco and was the highest ranked transport operator in Great Britain. The ranking is based on Go-Ahead's early actions to drive energy efficiency across the Group.

Passengers

For the second year running, Go-Ahead was the only major transport group in the UK to commission its own independent bus passenger survey of all its bus companies outside London. The survey, by consumer watchdog Passenger Focus, is carried out annually and once again, our companies scored highly, with a sector leading score of 89% of passengers saying they are satisfied with the service they receive. Passenger Focus also surveyed other UK bus companies during the year and again, our companies performed strongly, achieving the top score of 90%. Our rail companies also scored well in the National Passenger Survey with a 83% satisfaction rating.

Thorough preparations during the 2011/12 financial year enabled us to deliver highly successful bus and rail services for the London 2012 Olympic Games. Southeastern and Southern together carried 15.2 million passengers during the Games, with the high speed Javelin service transporting around 90,000 people each day between central London and the Olympic Park. Southeastern employed an additional 1,000 staff to help passengers at stations and ran 96% of their trains on time.

A major focus for Go-Ahead this year has been the continued roll out of "the key" smartcard, particularly in deregulated bus where some 250,000 cards have been issued. "The key", which reduces boarding times and enables us to provide tickets and products that are in line with passengers recommendations, was launched by Transport Minister Norman Baker at Southern and at Go South Coast and won the prestigious National Transport Award for excellence in technology. Integrated bus-rail tickets, lifestyle offers, pay as you go and self-service ticketing are planned for the coming year, along with the implementation of mobile ticketing across our deregulated bus companies.

Social media continues to pay a key role in the way we communicate with our passengers. Go-Ahead launched its own Twitter and Facebook sites during the year, while our bus and rail businesses went from strength to strength in using social media channels to provide fast, personal information to our customers, particularly during times of disruption caused by adverse weather. London Midland won the National Rail Award Putting Passengers First category for setting new standards in customer satisfaction and we now have around 40,000 people following the Group and its companies through Twitter and over 80,000 on Facebook. Our target is to achieve 250,000 social network followers in 2013.

Keeping passengers informed is one element of the customer journey. At Go-Ahead we aim to provide a high quality service for the end to end journey, investing in all aspects of the passenger experience including marketing, ticket buying facilities, staff training and station improvements. This year we have invested over £20m in our bus fleet outside London, purchasing 126 new vehicles, and also started a £9 million programme to refresh the interiors of Southern's Class 377 train fleet.

Employees

Go-Ahead has seen the number of staff in the Group rise from 22,200 to 23,000 following the acquisition of Northumberland Park depot in North London and four commercial bus companies in Southern England.

We continue to invest in our staff, providing 80,000 training days at a cost of £10.2m. During the year, Southeastern achieved Gold Investor in People, joining the 3% of organisations in the UK to have reached that standard.

Metrobus opened a new £500,000 training school in Crawley and our companies continued to attract young people into the industry through apprenticeship schemes. At Go South Coast, Salisbury-based engineering apprentice Clint Kelly won the Apprentice of the Year award at the Salisbury District Chamber of Commerce and Industry's Business Excellence Awards. Clint is one of 13 apprentices employed across Go South Coast. Southern partnered with Network Rail to offer two graduate placements as part of the Track and Train scheme where candidates gain experience of customer service management.

For the first time, Go-Ahead commissioned a staff engagement survey across all its rail operations, covering some 10,000 staff. The survey attracted a 73% response rate against a train operating company benchmark of 54% and achieved a 61% engagement index score overall, above the UK rail industry average. The survey will be carried out annually and expanded to include deregulated bus next year.

Each of our companies is committed to ensuring processes are in place for staff to provide feedback and ideas about the workplace. Go-Ahead London launched a new employee website this year and introduced a new Meet the Directors Open Forum to give its 5,000 employees the opportunity for face-to-face meetings with directors to discuss matters of concern or ask questions. Southeastern has pioneered the use of social media in the workplace, introducing Workmate, which enables employees to share information with colleagues and receive up to date information. 60% of Southeastern staff are now regular users of Workmate.

Our companies continue to recognise the commitment and dedication of their employees with staff excellence and long service awards. We were delighted that Denise Janes was crowned the national customer service champion for 2011 at the Institute of Customer Service Awards. Denise, who has worked in the rail industry for eight years, beat 200 entries from a wide range of industries across the country to win this prestigious award.

Community and economic impact

Go-Ahead achieved Gold in this year's Business in the Community Corporate Responsibility Index. Go-Ahead has participated in the index every year since it was launched ten years ago and was among the top scorers in the transport sector. The index measures our successful integration of responsible and sustainable business practice across Go-Ahead.

We re-launched our popular education programme aimed at helping children and young people improve their knowledge of public transport. The new Go-Learn materials, mapped against the National Curriculum, use public transport to deliver informative and engaging resources that help pupils develop skills and confidence for independent travel. Go-Ahead is the only major UK transport operator to provide free resources of this kind. The material is available via the Go-Ahead website and attracts around 300 visits a month.

Go-Ahead also entered into two new charity partnerships with Transaid and Railway Children. The three year partnerships aim to raise over £100,000 to support the work of both organisations. Railway Children fights for vulnerable children who live alone and at risk on the streets, while Transaid is an international development charity which aims to create better transport to help reduce poverty and improve livelihoods across the developing world. Over the coming year, Go-Ahead will be encouraging its operating companies to get involved in fundraising activities to support the two partnerships.

Our operating companies have continued to provide support to local charities and organisations, making donations and giving staff the opportunity to carry out volunteer work. In total, Go-Ahead donated £200,000 to charities over the past year.

Our economic impacts

As one of the leading providers of public transport in the UK, Go-Ahead is proud to play a role in building a strong and sustainable economy. The economic impacts of our activities are wide and varied. We generate revenues and profits through the bus and rail services we provide and these benefit a range of stakeholders including our employees, suppliers, shareholders, the UK Government and the communities we serve. These benefits are delivered through the salaries and benefits our employees earn, our expenditure on goods and services and the dividends, taxes and community contributions we pay from the profits we create.

Turn to page 15 for further details on our economic impacts

Apprenticeship success

Twenty-one year old Clint Kelly (centre) was voted Apprentice of the Year at Salisbury Chamber of Commerce business excellence awards. Clint joined Go South Coast aged 16 after leaving school. Clint is pictured with Engineering Director Steve Hamilton (left) and Salisbury Depot Engineer Ian Challoner.

Community focused

Our bus companies are locally managed and form an integral part of the communities they serve. Konectbus recently supported local Cubs and Scouts in their fundraising project.

Board of Directors

Sir Patrick Brown
Chairman

Nomination Committee (Chairman)
Remuneration Committee

Term of office:

Sir Patrick Brown joined the Board in January 1999 as Non-Executive Director, becoming Non-Executive Chairman in October 2002. He was last re-elected by shareholders at the 2011 AGM, and will again stand for annual re-election at the AGM in October 2012.

Length of service:

13 years, 7 months

Independent:

On appointment

Skills & experience:

- Extensive regulated industry experience from time spent in Civil Service and management consultancy.
- Involved in privatisation in the Department for Transport (DfT).
- Permanent Secretary of the DfT from 1991 to 1997.
- Held long standing position on Board at Northumbrian Water Group until its delisting in October 2011.

External appointments:

Non-Executive Director of Camelot UK Lotteries Ltd and Camelot Global Services Limited.

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

Length of service:

1 year, 5 months

Skills & experience:

- Nearly 30 years experience in the industry with particular expertise in 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 from 1999 and Operations Director for London General/London Central.

External appointments:

Non-Executive Director at Association of Train Operating Companies Limited (member of the Remuneration Committee).

Keith Down
Group Finance Director

Term of office:

Keith Down was appointed to the Board as Group Finance Director in March 2011. Following his appointment, he was elected by shareholders at the 2011 AGM and will stand for annual re-election at the AGM in October 2012.

Length of service:

1 year, 5 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.

Andrew Allner
Senior Independent Director

Audit Committee (Chairman)
Remuneration Committee
Nomination Committee

Term of office:

Andrew Allner joined the Board in October 2008 and succeeded Rupert Pennant-Rea as Senior Independent Director in October 2011. He was last re-elected by shareholders at the 2011 AGM and will stand for annual re-election at the AGM in October 2012.

Length of service:

3 years, 10 months

Independent:

Yes

Skills & experience:

- Former Partner at PricewaterhouseCoopers and a Fellow of the Institute of Chartered Accountants in England & Wales with sound, recent and relevant financial experience.
- Group Finance Director of RHM plc between 2004 and 2007.
- Other recent and relevant executive & non-executive PLC board experience.

External appointments:

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

Katherine Innes Ker
Non-Executive Director
Remuneration Committee (Chairman)
Audit Committee
Nomination Committee

Term of office:
Katherine Innes Ker joined the Board in July 2010. She was last re-elected by shareholders at the 2011 AGM and will stand for annual re-election at the AGM in October 2012.

Length of service:
2 years, 1 month

Independent:
Yes

Skills & experience:
- Extensive executive and non-executive experience helping to grow successful & dynamic organisations.
- Spent a decade working in the City as a financial analyst.
- Held many previous non-executive directorships including 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 St Modwen Properties plc (member of the Remuneration, Audit and Nomination Comittees); Non-Executive Chairman of Victoria plc (Chairman of the Nomination and Remuneration Committees and member of the Audit Committee).

Rupert Pennant-Rea
Non-Executive Director
Audit Committee
Remuneration Committee

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 2011 AGM and willl stand for annual re-election at the AGM in October 2012.

Length of service
9 years, 10 months

Independent
Non-independent

Skills & experience:
- Over 15 years of 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, Defaqto Group Ltd, The Economist Newspaper Limited and Henderson Group plc (Chairman of the Nomination Committee). Non-Executive Director of Hochschild Mining plc (member of the Remuneration Committee), Times Newspapers Holdings Ltd, Specialist Waste Recycling Ltd and Gold Fields Ltd (Chairman of the Remuneration Committee, member of the Nomination & Governance and Audit Committees).

Nick Horler
Non-Executive Director
Remuneration Committee
Audit Committee
Nomination Committee

Term of office:
Nick Horler joined the Board in November 2011. He will stand for election before shareholders at the 2012 AGM for the first time.

Length of service:
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; Interim Chief Executive Officer of Alderney Renewable Energy Limited.

Carolyn Sephton
Group Company Secretary

Term of office:
Carolyn Sephton was appointed as Group Company Secretary in July 2006.

Length of service:
6 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.

Senior management

Kevin Carr
Managing Director, Go North East

Kevin has worked at Go North East for over 35 years in varying roles and was appointed Managing Director in February 2012. A Chartered Director and Chartered Engineer, Kevin brings a wealth of experience to the senior team.

John Trayner
Managing Director, Go-Ahead London

John has been Managing Director since 2006. He joined the Group in 2002 as Operations Director of London Central/General having previously held senior positions at Arriva London. He has been in the transport industry for 35 years.

Alan Eatwell
Managing Director, Metrobus

Alan has been Managing Director since 2001 and was previously the Group's Engineering Director. Alan has over 40 years' experience in the bus industry and successfully participated in the management buy-out of Brighton & Hove.

Richard Stevens
Managing Director, Plymouth Citybus

Richard was appointed Managing Director in May 2012. He has more than ten years' senior experience of working in the bus industry in the South West of the UK. Previously, Richard served as an Operations/Commercial Director for Stagecoach South West and was Operations Director for First Devon and Cornwall. Prior to that he held a number of managerial roles in Devon and Cornwall and began his transport career in 1990 as a bus driver.

Chris Burchell
Managing Director, Southern

Chris has been Managing Director of Southern since April 2006, having previously been Operations Director for two years. He has also worked at Thames Trains, the Foreign & Commonwealth Office and Railtrack, accumulating over 15 years of railway experience.

Charles Horton
Managing Director, Southeastern

Charles has been Managing Director since April 2006, after three years in the same role at Southern. He has gained extensive management experience in a career spanning 26 years on National Rail and London Underground.

Brighton & Hove

Roger French

Managing Director, Brighton & Hove

Roger has been Managing Director of Brighton & Hove since the company was purchased by Go-Ahead in 1993. He joined Brighton & Hove in 1982 and as general manager he was part of the Company's management buy-out. Roger received an OBE in 2005 for his services to public transport and an Honorary MA degree from Brighton University in 2007.

oxford bus company Thames Travel carousel

Philip Kirk

Managing Director, Oxford Bus Company, Thames Travel & Carousel

Philip has been Managing Director of Oxford Bus Company since 2001, having joined the company shortly after it was acquired by Go-Ahead in 1995. He has more than 30 years' experience in bus and coach operations management. Philip became Managing Director of Thames Travel and Carousel Buses upon their acquisition by the Group in 2011 and 2012 respectively.

go southcoast

Andrew Wickham

Managing Director, Go South Coast

Andrew was appointed Managing Director in December 2011. Previously he had been Managing Director of Plymouth Citybus since December 2009, when Go-Ahead acquired the bus company. Before that he was Operations Director at Go South Coast and also spent three years working for Go-Ahead as its Development Manager. Andrew joined the bus industry in 1987 working for Brighton Borough Transport Ltd and was at London General when Go-Ahead acquired the company in 1995.

londonmidland

Patrick Verwer

Managing Director, London Midland

Patrick was appointed Managing Director in January 2012. Previously he was Managing Director of Rail Development. Prior to joining Go-Ahead, Patrick spent more than 10 years with Netherlands Railways in various executive roles. Patrick came to the UK in 2002 to head up the Serco/ NedRailways Merseyrail concession in Liverpool.

Go-Ahead

Martin Dean

Managing Director, Bus Development

Martin joined Go-Ahead in 2008. He leads and acts as a focus for all bus development and acquisition activity in the Group and oversees our operations in East Anglia and North America. Previously, Martin held senior management roles in rail and bus with FirstGroup and National Express. He began his career with London Transport.

Go-Ahead

Alex Hynes

Managing Director, Rail Development

Alex was appointed Managing Director of Rail Development in January 2012. He joined Go-Ahead in 2005, initially as a member of its bid team. More recently, Alex served as Commercial Director at London Midland between 2007 and 2011. Prior to joining Go-Ahead, Alex worked in rail consultancy and regulation.

Corporate governance

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

Sir Patrick Brown, Chairman
5 September 2012

Dear Shareholder

On behalf of the Board, I am pleased to present Go-Ahead's Corporate Governance Report for 2012.

I am delighted to confirm that, following the appointment of Nick Horler as an independent Non-Executive Director in November 2012, we are fully compliant with the main principles of the UK Corporate Governance Code (the Code). The Code states that corporate governance is about "*what the board of a company does and how it sets the values of the company*". For Go-Ahead, this means ensuring that high standards of corporate ethics and behaviour are instilled throughout our businesses. We believe that good governance is integral to the way our business is run and it is this commitment that has been a positive contributing factor to the performance of the Group during the financial year.

It is our view that the Board should act in a way that is accountable, transparent, open and honest, focusing on the sustainable success of the Group over the longer term. We therefore recognise the principles and provisions of the Code as best practice.

Changes to Board composition

The Board and Nomination Committee have spent a considerable amount of time this year reviewing the Board's composition and succession planning. As Rupert Pennant-Rea has now served on the Board for over nine years he must be considered as not independent. Rupert will continue to serve the Board as a non-independent Non-Executive Director to ensure continuity and support following the changes to the executive team last year. As he is no longer independent Rupert has been succeeded as Senior Independent Director by Andrew Allner and as Chairman of the Remuneration Committee by Katherine Innes Ker. On behalf of the Board, I thank Rupert for his long-standing contribution to the Board in both of these important roles over the years.

The Nomination Committee was responsible for leading the process for a new independent Non-Executive Director to replace Rupert Pennant-Rea, the outcome from which was the appointment of Nick Horler in November 2011. Nick's skills, expertise and experience in marketing and the regulated industries have brought increased diversity and debate to the boardroom. Following Nick's appointment, at least half of the Board are independent Non-Executive Directors, in accordance with the Code's recommendations. For further details regarding these changes, please refer to the Nomination Committee Report on page 68.

Diversity

The Board has kept under review the advancement of Lord Davies' report, 'Women on Boards', and the FRC's consultation on changes to the Code in this regard. The benefits of greater board diversity, not just gender specific, are clear and the Board welcomes these developments as a positive step forward. Our Nomination Committee carries out its search for candidates from the widest possible pool of talent, against a set of objective criteria, making appointments on the basis of merit. Details of our targets and aspirations for female representation can be found in the Nomination Committee Report on page 68.

Board evaluation

I am pleased to report that the improvements identified as part of the Board's evaluation last year were implemented during the year. These included increasing the interaction between the Board and senior management, the continued improvement of risk management processes and reporting and the role of the Board in contributing to the development of strategy and the overall effectiveness of the Group.

We are not complacent, however, and during the year we have continued to strive to maintain and improve the overall effectiveness of the Board. In accordance with good practice, the evaluation of the Board this year is being undertaken by an external facilitator and further details can be found on page 60 of this Corporate Governance Report.

2012 governance highlights

Board composition
– Appointment of new Non-Executive Director
– Appointment of new Senior Independent Director
– Appointment of new Remuneration Committee Chairman

Board evaluation
– Improvements identified last year implemented
– Appointment of external facilitator for this year's evaluation

Strategy
– Comprehensive review of strategic focus and direction
– Strengthening infrastructure and governance framework to support strategy

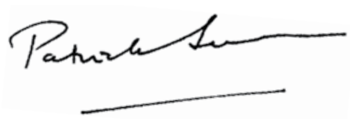
Risk management and internal control
– Continue to strengthen and embed ongoing risk management processes
– Improved sharing of information between internal and external auditors and operating companies

Remuneration policy
Following the changes made to remuneration policy last year, which were effective from this financial year for the new Executive Directors, the focus of the Remuneration Committee has been to ensure that the Group's remuneration policy remains appropriate. This has been of particular importance given the continuing economic conditions and evolving remuneration landscape in which the Committee has remained abreast of developments and changes. Despite underlying performance improving*, total remuneration for the new Executive Directors is less than was paid to their predecessors.

Remuneration policy
For more information on the Group's remuneration policy and the Executive Directors' remuneration please see pages 71 to 77.

Strategy
During the year, there was a comprehensive review of the Group's strategic focus. This included strategic activity during the year, clarity of the Group's future strategy and a common vision on how to achieve this. The Board focused on the corporate planning process, agreeing an approach to introduce the necessary process and activities to support the Group's strategic direction. From a cultural perspective, the focus has been on introducing a new performance management process which will reward individual performance, supported by talent planning, leadership reviews, behavioural frameworks and common values across the Group. Importantly, our robust governance infrastructure will continue to provide the framework within which to monitor and deliver the Group's strategic objectives.

The Board is always mindful that it is collectively responsible for the long-term success of the Company. We have spent time reviewing the provisions of the Code and have agreed on the best ways to implement them in practice. 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.



Sir Patrick Brown, Chairman
5 September 2012

* The operating profit of £115.1m for the year ending 2 July 2011 included £13m of non-recurring contract management savings.

Compliance with the UK Corporate Governance Code

The Board considers that the Company has, throughout the year ended 30 June 2012, complied with the provisions of the UK Corporate Governance Code (the Code) and has applied the main and supporting principles of the Code as described on pages 57 to 70 of this Report. The only exception is with regard to:

- Provision B.1.2 of the Code, which requires more than half the Board excluding the Chairman to be independent Non-Executive Directors. From the date of the announcement that Rupert Pennant-Rea was no longer considered independent until Nick Horler's appointment on 14 November 2011, there were only two independent Non-Executive Directors. During this two week period there were no Board or Committee Meetings.

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

Our devolved structure

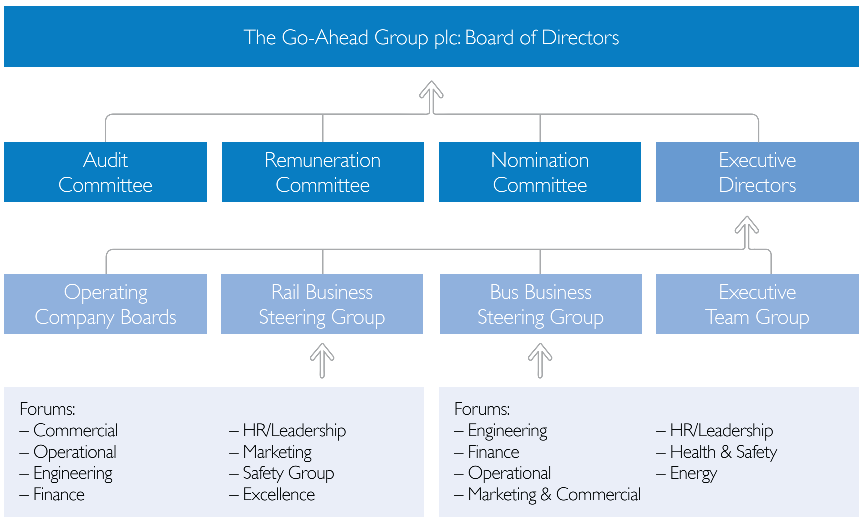
We believe that our devolved management structure, as illustrated below, enables the Group to be managed in a particularly effective way. Local management throughout the Group are empowered to operate our companies as autonomous business units, whilst working together to share experience and expertise around the Group. For example, many aspects of the Group's day-to-day operations report through operating company 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 and HR forums which identify opportunities to share experience and best practice across operations; and
– weekly meetings with the senior managers responsible for the key centralised Group functions (the Executive Team Group) 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 Health, Safety and Energy Forum. Such forums, which report directly to the Executive Directors, enable representatives from all operating companies to share best and emerging practice, to seek synergies and cost savings, to improve quality and to achieve economies of scale wherever possible.

It is this infrastructure which allows the right equilibrium between local initiatives and ones that can add up for the Group's benefit and enables the Board to be well informed about our businesses, employees, passengers and stakeholders. This in turn means that we are able to respond to the changing dynamics of the businesses in which we operate in a timely and knowledgeable manner.

Board and management structure



Sustainability

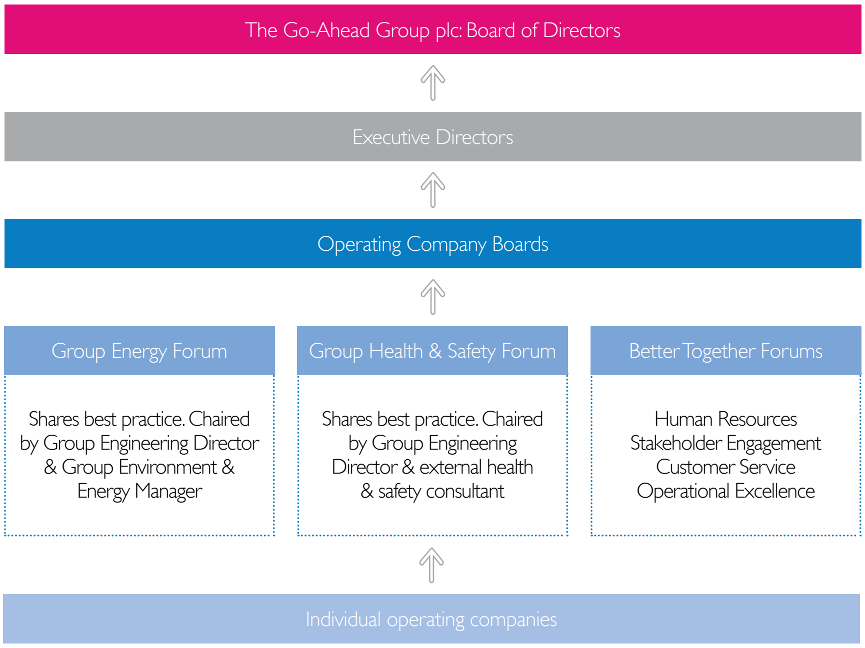
Sustainability is deeply embedded across all aspects of our organisation. To ensure that corporate responsibility is prioritised across the business, internal safety and energy targets for each of our operating companies are set at the beginning of each financial year. Progress against these targets is linked to both operating company senior managers' and Executive Directors' remuneration. In addition, a health and safety audit of each of our businesses is undertaken by an external consultant each year.

The Board is ultimately responsible for corporate responsibility across the Group. As such, 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. Key Performance Indicators (KPIs) are closely monitored and are reviewed every month with the Executive Directors at operating company Board meetings.

Sustainability

For more information on how the Group has made progress on its journey towards becoming a more responsible and sustainable business, please see pages 43 to 49.

Internal corporate responsibility structure



Applying the principles of good governance

How the Board is composed

The Board of Directors

At the year-ending 30 June 2012 the Board comprised the Chairman, four Non-Executive Directors and two Executive Directors. A full list of the Directors with details of their biographies and Committee membership is given on pages 50 and 51. All Directors were members of the Board throughout the financial year with the exception of Nick Horler who was appointed on 14 November 2011.

The Chairman holds informal meetings with the Board members in order to encourage a culture of openness. Integrity is considered of utmost importance in the boardroom and our Non-Executive Directors challenge the Executive Directors in a way that maximises constructive debate, thereby facilitating effective decision making.

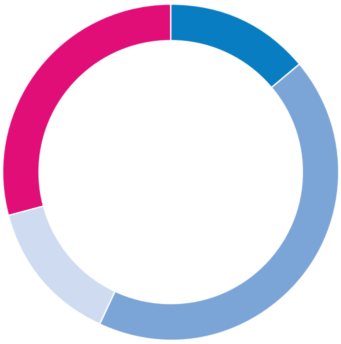
Board balance and independence

The Nomination Committee regularly considers whether the Board has the appropriate range of skills, knowledge and experience to enable it to promote shareholders' interests and govern the business effectively. As shown in the diagram on page 58, 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 as shown in their biographies on pages 50 to 51.

In accordance with the Code, the Chairman was considered independent on his appointment. The Board considers all Non-Executive Directors, except Rupert Pennant-Rea, to be independent. Having served on the Board for over nine years, Rupert must now be considered as not independent in accordance with the Code's criteria for independence.

Corporate governance continued

Balance of Non Executive and 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 Non-Executive Directors, particularly the Chairmen of 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 68.

How we ensure Board effectiveness

Role of the Board

The Board sets the Group's strategy, vision and values, providing entrepreneurial leadership of the Group. It regularly, prudently and effectively assesses the governance framework of the Group, reviewing internal controls and maintaining a robust system of risk management.

Each year, the Board reviews the formal Schedule of Matters reserved for its decision. Examples of some of the key governance and business matters discussed by the Board during the year are shown below:

- Approving the appointment of Nick Horler and changes to Board and Committee composition
- Approving acquisitions of bus companies
- Reviewing and agreeing Group strategy
- Discussing internal Board evaluation results from the previous year and agreeing objectives of external evaluation
- Approving Annual Report & Accounts, interim dividend, and recommending 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 which 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, corporate social responsibility and risk management. Day to day management of the Group and the implementation of strategies agreed by the Board across Group companies, have been delegated to the Executive Directors. 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 56. The Board believes that this infrastructure, with the right balance between local initiatives and ones that can add up for the Group's benefit, is fundamental to the success of the business.

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

With a new Group Chief Executive and Group Finance Director from the start of this financial year, the main focus and time commitment of the Board have been on reviewing the Group's strategic focus. This has included the corporate planning process and functional support plans within the new and evolving structure of performance management, leadership and behavioural frameworks.

Leadership of the Board

The offices of the Chairman and Group Chief Executive are held separately, with a clear division of responsibility, and the Board has adopted a written Statement of Division of Responsibilities between the Chairman and the Group Chief Executive. While the Chairman provides leadership of 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. They 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.

Roles & responsibilities

Chairman:

- leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda, taking into account the issues relevant to the Group and the concerns of all Board members;
- ensuring adequate time is allowed for the discussion of all agenda items, in particular strategic issues;
- ensuring a regular evaluation of the performance of the Board, its Committees and individual Directors;
- taking the lead in identifying and meeting the development needs of individual Directors and the Board as a whole, with a view to enhancing overall effectiveness;
- encouraging active engagement by all members of the Board and constructive relations between the Executive and Non-Executive Directors;
- ensuring effective communication with shareholders and that the Board develops an understanding of the views of major investors; and
- ensuring, with the Group Chief Executive and the Group Company Secretary, that new Directors receive a comprehensive induction programme to ensure their early contribution to the Board.

Group Chief Executive:

- responsible for performance, management and supervision of the Group in accordance with the strategy, policies, budgets and business plans approved by the Board;
- ensuring effective communication with shareholders and investors;
- responsible for the day-to-day leadership of the executive and senior management teams; and
- ensuring that the Chairman is kept updated in a timely manner of issues, events and developments.

Group Finance Director

- maintaining strong financial management underpinned by effective financial controls;
- developing the Group's policies and strategy on tax, treasury, financing, insurance and pensions;
- ensuring a commercial and financial focus on potential acquisitions, business case appraisal and financial planning;
- ensuring the appropriateness of risk management and internal controls processes and systems;
- supporting and advising the senior management team in their operational roles; and
- ensuring effective communication with shareholders and investors.

Senior Independent Director

- providing an important point of contact for shareholders in the event that they have concerns which have not been resolved through the normal channels of Group Chief Executive, Group Finance Director or Chairman or for which such contact is inappropriate;
- helping to develop a balanced understanding on the Board of the issues and concerns of major shareholders;
- providing a sounding board for the Chairman and serving as an intermediary for the other Directors as necessary; and
- leading a meeting of the Non-Executive Directors at least once a year, without the Chairman present, where the Chairman's performance is evaluated.

Non-Executive Directors

- ensuring constructive challenge;
- helping develop proposals on strategy;
- scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance;
- ensuring the integrity of financial information;
- ensuring financial controls and systems of risk management are robust and defensible;
- determining appropriate levels of remuneration of Executive Directors; and
- contributing a prime role in appointing and, where necessary, removing Executive Directors and in succession planning.

Group Company Secretary

- Secretary to the Board and its Committees;
- ensuring efficient information flows within the Board and its Committees and between senior management and Non-Executive Directors;
- facilitating induction of new Directors;
- assisting with any training and development needs as required;
- ensuring Board procedures are complied with; and
- regularly updating Board on corporate governance matters, legislative changes and regulatory regimes affecting the Group

Performance evaluation

- External facilitator meets with Company Chairman
- External facilitator meets with Company Secretary
- External facilitator meets with Directors individually

- External facilitator observes Board and Committee Meetings
- External facilitator compiles findings from interviews into a report
- External facilitator meets with Chairman and Company Secretary

- External facilitator presents findings to Board Meeting
- Board agree Action Plan

- Action Plan monitored

How we ensure Board effectiveness continued

Board meetings

The Board normally meets at least seven times during the year. At least one of the meetings each year is dedicated to reviewing the Group's strategy. Additional meetings are held as and when required. The Chairman and the Non-Executive Directors periodically meet without the Executive Directors being present. During the year, the Chairman meets individually with each Director.

During the year ended 30 June 2012, the Board held seven scheduled meetings. The table below 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. Detailed briefing papers in relation to the business to be conducted at each meeting are circulated to the Board 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. 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
Sir Patrick Brown	7/7	–	4/4	2/2
Andrew Allner	7/7	4/4	4/4	2/2
Katherine Innes Ker	7/7	4/4	4/4	2/2
Rupert Pennant-Rea	7/7	4/4	4/4	2/2
Nick Horler*	4/5	3/3	2/2	–
David Brown	7/7	–	–	2/2
Keith Down	7/7	–	–	–

* Appointed to the Board on 14 November 2011. Nick Horler missed one meeting due to it coinciding with an external meeting. The external meeting had been arranged in advance of his appointment as Non-Executive Director of the Group. He will be able to attend all Board and Committee meetings diarised for the financial year commencing on 1 July 2012.

The Board has established robust procedures for ensuring that their 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.

The evaluation process last year concluded that the Board continued to work well and operated effectively and we have endeavoured to ensure that this has been at least maintained during the year. Although there were not any areas of material concern highlighted, we have implemented a number of improvements that were recommended as part of the review last year. There is now increased interaction between the Board and senior management through senior management more frequently attending Board meetings and the Non-Executive Directors visiting senior management at their local operations. There has also been an increased focus on how the Board as a whole develops the Group's strategy and we have achieved this by developing and improving the ways in which we present and consider our strategic options. The annual Board Strategy Meeting is a fundamental part of the process with the Executive Directors, Non-Executive Directors, senior managers within the business and external advisers all playing a key role. Further work has also been undertaken to develop our risk management processes and reporting and this is explained on page 64.

All of these factors, we believe, have improved the overall effectiveness of the Board and so the Group.

We consistently seek to challenge ourselves, however, and this year, in accordance with the Code, the evaluation of the Board's performance is being reviewed by an external facilitator. This independent facilitator has no other connection with the Group. The process being undertaken this year by the external facilitator is shown in the diagram on page 60. Those Directors who have served on the Board for a period of at least six years are subject to a particularly rigorous review.

At the time of writing this report, the external evaluation process was ongoing and therefore full details will be published in the Annual Report next year.

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. For Nick Horler, this process included meeting separately with the Executive Directors and all of the key senior managers responsible for the Group's centralised functions. Visits were arranged to each of the Group's operating companies to meet with the local senior management teams within their respective businesses' locations. Nick also met independently with both the internal and external auditors and a number of key advisers to the Group. From a governance perspective, the Group Company Secretary ensured that a comprehensive overview of the formal procedures governing the working of the Board was provided, which included a full briefing of the Board's responsibilities and obligations under law, regulation and corporate governance guidelines and included aspects such as directors' duties, conflicts of interest, codes of conduct and compliance. Copies of recent Board reports, key documents and minutes of meetings were also made available.

The Chairman has overall responsibility for ensuring that a full induction and training programme is provided on appointment and that all Directors continually update their skills and knowledge. The Non-Executive Directors are encouraged to 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 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 external training.

Group Company Secretary
Carolyn Sephton has been Group Company Secretary since July 2006 and her biography can be found on page 51. 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. This policy, described further in the Nomination Committee Report on pages 68 and 69, was followed for the appointment of Nick Horler who joined the Board on 14 November 2011 as a new independent Non-Executive Director.

Our induction programme in action with Nick Horler, Non-Executive Director

Board's procedures 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 Company'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 businesses within the Group

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

"I have found Go-Ahead's induction process to be thorough and informative thus far, providing the right level of detail at a pace that was both complementary and timely in properly equipping me for the Group's Board and Committee meetings. In particular, meeting with senior management across the Group and operating companies has given me a deeper insight into the Group's operations and how these operate within the devolved business structure."

Nick Horler, Non-Executive Director

At the 2012 Annual General Meeting, in addition to shareholders being asked to elect Nick Horler 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. 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 its 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 50 and 51.

How the Company engages with its investors

Relations with investors

The Group recognises the importance of regular communication with all of its investors and as such is committed to maintaining an active dialogue on the Group's strategy, objectives and governance throughout the year. 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.

The Executive Directors and the Group's dedicated Investor Relations Team focus on investing in the shareholder relationship. Key shareholder engagement activities during the financial year are shown in the timeline below. The Executive Directors meet individually with the Group's major shareholders (both institutional investors and private shareholders with significant holdings), following which feedback is provided to the Board. The institutional shareholders also have further opportunities to make their views on reporting, strategy and governance known through follow up interviews by the Company's Brokers, feedback from which is also provided to the Board. The Investor Relations Team provides an update to every Board meeting which includes a share register and share price analysis, KPIs and analysts' reviews. As part of the Group's investor relations programme, presentations are regularly given to brokers' sales teams, which enable us to communicate our 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 Board regularly reviews the Share Register with a view to meeting with those key investors not currently investing in the Group.

The Board believes in promoting engagement with investors and in the coming year, the Group will hold an additional Investor Event in London.

Overall responsibility for ensuring that there is equal and effective communication with investors and that the Board understands the views of shareholders on matters such as governance and strategy rests with the Chairman, who makes himself available to meet investors for this purpose. Any significant concerns raised by a shareholder in relation to the Group's business are promptly communicated to the Board. The Senior Independent Director and the Chairmen of the Board's

Key shareholder engagement activities undertaken by the Executive Directors and the Group Investor Relations Team during the financial year:

Q1 July – September

Final results 2010/11
- Analyst presentation and webcast
- Investor roadshow (London and Edinburgh)
- Broker sales desk presentations

Q2 October – December

Interim management statement Q1 2011/12
- Analyst conference call
- Individual analyst meetings

Pre-close trading update Half year 2011/12
- Individual analyst meetings

Half year end 2011/12

Broker investment conference
- Individual investor meetings

Monthly broker sales desk presentations

Committees are also available to meet major 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 failed to resolve their concerns, or for whom such contact is inappropriate. There were no such concerns raised this year.

Annual General Meeting

The principal communication with shareholders is through the Annual Report and the Annual General Meeting (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 Company. 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 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 also available on the corporate website

Ordinary business which is raised for consideration at the Annual General Meeting 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 Company's Auditor. Other matters included on the agenda for the Annual General Meeting may vary from year to year in accordance with the requirements of the Company.

Corporate website

Go-Ahead's award winning corporate website provides a wealth of information including access to the annual and half-year reports, presentations, useful fact sheets, latest news, as well as share price, market capital and general shareholder information. Detailed information on the Company's share capital can be found on page 79 of this Annual Report.

During the year the Group launched both a Facebook page and Twitter account to inform a wider audience about Go-Ahead news. The Group 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/ir/.

Q1 Shareholder engagement
Investor roadshow

"Following a well-attended full year results presentation for analysts, we had a successful three day investor roadshow with full programmes of meetings in London and Edinburgh. These one-to-one sessions with our shareholders are a key component of our Investor Relations agenda, giving us the opportunity to update on historic performance as well as future prospects for the Group."

David Brown, Group Chief Executive

Q3 January – March

Half year results 2011/12
- Analyst presentations and webcast
- Investor road show (London and Edinburgh)
- Broker sales desk presentations

Q4 April – June

Interim management statement Q3 2011/12
- Individual analyst meetings

Pre-close trading update Full year 2011/12
- Analyst conference call

Full year end 2011/12

Broker investor conference
- Individual investor meetings

Individual investor meetings

Monthly broker sales desk presentations

Managing risk

For more information on how the Group manages risk, including a table showing a description of the key risks facing the Group, how they are mitigated, potential opportunities and an indication of how the risks are changing, please turn to pages 30 to 33.

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

The Board's responsibilities

For the financial year ended 30 June 2012 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).

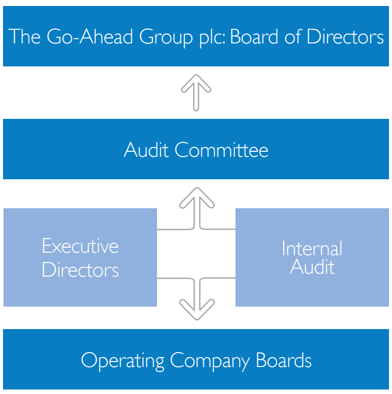
The Board recognises its responsibility for the Group's risk management and internal control system and is committed to ensuring its effectiveness in every respect. The Board is satisfied that there are procedures in place which identify, evaluate and manage the significant risks facing the Group, including 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.

The tables on pages 30 to 33 summarise the Board's assessment of the key risks and uncertainties that could impact the Group's performance.

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 Company's risk management and internal control systems. During the year the Audit Committee regularly reviewed reports from PricewaterhouseCoopers, the Group's internal auditors for risk management and internal controls, and PHSC, the Group's Health and Safety consultants. Reports were also regularly reviewed from the external auditors, Ernst and 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



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 twelve 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 per year and to the Audit Committee at least three times per year. During the course of the year, the co-ordination between the internal and external auditors has been improved to enable increased reliance on the work of the internal audit function.

Financial reporting and planning processes

In accordance with the Group's policies and procedures, 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 Group's policies and procedures 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.

Compliance management

During the year, an extensive review of the Group's Policy and Procedures Manual (the Manual) was carried out in conjunction with the internal auditors. The Manual is designed to reinforce the Board's high standards and values with respect to corporate governance, internal control processes and risk management. All operating companies must adhere to this Manual and certify annually that they have done so. In addition, the Board gains added 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.

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.

Andrew Allner
Committee Chairman

Members

Andrew Allner[1]
Senior Independent Director

Katherine Innes Ker
Independent Non-Executive Director

Rupert Pennant-Rea[2]
Non-Executive Director

Nick Horler[3]
Independent Non-Executive Director

1. A Fellow of the Institute of Chartered Accountants England & Wales and having previously held the position of Group Finance Director at another listed company between 2004 and 2007, Andrew Allner has recent and relevant financial experience as recommended by the Code.
2. Having served on the Board for over nine years and in accordance with the Code, Rupert Pennant-Rea must now be considered as not independent.
3. Nick Horler was appointed on 14 November 2011.

Composition compliant with Provision C.3.1 of the Code

Committee Secretary

Carolyn Sephton
Group Company Secretary

Meetings also regularly attended, by invitation, by:

Sir Patrick Brown Company Chairman
David Brown Group Chief Executive
Keith Down Group Finance Director
Internal Auditor's representative(s)
External Auditor's representative(s)

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 following Committee Reports and 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 is entitled to be present at a meeting of these Committees. Others may attend upon invitation only.

Audit Committee Report

"The Committee has worked closely with both the external and internal auditors this year, with all parties working better together to maximise the effectiveness of the audit activities. The Committee has also continued to improve the effective management of risk and internal controls throughout the business so as to help support the delivery of the Group's strategic objectives."

Meetings

During the year, the Committee met four times excluding meetings held to review its effectiveness as part of the annual performance evaluation. 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 60.

Key roles and responsibilities

Key responsibilities of the Committee include monitoring the integrity of financial reporting and the accounting judgements adopted within the reporting. The Audit Committee oversees the Group's relationship with the external Auditor, including reviewing the Group's non-audit engagement policy and regularly considering whether a tender of the contract would be appropriate. Reviewing the Group's risk management and internal control system and reporting to the Board is also a responsibility of the Committee, as is advising the Board on whether the annual report is fair, balanced and understandable, and providing the information necessary to assess the company's performance, business model and strategy.

The Terms of Reference of the Audit Committee are available on the corporate website at www.go-ahead.com or upon request from the Group Company Secretary

The Audit Committee's activities 2012

The main activities undertaken during the financial year included:

- receiving and reviewing reports from management relating to the annual and half year profit figures and statements, monitoring statutory audit of the annual consolidated Group and Parent Company financial statements, reviewing the effectiveness of the financial reporting, the controls in force and the key judgemental areas at the half year and year end to ensure the integrity of the financial information reported to shareholders;
- receiving and reviewing reports from the Group's external and internal auditors, including health and safety and information system specialists;
- reviewing the relationship with the external and internal auditors, including their terms of engagement, remuneration, independence, objectivity, expertise, resources and qualification;
- introducing a new external audit firm to undertake audits in the Group's smaller operating companies to reduce reliance on the principal external auditor and to reduce costs;
- reviewing the effectiveness of the Group's internal financial control policies, systems and procedures for the identification, assessment and reporting of risk, as outlined on pages 64 and 65, including receiving and reviewing risk registers from Group operating companies, and ensuring improved consistency in reporting;

- monitoring and reviewing the effectiveness of the Group's internal audit function;
- reviewing the "whistle blowing" financial and Anti-Bribery procedures in place across the Group;
- improving the co-ordination between the internal and external auditors so as to increase reliance on the internal audit work, improve efficiencies and reduce overall costs; and
- working with the Remuneration Committee, to review Executive Directors' performance versus budget for performance related bonus purposes.

Auditor independence

The Board recognises the importance of auditor independence and is aware of the situations which may give rise to the impairment of auditor independence. The Audit Committee carefully considers the objectivity of the Auditor on a regular basis in relation to both the audit process and the relationship with the Company.

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 their Terms of Reference, the following policy for the provision of non-audit services by the external Auditor.

- that 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;
- that 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;
- that the provision of certain non-audit services (including accounting and tax services if the fees exceed £250k) are subject to approval by the Audit Committee; and
- that 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 (2011: £0.6m). In addition non-audit fees of £0.5m (2011: £0.2m) were payable to the Auditor. In comparison, non-audit fees paid to other providers during the financial year were £0.3m (2011: £0.2m). Approval was given for the provision of taxation services and work on corporate finance projects and acquisitions where the Committee were 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 subsidiary companies appointed Grant Thornton as their auditors. Total fees to Grant Thornton during the financial year were £0.1m (2011: £nil). Grant Thornton received no non-audit fees (2011: £nil).

Appointment, reappointment and removal of the Auditor

The Committee has primary responsibility for recommending to the Board the appointment, re-appointment or removal of the external Auditor and their remuneration. During the year, the Committee has reviewed the external Auditor's terms of engagement and their level of remuneration.

The current EU proposals for mandatory audit firm rotation are being considered by the Audit Committee. Whilst the audit partner within Ernst and Young has rotated every five years, in accordance with EU requirements, the Group has not tendered the provision of its audit services in recent years. The Committee has carefully considered whether a tender for the external audit contract would be appropriate at this time, however, is satisfied with the objectivity and independence of the Auditor and has concluded that re-appointing Ernst & Young as the Group's Auditor will allow the quality and effectiveness of the external audit to be maintained. The Auditor will be recommended to shareholders for reappointment at the 2012 AGM.

Other safeguards in place to ensure auditor independence:

- The Committee considers every relationship between the Group and the audit firm.
- The Committee seeks periodic reassurance that the Auditor and their staff have no financial, business, employment, family or other personal relationship with the Group which 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 elapsed since the conclusion of the relevant audit.
- The Auditor is required to periodically assess whether they are independent of the Group, in their own professional judgement.
- The Committee monitors the level of fees that the Group pays in proportion to the overall fee income of the relevant audit firm/branch.
- Following audit partner rotation last year, 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.
- There are no contractual obligations restricting the Group's choice of auditors and no auditor liability agreement has been entered into.

Sir Patrick Brown
Committee Chairman

Members
Sir Patrick Brown
Company Chairman

Andrew Allner
Senior Independent Director

Katherine Innes Ker
Independent Non-Executive Director

Nick Horler[1]
Independent Non-Executive Director

David Brown
Group Chief Executive

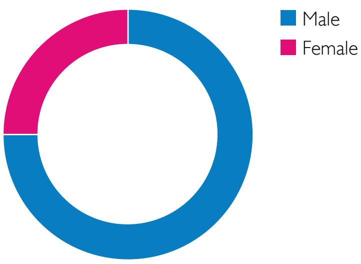
1. Nick Horler replaced Rupert Pennant-Rea as an independent member of the Committee following his appointment on 14 November 2011.

Composition compliant with Provision B.2.1 of the Code

Committee Secretary
Carolyn Sephton
Group Company Secretary

Meetings also regularly attended, by invitation, by:
Rupert Pennant-Rea
Non-Executive Director

Board gender diversity



Nomination Committee Report

"This year the Committee has spent a considerable amount of time reviewing Board and Committee composition and succession planning. This has been to ensure that we continue to have the appropriate range and balance of skills, experience, independence and knowledge."

Meetings

During the year the Committee met twice, 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 Company and best practice in corporate governance. Members' individual attendance can be found on page 60.

Key roles and responsibilities

Key responsibilities of the Committee include leading the process for board appointments; making recommendations to the Board on the structure, size, and composition of the Board and its Committees; reviewing expected and actual time commitment of the Non-Executive Directors; succession planning; and, on appointment of a new Non-Executive Director, ensuring they receive a formal letter of appointment, including roles, responsibilities and expected time commitment.

The Terms of Reference of the Nomination Committee are available on the corporate website at www.go-ahead.com or upon request from the Group Company Secretary

The Nomination Committee's activities 2012

The main activities undertaken during the financial year included:

- reviewing the structure, size and composition of the Board including the balance of skills, knowledge and experience and the independence of the Non-Executive Directors;
- making recommendations to the Board, including the appointment of a new Senior Independent Director and independent Non-Executive Director;
- recommending to the Board the membership and chairmanship of Committees, including the appointment of a new Chairman of the Remuneration Committee; and
- reviewing the time requirements of the Non-Executive Directors and, using the performance evaluation process, assessing whether each Non-Executive Director has committed enough time to fulfill their duties;
- considering the re-appointment of Non-Executive Directors at the end of their term of office and recommending to the Board the Directors for re-election by the shareholders;
- review of regulatory developments including making recommendations to the Board on the Group's policy on diversity in response to Lord Davies' report.

Gender diversity

Our Board currently has 14% female representation and including our Group Company Secretary, 25% female representation. This is slightly less than disclosed last year (17% female representation and 28% including the Group Company Secretary) because, although Nick Horler was appointed to replace Rupert Pennant-Rea as independent Non-Executive Director, Rupert will continue to serve on the Board as a non-independent Non-Executive Director to provide continuity and support following the changes to the executive team last year.

The Board will aspire to maintain the current levels of gender diversity going forward, however, our foremost priority is to ensure that Go-Ahead continues to have the strongest possible leadership and we will appoint only the most appropriate candidates.

Appointment of a new Non-Executive Director

As previously reported, Nick Horler was appointed on 14 November 2011 to replace Rupert Pennant-Rea as an independent Non-Executive Director. He was chosen for his extensive experience in sales and marketing in regulated markets within both the UK and North America. The Nomination Committee followed the process in the diagram below for the appointment of Nick Horler. The Board is satisfied that the process was rigorous and transparent and that Nick was appointed based on merit, against objective criteria, with due regard for the benefits of diversity.

Process for appointment

1. Assess balance of skills and diversity to establish criteria for new appointment
2. Engage external recruitment consultant to undertake search for suitable candidates
3. Interview selected candidates
4. Discuss potential candidates, taking into consideration factors such as:
   - Specific experience
   - Knowledge, skills and diversity
   - Other significant commitments, for assessing independence and available time
5. Put forward shortlist of candidates to wider Board
6. Company Chairman and Group Chief Executive undertake final interviews with candidates
7. Recommendation to the Board for approval of selected candidate

Katherine Innes Ker
Committee Chairman

Members

Katherine Innes Ker
Independent Non-Executive Director

Sir Patrick Brown
Company Chairman

Andrew Allner
Senior Independent Director

Rupert Pennant-Rea
Non-Executive Director

Nick Horler[1]
Independent Non-Executive Director

1. Nick Horler replaced Rupert Pennant-Rea as an independent member of the Committee following his appointment on 14 November 2011.

Composition compliant with Provision D.2.1 of the Code

Committee Secretary

Carolyn Sephton
Group Company Secretary

Meetings also regularly attended, by invitation, by:

David Brown
Group Chief Executive

Remuneration Committee Report

"I am delighted to have taken on the role as the Committee's new Chairman and would like to thank Rupert for his time and contribution as former Chairman of the Committee. Following the extensive review of policy last year, our main focus this year has been ensuring that the reward arrangements in place remain appropriate."

Meetings

During the year the Committee met four times, excluding meetings held to review its effectiveness as part of the annual performance evaluation. Members' individual attendance can be found on page 60. Katherine Innes Ker also met separately with the Group Company Secretary for a tailored induction upon appointment as Chairman of the Committee. This included a briefing on the Committee's Terms of Reference, remuneration policy, the BIS consultation and guidelines on executive remuneration from the Code and representative bodies including the Association of British Insurers (ABI) and the National Association of Pension Funds (NAPF). Katherine also met with the Group's independent remuneration consultants, Hewitt New Bridge Street (a trading name of Aon Hewitt Limited).

Key roles and responsibilities

Key responsibilities of the Committee include determining the fees of the Chairman and annually reviewing the remuneration policy for Executive Directors (including the balance between the fixed and performance-related elements of pay, benefit plans and compensation payments). The Committee also reviews 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.

The Terms of Reference of the Remuneration Committee are available on the corporate website at www.go-ahead.com or upon request from the Group Company Secretary

The Remuneration Committee's activities 2012

The main activities undertaken during the financial year included:

- reviewing the continued appropriateness of the remuneration policy as implemented last year;
- determining the new awards to be made to the Executive Directors under the Long Term Incentive Plan;
- reviewing whether any of the award granted to the former Group Chief Executive under the Long Term Incentive Plan in October 2009 should vest following the end of the three year performance period;
- reviewing the Remuneration Committee's Report and Director's Remuneration Reports for the Annual Report; and
- working with the Audit Committee, reviewing Executive Directors' performance versus budget for performance related bonus purposes.

Review of remuneration policy

The Committee at least annually reviews the appropriateness of the remuneration policy for the Executive Directors and senior management. The Committee has reviewed the changes to the remuneration policy introduced last year and, mindful of the current economic conditions, remains satisfied that there is a clear link between performance and the pay received so as to reflect the Group's corporate goals and the shareholders' best interests. Full details of the work of the Remuneration Committee can be found in the Directors' Remuneration Report from page 71.

Compliance with the Code

The Committee has reviewed and confirms compliance with all aspects of the Principles, Provisions and Schedule A of the Code on reward-related matters.

Directors' Remuneration Report

The Committee regularly reviews its reward philosophy to ensure it remains appropriate and commensurate with achievement.

Katherine Innes Ker,
Remuneration Committee Chairman
5 September 2012

Dear Shareholder

As the new Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for 2012, for which we seek your support at our Annual General Meeting in October 2012.

Under the guidance of the former Remuneration Committee Chairman, Rupert Pennant-Rea, a comprehensive review of the Group's remuneration policy was undertaken last year. This review resulted in a number of changes to the incentive arrangements for the new Executive Directors for the year ending 30 June 2012. In my new role as Chairman of the Committee, I have ensured that the focus this year has been to review this reward philosophy to ensure that it remains appropriate.

During the year therefore, while allowing the changes to bed in, the Committee reviewed the new performance-related incentive arrangements introduced from the start of the financial year, in particular focussing on the potential outcomes to ensure they were commensurate with achievement. In doing this, the Committee were mindful of the continuing challenging economic conditions and evolving landscape in remuneration developments.

Following this review, the Committee concluded that no changes were required to the performance-related incentive arrangements for the Executive Directors this year. After reviewing the base salaries for the Executive Directors, however, it was decided appropriate to make a modest salary increase of 2% which was in line with, or in the majority of cases lower, than the average pay increase awarded to employees across the Group and operating companies.

Despite improved underlying performance*, total remuneration for the financial year, on a like-for like-basis, was less than the previous financial year. In addition to the actual remuneration for our new Executive Directors being lower than their predecessors, the Committee also believes that there is now a clearer link between performance and the pay received. The incentive arrangements reflect the Group's corporate goals and are consistent with market and best practice. Importantly, the Committee also believes that this reward philosophy enables the Group to attract, retain and motivate the most gifted talent in the industry.

Full details of the policy on the remuneration of the Executive Directors is outlined from page 72. Details of the Non-Executive Directors' fees are included on page 76. There have also been some changes this year to bring our Non-Executive Director fees more in line with their responsibilities.

The Committee will continue to have dialogue with its shareholders about any changes to remuneration policy and welcomes your feedback. The Committee will continue to take an active interest in shareholders' views and the voting on the Directors' Remuneration Report. As such, the Committee hopes to receive your support at the Annual General Meeting on 25 October 2012.

Katherine Innes Ker, Remuneration Committee Chairman
5 September 2012

* The operating profit of £115.1m for the year ending 2 July 2011 included £13m of non-recurring contract management savings.

Directors' Remuneration Report continued

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 and Young LLP. Where disclosures have been subject to audit, they are indicated as such. The Auditor's opinion is included in their report on page 83.

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 ABI and NAPF and other representative bodies when setting and reviewing the remuneration policy.

An ordinary resolution to receive and approve this report will be proposed at the Company's Annual General Meeting (AGM) to be held on 25 October 2012.

Remuneration Committee

Composition of the Committee

Details of the members, the number of meetings and attendees in the year and the activities of the Committee are shown on page 70.

External advisers to the Committee

Hewitt New Bridge Street (a trading name of Aon Hewitt Limited) act as independent remuneration advisers to the Committee. Neither Aon Hewitt Limited nor the wider Aon Corporation provided any other services to the Group during the year.

Responsibilities of the Committee

A summary of the Committee's responsibilities is shown in the Remuneration Committee's Report on page 70. The Committee's Terms of Reference are available on the corporate website at www.go-ahead.com or upon request from the Group Company Secretary.

Key Committee activities during the year

During the year, the Committee met four times. The Chairman of the Committee also held a number of additional meetings with the Committee's remuneration advisers.

In addition to the Committee's routine business during the year, as outlined on page 70, the Committee discussed the potential changes arising from the Department for Business, Innovation and Skills (BIS) and UK Corporate Governance Code consultations. As part of the Board's performance evaluation described in the Corporate Governance section of this report, an evaluation of the Remuneration Committee's performance was also undertaken.

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

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 to ensure that we are paying enough to attract, retain and motivate high calibre individuals to deliver a performance in the interests of the Company's shareholders and the overall objectives of the business.

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 executives 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 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 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. The chart on page 73 shows the balance between fixed and performance related pay at maximum performance levels. Maximum performance assumes payment of maximum cash and deferred share bonuses and full vesting of shares under the Long Term Incentive Plan (LTIP). For the 2011/12 year, the

Executive Directors did not receive performance related pay at maximum performance levels and full details on the actual amounts of performance related pay can be found on page 76.

A summary of the Committee's remuneration policy for the 2011/12 financial year is provided below. There have been no changes to the remuneration policy for the 2012/13 financial year.

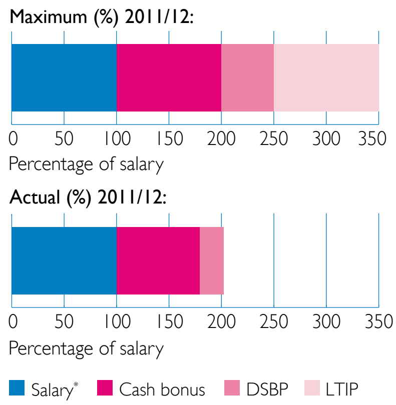
Base salary

The base salary of the Executive Directors is reviewed in April each year. When determining this, the Committee considers the levels of base salary for similar positions with comparable status, responsibility and skills in organisations of broadly similar size and complexity and median salary levels of those comparable companies within the peer group. The performance, experience and responsibilities of the individual are also taken into account, as are the pay and conditions throughout the Group.

From 1 April 2012, both Executive Directors were awarded an inflationary increase of 2%. This resulted in the Group Chief Executive's salary increasing to £510,000 (April 2011: £500,000) and the Group Finance Director's salary increasing to £326,400 (April 2011: £320,000). This percentage increase was either the same as, or in the majority of cases below, the average pay increase awarded to employees across the Group and operating companies.

Remuneration element	Description
Salary (fixed)	• Reviewed on 1 April each year • Set by reference to the individual's performance, experience and responsibilities, using comparable mid-market data for guidance
Performance-related cash bonus (variable)	• Up to 100% of salary for maximum performance • 80% of bonus based on Group financial performance and 20% determined by safety and good governance objectives • Payouts are subject to end of year quality of earnings and budget reviews
Deferred share bonus plan (variable)	• Up to 50% of salary for maximum performance • 50% of bonus based on Group financial performance over and above the performance-related cash bonus targets • Awards paid in shares deferred for three years • Bonus clawback provisions apply
Long term incentive plan (variable)	• Annual award with a maximum value of up to 100% of salary • Awards vest three years after grant to the extent performance conditions are met. Current performance conditions are 50% compound annual growth in EPS; 40% relative TSR vs FTSE 250; and 10% long term strategic targets
Pension (fixed)	• David Brown: no pension provision • Keith Down: pensions cash supplement payable
Other benefits (fixed)	• Private medical insurance for Executive Directors, their spouses and any children under age 24

Fixed and performance-related pay at maximum performance levels



* Excludes any pension contributions and private medical insurance paid during the financial year. See the emoluments and compensation table on page 76 for full details.

Pension

The Final Salary Section of the Group's pension plan is closed to new employees. Eligible employees, including the Executive Directors, are however able to participate in the Money Purchase Section of the pension plan.

The Group Chief Executive, who has no specific pension entitlement on top of his salary, elected to invest some of his own salary into the Money Purchase Section of the pension plan during the year. From 1 April 2012, in accordance with opting for fixed protection in relation to potential liabilities to the lifetime allowance charges, the Group Chief Executive ceased paying these contributions.

The Group Finance Director is entitled to receive an employer contribution of 13% of his salary into the Money Purchase Section of the pension plan. He supplements this by making a 6% contribution from his own salary. This arrangement was in place until 31 March 2012 when, in accordance with opting for fixed protection in relation to potential liabilities to the lifetime allowance charges, all contributions into the pension plan ceased. From 1 April 2012, the Group Finance Director instead received a non-pensionable cash alternative of 13% of his salary.

Performance-related cash bonus

Each of the Executive Directors has the opportunity to earn a maximum performance-related cash bonus (PRC) of 100% of salary.

The objective of the PRC is 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-ending 30 June 2012, Group performance against the profit target was below the maximum level, as a result of which 59% 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 were also satisfied with the formal end of year quality of profit and budget review undertaken in conjunction with the Auditor.

The total PRC bonus of 79% of salary will be paid to the Executive Directors shortly after the AGM.

Deferred share bonus plan

The deferred share bonus plan (DSBP), newly introduced for the year-ending 30 June 2012, enables the Committee to set targets linked to the achievement of important annual strategic goals which are key to the delivery of longer term value for shareholders. Any award of deferred shares also enables the Executive Directors to earn a quicker and more direct right to shares in order to promote alignment with shareholders' interests.

The Executive Directors are entitled to earn a maximum DSBP award of 50% of salary and, for the year-ending 30 June 2012, Group performance against this target was below the maximum level. As a result 23% of salary was awarded. The profit target for the DSBP was higher than for the performance-related cash bonus.

Shares equivalent to 23% of salary will be awarded to the Executive Directors shortly after the AGM. These shares will be bought in the market and so will not result in shareholder dilution. The Executive Directors must hold the shares for a period of three years and bonus claw-back provisions will apply during this 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.

Long term incentive plan

For the year ended 30 June 2012, the new Executive Directors received their first LTIP awards with a face value of 100% of salary. These awards consist of nil-cost options to acquire shares, subject to the satisfaction of performance conditions at the end of a three year performance period. The three year performance period for these awards commenced with the start of the 2011/12 financial period and will end with the 2013/14 financial period.

As reported last year, the performance conditions for these awards, which are shown in the table below, are different to awards made previously for the former Executive Directors. The Committee believes that the new financial and strategic performance conditions, in addition to the continued use of a revised relative total shareholder return (TSR) comparator group, remain relevant and challenging. Importantly, awards will vest in full only if exceptional performance has been achieved. Earnings per share (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.

	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	To be disclosed retrospectively at end of three year performance period
Threshold	25%	RPI + 2% p.a.	Median	
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	

Share incentive plan

The Go-Ahead Group Plc Share Incentive Plan (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. Neither Executive Director has elected to participate in the SIP at this time.

Share ownership guidelines

Shareholder guidelines are in place for the Executive Directors which provide for them to build up a personal or spouse's shareholding equal to one year's base salary over a period of five years. At the end of the financial year, the Group Chief Executive had been in post for one year and held 5,792 shares. Based on the closing share price on 30 June 2012, this equates to 13.7% of base salary in shares held in the Company. The Group Finance Director had been in post for one year three months and held 3,542 shares, equating to 13.1% of his base salary.

Non-Executive Directors' remuneration

The fees of the Non-Executive Directors are set by the Chairman and the Executive Directors following an annual review in April each year.

Fees	1 April 2012 £'000 pa	1 April 2011 £'000 pa
Sir Patrick Brown	**165**	150
Andrew Allner[1]	**50**	44
Katherine Innes Ker[1]	**50**	44
Rupert Pennant-Rea	**45**	44
Nick Horler[2]	**45**	–

1. Additional fees of £5,000 payable to Andrew Allner and Katherine Innes Ker for chairing the Audit and Remuneration Committees respectively.
2. Nick Horler was appointed to the Board on 14 November 2011.

The annual performance 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.

The Chairman and Executive Directors comprise a Committee which decides the Non-Executive Directors' fees. Following the annual review in April 2012, an uplift of £1,000 was applied to the fees payable to the Non-Executive Directors. This follows a period of three years during which no increase was made. While Non-Executive Directors historically have not received additional fees for Committee chairmanship, from 1 April 2012, those who chaired a Committee also received an additional fee of £5,000 to reflect the greater time commitment attributable to such roles. Reasonable travelling and other expenses for costs properly incurred in the course of their duties are also reimbursed.

From 1 April 2012, the Chairman received a 10% fee increase which reflected the increase in the Chairman's responsibilities, with added emphasis being placed on governance and leadership, following a period of three years in which no increases had been made.

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.

Directors' contracts

It is the Group's policy to restrict the notice periods for Executive Directors to a maximum of 12 months. In line with this policy, the Executive Directors have service contracts with an undefined term but which provide for the Company giving a notice period of 12 months. The 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 below, 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 address the duty of mitigation. 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; however, he does not receive any fees for this role.

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.

Director	Date of service contract	Notice period from the Company	Notice period from the Director
Sir Patrick Brown	February 1999	6 months	6 months
Andrew Allner	October 2008	6 months	6 months
Katherine Innes Ker	July 2010	6 months	6 months
Rupert Pennant-Rea	October 2002	6 months	6 months
Nick Horler[1]	November 2011	6 months	6 months
David Brown	April 2011	1 year	6 months
Keith Down	March 2011	1 year	6 months

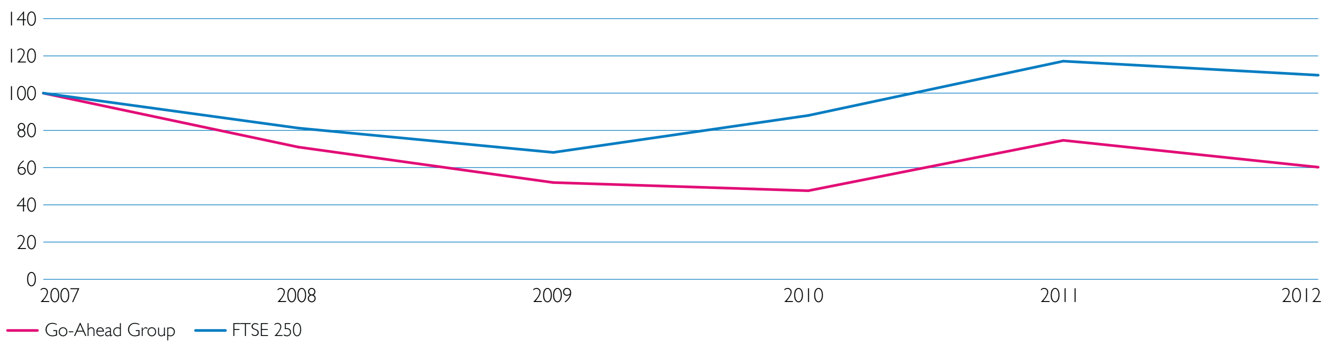
1. Nick Horler was appointed to the Board on 14 November 2011.

In accordance with the Company's Articles of Association and the provisions of the UK Corporate Governance Code, all Directors are required to submit themselves for re-election at each Annual General Meeting. Accordingly all Directors will be offering themselves for annual re-election at the Company's AGM on 25 October 2012 except Nick Horler who will stand for election by shareholders for the first time.

Performance graph

The graph below shows a comparison of The Go-Ahead Group plc total cumulative shareholder return against that achieved by the FTSE 250 Index for the last five financial years to 30 June 2012. 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)



Source: Datastream

Audited information

Emoluments and compensation[1]

	Salary/Fees	Performance-related cash bonus	Pension allowance	Private Medical Insurance	Total[1] 2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Sir Patrick Brown	154	–	–	–	154	150
Andrew Allner	46	–	–	–	46	44
Katherine Innes Kerr	46	–	–	–	46	43
Rupert Pennant-Rea	44	–	–	–	44	44
Nick Horler[2]	28	–	–	–	28	–
David Brown	503	397	–	6	906	251
Keith Down[3]	322	254	11	4	591	207
Keith Ludeman[4]	–	–	–	–	–	1,158
Nick Swift[5]	–	–	–	–	–	436
	1,143	**651**	**11**	**10**	**1,815**	**2,333**

1. Excludes awards made under the Long Term Incentive Plan and Deferred Share Bonus Plan as disclosed in the tables overleaf.
2. Nick Horler was appointed to the Board on 14 November 2011.
3. In addition, the Company paid pension contributions to the Money Purchase Section of the Group Pension Plan of £31,000 in respect of Keith Down (2011:£10,000) and in 2011 £31,000 in respect of Nick Swift.
4. Retired 2 July 2011. Total excludes value of final salary pension accrual.
5. Resigned 7 March 2011. Total excludes value of final salary pension accrual and reflects the period of service to 7 March 2011 only. On an annualised basis, total emoluments and compensation would be £683,000.

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.

Deferred Share Bonus Plan

	Salary £'000	Actual DSBP Award (23% of salary)[1] £'000
David Brown	503	116
Keith Down	322	74
	825	**190**

1. Shares equivalent to 23% of salary (as above) will be awarded to the executives shortly after the AGM in October. These will be bought in the open market and must be held for a minimum period of three years. Bonus claw-back, normal 'good leaver' and change of control provisions will apply during the deferral period. There will also be a dividend equivalent provision in operation over the deferral period. See page 74 for more details of the Deferred Share Bonus Plan.

Long Term Incentive Plan

	Award Date	Balance at 2 July 2011 No.	Awards granted in year No.	Awards lapsed in year No.	Share price at date of award	Awards vested in year	Share price at date of vesting	Balance at 30 June 2012 No.	End of period when conditions must be met
David Brown	31 Oct 11	–	35,838		£13.90			35,838	31 Oct 2014
Keith Down	31 Oct 11	–	22,936	–	£13.90	–	–	22,936	31 Oct 2014
Keith Ludeman	24 Oct 08	46,908	–	35,181	£14.58	11,727	£14.09	–	2 July 2011
	30 Oct 09	35,148	–	–	£14.24	–	–	35,148	30 June 2012
	6 Sep 10	23,091	–	–	£11.62	–	–	23,091	29 June 2013

October 2011 Awards (incumbent Group Chief Executive and Group Finance Director only)

In October 2011, awards were granted to David Brown and Keith Down. These awards applied to the three year performance period commencing with the start of 2011/12 financial period and ending with the 2013/14 financial period. In October 2014, which is three years from the date of grant, the Committee will consider the extent to which the awards granted will vest. Details of the performance conditions pertaining to these awards can be found on page 74 of the Directors' Remuneration Report.

October 2009 and 2010 Awards (retired Group Chief Executive only)

In October 2012 and September 2013, which is three years from the dates of grant respectively, the Committee will consider the extent to which the awards granted to Keith Ludeman (former Group Chief Executive) 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 2008 Award (retired Group Chief Executive only)

In October 2011, three years after the date of grant, the Committee considered the extent to which the awards granted to Keith Ludeman (former Group Chief Executive) in October 2008 should vest based on the three year performance period commencing with the start of the 2008/09 financial period and ending with the 2010/11 financial period. Out of a potential award of 46,908 shares, the Committee determined that 11,727 shares should be allowed to vest. This was on the basis that only the TSR Transport Sector comparator element of the award (25%) had passed the performance conditions. Neither the EPS element of this award (50%) or the TSR FTSE 250 element of this award (25%) had passed their requisite performance conditions and so 35,181 share awards lapsed.

Directors' share options

No share options are held by or have been granted to the Executive Directors during the financial year.

For and On Behalf of the Board

Katherine Innes Ker, Remuneration Committee Chairman
5 September 2012

Other statutory information

The Directors present their report and audited financial statements for the year ended 30 June 2012.

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 84. The Directors propose that a final dividend of 55.5p be paid, making a total of 81.0p for the year (2011: 81.0p). The proposed final dividend, if approved, will be payable on Friday 16 November 2012 to shareholders on the register at the close of business on Friday 2 November 2012.

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 49.

Directors and their interests

The names of the persons who at any time during the financial year were Directors of the Company are:

Sir Patrick Brown
Andrew Allner
Katherine Innes Ker
Rupert Pennant-Rea
Nick Horler (appointed 14 November 2011)
David Brown
Keith Down

The names and biographical details of the current Directors of the Company are given on pages 50 and 51.

The rules on appointment, reappointment and retirement of Directors are contained in the Company's Articles of Association (the Articles) which were adopted by a special resolution of the shareholders at the 2010 Annual General Meeting. 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. Nick Horler was appointed during the year and, in accordance with the Company's Articles, he will retire at the Annual General Meeting (AGM) on 25 October 2012 and offer himself for election. Sir Patrick Brown, Andrew Allner, Katherine Innes Ker, Rupert Pennant-Rea, David Brown and Keith Down will also retire at the 2012 AGM and offer themselves for re-election.

The Directors' beneficial or family interests in the share capital of the Company as at 30 June 2012, with comparative figures for the 2011 year end, are shown in the table below. There were no changes in these interests between 30 June 2012 and 5 September 2012.

	2012 No. of Ord Shares	2011 No. of Ord Shares
Sir Patrick Brown	**10,149**	10,149
Rupert Pennant-Rea	**2,000**	2,000
Andrew Allner	**742**	742
Katherine Innes Ker	**–**	–
Nick Horler (appointed on 14 November 2011)	**–**	–
David Brown[1]	**5,792**	–
Keith Down[2]	**3,542**	–

1. On 31 October 2011 David Brown was awarded 4,285 post tax shares as a performance related share bonus. These were subsequently transferred to his spouse and are required to be held for a minimum period of three years. On 7 September 2011 and 30 November 2011, David purchased 697 and 810 shares respectively which were also immediately transferred to his spouse.
2. On 31 October 2011 Keith Down was awarded 3,542 post tax shares as a performance related share bonus. These were subsequently transferred to his spouse and are required to be held for a minimum period of three years.

Details of the Executive Directors' interests in awards granted to them as participants in the Long Term Incentive Plan can be found in the Directors' Remuneration Report on page 77.

No Director was interested in any contract or arrangement which 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 30 June 2012 and remain in force, in relation to certain losses and liabilities which 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 the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Shareholder and control structure

At 30 June 2012, 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 either for cancellation or to hold as treasury shares, and no such shares were purchased between the year end and the date of this report. However, 41,880 shares (2011: 58,632) were re-purchased for potential Long Term Incentive Plan (LTIP) or Deferred Share Bonus Plan (DSBP) awards that may vest in the future.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions which 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 Services 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 2012 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 Company's 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 2011 Annual General Meeting, were not utilised in the financial year or up to the date of this report. These authorities will expire at the 2012 AGM of the Company 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 2011 Annual General Meeting, was still in effect at the end of the financial year and will expire at the 2012 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. However, 41,880 shares (2011: 58,632) were re-purchased for potential LTIP or DSBP awards that may vest in the future.

The business of the Company is managed by the Directors, who may exercise all powers of the Company which are not required to be exercised by the Company in general meeting, subject to the Company's Articles, relevant statutory law and any direction given by the Company in general meeting by special resolution.

The Company's Articles may only be amended by a special resolution at a general meeting of shareholders. The Company adopted new Articles at the 2010 Annual General Meeting in accordance with the provisions of the Companies Act 2006 and UK Corporate Governance Code. Members of the Company can request a copy of the Articles by contacting the Group Company Secretary at the Registered Office.

The 25th Annual General Meeting of the Company will be held at the Copthorne Hotel, The Close, Quayside, Newcastle upon Tyne, NE1 3RT on Thursday 25 October 2012 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 Company's website (www.go-ahead.com) from 25 September 2012.

Other statutory information continued

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.

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 22 February 2010 and Revolving Credit Facility dated 3 February 2011 are subject to change of control clauses that contain certain specified conditions which could lead to a compulsory prepayment of the bond and loan respectively.

Substantial shareholdings

As at 30 June 2012 and 5 September 2012, the Company had been notified, in accordance with Rule 5 of the Disclosure and Transparency Rules, of the interests in its shares representing 3% or more of the voting rights in the Company as shown below.

	Direct / indirect	30 June 2012 No.	%	5 September 2012 No.	%
Ameriprise Financial, Inc. and its group	Indirect	4,261,362	9.91	4,261,362	9.91
	Direct	15,900	0.04	15,900	0.04
D Ballinger	Direct	2,525,580	5.87	2,525,580	5.87
UBS AG London Branch Wealth Management Division	Indirect	2,415,951	5.62	2,410,951	5.61
Capital Research and Management Company	Indirect	2,140,060	4.99	2,150,277	5.00
JP Morgan Asset Management (UK) Ltd	Indirect	2,139,341	4.94	2,139,341	4.94
J Moyes	Indirect	2,317,674	5.39	2,043,371	4.75
	Direct	28,200	0.07	28,200	0.07
Legal & General Group plc	Direct	1,294,271	3.01	1,294,271	3.01

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 holdings above may have changed without triggering a further notification.

Share schemes

At the date of this report, EES Trustees International Limited, as Trustee of The Go-Ahead Group Employee Trust, holds 0.37% of the issued share capital of the Company, less treasury shares, in trust for the benefit of the Executive Directors of the Group and their dependants under the LTIP and the 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.

Under the rules of the Company's Share Incentive Plan, employees of the Group are entitled 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, 0.90% of the issued share capital of the Company, less treasury shares, is 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.

Vesting of awards under the LTIP and DSBP for the Executive Directors is satisfied by market purchases of shares.

Employees

The Group's responsibility is to provide a positive work environment conducive to the recruitment and retention of staff and one which meets its business objectives. This year the Group has established "Better Together" forums across most areas of the business where best practice is regularly shared and cost efficiencies identified. These initiatives aim to encourage new ways of working together as a team; providing the best customer experience; working in partnership with our local communities; and wherever possible, improving operational performance.

The Group is committed to providing equality of opportunity to all employees and treats all employees fairly regardless of gender, age, religion or belief, sexual orientation, race and, where practical, physical disability. Appropriate training, career development and promotion opportunities are provided for all employees. The Group gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. 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.

During the year, the Group launched an Employee Opinion Survey, run by an independent company, providing employees with the opportunity to give their views on their job and other aspects of working for the Group under strictly confidential terms. The feedback from the Survey will help the Group to further develop its vision of "Better Together" and values that describe how the Group should be working with its customers and with each other. In addition, for every survey completed, Go-Ahead has donated £3 to Transaid. Transaid is an international UK development charity which works to reduce poverty and improve livelihoods across Africa and the developing world by creating better transport.

Our companies maintain 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. Three of our companies have Stakeholder Boards, which bring together employees, individual passengers and representative bodies to share views. The Group produces a range of internal newsletters, information circulars and intranet sites that keep employees abreast of developments at their specific employing company and across the Group as a whole. The Group has awards to recognise and reward outstanding contributions by our employees.

Employees are encouraged to participate directly in the success of the business through the Group's HMRC approved Share Incentive Plan (SIP) which is open to all employees with six months' service and gives the opportunity to buy shares in the Company in a tax-efficient manner.

The Group is committed to developing a culture of collaboration across all its businesses, ensuring the highest standards of probity and accountability and aims to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance. The Group engages with its employees, who are encouraged to discuss matters of interest to them and subjects affecting day-to-day operations with operating company management. The Board also actively encourages employees with serious concerns regarding the interests of others or the Group to come forward. The Group and its operating companies have policies in place to ensure processes exist whereby employees can raise serious concerns constructively without fear or victimisation, subsequent discrimination or disadvantage.

Further details of our responsibilities as an employer, including operating in a socially and environmentally responsible manner, can be found on pages 43 to 49 and on the corporate website (www.go-ahead.com).

Charitable donations

Charitable donations, sponsorship and community support over the year amounted to £200,000 (2011: £348,619). The Group supports many worthwhile causes, including Transaid and Railway Children, health charities and local community projects. For further details see 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 (2011: £nil). Additionally, the Company did not incur any political expenditure as defined in the Companies Act 2006 (2011: £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 30 June 2012, the trade creditor days for The Go-Ahead Group Plc as a Company (not as a Group) were four days (2011: five), based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

Post balance sheet events

There are no 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 34 to 42. In addition, note 2 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 bank facilities funding of £275m to February 2016, of which £140m 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

Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable UK law and International Financial Reporting Standards as adopted by the European Union.

Under company law, the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 "Accounting Policies, Change 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;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRSs) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and accounting estimates that are reasonable.

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, enabling them to ensure that the 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statements

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 50 and 51. 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 auditors

Having made enquiries of fellow Directors and of the Company's Auditor, each of the Directors confirms that:

- To the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's Auditor in connection with preparing their report) of which the Company's Auditor is unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

By Order of the Board

Carolyn Sephton, Group Company Secretary
5 September 2012

Financial Statements

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 30 June 2012 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cashflow statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the related notes 1 to 29. 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 82, 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 30 June 2012 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 81, in relation to going concern; and
- 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 30 June 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ernst + Young LLP

Kathryn Barrow (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor, London
5 September 2012

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.

Financial Statements
Consolidated income statement
for the year ended 30 June 2012

	Notes	2012 £m	2011 £m
Group revenue	4	2,423.8	2,297.0
Operating costs (excluding amortisation and exceptional items)	5	(2,313.6)	(2,181.9)
Group operating profit (before amortisation and exceptional items)		110.2	115.1
Goodwill and intangible asset amortisation	14	(9.7)	(10.5)
Exceptional items (before taxation)	7	–	(2.3)
Group operating profit (after amortisation and exceptional items)		100.5	102.3
Finance revenue	9	1.8	1.5
Finance costs	9	(17.8)	(19.0)
Profit on ordinary activities before taxation		84.5	84.8
Tax expense	10	(18.0)	(9.8)
Profit for the year from continuing operations		66.5	75.0
Discontinued operations			
Profit for the year from discontinued operations	8	–	4.4
Profit for the year		66.5	79.4
Attributable to:			
Equity holders of the parent		55.5	67.4
Non-controlling interests		11.0	12.0
		66.5	79.4
Earnings per share from continuing operations			
– basic	11	129.5p	146.8p
– diluted	11	128.9p	146.2p
– adjusted	11	141.9p	135.2p
Earnings per share from total operations			
– basic	11	129.5p	157.1p
– diluted	11	128.9p	156.4p
– adjusted	11	141.9p	135.4p
Dividends paid (pence per share)	12	81.0p	55.5p
Final dividend proposed (pence per share)	12	55.5p	55.5p

Financial Statements

Consolidated statement of comprehensive income

for the year ended 30 June 2012

	Notes	2012 £m	2011 £m
Profit for the year		66.5	79.4
Other comprehensive income			
Actuarial gains on defined benefit pension plans	28	29.6	12.9
Unrealised (losses)/gains on cashflow hedges		(12.5)	23.0
Gains on cashflow hedges taken to income statement – operating costs		(13.0)	(3.5)
Tax recognised in other comprehensive income	10	(2.2)	(10.1)
Other comprehensive income for the year, net of tax		1.9	22.3
Total comprehensive income for the year		68.4	101.7
Attributable to:			
Equity holders of the parent		56.9	93.6
Non-controlling interests		11.5	8.1
		68.4	101.7

Consolidated statement of changes in equity

for the year ended 30 June 2012

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m	Non-controlling interests £m	Total £m
At 3 July 2010	72.1	(69.0)	2.0	1.6	0.7	(59.7)	(52.3)	11.0	(41.3)
Profit for the year	–	–	–	–	–	67.4	67.4	12.0	79.4
Net movement on hedges (net of tax)	–	–	14.1	–	–	–	14.1	0.5	14.6
Actuarial gains/(losses) on defined benefit pension plans (net of tax)	–	–	–	–	–	12.1	12.1	(4.4)	7.7
Total comprehensive income	–	–	14.1	–	–	79.5	93.6	8.1	101.7
Share based payment charge	–	–	–	–	–	0.4	0.4	–	0.4
Dividends	–	–	–	–	–	(23.8)	(23.8)	(4.8)	(28.6)
Acquisition of own shares	–	(0.8)	–	–	–	–	(0.8)	–	(0.8)
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

Financial Statements

Consolidated balance sheet

as at 30 June 2012

	Notes	2012 £m	2011 £m
Assets			
Non-current assets			
Property, plant and equipment	13	459.4	416.4
Intangible assets	14	108.6	100.9
Trade and other receivables	18	1.4	0.6
Investment in joint venture	3	3.4	4.1
Other financial assets	24	1.6	4.7
Deferred tax assets	10	7.3	20.0
		581.7	546.7
Current assets			
Inventories	17	15.2	15.5
Trade and other receivables	18	194.5	201.4
Cash and cash equivalents	19	253.7	228.6
Other financial assets	24	2.3	14.7
		465.7	460.2
Assets classified as held for sale	16	75.6	1.6
Total assets		1,123.0	1,008.5
Liabilities			
Current liabilities			
Trade and other payables	20	(519.6)	(428.2)
Other financial liabilities	24	(5.2)	(1.7)
Interest-bearing loans and borrowings	21	(2.4)	(6.5)
Current tax liabilities		(8.8)	(17.1)
Provisions	25	(18.9)	(21.9)
		(554.9)	(475.4)
Non-current liabilities			
Interest-bearing loans and borrowings	21	(338.8)	(287.6)
Retirement benefit obligations	28	(30.5)	(76.9)
Other financial liabilities	24	(2.8)	(0.4)
Deferred tax liabilities	10	(51.6)	(50.9)
Other liabilities	20	(4.6)	(6.3)
Provisions	25	(86.8)	(79.6)
		(515.1)	(501.7)
Total liabilities		(1,070.0)	(977.1)
Net assets		53.0	31.4
Capital & reserves			
Share capital		72.1	72.1
Reserve for own shares		(70.2)	(69.8)
Hedging reserve		(1.9)	16.1
Other reserve		1.6	1.6
Capital redemption reserve		0.7	0.7
Retained earnings		36.9	(3.6)
Total shareholders' equity		39.2	17.1
Non-controlling interests		13.8	14.3
Total equity		53.0	31.4

Sir Patrick Brown, Chairman
5 September 2012

Keith Down, Group Finance Director
5 September 2012

Financial Statements
Consolidated cashflow statement
for the year ended 30 June 2012

	Notes	2012 £m	2011 £m
Profit after tax from continuing operations		66.5	75.0
Profit after tax from discontinued operations	8	–	4.4
Profit after tax for the year		66.5	79.4
Net finance costs	9	16.0	17.5
Tax expense	10	18.0	9.3
Depreciation of property, plant and equipment	13	53.8	49.2
Amortisation of goodwill and intangible assets	14	9.7	10.5
Other non-cash exceptional items	7	–	(1.5)
Ineffective interest swap hedge	9	(0.7)	–
Release of fuel hedge		(2.3)	(1.7)
Profit on sale of property, plant and equipment		(0.1)	(0.3)
Share based payments	6	0.5	0.4
Difference between pension contributions paid and amounts recognised in the income statement		(16.8)	(7.1)
Sale of assets held for disposal		–	0.1
Cash transferred from assets held for disposal		–	0.3
Decrease/(increase) in inventories		0.7	(2.3)
Decrease/(increase) in trade and other receivables		8.9	(14.1)
Increase/(decrease) in trade and other payables		9.5	(30.6)
Movement in provisions		4.1	28.8
Cashflow generated from operations		167.8	137.9
Taxation paid		(15.7)	(24.9)
Net cashflows from operating activities		152.1	113.0
Cashflows from investing activities			
Interest received		1.8	1.5
Proceeds from sale of property, plant and equipment		0.7	1.4
Purchase of property, plant and equipment		(77.3)	(54.1)
Purchase of intangible assets		(4.0)	(2.3)
Purchase of subsidiaries	15	(29.3)	(3.5)
Proceeds from sale of subsidiaries		–	11.2
Proceeds from sale of financial instruments		0.6	–
Receipt of funding for rolling stock procurement		75.5	–
Deposit paid on rolling stock		(75.5)	–
Repayments from/(Investment in)joint venture		0.4	(3.4)
Cash acquired with subsidiaries	15	2.1	–
Cash associated with disposal		–	(0.3)
Net cashflows used in investing activities		(105.0)	(49.5)
Cashflows from financing activities			
Interest paid		(16.9)	(13.6)
Dividends paid to members of the parent	12	(34.7)	(23.8)
Dividends paid to non-controlling interests		(12.0)	(4.8)
Payment to acquire own shares		(0.6)	(0.8)
Repayment of borrowings		(0.4)	(24.6)
Proceeds from borrowings		51.0	3.9
Payment of finance lease and hire purchase liabilities		(3.4)	(6.2)
Net cash outflows on financing activities		(17.0)	(69.9)
Net increase/(decrease) in cash and cash equivalents		30.1	(6.4)
Cash and cash equivalents at 2 July 2011	19	223.6	230.0
Cash and cash equivalents at 30 June 2012	19	253.7	223.6

Financial Statements

Notes to the consolidated financial statements

for the year ended 30 June 2012

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 30 June 2012 were authorised for issue by the Board of Directors on 5 September 2012 and the balance sheet was signed on the Board's behalf by Sir Patrick Brown 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 30 June 2012, 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 28.

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 30 June 2012 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 30 June 2012:

- IAS 24 Related Party Disclosures (revised)
- IFRS 7 Amendment – Transfers of Financial Assets
- IFRIC 14 Prepayments of a minimum funding requirement (amendment)
- Improvement to IFRSs (May 2010)

The statement of changes in equity now presents for each component of equity an analysis by item of other comprehensive income as required by an amendment to IAS 1 included in the Improvements to IFRSs issued in May 2010. Adoption of the remaining new standards and interpretations 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 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.

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 14;
- 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 28;
- 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 25; 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 25.

Basis of consolidation

The consolidated financial statements comprise the financial statements of The Go-Ahead Group plc and its subsidiaries as at 30 June 2012.

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 parent 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 are capitalised as an intangible asset and amortised over the life of the franchise.

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.

Financial Statements
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.

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 cash flows 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 uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Group's shares is transferred from the reserve for own shares to revenue reserves.

Retirement benefits

The Group operates a number of pension schemes, both defined benefit and defined contribution. The costs of these are recognised in the income statement 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).

Non-rail 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'); to conditions not related to performance or service ('non-vesting conditions'); and to 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.

Financial Statements

Notes to the consolidated financial statements continued

2. Summary of significant accounting policies continued

New standards and interpretations not applied

The IASB have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
IAS 12 Income Taxes (amendment) – Deferred Taxes: Recovery of Underlying Assets	1 January 2012
IAS 1 Presentation of Items of Other Comprehensive Income (amendment)	1 July 2012
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 (amendment)	1 January 2013
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 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 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 (2011: £nil), and it is therefore not included within the tables below.

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 30 June 2012 and the year ended 2 July 2011.

Year ended 30 June 2012

	Deregulated Bus £m	Regulated Bus £m	Total Bus £m	Rail £m	Total continuing operations £m	Total discontinued operations £m	Total operations £m
Segment revenue	330.5	385.1	715.6	1,736.6	2,452.2	–	2,452.2
Inter-segment revenue	(17.6)	(6.7)	(24.3)	(4.1)	(28.4)	–	(28.4)
Group revenue	**312.9**	**378.4**	**691.3**	**1,732.5**	**2,423.8**	**–**	**2,423.8**
Operating costs (excluding amortisation and exceptional items)	(277.5)	(343.6)	(621.1)	(1,692.5)	(2,313.6)	–	(2,313.6)
Segment profit – Group operating profit (before amortisation and exceptional items)	**35.4**	**34.8**	**70.2**	**40.0**	**110.2**	**–**	**110.2**
Goodwill and intangible amortisation	(1.3)	(1.1)	(2.4)	(7.3)	(9.7)	–	(9.7)
Group operating profit (after amortisation and exceptional items)	**34.1**	**33.7**	**67.8**	**32.7**	**100.5**	**–**	**100.5**
Net finance costs					(16.0)	–	(16.0)
Profit before tax and non-controlling interests					**84.5**	**–**	**84.5**
Tax expense					(18.0)	–	(18.0)
Profit for the year					**66.5**	**–**	**66.5**

	Deregulated Bus £m	Regulated Bus £m	Total Bus £m	Rail £m	Total continuing operations £m	Total discontinued operations £m	Total operations £m
Other segment information							
Capital expenditure:							
Additions	35.8	33.2	69.0	8.3	77.3	–	77.3
Acquisitions	10.2	8.5	18.7	–	18.7	–	18.7
Intangible fixed assets	7.9	6.7	14.6	2.8	17.4	–	17.4
Depreciation	26.4	14.2	40.6	13.2	53.8	–	53.8

At 30 June 2012, there were non-current assets of £3.4m (2011: £4.1m) and current assets of £0.3m (2011: £nil) relating to US operations, being made up of equity accounted investments of £0.7m (2011: £0.7m) and loans of £3.0m (2011: £3.4m), in Go-Ahead North America, a 50:50 joint venture with Cook-Illinois which commenced trading in August 2010. For the year ended 30 June 2012, segment revenue for this venture was £2.4m (2011: £2.3m) and segment profit was £nil (2011: £nil).

During the year ended 30 June 2012, segment revenue from external customers outside the United Kingdom was £2.4m (2011: £2.3m), and related entirely to the Go-Ahead North America joint venture.

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3. Segmental analysis continued
Year ended 2 July 2011

	Deregulated Bus £m	Regulated Bus £m	Total Bus £m	Rail £m	Total continuing operations £m	Total discontinued operations (note 8) £m	Total operations £m
Segment revenue	308.8	357.4	666.2	1,659.0	2,325.2	7.7	2,332.9
Inter-segment revenue	(17.9)	(5.9)	(23.8)	(4.4)	(28.2)	(0.4)	(28.6)
Group revenue	290.9	351.5	642.4	1,654.6	2,297.0	7.3	2,304.3
Operating costs (excluding amortisation and exceptional items)	(257.2)	(318.1)	(575.3)	(1,606.6)	(2,181.9)	(7.2)	(2,189.1)
Segment profit – Group operating profit (before amortisation and exceptional items)	33.7	33.4	67.1	48.0	115.1	0.1	115.2
Goodwill and intangible amortisation	(1.7)	(1.1)	(2.8)	(7.7)	(10.5)	–	(10.5)
Exceptional items	–	(2.7)	(2.7)	0.4	(2.3)	3.8	1.5
Group operating profit (after amortisation and exceptional items)	32.0	29.6	61.6	40.7	102.3	3.9	106.2
Net finance costs					(17.5)	–	(17.5)
Profit before tax and non-controlling interests					84.8	3.9	88.7
Tax expense					(9.8)	0.5	(9.3)
Profit for the year					75.0	4.4	79.4

	Deregulated Bus £m	Regulated Bus £m	Total Bus £m	Rail £m	Total continuing operations £m	Total discontinued operations £m	Total operations £m
Other segment information							
Capital expenditure:							
Additions	24.0	11.7	35.7	18.4	54.1	–	54.1
Acquisitions	2.6	–	2.6	–	2.6	–	2.6
Intangible fixed assets	3.4	0.2	3.6	1.4	5.0	–	5.0
Depreciation	26.2	11.9	38.1	11.1	49.2	–	49.2
Exceptional depreciation (included within exceptional items)	–	3.0	3.0	–	3.0	–	3.0

4. Group revenue

	2012 £m	2011 £m
Rendering of services	2,236.0	2,057.7
Rental income	7.5	6.3
Franchise subsidy receipts and revenue support	180.3	233.0
Group revenue from continuing operations	2,423.8	2,297.0
Group revenue from discontinued operations (note 8)	–	7.3
Total group revenue	2,423.8	2,304.3

5. Operating costs (excluding amortisation and exceptional items)

	2012 £m	Restated 2011 £m
Staff costs (note 6)	831.3	788.9
Total operating lease		
– bus vehicles	15.9	14.2
– non rail properties	2.7	1.6
– other non rail	0.1	0.1
– rail rolling stock	283.7	284.5
– other rail	57.9	57.0
Total lease and sublease payments recognised as an expense (excluding rail access charges)*	360.3	357.4
– rail access charges	405.9	384.2
Total lease and sublease payments recognised as an expense**	766.2	741.6
DfT Franchise agreement payments	106.9	54.2
Other operating income	(21.2)	(21.0)
Depreciation of property, plant and equipment		
– owned assets	41.2	33.8
– leased assets	12.6	15.4
Total depreciation expense	53.8	49.2
Auditors' remuneration		
– audit of the financial statements	0.5	0.6
– taxation services	0.4	0.1
– other services	0.1	0.1
	1.0	0.8
Trade receivables not recovered	(0.9)	2.5
Energy costs		
– bus fuel	69.6	64.7
– rail diesel fuel	7.6	6.6
– rail electricity (EC4T)	67.7	68.3
– cost of site energy	10.8	11.2
Total energy costs	155.7	150.8
Government grants	(1.7)	(2.7)
Gain on disposal of property, plant and equipment	(0.1)	(0.3)
Costs expensed relating to franchise bidding activities	2.1	0.8
Other operating costs	420.5	417.1
Operating costs from continuing operations	2,313.6	2,181.9
Operating costs on discontinued operations (note 8)	–	7.2
Total operating costs	2,313.6	2,189.1

* The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £375.3m (2011: £378.2m) net of sublease payments of £15.0m (2011: £20.8m) relating to other rail leases.

** The total lease and sublease payments recognised as an expense are made up of minimum lease payments of £781.2m (2011: £762.4m) net of sublease payments of £15.0m (2011: £20.8m) 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 £0.1m (2011: £0.1m) and audit of subsidiaries' financial statements of £0.4m (2011: £0.5m), inclusive of discontinued operations.

During the year, £0.3m (2011: £0.2m) was also paid to other 'Big 4' accounting firms for a variety of services.

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6. Staff costs

Year ended 30 June 2012

	Continuing operations £m	Discontinued operations £m	Total operations £m
Wages and salaries	**726.1**	–	**726.1**
Social security costs	**64.4**	–	**64.4**
Other pension costs	**40.3**	–	**40.3**
Share based payments charge	**0.5**	–	**0.5**
Total staff costs	**831.3**	–	**831.3**

Year ended 2 July 2011

	Continuing operations £m	Discontinued operations £m	Total operations £m
Wages and salaries	686.2	3.9	690.1
Social security costs	59.4	0.4	59.8
Other pension costs	42.9	0.1	43.0
Share based payments charge	0.4	–	0.4
Total staff costs	788.9	4.4	793.3

The average monthly number of employees during the year, including Directors, was:

	2012 No.	2011 No.
Administration and supervision	**2,337**	2,289
Maintenance and engineering	**2,334**	2,226
Operations	**18,301**	17,686
	22,972	22,201

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 (the 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 30 June 2012 was £0.5m (2011: £0.4m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 30 June 2012 were:

	2012 % per annum	2011 % per annum
The Go-Ahead Group		
Future share price volatility	33.0	38.0
Transport sector comparator		
Future share price volatility	n/a	35.0 – 52.0
Correlation between companies	n/a	55.0
FTSE Mid-250 index comparator		
Future share price volatility	35.0	40.0
Correlation between companies	30.0	20.0

The weighted average fair value of options granted during the year was £11.72 (2011: £11.83).

Awards made before July 2011 were subject to performance conditions based on the Group's relative Total Shareholder Return ("TSR") performance measured against two comparator groups (the transport sector comparator group and a group comprising the FTSE 250 excluding investment trusts). Following the acquisition of Arriva plc on 31 August 2010, the transport sector now comprises only three companies. Accordingly the previous policy of having a relative TSR versus a transport peer group is no longer feasible. Therefore new financial and strategic performance conditions have been introduced, in addition to the continued use of a revised relative TSR comparator group for awards made after July 2011.

The following table shows the number of share options for the LTIP:

	2012 No.	2011 No.
Outstanding at the beginning of the year	194,337	232,254
Granted during the year	110,777	166,240
Forfeited during the year	(35,181)	(204,157)
Exercised during the year	(11,727)	–
Outstanding at the end of the year	258,206	194,337

None of the options were exercisable at the year end and the weighted average exercise price of the options is £nil (2011: £nil).

The weighted average remaining contractual life of the options is 1.46 years (2011: 1.33 years). The weighted average share price of options exercised was £14.09 (2011: n/a).

Deferred share bonus plan

From the financial year ended 30 June 2012, the Executive Directors are 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.

There were no shares awarded in the year to 30 June 2012.

6. Staff costs continued

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 are held in a trust until they vest. The expense recognised for the Directors' discretionary deferred share awards during the year to 30 June 2012 was less than £0.1m (2011: less than £0.1m).

	2012 No	2012 WAEP £	2011 No	2011 WAEP £
Outstanding restricted stock at the beginning of the year	3,498	14.29	6,996	14.29
Forfeited during the year	–	–	(3,498)	14.29
Exercised during the year	(3,498)	14.29	–	–
Outstanding restricted stock at the end of the year	–	–	3,498	14.29

The shares exercised, vested in full during the year ended 30 June 2012, following the retirement of a Director, and is in accordance with the 'good leaver' provisions of the Plan.

The share price at the date of exercise for the options exercised was £15.55.

Share incentive plans

The Company operates an HMRC approved share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (the 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 HM Revenue & Customs ('HMRC') approved savings-related share option scheme, known as The Go-Ahead Group plc Savings-Related Share Option Scheme 2003 (the '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. Exceptional items

Year ended 30 June 2012

There were no exceptional items in the year.

Year ended 2 July 2011

Exceptional items on continuing operations in the year were £2.3m, consisting of accelerated depreciation in respect of articulated London buses which were being phased out during the period of £3.0m, the release of onerous bus leases of £0.3m, and the release of rail reorganisation accruals of £0.4m.

The discontinued exceptional income of £3.8m consists of net profit on the sale of residual elements of the ground handling operations and Meteor Parking operations and adjustment to the provisions in respect of the pre-sale reorganisation costs which related to operations sold in the prior period.

8. Discontinued operations

The disposal of our aviation services division was completed during the year ended 2 July 2011 with the sale of our Meteor Parking operations and the agreed sale of the residual ground handling activities at Heathrow Terminal I for a combined consideration of £11.2m. All of our aviation services division was classified as discontinued.

The results of the discontinued operations for the year ended 2 July 2011 are as follows:

	2011 £m
Revenue (Rendering of services)	7.3
Operating costs (excluding amortisation and exceptional items)	(7.2)
Operating profit (before amortisation and exceptional items)	0.1
Exceptional items	3.8
Operating profit (after amortisation and exceptional items)	3.9
Profit from discontinued operations before taxation	3.9
Taxation	0.5
Profit for the year from discontinued operations	4.4
Profit per share from discontinued operations	
– basic and diluted	10.3p

The profit per share is attributable to equity holders of the parent and calculated as described on the basis of the number of shares disclosed in note 11.

9. Finance revenue and costs

	2012 £m	2011 £m
Bank interest receivable on bank deposits	1.7	1.4
Other interest receivable	0.1	0.1
Finance revenue	1.8	1.5
Interest payable on bank loans and overdrafts	(4.8)	(4.9)
Interest payable on £200m Sterling 7.5 year bond	(11.1)	(11.1)
Other interest payable	(2.3)	(2.5)
Hedging ineffectiveness	0.7	–
Interest payable under finance leases and hire purchase contracts	(0.3)	(0.5)
Finance costs	(17.8)	(19.0)

10. Taxation

a. Tax recognised in the income statement and in equity

	2012 £m	2011 £m
Current tax charge	10.6	23.1
Adjustments in respect of current tax of previous years	(0.7)	(1.7)
	9.9	21.4
Deferred tax relating to origination and reversal of temporary differences at 24% (2011: 26%*)	11.1	(8.0)
Adjustments in respect of deferred tax of previous years	0.7	0.3
Impact of opening deferred tax rate reduction	(3.7)	(4.4)
Total tax including discontinued operations	18.0	9.3
Tax on discontinued operations	–	(0.5)
Tax on continuing operations	18.0	9.8

* Includes the one-off impact of releasing a £7.8m deferred tax liability to the income statement in the year ended 2 July 2011. This relates to the agreement of tax efficient financing by HMRC.

Tax relating to items charged or credited outside of profit or loss

	2012 £m	2011 £m
Tax on actuarial gains on defined benefit pension plans	7.1	3.4
Corporation tax on cash flow hedges	(2.6)	2.5
Deferred tax on cash flow hedges	(3.6)	2.3
Impact of opening deferred tax rate reduction	1.3	1.9
Tax reported outside of profit or loss	2.2	10.1

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 30 June 2012 and 2 July 2011 is as follows:

Year ended 30 June 2012

	Pre-exceptional excluding discontinued operations £m	Pre-exceptional £m	Exceptional tax and tax on exceptional items £m	Total £m
Profit on ordinary activities before taxation from continuing operations	84.5	84.5	–	84.5
Profit on ordinary activities before taxation from discontinued operations	–	–	–	–
Accounting profit on ordinary activities before taxation	84.5	84.5	–	84.5
At United Kingdom tax rate of 25.5%	21.6	21.6	–	21.6
Adjustments in respect of current tax of previous years	(0.7)	(0.7)	–	(0.7)
Expenditure not allowable for tax purposes	0.8	0.8	–	0.8
Adjustments in respect of deferred tax of previous years	0.7	0.7	–	0.7
Effect of changes in tax rates	(0.7)	(0.7)	–	(0.7)
Impact of opening deferred tax rate reduction	(3.7)	(3.7)	–	(3.7)
Total tax reported in consolidated income statement	18.0	18.0	–	18.0
Effective tax rate	21.3%	21.3%	–	21.3%

Year ended 2 July 2011

	Pre-exceptional excluding discontinued operations £m	Pre-exceptional £m	Exceptional tax and tax on exceptional items £m	Total £m
Profit on ordinary activities before taxation from continuing operations	87.1	87.1	(2.3)	84.8
Profit on ordinary activities before taxation from discontinued operations	–	0.1	3.8	3.9
Accounting profit on ordinary activities before taxation	87.1	87.2	1.5	88.7
At United Kingdom tax rate of 27.5%	24.0	24.0	0.4	24.4
Adjustments in respect of current tax of previous years	(0.5)	(0.5)	(1.2)	(1.7)
Expenditure not allowable for tax purposes	1.3	1.3	–	1.3
Adjustments in respect of deferred tax of previous years	0.3	0.3	–	0.3
Losses brought forward	0.1	0.1	–	0.1
Differences relating to tax efficient financing	(2.4)	(2.4)	–	(2.4)
Expenses not allowable on sale of aviation business	–	–	(0.5)	(0.5)
Tax efficient financing agreed by HMRC	–	–	(7.8)	(7.8)
Impact of opening deferred tax rate reduction	–	–	(4.4)	(4.4)
Total tax reported in consolidated income statement	22.8	22.8	(13.5)	9.3
Effective tax rate	26.2%	26.1%		10.5%

10. Taxation continued

c. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2012 £m	2011 £m
Deferred tax liability		
Accelerated capital allowances	(31.2)	(23.3)
Intangible assets	(2.3)	(3.5)
Other temporary differences	2.8	(1.5)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(20.9)	(22.6)
Deferred tax liability included in balance sheet	(51.6)	(50.9)

	2012 £m	2011 £m
Deferred tax asset		
Retirement benefit obligations	7.3	20.0
Deferred tax asset included in balance sheet	7.3	20.0

The deferred tax included in the Group income statement is as follows:

	2012 £m	2011 £m
Accelerated capital allowances	8.3	(3.9)
Tax losses	–	0.1
Retirement benefit obligations	3.1	0.8
Other temporary differences	(0.3)	(4.9)
	11.1	(7.9)
Adjustments in respect of prior years	0.7	0.3
Adjustments in respect of opening deferred tax rate reduction	(3.7)	(4.5)
Total deferred tax expense/(credit)	8.1	(12.1)
Deferred tax expense on discontinued operations	–	3.2
Deferred tax expense/(credit) on continuing operations	8.1	(15.3)

The UK Government has announced its intention to reduce the UK corporation tax rate to 22% by 1 April 2014.

A reduction from 26% to 25% was substantively enacted on 5 July 2011 and was intended to be effective from 1 April 2012. However, a further reduction to 24% was announced in the Budget on 21 March 2012 and substantively enacted on 26 March 2012 and this rate came into effect on 1 April 2012 instead of the 25% rate. A further reduction to 23% was enacted when the Finance Act 2012 received Royal Assent on 17 July 2012.

As the 23% rate had not been substantively enacted at the balance sheet date it has no effect on current or deferred tax liabilities in these accounts. However, as the 24% rate was substantively enacted at the balance sheet date, this rate has been applied to the deferred tax assets/liabilities at the year end.

If the reduction to 22% had been enacted by 30 June 2012 the Group's deferred tax liability would have been reduced by a further £4.3m to £47.3m and the deferred tax asset would have been reduced by a further £0.6m to £6.7m.

11. Earnings per share

Basic and diluted earnings per share

	2012	2011
Net profit on total operations attributable to equity holders of the parent (£m)	55.5	67.4
Consisting of:		
Adjusted earnings on continuing operations attributable to equity holders of the parent (£m)	60.8	58.0
Exceptional items after taxation and non-controlling interests (£m)	–	10.7
Amortisation after taxation and non-controlling interests (£m)	(5.3)	(5.7)
Basic and diluted earnings on continuing operations attributable to equity holders of the parent (£m)	55.5	63.0
Profit on discontinued operations attributable to equity holders of the parent (£m)	–	4.4
Basic and diluted earnings on total operations attributable to equity holders of the parent (£m)	55.5	67.4

	2012	Restated 2011
Basic weighted average number of shares in issue ('000)	42,851	42,913
Dilutive potential share options ('000)	217	171
Diluted weighted average number of shares in issue ('000)	43,068	43,084
Earnings per share:		
Adjusted earnings per share from continuing operations (pence per share)	141.9	135.2
Basic earnings per share from continuing operations	129.5	146.8
Basic earnings per share from total operations	129.5	157.1
Diluted earnings per share from continuing operations	128.9	146.2
Diluted earnings per share from total operations	128.9	156.4

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 30 June 2012 to 5 September 2012.

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. For continuing operations this is analysed as follows:

Year ended 30 June 2012

	Profit for the year £m	Exceptional items £m	Amortisation £m	2012 Total £m
Profit before taxation from continuing operations	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 from continuing operations (pence per share)				141.9

Year ended 2 July 2011

	Profit for the year £m	Exceptional items £m	Amortisation £m	2011 Total £m
Profit before taxation from continuing operations	84.8	2.3	10.5	97.6
Less: Taxation*	(9.8)	(13.0)	(2.9)	(25.7)
Less: Non-controlling interests	(12.0)	–	(1.9)	(13.9)
Adjusted profit attributable to equity holders of the parent	63.0	(10.7)	5.7	58.0
Adjusted earnings per share from continuing operations (pence per share)				135.2

* Exceptional items include the one-off impact of releasing a £7.8m deferred tax liability to the income statement, relating to the agreement of tax efficient financing by HMRC, and the impact of the rate change on the opening deferred tax balance.

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11. Earnings per share continued

For total operations this is analysed as follows:

Year ended 30 June 2012

The adjusted earnings per share for total operations was 141.9p, as there were no discontinued operations in the year. Refer to the continuing operations table for further details.

Year ended 2 July 2011

	Profit for the year £m	Exceptional items £m	Amortisation £m	2011 Total £m
Profit before taxation from total operations	88.7	(1.5)	10.5	97.7
Less: Taxation*	(9.3)	(13.5)	(2.9)	(25.7)
Less: Non-controlling interests	(12.0)	–	(1.9)	(13.9)
Adjusted profit attributable to equity holders of the parent	67.4	(15.0)	5.7	58.1
Adjusted earnings per share from total operations (pence per share)				135.4

* Exceptional items include the one-off impact of releasing a £7.8m deferred tax liability to the income statement, relating to the agreement of tax efficient financing by HMRC, and the impact of the rate change on the opening deferred tax balance.

12. Dividends paid and proposed

	2012 £m	2011 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2011: 55.5p per share (2010: 30.0p)	23.8	12.9
Interim dividend for 2012: 25.5p per share (2011: 25.5p)	10.9	10.9
	34.7	23.8

	2012 £m	2011 £m
Proposed for approval at AGM (not recognised as a liability as at 30 June 2012)		
Equity dividends on ordinary shares:		
Final dividend for 2012: 55.5p per share (2011: 55.5p)	23.8	23.8

13. Property, plant and equipment

	Freehold land and buildings £m	Leasehold properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost:					
At 3 July 2010	154.7	17.0	391.9	148.3	711.9
Additions	3.9	0.3	28.6	21.3	54.1
Acquisitions	–	–	2.5	0.1	2.6
Disposals	–	–	(14.0)	(5.0)	(19.0)
Disposal of discontinued operations	(0.5)	(1.1)	(1.6)	(4.7)	(7.9)
Transfer categories	–	–	0.3	(0.3)	–
Transfer of assets held for resale	–	–	(0.2)	–	(0.2)
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**
Depreciation and impairment:					
At 3 July 2010	6.1	4.4	182.8	102.7	296.0
Charge for the year	1.0	0.9	32.1	15.2	49.2
Exceptional depreciation	–	–	3.0	–	3.0
Disposals	–	–	(13.2)	(4.7)	(17.9)
Disposal of discontinued operations	–	(0.6)	(0.8)	(3.6)	(5.0)
Transfer categories	–	–	0.2	(0.2)	–
Transfer of assets held for resale	–	–	(0.2)	–	(0.2)
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**
Net book value					
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
At 3 July 2010	148.6	12.6	209.1	45.6	415.9

The net book value of leased assets and assets acquired under hire purchase contracts is:

	2012 £m	2011 £m
Bus vehicles	60.5	72.0
Plant and equipment	0.3	–
	60.8	72.0

Additions and acquisitions during the year included £4.5m (2011: £nil) of rolling stock and £0.3m (2011: £nil) of plant and equipment under finance leases and hire purchase contracts.

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14. Intangible assets

	Goodwill £m	Software costs £m	Franchise bid costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost						
At 3 July 2010	127.8	11.7	8.7	49.6	6.2	204.0
Additions	2.7	2.3	–	–	–	5.0
Disposals	(5.0)	–	–	–	–	(5.0)
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**
Amortisation and impairment						
At 3 July 2010	54.5	7.3	4.6	24.7	4.3	95.4
Charge for the year	–	2.7	0.9	5.9	1.0	10.5
Disposals	(2.8)	–	–	–	–	(2.8)
At 3 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**
Net book value						
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
At 3 July 2010	73.3	4.4	4.1	24.9	1.9	108.6

* 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 brought forward element of the franchise intangible is made up of £5.7m relating to the opening deficit in the RPS and £13.3m 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.

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

As from 3 July 2004, goodwill is no longer amortised and is tested annually for impairment.

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 by cash-generating unit is as follows:

	2012 £m	2011 £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	–
Anglian	3.3	–
Chambers	1.6	–
	80.8	73.8

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 10.0% (2011: 11.0%), 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% (2011: 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 10.0% pre-tax discount rate the cash generating unit with the least headroom is Carousel, which has headroom of £1.1m. An increase in discount rates of 1.5% would be required to reduce headroom to nil. Plymouth Citybus has headroom of £4.8m and an increase in discount rate of 1.4% would reduce this headroom to nil.

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15. Business combinations

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 for a cash consideration of £3.1m. Carousel Buses Limited operates around 50 buses in Buckinghamshire.

On 2 March 2012, Go-Ahead Holding Limited, acquired 100% of the share capital of Hedingham and District Omnibuses Limited for a cash consideration of £4.3m. Hedingham and District Omnibuses Limited, is based in Essex and operates around 90 buses.

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 a fleet of around 130 buses in the regulated market.

On 23 April 2012, Go-Ahead Holding Limited, acquired 100% of the share capital of Anglian Bus Limited for a cash consideration of £4.4m. The business operates a fleet of around 70 buses in the Suffolk and Norfolk areas.

On 2 June 2012, Go-Ahead Holding Limited, acquired 100% of the share capital of HC Chambers and Son Limited for a cash consideration of £3.2m. The business operates around 30 buses on the Essex/Suffolk border.

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 goodwill capitalised 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.

From the date of acquisition, in the year ended 30 June 2012, the deregulated acquisitions recorded a loss after tax of £0.1m to the Group and revenue of £3.5m. Had the combinations taken place at the beginning of the year, it is estimated that they would have recorded a £0.3m loss after tax and £14.1m of revenue to the Group.

From the date of acquisition, in the year ended 30 June 2012, regulated acquisitions recorded a profit after tax of £0.3m to the Group and revenue of £6.7m. Had the combination taken place at the beginning of the year, it is estimated that it would have recorded £1.4m of profit after tax and £26.7m of revenue to the Group.

In total, had the combinations taken place at the beginning of the year, it is estimated that this would have resulted in total Group revenue from continuing operations of £2,454.4m, and total profit after tax from continuing operations of £67.4m.

Year ended 2 July 2011

On 24 May 2011, Go-Ahead Holding Limited acquired 100% of the share capital of Thames Travel (Wallingford) Limited for a cash consideration of £3.5m. Thames Travel carries around 3 million passengers per year in South Oxfordshire and West Berkshire and generates turnover of around £5.5m.

A summary of the transactions is detailed below:

Net assets at date of acquisition:

	Fair value to Group 2011 £m
Tangible fixed assets	2.6
Inventories	0.1
Receivables	0.6
Current tax liabilities	(0.1)
Payables falling due within one year	(0.4)
Hire purchase contracts	(1.8)
Deferred taxation	(0.2)
	0.8
Goodwill capitalised	2.7
	3.5
Cash	3.5
Total consideration	3.5

Acquisition costs of £0.1m have been expensed through other operating costs.

Receivables have been assessed and are considered to be recoverable.

Management believes that goodwill capitalised 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.

From the date of acquisition, in the year ended 2 July 2011, the acquisitions recorded an operating profit of £nil to the Group and revenue of £0.5m. Had the combinations taken place at the beginning of the year, it is estimated that they would have recorded £0.4m of operating profit and £5.5m of revenue to the Group. This would have resulted in total Group revenue from continuing operations of £2,302.5m, and total operating profit from continuing operations (before amortisation and exceptional items) of £115.5m.

16. Assets classified as held for sale

Assets held for sale, with a carrying amount of £75.6m, represent £75.5m, (2011: £nil) a payment on account for new rolling stock in Southern Railway Limited and in respect of which it is expected that a sale and operating leaseback will be completed before 31 December 2012. The remaining £0.1m (2011: £1.6m) relates to property, plant and equipment which are currently not used in the business and are now available for sale.

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17. Inventories

	2012 £m	2011 £m
Raw materials and consumables	15.2	15.5

The amount of any write down of inventories recognised as an expense during the year is immaterial.

18. Trade and other receivables

	2012 £m	2011 £m
Current		
Trade receivables	101.5	83.2
Less: Provision for impairment of receivables	(1.1)	(2.6)
Trade receivables – net	100.4	80.6
Other receivables	34.2	33.3
Prepayments and accrued income	26.2	46.6
Receivable from central Government	33.4	40.9
Amounts due from joint venture	0.3	–
	194.5	201.4

	2012 £m	2011 £m
Non-current		
Other receivables	1.4	0.6

Trade receivables at nominal value of £1.1m (2011: £2.6m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total £m
At 2 July 2011	2.6
Charge for the year	0.7
Utilised	(0.6)
Unused amounts reversed	(1.6)
At 30 June 2012	1.1

As at 30 June 2012, the ageing analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	< 30 days £m	30 – 60 days £m	60 – 90 days £m	90 – 120 days £m	Past due but not impaired > 120 days £m
2012	100.4	90.4	7.4	1.7	0.7	0.1	0.1
2011	80.6	70.3	3.6	3.5	1.4	0.3	1.5

19. Cash and short term deposits

	2012 £m	2011 £m
Cash at bank and in hand	54.9	48.6
Cash and cash equivalents	198.8	180.0
	253.7	228.6

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 30 June 2012, balances amounting to £205.0m (2011: £189.7m) were restricted. Part of this amount is to cover deferred income for season tickets which was £116.0m at 30 June 2012 (2011: 104.8m).

For the purposes of the consolidated cashflow statement, cash and cash equivalents comprise the following:

	2012 £m	2011 £m
Cash at bank and in hand	54.9	48.6
Cash and cash equivalents	198.8	180.0
Bank overdrafts (note 21)	–	(5.0)
	253.7	223.6

20. Trade and other payables

	2012 £m	2011 £m
Current		
Trade payables	124.5	124.3
Other taxes and social security costs	23.3	24.1
Other payables	43.5	40.1
Deferred season ticket income	110.8	99.5
Accruals and deferred income	102.1	98.3
Payable to central Government*	112.2	39.6
Government grants	3.2	2.3
	519.6	428.2

* Included in the amount payable to central Government is an amount of £75.5m representing deposit payments associated with the rolling stock payment detailed in note 16.

	2012 £m	2011 £m
Non-current		
Government grants	2.7	3.9
Other liabilities	1.9	2.4
	4.6	6.3

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest-bearing and are normally settled on 30 day terms;
- Other payables are non-interest-bearing and have varying terms of up to 12 months.

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21. 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 30 June 2012

	Effective interest rate %	Maturity	Current: Within one year £m	Non-current: After one year but not more than five years £m	Non-current: After five years £m	Total £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 19)			(253.7)	–	–	(253.7)
Net debt			(250.5)	141.5	200.0	91.0
Restricted cash						205.0
Adjusted net debt						296.0

Year ended 2 July 2011

	Effective interest rate %	Maturity	Current: Within one year £m	Non-current: After one year but not more than five years £m	Non-current: After five years £m	Total £m
Syndicated loans (see below)	1.78	0-5 years	–	84.0	–	84.0
Debt issue costs on syndicated loans			(0.5)	(1.5)	–	(2.0)
Medium term loans (see below)	1.97	0-5 years	–	3.9	–	3.9
£200m Sterling 7.5 year bond (see below)	5.38	0-7 years	–	–	200.0	200.0
Debt issue costs			(0.4)	(1.5)	(0.4)	(2.3)
Finance leases and HP commitments (see below)	4.89	0-5 years	2.4	3.1	–	5.5
Bank overdraft (note 19)	1.50	On demand	5.0	–	–	5.0
Total interest-bearing loans and borrowings			6.5	88.0	199.6	294.1
Debt issue costs			0.9	3.0	0.4	4.3
Total interest-bearing loans and borrowings (gross of debt issue costs)			7.4	91.0	200.0	298.4
Cash and short term deposits (note 19)			(228.6)	–	–	(228.6)
Net debt			(221.2)	91.0	200.0	69.8
Restricted cash						189.7
Adjusted net debt						259.5

Analysis of Group net debt

	Cash and cash equivalents £m	Syndicated loan facility £m	Term loans £m	Dollar loan £m	Hire purchase/ finance leases £m	£200m Sterling Bond £m	Total £m
3 July 2010	230.3	(103.0)	(5.6)	–	(10.0)	(200.0)	(88.3)
On acquisitions	–	–	–	–	(1.8)	–	(1.8)
Cashflow	(6.7)	19.0	5.6	(3.9)	6.3	–	20.3
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)**

Syndicated loan facility

On 3 February 2011 the Group re-financed and entered into a new £275.0m five year syndicated loan facility, replacing the previous £280.0m syndicated loan facility. The new loan facility is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group.

As at 30 June 2012, £135.0m (2011: £84.0m) 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 30 June 2012, $5.5m (2011: $6.2m) or £3.5m (2011: £3.9m) 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 £1.5m (2011: £2.0m) on the syndicated loan facility.

The £200m sterling 7.5 year bond has debt issue costs of £2.0m (2011: £2.3m).

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.

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22. 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:

	2012		2011	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
Within one year	3.5	3.2	2.5	2.4
After one year but not more than five years	3.3	3.0	3.5	3.1
Total minimum lease payments	6.8	–	6.0	–
Less amounts representing finance charges	(0.6)	–	(0.5)	–
Present value of minimum lease payments	6.2	6.2	5.5	5.5

The finance lease and hire purchase commitments all relate to bus vehicles.

23. 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, dividends and share buybacks. 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 2012 and 2011, 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 24.

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 30 June 2012 and 2 July 2011 is as follows:

	Average rate %	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Year ended 30 June 2012								
Floating rate (assets)/liabilities								
Bank overdrafts	–	–	–	–	–	–	–	–
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
Year ended 2 July 2011								
Floating rate liabilities/(assets)								
Bank overdrafts	1.50	5.0	–	–	–	–	–	5.0
Variable rate loans	1.78	–	–	–	–	87.9	–	87.9
Interest rate swaps	2.25	(52.0)	(80.0)	–	–	–	–	(132.0)
Gross floating rate (assets)/liabilities		(47.0)	(80.0)	–	–	87.9	–	(39.1)
Cash assets	0.65	(228.6)	–	–	–	–	–	(228.6)
Net floating rate (assets)/liabilities		(275.6)	(80.0)	–	–	87.9	–	(267.7)
Fixed rate liabilities								
£200m Sterling 7.5 year bond	5.38	–	–	–	–	–	200.0	200.0
Obligations under finance lease and hire purchase contracts	4.89	2.4	1.5	0.4	0.5	0.7	–	5.5
Interest rate swaps	2.25	52.0	80.0	–	–	–	–	132.0
Net fixed rate liabilities		54.4	81.5	0.4	0.5	0.7	200.0	337.5

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.

Financial Statements

Notes to the consolidated financial statements continued

23. Financial risk management objectives and policies continued

At 30 June 2012, the Group had three interest rate swaps totalling £80.0m. One of these interest rate swaps fixes the interest on part of the variable rate syndicated loan – £50.0m was fixed at 2.39% plus margin until 1 December 2012. The remaining two interest rate swaps totalling £30.0m are now ineffective. During the year ended 30 June 2012, these three interest swaps have resulted in a realised loss of £1.6m (2011: £2.1m).

These swaps result in a net fixed rate liability of £0.6m at 30 June 2012 (2011: £2.0m liability). Hence the adverse risk at year end is a decrease in interest rates.

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
2012			
GBP	**50.0**	**(0.2)**	**(0.2)**
GBP	**(50.0)**	**0.2**	**0.2**
2011			
GBP	50.0	(0.1)	(0.1)
GBP	(50.0)	0.1	0.1

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 21.

Available liquidity as at 30 June 2012 and 2 July 2011 was as follows:

	2012 £m	2011 £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 30 June 2012	**335.0**	284.0
Headroom	**140.0**	191.0

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 18) and cash deposits (see note 19). 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 Aa3 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 table below summarises the maturity profile of the Group's financial liabilities at 30 June 2012 based on contractual undiscounted payments.

Year ended 30 June 2012

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	> 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

Year ended 2 July 2011

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Interest-bearing loans and borrowings	5.0	1.5	2.6	97.5	–	106.6
£200m Sterling 7.5 year bond	–	10.4	–	41.5	212.4	264.3
Other financial liabilities	–	0.4	1.3	0.4	–	2.1
Trade and other payables	37.6	209.9	39.0	2.0	0.2	288.7
	42.6	222.2	42.9	141.4	212.6	661.7

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23. 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 30 June 2012 and 2 July 2011.

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 30 June 2012.

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 21 and includes cash and short term deposits, and 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 £296.0m (2011: £259.5m), equivalent to 1.80x (2011: 1.58x) 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 £2.3m (2011: £1.5m) of cost within operating charges which would otherwise have been charged to interest. The Group holds operating leases for its bus fleet with an asset capital value of £55.9m (2011: £38.0m).

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.

24. 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 30 June 2012 and 2 July 2011 and are as follows:

	2012 £m	2011 £m
Non-current assets	1.6	4.7
Current assets	2.3	14.7
	3.9	19.4
Current liabilities	(5.2)	(1.7)
Non-current liabilities	(2.8)	(0.4)
	(8.0)	(2.1)
Net financial (liabilities)/assets	(4.1)	17.3

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)

Year ended 2 July 2011

	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	–	–	19.3	19.3	19.3
Interest rate derivatives	–	–	(2.0)	(2.0)	(2.0)
Net financial liabilities	–	–	17.3	17.3	17.3
Obligations under finance lease and hire purchase contracts	(5.5)	–	–	(5.5)	(5.5)
	(5.5)	–	17.3	11.8	11.8

24. Derivatives and financial instruments continued

The fair value of all other assets and liabilities in notes 18, 20 and 21 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 £212.7m (2011: £207.0m) 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 30 June 2012, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments. During the year ended 30 June 2012, 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 appropriate.

At the year end, the Group had various fuel price swaps in place. For the 2013, 2014 and 2015 financial years cashflow hedges were placed over 142, 67 and 35 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 30 June 2012 the Group had derivatives against bus fuel of 126 million litres for the year ending 29 June 2013, representing approximately 100% of the anticipated fuel usage in our bus division. As at 30 June 2012 the Group also had derivatives against bus fuel for the 2014 and 2015 financial years of 63 and 31 million litres respectively.

As at 30 June 2012 the Group had derivatives against rail fuel of 16 million litres for the year ending 29 June 2013, representing the anticipated fuel usage in London Midland and Southern. As at 30 June 2012 the Group also had further derivatives for the 2014 and 2015 financial years of 4 million litres of rail fuel per year.

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:

	2013	2014	2015
Percentage to hedge per Group policy	100.0%	50.0%	25.0%
Actual percentage hedged	100.0%	50.0%	25.0%

25. Provisions

	Depots £m	Onerous contracts £m	Franchise commitments £m	Uninsured claims £m	Other £m	Total £m
At 2 July 2011	7.3	0.4	44.8	49.0	–	101.5
Provided	–	–	27.1	18.5	1.0	46.6
Utilised	(0.7)	(0.2)	(16.2)	(16.7)	–	(33.8)
Released	(6.3)	–	(1.0)	–	–	(7.3)
Transferred (to)/from creditors	–	–	(0.6)	0.5	–	(0.1)
Effect of discounting	–	–	(0.4)	(0.8)	–	(1.2)
At 30 June 2012	**0.3**	**0.2**	**53.7**	**50.5**	**1.0**	**105.7**

	2012 £m	2011 £m
Current	**18.9**	21.9
Non current	**86.8**	79.6
	105.7	101.5

During the year ended 30 June 2012 the depots provision reduced from £7.3m to £0.3m, following the approval of planning consent issues by the local council. The remaining depot provisions are classified as current. Of the £6.3m provision released to the income statement, £3.8m became payable to the DfT.

The onerous contract provision in the bus division reduced from £0.4m to £0.2m as the expected costs were incurred on operating lease commitments served by articulated buses being phased out. Onerous contracts provisions are expected to be incurred within one year.

Franchise commitments comprise £53.7m dilapidation provisions on vehicles, depots and stations across our three active rail franchises. Of the dilapidation provisions, £1.2m 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. 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 two to three 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, £16.7m are classified as current and £33.8m are classified as non current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years.

The other provision relates to restructuring costs of £0.5m, which are classified as current, and dilapidations of £0.5m which are classified as non-current. Both provisions relate to the bus division. It is expected that the dilapidations will be incurred within the next 2-3 years.

26. Issued capital and reserves

	2012 £m	2011 £m
62.5 million 10p ordinary shares	6.3	6.3

	Allotted, called up and fully paid			
	2012 Millions	2012 £m	2011 Millions	2011 £m
As at 2 July 2011 & 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 30 June 2012 the Company has purchased 41,880 shares (2011: 58,632 shares) for potential LTIP and DSBP awards that may vest in the future. A consideration of £0.6m (2011: £0.8m) including expenses was made for the shares purchased during the year. The Company has not cancelled any shares during the year (2011: 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.

27. Commitments and contingencies

Capital commitments

	2012 £m	2011 £m
Contracted for but not provided	34.5	68.8

In addition, the Group has contractual commitments regarding procurement of rolling stock, to be funded by central Government of £113.3m (2011: £nil).

Contractual commitments

The Group also has contractual commitments of £142.3m (2011: £97.9m) payable within one year, and £368.0m (2011: £472.5m) 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 30 June 2012 and 2 July 2011 were as follows:

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

As at 2 July 2011

	Bus vehicles £m	Bus property £m	Other non rail £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	14.0	2.3	0.1	303.7	354.2	96.5
In the second to fifth years inclusive	35.7	2.2	0.1	785.3	1,017.2	231.2
Over five years	0.5	1.5	–	–	–	–
	50.2	6.0	0.2	1,089.0	1,371.4	327.7

Details of the lease cost for the period 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 30 June 2012 and 2 July 2011 were as follows:

	2012		2011	
	Land and buildings £m	Other rail agreements £m	Land and buildings £m	Other rail agreements £m
Within one year	2.3	23.5	2.4	21.7
After one year but not more than five years	3.8	49.8	4.1	63.3
More than five years	–	–	–	–
	6.1	73.3	6.5	85.0

Performance bonds

The Group has provided bank guaranteed performance bonds of £88.7m (2011: £87.1m), and season ticket bonds of £144.3m (2011: £128.6m) 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 S.A.

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 30 June 2012 is £38.0m (2011: £38.0m).

28. Retirement benefit obligations

Retirement benefit obligations consist of the following:

	2012 Bus £m	2012 Rail £m	2012 Total £m	2011 Bus £m	2011 Rail £m	2011 Total £m
Pre-tax pension liabilities	(22.8)	(7.7)	(30.5)	(59.9)	(17.0)	(76.9)
Deferred tax asset	5.5	1.8	7.3	15.6	4.4	20.0
Post tax pension scheme liabilities	(17.3)	(5.9)	(23.2)	(44.3)	(12.6)	(56.9)
Actuarial gains/(losses) on defined benefit pension plans	24.0	5.6	29.6	29.7	(16.8)	12.9

Bus schemes

The Go-Ahead Group Pension Plan

For the majority of bus employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the 'Go-Ahead Plan'), which consists of 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 £6.0m (2011: £5.2m) 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. As a result, it can be expected that the service cost will increase in future as a percentage of payroll. However, this percentage is likely to be applied to a reducing total pensionable payroll.

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.

Wilts & Dorset Pension Scheme and Southern Vectis Group Pension Plan

Some employees of our Go South Coast operations participate in the Wilts & Dorset Pension Scheme or the Southern Vectis Group Pension Plan. These are defined benefit schemes which are externally funded and contracted-out of the State Second Pension Scheme. Contributions to the schemes are assessed in accordance with the advice of an independent qualified actuary. The schemes are closed to new entrants, however, eligible employees can join the defined contribution section of The Go-Ahead Group Pension Plan.

The expense recognised for the defined contribution section of the Wilts & Dorset Scheme and Southern Vectis Group Pension Plan is £0.1m (2011: £0.1m) being the contributions paid and payable.

During the year, the Wilts and Dorset Pension Scheme and the Southern Vectis Group Pension Plan merged into the Go-Ahead Group Pension Plan, which 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 Group Pension Plan as they had previously been entitled to.

Other pension plans

A defined benefit plan exists for a small number of employees who transferred from East Thames Buses, which was transferred to the Go-Ahead Group Pension Plan on 1 October 2011. Some employees of Plymouth Citybus have entitlement to a Devon County Council defined benefit plan. Both schemes are externally funded. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary. Both schemes are now closed to new entrants.

Summary of year end assumptions

	2012 %	2011 %
Retail price index inflation	2.9	3.7
Consumer price index inflation	1.9	2.7
Discount rate	5.0	5.6
Rate of increase in salaries	3.9	4.7
Rate of increase of pensions in payment and deferred pension*	1.9	2.7

* 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.

	2012 Years	2011 Years
Pensioner	19	19
Non-pensioner	20	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 non-rail 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.

	2012	
	Pension deficit £m	Pension cost £m
Discount factor – increase of 0.1%	(10.1)	(0.1)
Price inflation – increase of 0.1%	9.0	0.1
Rate of increase in salaries – increase of 0.1%	2.1	0.2
Rate of increase of pensions in payment – increase of 0.1%	5.6	0.3
Increase in life expectancy of pensioners or non-pensioners by 1 year	18.3	1.2

A triennial valuation of the Go-Ahead Group Pension Plan is currently underway and, whilst the Group and Pension Trustees are still considering the results of the valuation, it is likely that the life expectancy for pensioners and non-pensioners will increase by one to two years thereby increasing the scheme deficit by approximately £30m in respect of this assumption alone.

Category of assets at the year end

	2012		2011	
	£m	%	£m	%
Equities	176.8	33.0	177.6	37.8
Bonds	29.7	5.5	37.6	8.0
Property	31.1	5.8	31.5	6.7
Cash/other*	298.3	55.7	223.1	47.5
	535.9	100.0	469.8	100.0

* This includes The Go-Ahead Plan's liability driven investing portfolio.

The weighted average expected long term rates of return were:

	2012 % p.a.	2011 % p.a.
Weighted average rate of return	5.5	6.6

Funding position of the Group's pension arrangements

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Employer's share of pension scheme:					
Liabilities at the end of the year	(558.7)	(529.7)	(516.9)	(428.7)	(436.2)
Assets at fair value	535.9	469.8	420.0	352.7	376.8
Pension scheme liability	(22.8)	(59.9)	(96.9)	(76.0)	(59.4)

Pension cost for the financial year

	2012 £m	2011 £m
Service cost	6.3	6.7
Interest cost on liabilities	30.3	27.2
Expected return on assets	(31.7)	(28.7)
Total pension costs	4.9	5.2

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28. Retirement benefit obligations continued

Experience recognised in other comprehensive income

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Experience (losses)/gains on pension scheme liabilities	(6.5)	9.6	(68.6)	28.8	(10.5)
Experience gains/(losses) on assets	30.5	20.1	40.0	(49.7)	(39.6)
Total gains/(losses) recognised in other comprehensive income during the year	24.0	29.7	(28.6)	(20.9)	(50.1)

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

	2012 £m	2011 £m
Employer's share of pension scheme liabilities – at start of year	529.7	516.9
Service cost	10.8	11.8
Interest cost	30.3	27.2
Actuarial losses/(gains)*	6.5	(9.6)
Benefits paid	(18.6)	(16.6)
Employer's share of pension scheme liabilities – at end of year	558.7	529.7

* The actuarial gain of £9.6m in the year to 2 July 2011 includes the impact of an actuarial gain of £12.6m relating to the change from RPI to CPI.

Analysis of the change in the pension scheme assets over the financial year

	2012 £m	2011 £m
Fair value of assets – at start of year	469.8	420.0
Expected return on assets	31.7	28.7
Actuarial gains on assets	30.5	20.1
Company contributions	18.0	12.5
Employee contributions (including age related rebates)	4.5	5.1
Benefits paid	(18.6)	(16.6)
Fair value of plan assets – at end of year	535.9	469.8

Estimated contributions for future

	£m
Estimated company contributions in financial year 2013	14.2
Estimated employee contributions in financial year 2013	3.4
Estimated total contributions in financial year 2013	17.6

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 (2011: £0.9m) 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

	2012 %	2011 %
Retail price index inflation	**2.9**	3.7
Consumer price index inflation	**1.9**	2.7
Discount rate	**5.0**	5.6
Rate of increase in salaries	**3.9**	4.7
Rate of increase of pensions in payment and deferred pension*	**1.9**	2.7

* 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 30 June 2012 have been updated based on the December 2010 valuation. 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 S1 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

	2012		2011	
	£m	%	£m	%
Equities	**931.6**	**89.6**	916.5	89.7
Bonds	**52.0**	**5.0**	50.1	4.9
Property	**49.9**	**4.8**	49.0	4.8
Cash	**6.2**	**0.6**	6.1	0.6
	1,039.7	**100.0**	1,021.7	100.0

The weighted average expected long term rates of return were:

	2012 % p.a.	2011 % p.a.
Weighted average rate of return	**6.9**	8.0

Funding position of the Group's pension arrangements

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Employer's share of pension scheme:					
Liabilities at the end of the year	**(1,284.7)**	(1,232.4)	(1,195.2)	(937.1)	(1,026.5)
Assets at fair value	**1,039.7**	1,021.7	857.7	705.8	869.7
Gross deficit	**(245.0)**	(210.7)	(337.5)	(231.3)	(156.8)
Franchise adjustment	**237.3**	193.7	337.5	223.8	156.8
Pension scheme liability	**(7.7)**	(17.0)	–	(7.5)	–

Financial Statements

Notes to the consolidated financial statements continued

28. Retirement benefit obligations continued

Pension cost for the financial year

	2012 £m	2011 £m
Service cost	42.8	42.9
Interest cost on liabilities	46.4	45.4
Expected return on assets	(49.0)	(38.7)
Interest on franchise adjustments	(10.8)	(17.8)
Pension cost	29.4	31.8

Experience recognised in Other Comprehensive Income

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Experience gains/(losses) on pension scheme liabilities	25.0	96.4	(136.4)	89.6	(65.3)
Experience (losses)/gains on assets	(52.1)	48.3	41.9	(152.9)	(81.5)
Franchise adjustment movement*	32.7	(161.5)	100.6	57.3	152.3
Total gains/(losses) recognised in other comprehensive income during the year	5.6	(16.8)	6.1	(6.0)	5.5

* The franchise adjustment movement of £161.5m in the year to 2 July 2011 includes the impact of a franchise adjustment movement of £140.4m relating to the change from RPI to CPI.

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

	2012 £m	2011 £m
Employer's share of pension scheme liabilities – at start of year	1,232.4	1,195.2
Franchise adjustment	(193.7)	(337.5)
	1,038.7	857.7
Liability movement for members' share of assets	18.6	77.8
Service cost	42.8	42.9
Interest cost	46.4	45.4
Interest on franchise adjustment	(10.8)	(17.8)
Actuarial gains*	(25.0)	(96.4)
Benefits paid	(30.6)	(32.4)
Franchise adjustment movement	(32.7)	161.5
	1,047.4	1,038.7
Franchise adjustment	237.3	193.7
Employer's share of pension scheme liabilities – at end of year	1,284.7	1,232.4

* The actuarial gain of £96.4m in the year to 2 July 2011 includes the impact of an actuarial gain of £124.1m relating to the change from RPI to CPI.

Analysis of the change in the pension scheme assets over the financial year

	2012 £m	2011 £m
Fair value of assets – at start of year	1,021.7	857.7
Expected return on assets	49.0	38.7
Actuarial (losses)/gains on assets	(52.1)	48.3
Company contributions	33.1	31.6
Benefits paid	(30.6)	(32.4)
Members' share of movement of assets	18.6	77.8
Fair value of plan assets – at end of year	1,039.7	1,021.7

Estimated contributions for future

	£m
Estimated company contributions in financial year 2013	32.5
Estimated employee contributions in financial year 2013	21.4
Estimated total contributions in financial year 2013	53.9

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:

	2012 £m	2011 £m
Balance sheet		
Defined benefit pension plan	(237.3)	(193.7)
Deferred tax asset	54.7	46.9
Intangible asset	9.5	13.3
	(173.1)	(133.5)
Other comprehensive income		
Actuarial gains/(losses)	32.7	(161.5)
Tax on actuarial (gains)/losses	(7.8)	42.0
	24.9	(119.5)
Income statement		
Operating costs – franchise adjustment	(10.8)	(17.8)
Intangible asset amortisation	3.8	3.9
Deferred tax charge	1.7	3.6
	(5.3)	(10.3)

IAS 19 disclosures

All of the above plans have been accounted for under IAS 19 covering employee benefits.

29. 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 2012	% equity interest 2011
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	–
Hedingham and District Omnibuses Limited	United Kingdom	100	–
Anglian Bus Limited	United Kingdom	100	–
HC Chambers and Son Limited	United Kingdom	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 S.A. 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 £0.5m (2011: £0.4m).

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, £0.4m (2011; £nil) 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.

	2012 £m	2011 £m
Salaries	1.3	1.4
Bonus	0.7	1.0
Pension contributions	0.1	0.1
	2.1	2.5

Financial statements

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 30 June 2012 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 135, 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 30 June 2012;
- 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 30 June 2012.

Ernst + Young LLP

Kathryn Barrow (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor, London
5 September 2012

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.

Financial Statements

Parent Company balance sheet

as at 30 June 2012

	Notes	2012 £m	2011 £m
Fixed assets			
Tangible assets	2	83.1	82.5
Investments	3	151.9	151.9
Deferred tax asset	6	0.2	–
Financial assets		–	0.8
		235.2	235.2
Current assets			
Debtors: amounts falling due within one year	4	561.2	553.1
Cash on deposit		4.7	–
Financial assets		0.8	8.8
		566.7	561.9
Creditors: amounts falling due within one year	5	(116.3)	(121.0)
Net current assets		450.4	440.9
Total assets less current liabilities		685.6	676.1
Creditors: amounts falling due after more than one year	5	(200.1)	(199.9)
Provisions for liabilities: other	7	(9.5)	(9.5)
Net assets		476.0	466.7
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)	(69.8)
Profit and loss account	10	454.3	444.6
Equity shareholders' funds		476.0	466.7

Keith Down, Group Finance Director
5 September 2012

Financial statements

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 UK 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

1. 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 5 September 2012. 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'), to conditions not related to performance or service ('non-vesting conditions') and to 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;
- 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 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 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.

2. Tangible fixed assets

	Freehold land and buildings £m	Leasehold properties £m	Plant and equipment £m	Total £m
Cost or valuation:				
At 2 July 2011	79.1	6.0	13.2	98.3
Additions	1.2	–	2.7	3.9
At 30 June 2012	**80.3**	**6.0**	**15.9**	**102.2**
Depreciation:				
At 2 July 2011	8.0	1.5	6.3	15.8
Charge for the year	0.6	0.2	2.5	3.3
At 30 June 2012	**8.6**	**1.7**	**8.8**	**19.1**
Net book value:				
At 30 June 2012	**71.7**	**4.3**	**7.1**	**83.1**
At 2 July 2011	71.1	4.5	6.9	82.5

Freehold land and buildings include non-depreciable land amounting to £27.6m (2011: £27.6m).

The net book value of leasehold properties comprises:

	2012 £m	2011 £m
Leases with 50 or more years unexpired	1.2	1.2

3. Fixed asset investments

	Shares in Group companies £m
Cost :	
At 2 July 2011 & 30 June 2012	151.9
Provisions:	
At 2 July 2011 & 30 June 2012	–
Net carrying amount:	
At 2 July 2011 & 30 June 2012	**151.9**

For details of the principal operating subsidiary undertakings as at 30 June 2012, refer to note 29 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

	2012 £m	2011 £m
Amounts owed by Group companies	554.2	543.9
Corporation tax	4.1	5.5
Other debtors	2.9	3.7
	561.2	553.1

5. Creditors

Amounts falling due within one year

	2012 £m	2011 £m
Bank loans and overdrafts	–	4.3
Amounts owed to Group undertakings	100.3	98.8
Other creditors	14.9	16.2
Other financial liabilities	1.1	1.7
	116.3	121.0

Amounts falling due after more than one year

	2012 £m	2011 £m
Interest bearing loans and borrowings repayable:		
In more than one year but not more than two years	–	–
In more than two years but not more than five years	3.5	3.8
In more than 5 years	196.6	195.7
Other financial liabilities	–	0.4
	200.1	199.9

The Company has no security over its liabilities.

6. Deferred taxation

	Deferred tax £m
At 2 July 2011	–
Provided during the year	0.2
Provided directly to equity	–
At 30 June 2012	**0.2**

Deferred taxation provided at the enacted rate is as follows:

	2012 £m	2011 £m
Capital allowances in advance of depreciation	–	(0.1)
Other timing differences	0.2	0.1
	0.2	–

7. Other provisions

	Uninsured claims £m	Other £m	Total £m
As at 2 July 2011	9.5	–	9.5
Provided	1.9	0.5	2.4
Released	(0.7)	–	(0.7)
Utilised	(1.4)	–	(1.4)
Effect of discounting	(0.3)	–	(0.3)
As at 30 June 2012	**9.0**	**0.5**	**9.5**

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 2-3 years.

Financial Statements

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 (2011: £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 LLP to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 June 2012 and 2 July 2011. 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. As a result it can be expected that the service cost will increase in future, as a percentage of payroll. However, this percentage is likely to be applied to a reducing total pensionable payroll.

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:

	2012 %	2011 %
Rate of increase in salaries	3.9	4.7
Rate of increase in deferred pensions	1.9	2.7
Discount rate	5.0	5.6
Retail price index inflation	2.9	3.7
Consumer price index inflation	1.9	2.7

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting deficit are:

	2012		2011	
	Long term rate of return expected %	Value £m	Long term rate of return expected %	Restated Value £m
Equities	6.6	171.0	7.9	139.2
Bonds	5.0	28.4	5.7	18.3
Properties	6.2	30.5	7.3	31.3
Cash/other*	2.0	296.1	3.7	223.1
Total market value of assets		526.0		411.9
Present value of scheme liabilities		(545.8)		(456.3)
Pension liability before deferred tax		(19.8)		(44.4)
Related deferred tax asset		4.8		11.5
Net pension liability		(15.0)		(32.9)

* This includes The Go-Ahead Plan's liability driven investing portfolio.

9. Called up share capital

	Allotted, called up and fully paid			
	Millions	2012 £m	Millions	2011 £m
As at 2 July 2011 & 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 3 July 2010	4.7	67.4	10.3	8.8	0.7	(69.0)	443.7	466.6
Profit for the year	–	–	–	–	–	–	16.3	16.3
Dividends	–	–	–	–	–	–	(23.8)	(23.8)
Other recognised profit	–	–	–	–	–	–	8.0	8.0
Acquisition of own shares	–	–	–	–	–	(0.8)	–	(0.8)
Share based payment charge	–	–	–	–	–	–	0.4	0.4
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**

The cumulative amount of goodwill written off to the profit and loss reserve of the Company at 30 June 2012 is £0.2m (2011: £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 30 June 2012 the Company has repurchased 41,880 shares (2011: 58,632 shares) for potential LTIP and DSBP awards that may vest in the future. A consideration of £0.6m (2011: £0.8m) including expenses was made for the shares purchased during the year. The Company has not cancelled any shares during the year (2011: 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 £0.1m (2011: £0.1m).

11. Operating lease commitments

The Company's annual commitments under non-cancellable operating leases are as follows:

	Property	
	2012 £m	2011 £m
Within one year	0.1	0.3
In second to fifth years	2.0	1.8
After five years	0.1	–
	2.2	2.1

12. Capital commitments

There were no capital commitments at 30 June 2012 (2011: £nil).

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, Southern Vectis Group Pension Plan, and Wilts & Dorset Pension Scheme in respect of scheme liabilities arising. During the year, the Wilts and Dorset Pension Scheme and the Southern Vectis Group Pension Plan merged into the Go-Ahead Group Pension Plan. Total liabilities in respect of this guaranteed scheme were £15.0m as at 30 June 2012 (2011: £44.4m).

At 30 June 2012 letters of credit amounting to £38.0m (2011: £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

Sharesave Scheme

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		LSER		London Midland		Thameslink		New Southern		Southern	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Interest paid to related party	**0.1**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Interest received from related party	**–**	0.3	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Loans to related party	**(42.5)**	(27.0)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Repayment of loan from related party	**54.6**	26.0	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Management charges	**–**	–	**0.9**	0.8	**0.8**	0.7	**–**	–	**–**	–	**1.0**	0.8
Amounts owed from related party	**48.2**	44.4	**–**	–	**7.9**	17.5	**–**	–	**–**	–	**0.5**	0.6
Amounts owed to related party	**–**	–	**54.8**	49.8	**–**	–	**0.6**	0.6	**14.4**	19.9	**–**	–

During the year Southern, Southeastern and London Midland have traded with wholly owned subsidiaries of the Company; £4.1m (2011: £4.4m) 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 to receive email alerts 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 144.

Shareholders can sign up for a Shareview portfolio which enables you to:

- view information regarding your holding
- change your address and bank details online
- sell or purchase shares in the 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
- 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; will not pass on shareholder information to any third party; and any requests for access to the register are subject to 'proper purpose' requirements which ensure that personal data is not used unlawfully.

Shareholder profile by size of holding as at 30 June 2012

	No. of holdings	%	Shares held	%
1 – 10,000	3,520	94	2,349,046	5
10,001 – 100,000	163	4.4	5,721,644	12.2
100,001 – 500,000	45	1.2	8,867,135	18.9
500,001 – 1,000,000	5	0.1	3,879,961	8.3
Over 1,000,001	11	0.3	26,088,192	55.6
Total	**3,744**	**100**	**46,905,978**	**100**

Shareholder profile by category as at 30 June 2012

	No. of holdings	%	Shares held	%
Treasury shares	1	0	3,902,230	8.3
Directors	3	0.1	11,334	0
Other individuals	3,046	81.4	4,735,309	10.1
Institutional investors	694	18.5	38,257,105	81.6
Total	**3,744**	**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, 25 October 2012
Final dividend record date	2 November 2012
Final dividend payment date	16 November 2012
Half year end	29 December 2012
Half year results announcement	February 2013
Half year dividend payment	April 2013
Next financial year end	29 June 2013
Full year results announcement	September 2013

Corporate information

www.go-ahead.com
enquiries@go-ahead.com

Secretary and Registered Office
Carolyn Sephton
The Go-Ahead Group plc
3rd Floor, 41-51 Grey Street
Newcastle upon Tyne, NE1 6EE
Tel: 0191 232 3123

Head Office
The Go-Ahead Group Plc
6th Floor
1 Warwick Row
London, SW1E 5ER

Registrar
Equiniti Ltd
Aspect House, Spencer Road
Lancing
West Sussex, BN99 6DA
Tel: 0871 384 2193[1]
+44(0)121 415 7047 (overseas)

Auditors
Ernst & Young LLP
1 More London Place
London, SE1 2AF

Joint Corporate Broker
Investec Bank plc
2 Gresham Street
London, EC2V 7QP

Joint Corporate Broker
Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London, EC4V 3BJ

Principal Banker
The Royal Bank of Scotland plc
Corporate Banking
8th Floor, 135 Bishopsgate
London, EC2M 3UR

Financial PR Advisors
Citigate Dewe Rogerson
3 London Wall Buildings
London Wall
London, EC2M 5SY

1. Calls to this number are charged at 8p per minute from a BT landline; other telephone provider costs may vary. Lines are open 8:30am to 5:30pm Monday to Friday.

For more information

www.go-ahead.com

Our Group website

Our website has been awarded the best in the FTSE 250 by the Investor Relations Society for the third year running. 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 we operate and information about our bus and rail companies.
- The latest Group news and our financial calendar.

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.
- Share price information including history and calculator.
- Detailed information about our rail franchises.
- Our bus fuel hedging policy and profile of the Group's hedging prices.
- Analyst consensus.
- Investor relations team contact details.

www.go-ahead.com/responsibility

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 resource for teachers.
- PDFs of the Group's sustainability report and individual operating company reports will be available later in the year.

Go-Ahead

The Go-Ahead Group plc
Registered Office
3rd Floor
41–51 Grey Street
Newcastle Upon Tyne
NE1 6EE

Telephone 0191 232 3123

The Go-Ahead Group plc
Head Office
6th Floor
1 Warwick Row
London
SW1E 5ER

Telephone 0207 821 3939
Email enquiries@go-ahead.com

www.go-ahead.com

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Summary Verification Statement from Bureau Veritas UK Ltd
For the fourth year, Bureau Veritas UK Ltd has worked with the Go-Ahead Group plc to verify selected corporate responsibility key performance indicators (KPI) data contained within the Go-Ahead Group's 2012 Annual Report.

The information and data reviewed for this verification process relates to the period from 3 July 2011 to the 30 June 2012.

BUREAU VERITAS