Go-Ahead

Focused on every journey

Annual Report and Accounts
for the year ended 2 July 2016

Contents

About us

Go-Ahead is one of the UK's leading public transport providers enabling more than a billion journeys each year on our bus and rail services. At Go-Ahead we place great importance on partnership, adopting a collaborative approach with governments, local communities and strategic partners; developing and operating services that create long term value for all of us.

Our leadership team

Chairman's statement

See more on page 8

Group Chief Executive's review

See more on page 10

Finance review

See more on page 46

Our integrated approach

Sustainability and corporate responsibility are integral to our strategy and the way we operate at every level of the business. This is our fourth integrated annual report which aims to present a comprehensive view of the Group.

Our strategic priorities

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

Customers
To provide high quality, locally focused passenger transport services.

Our people
To be a leading employer in the transport sector.

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

See more from page 23 onwards

Our Board

Our Board has a wide range of skills and responsibilities.

See more from page 60 onwards

Governance

We are committed to a robust governance framework.

See more from page 58 onwards

Our financial results

We are committed to transparent and clear reporting.

See more from page 112 onwards

Go-Ahead online

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

Follow us on:

Linkedin.com/company/The-Go-Ahead-Group-PLC Twitter.com/TheGoAheadGroup

Creating long term value for all stakeholders

Our strategic report for the year ended 2 July 2016, as set out on pages 2 to 57, and the directors' report, on pages 104 to 107, have been reviewed and approved by the Board of directors.

Andrew Allner,
Chairman

8 September 2016

Go-Ahead at a glance

It has been a year of financial progress in all three divisions. Our market positions have been strengthened, with organic growth supported by contract wins and extensions. As part of a targeted programme, we are pleased to have won new business in Singapore and Germany. We continue to explore similar opportunities in these and other selected markets.

Review of the year

Financial highlights

- Overall results slightly ahead of management expectations
- Achieved £100m bus target; adjusted operating profit* up 8.0% to £100.4m
- Regional bus adjusted operating profit* up 9.4% to £53.3m. Passenger growth in the second half of the year
- London bus adjusted operating profit* up 6.3% to £47.1m despite a significant reduction in QICs income
- Rail adjusted operating profit* at £57.0m with a margin of 2.3%. Contribution to the DfT in the year of £222.4m
- Statutory operating profit in bus and rail was £91.2m (2015: £80.7m) and £26.2m (2015: £16.1m) respectively
- Strong cashflow and robust balance sheet
- Proposed full year dividend increased by 6.5% or 5.85p to 95.85p

Strategic and operational progress

- Difficult year in GTR – working closely with the DfT and Network Rail to improve services to customers
- Sector-leading customer satisfaction score of 89% in regional bus operations
- Record passenger numbers in rail division
- Shortlisted to bid for the West Midlands franchise
- Retained high levels of customer satisfaction at London Midland of 86%
- Entry into new overseas markets with contract wins in the Singaporean bus market and German rail market
- Adopted the voluntary 'Living Wage' across the Group, ensuring all employees, regardless of age, earn at least £8.25 per hour exceeding the 'National Living Wage' requirements

* Adjusted results exclude amortisation, goodwill impairment, exceptional operating costs, and the incremental impact of IAS 19 (revised) as shown on page 46.

Directors' remuneration

We report a single remuneration figure for executive directors which includes salary, annual performance-related bonus, long term incentive bonus and other benefits. A substantial part of executive directors' remuneration is performance-related and linked to key performance indicators.

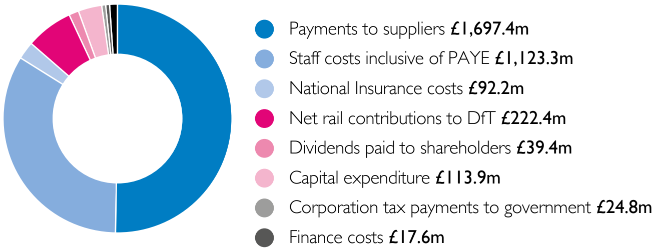
Our directors' remuneration report can be found on page 84

Sustainability highlights

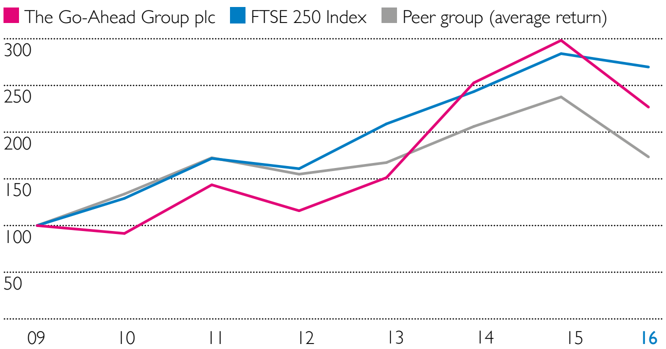
- 95% sustainability rating assigned by Business in the Community
- Highest Carbon Disclosure Project score amongst our peers
- First FTSE 350 company to achieve the Fair Tax Mark for responsible tax practice
- First transport Group to achieve the Carbon Trust triple accreditation for carbon, water and waste

Economic contribution

Total revenue £3,361.3m



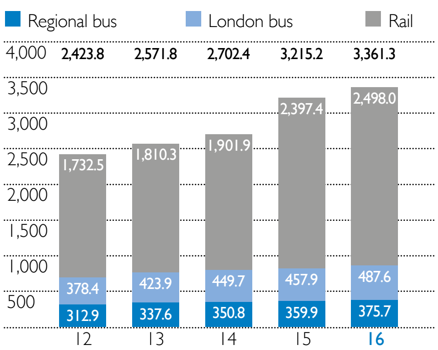
Total shareholder return (rebased to 100)



Group key facts

Total revenue (£m)

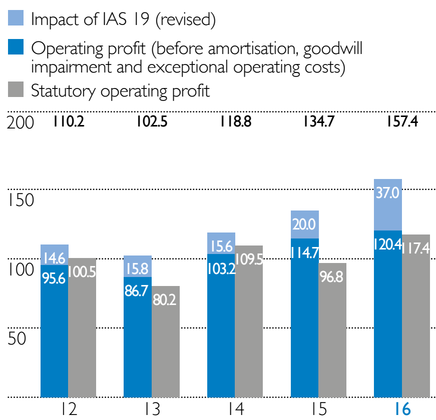
£3,361.3m +4.5%



Group revenue rose £146.1m, or 4.5%, in the year, with growth in both bus and rail.

Total adjusted operating profit (£m)

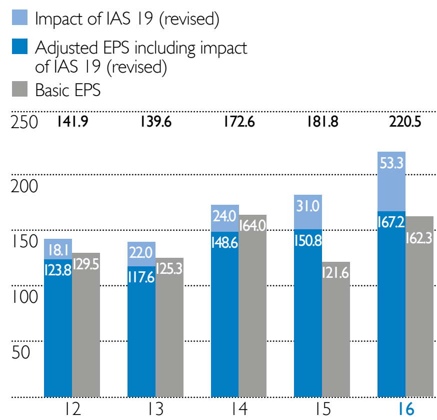
£157.4m +16.9%



Adjusted operating profit increased by £22.7m, or 16.9%, ahead of the Board's expectations. Adjusted operating profit excludes the incremental impact of IAS 19 (revised), amortisation and goodwill impairment.

Adjusted EPS and the impact of IAS 19 (revised)

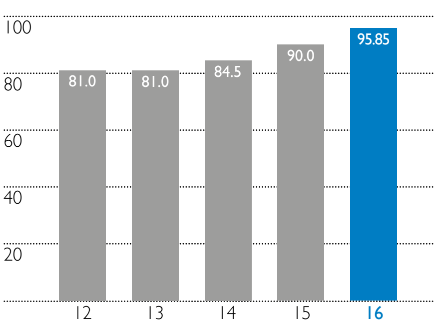
220.5p +21.3%



Adjusted earnings per share (EPS) rose by 38.7p, or 21.3%, reflecting increasing operating profit and taking the non-controlling interest in our rail division into account. Adjusted earnings per share excludes the incremental impact of IAS 19 (revised), amortisation and goodwill impairment.

Dividend paid and proposed per share (p)

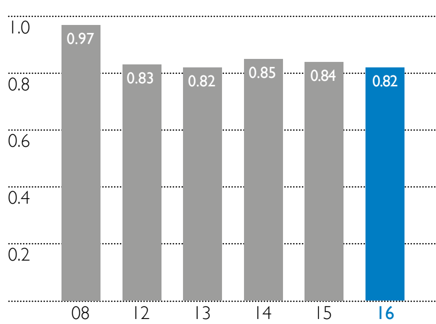
95.85p +6.5%



In line with our progressive dividend policy and the interim dividend, a final dividend of 67.52p has been proposed. This would provide a total for the year of 95.85p.

Carbon emissions per passenger journey (kg)

0.82kg -2.34%

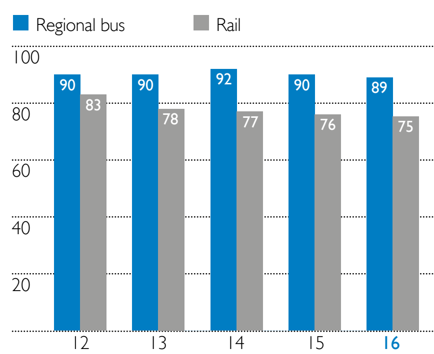


The year on year rate in this metric has improved by 2.34% and we continue to make progress towards our 10% reduction target by 2018 on a 2014/15 baseline. We have already made significant improvements in this area and carbon emissions per passenger journey have reduced 16.11% on a like for like basis since our original 2007/08 baseline.

Customer satisfaction (%)

Regional bus 89% -1ppt

Rail 75% -1ppt



Our regional bus passenger satisfaction scores remain industry leading. The overall score in our rail division was impacted by the significant infrastructure improvement works taking place as part of the government's £6.5bn Thameslink Programme.

Responding to a changing world

Evolving regulatory, socio-economic and technological factors impact on our sector. Go-Ahead seeks to be agile and flexible in order to effectively position itself and manage change. We are committed to building a sustainable competitive advantage. We have an established UK business and remain focused on our core markets, while looking for value adding investments elsewhere.

1 What does Brexit mean for the UK bus and rail sector?

It is currently unclear what Brexit means for UK economic growth and transport volumes. There are a myriad of factors that affect use of public transport. In the case of an economic slowdown it is reasonable to anticipate that if unemployment rises and incomes are squeezed, passenger numbers in some areas of the sector could decline, especially for discretionary travel. However, there are a number of substitution effects that can increase demand. For example, among commuters an increase in part time work could result in more journeys. Rather than fly abroad more people may holiday within the UK using domestic bus and rail. A weaker pound will put upward pressure on the cost of fuel, which historically has led to a modal shift from private car to public transport.

Beyond the macroeconomics, the impact on transport depends partly on what deal the British government negotiates with its EU counterparts. The transport sector is heavily regulated at the EU level but it is expected that many of the EU's standards and regulations the UK will continue to apply and, in many instances, the standards and regulations implemented by the UK will be similar, if not identical, to the EU's. The UK is likely to remain part of a liberalised and integrated European rail system and we fully expect that the ability of UK transport companies to tender for EU/EEA rail franchises would be virtually unchanged by Brexit, irrespective of the model adopted.

2 How is Go-Ahead positioned to face the uncertainties surrounding Brexit?

With a robust business model, Go-Ahead is well positioned. The Group's rail business operates largely on commuter routes in and out of London. Rail profits are also less sensitive to changes in passenger volumes than bus profits. GTR is a gross cost contract, while Southeastern and London Midland operate within a profit-share mechanism and so are to a large extent insulated from revenue movements in the short term. We believe that any downturn would be capable of being absorbed within the remaining life of the London Midland and Southeastern contracts. In bus, the Group has regional businesses that are well positioned geographically, while London bus operations do not bear revenue risk. Enhanced customer service offers will also be increasingly important to help differentiate our services from those of our competitors.

3 What is the Bus Services Bill and its potential impact on the market?

The Bill is legislation that enables local authorities outside London to take a number of different approaches to regional bus services. It is not about mandating any particular approach to the management of bus services. Nor does it impose wholesale reregulation. The Bill grants devolved powers to regulate services, subject to certain criteria being satisfied. Importantly, it will also build on the strengths and successes of existing partnership arrangements. A continuing flow of private sector capital investment will remain crucial to meet important public policy objectives, as well as keep pace with demographic change and new technology that is rapidly transforming the passenger experience. In regions where bus usage is growing there is typically a close partnership between the local authority and bus operator. Go-Ahead's ongoing innovations and investment in local transport services have repeatedly been recognised through industry-leading customer satisfaction scores.

We continue to work with the DfT on the important secondary legislation that underpins implementation of the Bill. It is vital that a robust evaluation framework be included in the legislation to ensure that any local authority proposing regulating services has to demonstrate that it is in the interests of both customers and taxpayers – a key lesson learnt from the findings of the independent Quality Contracts Scheme Board on the proposals for Tyne and Wear.

4 What does the future hold for rural bus services?

Local authorities are responsible for tendering local bus services in rural parts of the country where population and demand are lower and commercial services are not viable. Councils know how important buses are for their communities and local economies and would like to protect them. However, reductions in local authority funding have resulted in significant cuts to bus services supported by local authorities. Many across the country are reluctantly taking difficult decisions to scale back services and review subsidised routes as a result. Fortunately, as part of the government's Spending Review in 2015 it was announced that the Bus Service Operators Grant (BSOG) would be protected in the near term. BSOG is one of the elements enabling operators to keep fares affordable and continue running services that might otherwise be unprofitable and therefore vulnerable to cancellation. But the longer term outlook for many of these services remains uncertain. Go-Ahead has a longstanding commitment to delivering high quality and value for money services to our local markets. Together with local authorities we are looking at new and innovative ways of running buses against this background of funding cuts and assisting them to find ways that bus services can be operated sustainably to avoid additional pressure on local taxpayers.

5 Congestion on the roads is a problem. What can be done?

This is a significant issue facing the industry in many parts of the country and the role of local authorities is crucial. Our bus companies are working together with their local authorities to ensure that travelling by bus remains an attractive and viable choice, with bus priority schemes being actively managed and close liaison and collaboration during roadworks and local events.

A 2016 Greener Journeys report states that in the last 50 years bus journey times have increased by almost 50% in the more congested urban areas and, if we had protected bus passengers from the growth in congestion there would arguably be between 48% and 70% more paying bus passenger journeys today.

An increasing volume of roadworks, public realm and cycle superhighway improvements in London are causing congestion and some routes operated on behalf of TfL have slowed considerably. This has impacted on the number of passengers and our London bus division's ability to earn Quality Incentive Contract (QIC) payments in the past year. The report estimates that for approximately one third of London's routes the decline has been more than five times the 1% UK average in the past year. We have been working with TfL to address this and towards the end of the financial year we were pleased to have seen some return of QICs due to congestion easing on some routes.

Smartcards and m-ticketing (mobile phone app tickets) have a strong role to play in reducing overall journey times by reducing the dwell time necessary at bus stops for cash transactions. Research shows that dwell times can make up to 25 to 30% of total journey times. With more than 850 thousand smartcards in circulation and an increasing number of m-tickets being used, Go-Ahead has long led the way to provide customers with easier, more convenient and flexible ways to pay for and speed up their journeys.

6 Some parts of Britain's rail network are operating at full capacity – what are the plans to alleviate these limitations?

Every day more than 4.5m journeys are made on UK rail services with the number of passengers doubling in the last 20 years. On significant parts of the rail network such as the Southern and Thameslink routes passenger numbers have risen by 40% and 32% respectively in the past five years. Additional train services and longer platforms have been added in a piecemeal fashion to try to keep up with the growing demand, but due to the lack of investment in additional infrastructure capacity the punctuality of services has inevitably declined over the same period. On the Southeastern network south London services also are constrained by limited network capacity.

Across the UK the government and rail industry are investing billions innovating and working to improve reliability, increase capacity and modernise retailing and information. There are several major projects coming to completion in the next few years that will cut delays and congestion.

The recent East Coast £348m Hitchin flyover, removing a major bottleneck for services on the East Coast main line, delivers more than 1.4bn punctual journeys annually compared with up to 600m in the year 1997/ 98. The government's Intercity Express programme on the Great Western line will see new larger trains on the Great Western line from 2017 and on the East Coast main line from 2018.

The Thameslink Programme, underway now, is long overdue, and the £6.5bn project is transforming one of the busiest stretches of railway in Europe. New trains will add more than 30,000 seats in the Thameslink core, between Blackfriars and St Pancras, and passengers departing from Bedford to London will benefit from 2,500 more seats in the morning peak. Journeys will be more reliable with trains every two to three minutes in each direction through central London at the busiest times.

From 2018 Thameslink services will also connect with Crossrail services at Farringdon. Crossrail, Europe's largest construction project, will be fully complete by 2020 and will increase central London rail capacity by 10% as well as reduce journey times.

GTR, which operates the Southern and Thameslink routes, is strengthening its fleet maintenance and progressing driver recruitment and training to increase punctuality and meet the huge driver training requirements arising from the introduction of new trains. Bringing new trains into service boosting capacity and improving reliability are all part of a larger modernisation of the railway that GTR is undertaking. It is organising its people to be more customer-focused and on-hand when and where passengers say they need them most. Regrettably this has contributed to union unrest at the company, impacting on services over the spring and summer of 2016. It is important to stress the Thameslink Programme, and the modernisation associated with it, is a once-in-a-generation scheme addressing the issues of phenomenal passenger growth and underinvestment in the infrastructure.

7 How is public transport keeping pace with technological change and innovation?

The pace of change in the transport sector has increased in recent times. Innovations and inventions such as automated vehicles that once seemed a distant possibility are now a tangible reality. Modernisation is necessary to remain a sustainable and relevant business.

The transport industry also needs to be ready to respond to change as well as pre-empt and instigate it. Uber and other ventures such as BlaBlaCar are challenging the status quo of the transport industry, and we will continue to partner with technology companies to develop apps and other services to improve journey planning and on-the-move information to create a smoother end-to end journey experience. Go-Ahead continually upgrades and updates its apps using customer feedback and testing to ensure the user experience is agile, responsive and intuitive. We are now focusing on personalisation where the tool recognises the individual customer's travel patterns and offers suggestions for the journey they wish to make.

Similarly, investment in design and manufacture such as self-drive capability, electrification and greater automation is advancing more quickly than for larger vehicles such as buses and coaches. The motor industry is investing heavily in making greener, fuel efficient vehicles and it is important that bus manufacturers do not lag behind. We are the first operator in London to introduce a fully electric fleet at our Waterloo depot supported by TfL. We invest in low emission buses across all our operating companies and our average fleet age is 7.8 years, helping to ensure we reduce carbon emissions and contribute to improving air quality in the communities we serve.

8 What is your approach to remuneration and paying a fair price for success?

It has long been established that retaining engaged and motivated employees is not only the right thing to do, but also financially beneficial. Losing key people is a risk to success and over the past five years we have introduced comprehensive succession plans across the Group to consider our current and future capability requirements.

We believe in being a fair employer and we are pleased to say we have adopted the voluntary Living Wage of £8.25 per hour across all of our companies. This exceeds the government's National Living Wage of £7.20 per hour, introduced in April 2016. While pay is, of course, an important way to motivate and retain employees we also aim to create long term benefits for our people. In the past year, we launched the second Go-Ahead Sharesave scheme in four years, aimed at encouraging our people to invest alongside our shareholders, increasing their vested interest in the Group's success.

In a challenging environment, our executive leadership team has delivered strong performance – with a focus on the long term sustainability of the business. Our approach to remuneration is linked to the delivery of our strategy and focused on consistently improving performance. We have set out a clear strategy with a comprehensive set of actions to improve returns. We carefully consider elements that make our business successful in both the short and long term and we place emphasis on long term improvements that are measurable and based on a range of issues across the organisation. We hold our executive leadership team accountable for those elements that are within their control and there is a strong alignment between the Group's performance and the remuneration of executive directors.

It is inevitable and understandable that our industry, providing a vital public service, will be under scrutiny, and our approach is to be transparent and open about executive remuneration. Read our full directors' remuneration report page 84.

9 What are the Board's plans for capital returns

The Board was pleased to propose another increase to the full year dividend this year, recognising the importance of our dividend to the investment decision of many of our shareholders.

The increase in bus profitability over the last five years, and the strengthening of our balance sheet, means that the Group now has more choices about how we allocate capital.

Our approach is designed to ensure capital is used effectively. Our priority is to sustain profits from existing businesses and meet commitments in franchises or other contracts. Furthermore, we consider the use of capital to provide for risks and contingencies, bid for opportunities in agreed target markets and support new franchises or contracts, in addition to making attractive returns to shareholders. Our capital allocation policy is continually under review.

Focused on technology to improve customer journeys

With more customers using smartphones and other devices to organise their leisure and travel plans, we need to make sure that our information is easily accessible online for customers. According to Ofcom* smartphones in the UK have overtaken laptops as internet users' number one device. Some 93% of the adult population own or use a mobile phone with 71% having a smartphone. So we are focused on using mobile technology to personalise and improve our customers' experience.

Planning and making journeys

Go-Ahead is providing elements of its data to enable app developers to include realtime transport information in journey planning apps. Google transit planner now includes some 85% of Go-Ahead's regional bus realtime operational data. We know for many journeys the bus will compare favourably with the private car, particularly where local authorities have bus priority measures in place. Similarly, the rail industry's timetable and realtime data is available both for industry online web planners and also for third parties. Our new Gatwick Express app includes airline arrival and departure times – as well as realtime train information aimed at providing the most useful information for people going to the airport.

Navigating large stations can be daunting for some infrequent travellers. So Go-Ahead, together with Network Rail and technology companies, have installed Bluetooth beacons into London Bridge station to provide customers with intelligent and dynamic ways around the station – particularly useful during the station's rebuild. This trial is part of 'HackTrain' 2016 event and is sponsored by Go-Ahead and other transport companies and is an opportunity for technology start-ups to use their entrepreneurial innovation for the benefit of the rail industry customers.

Almost 40% of our regional buses have free Wifi for customers to use while travelling. In the past year more than 100 GTR stations have been installed with free Wifi and the new 108 Gatwick Express carriages also have Wifi installed.

Paying for travel

While some people may still wish to pay with cash, for increasing numbers of our customers, payments are made with smartcards, m-tickets (tickets on mobile phones) or through online secure systems such as Paypal and Pingit. As high street shops take contactless payments so Go-Ahead will be upgrading its onboard bus ticket systems to enable contactless payments to be made also. A full range of tickets available online means that customers no longer need to queue at ticket offices, although there is more to do to support customers to feel confident they are buying the correct, best value fare for their journey, online.

Our rail apps enable customers to claim 'delay repay' compensation when their journey has been delayed – and work is underway for this process to be automated to provide a more personalised service.

Social media

Social media enables customers to help each other with advice on where to go, what to avoid, and what to expect. With the advent of services such as Airbnb, apps such as Tripadvisor, it is clear that peer-to-peer shared opinions have a strong value. Company reputations can be diminished by consumers' appetite for sharing when things go wrong. People are willing to share their opinions and recommendations via social media with complete strangers and these comments are often trusted more than official channels of information. All our operating companies actively engage with customers using social media and aim to use this to increase the depth of the relationship they have with customers by answering individuals' comments and questions. Across the Group this data is useful and we analyse social media trends to help us shape our services to better suit our customers' needs.

* Ofcom 2015 Communications Market Report.

Chairman's statement

Andrew Allner,
Chairman

Dear Shareholder

We have delivered robust results for the year slightly ahead of our expectations and have achieved high levels of passenger satisfaction in the majority of our businesses. However, we have seen challenges in the year with particular difficulties in the GTR franchise, which has faced operational issues and capacity constraints associated with the Thameslink Programme from the start. This complex franchise, on which more than one million passenger journeys are made every weekday, is being modernised to meet ever-growing demand. Regrettably industrial action has compounded disruption on the network and, as a result, we have not provided the levels of reliability and service our passengers expect. As previously announced our margin on the GTR franchise over the life of the franchise is now expected to be lower than originally forecast.

Your Board is very focused on addressing these issues along with key partners. We are sorry that the introduction of changes, which will be of great benefit in the longer term, is creating inconvenience and hardship for passengers. I appreciate how frustrating and difficult it is when things go wrong.

Your Group has a highly experienced and committed management team with integrity, a clear strategy and a strong focus on improving passenger satisfaction. I believe that, with continued government support, we are well placed to address the challenges and to bring about the improvements in service to which we aspire.

Contributing to society

At Go-Ahead, the contribution we make to society is important to us. We need to ensure the Group is in a sound financial position and that our investors and lenders make appropriate returns for the capital and debt they provide and the risks involved. This then enables us to focus on our role in society which is to provide reliable and high quality public transport.

Your Board spends considerable time on shaping our Group's culture, which guides us as we renew and advance the business. Doing the right thing for our customers has always been a core part of who we are, and drives our ongoing improvement.

Your Chief Executive, David Brown, has recently led a review of Go-Ahead's vision, beliefs and attitudes, which underpin our culture. Through talking to a wide cross-section of stakeholders, including employees and industry partners, we are making sure we are clear what we stand for today and what we need to stand for in the future. We believe that the trust our people and our customers place in us must be earned every day and that is why we are committed to taking care of every journey.

More information on page 46

Performance

Overall, the Group delivered robust financial performance in the year, demonstrating the effectiveness of our long standing strategy of providing high quality and locally focused passenger transport services. We achieved good profit growth in our bus business, despite a number of headwinds and, as planned, have met the £100m profit target when adjusting for the impact of IAS 19 (revised). Importantly, customer satisfaction in our regional bus continues to lead the industry. In London we remain the largest bus operator.

In rail, our Southeastern and London Midland franchises recorded strong financial results. London Midland was also successful in securing a direct award contract and achieved a strong customer satisfaction score of 86%. Early in the year Southern and Gatwick Express were integrated into GTR, resulting in the creation of a new business and new leadership team.

During the year we continued to invest in future growth with further disciplined capital investments across the Group to make our existing business more attractive to our customers. We will continue to invest in the talent and skills of our people, through training and development, and by enabling them to network across the Group to learn from each other. We will also continue to invest in long term relationship building. Our future lies in our ability to engage with stakeholders and develop appropriate solutions to their needs.

Go-Ahead is developing an increasingly diverse portfolio of operations that will reduce our dependence on any single market or contract and ensures we have excellent knowledge of, and access to, a range of new opportunities. This year we are pleased to have won business in two overseas markets. In Singapore, Go-Ahead was successful in its bid for a five-year bus services contract, while in Germany the Group was awarded two contracts for rail services.

Dividend

Our underlying business performance and confidence in the medium term outlook have enabled the Board to propose a 2016 final dividend of 67.52p per share, supported by bus division profitability. Combined with the interim dividend of 28.33p per share, the proposed total dividend will be 95.85p per share, an increase of 6.5%. The final dividend will be paid on 25 November 2016 to all shareholders on the register at close of business on 11 November 2016.

Your Board has a clear capital allocation policy for the Group which is continually under review. We consider our policy for capital structure and how surplus cash is to be deployed between ongoing operations, investment in new franchises and new businesses, ongoing dividends to shareholders and possible further returns to shareholders. Our objective is to retain an efficient capital structure, whilst maintaining financial flexibility in the event of downside scenarios or new investment opportunities, and to provide additional returns to shareholders where it is prudent to do so.

Robust corporate governance

It has always been important to me that Go-Ahead's Board functions as a key strategic partner and sounding board for management, challenging us all to be better. We pride ourselves on our reputation for conducting business activities in the highest ethical and professional manner, guided by our corporate governance principles and practices as well as strong Board oversight. The composition of the Board, with its diverse range of skills and experience, is one of our key strengths. The relationships we have fostered, both within and outside the boardroom, have strengthened Board dynamics.

Your Board takes an active role in ensuring best corporate governance practices. During the year, we implemented the recommendations from the independent external Board evaluation conducted in 2015 and also undertook an internal Board evaluation. These reviews help us to continually improve and adapt to the changing needs of the business and ensure we are always operating in accordance with best practice.

Our people

At Go-Ahead we recognise that remuneration should be closely linked to performance. Whilst we have largely achieved the financial and strategic targets set at the beginning of the year it is clear that we have not delivered the required levels of passenger service on our Southern routes. As a result, David Brown, who in my view is an exceptional and committed Group Chief Executive, made it clear he does not wish to be considered for an annual bonus this year and declined a salary increase.

At Go-Ahead we firmly believe in a pay-for-performance culture. In order to improve our focus on improving customer service and demonstrate our commitment to passengers we have made important changes to our remuneration arrangements. Last year we embedded customer service targets within long term incentive awards. In addition, this year we have introduced passenger satisfaction measures in our annual bonus plan.

> "Doing the right thing for our customers has always been a core part of who we are, and drives our ongoing improvement of the organisation."

As a public transport business it is ultimately the quality of the service we provide that will underpin our leadership in the transport sector. To meet these challenges, our employees work hard to meet our customers' needs. I would like to express the Board's appreciation and thanks to all our employees for their contribution to another successful year for the Group.

In March we welcomed Patrick Butcher, who was appointed to the Board as Group Chief Financial Officer. Patrick brings a wealth of industry experience, having joined from Network Rail where he was Group Finance Director since 2009. He has made an excellent start and is already making a valuable contribution to the Group.

I would also like to thank the previous Group Finance Director, Keith Down, for the significant contribution he made in his four years with the Group.

Looking ahead

Whilst the past year was challenging, good progress has been made on many fronts. These developments provide a solid base from which to take advantage of future opportunities. Our strategy of increased marketing, use of technology, the development of partnerships with local authorities and improved customer service is already producing results and will be the key to driving this business forward. A strategy of selective investment in operations outside the UK will increase our resilience and provide us with further growth opportunity.

With oversight from the Board, the GTR management team will continue the modernisation programme and focus on resolving issues locally.

More information on page 40

The current fiscal year has started with change in the broader political and economic environment. Go-Ahead will continue to act to meet the needs of a changing world and prudently balance strategic growth with sound risk management practices. It remains crucial to maintain the advantages that well-managed public transport can bring to society, and to provide people with the mobility that is essential to our economic and social needs. However working patterns and the performance of different sectors of the economy may fluctuate, those needs will continue to provide opportunities for the public transport industry to serve its customers to mutual advantage. Go-Ahead is a high quality operator with leading market positions in the bus and rail sectors. Looking ahead, I am confident we will continue to deliver value for our customers, employees, shareholders and other stakeholders.

Andrew Allner,
Chairman

8 September 2016

David Brown,
Group Chief Executive

Partnership and collaboration are key to public transport

It has been a year of financial progress in all three divisions. Our market positions have been strengthened, with organic growth supported by contract wins and extensions. As part of a targeted programme, we are pleased to have won new business in Singapore and Germany. We operate in relatively resilient markets, and have a good balance between contract and passenger revenues.

Focus on partnership

At Go-Ahead we believe that public transport is about partnership. After almost 30 years of building Go-Ahead's presence, the Group has established a valuable network of relationships, and a depth of market understanding and knowledge that cannot easily be replicated. Building relationships with passengers, central and local government, employees, industry partners and other stakeholders has always been core to the Group's strategy and central to everything we do. We strongly believe that today's challenges are best met by working together. While seeking to maximise the benefits of operating together as one large organisation, our companies are locally managed and form an integral part of the communities they serve. Testament to our collaborative approach and understanding of local markets are the high levels of customer satisfaction in our regional bus operations, which remain the best in the sector at 89%.

Public transport is vital to building a strong and sustainable economy. Our services have continued to ensure that millions of people are able to get to work and access key services. Over the past year Go-Ahead has made a significant contribution to the UK economy through the 27,500 people we employ, the £222.4m generated by our rail operations for the government, and £24.8m paid in corporation tax. We are also pleased to have introduced the voluntary Living Wage as a minimum, irrespective of age, across the entire Group.

More information on page 51

Our vision

Our people are critical to the success of the Group and we believe our new vision, attitudes and beliefs, once fully embedded into our corporate culture, will influence every aspect of our day-to-day activity and how we work. The common purpose of taking care of every journey will create advocacy among our customers, encourage people to use our services and ensure our people feel valued and appreciated.

Performance

Bus

At the core of the Group is our bus division, which delivered another good trading performance. This is the result of strong operations and service quality, as well as investment in new vehicles. Our bus operations have significant flexibility to respond quickly to changing market conditions and to ensure we remain resilient. While this is a mature market, opportunities for organic growth exist, as evidenced by the increased volume in the London market and the gains that have been achieved in other parts of the country as a result of investment and targeted marketing.

We have had a record year of profits from our regional bus division, which delivered adjusted operating profit* of £53.3m. Our sector leading margins, and the achievement of our £100m target, are a reflection of the hard work at our operating companies. The business is maintaining its strong position by focusing on improving the service, stimulating passenger growth and developing relationships with local authorities. We invested £72m in buses in the year, maintaining the average age of our fleet at 7.8 years. We also continued to invest in our services with more Wifi and USB charging points on buses, advertising, promotions and offers, and social media campaigns.

Go-Ahead remains the largest bus operator in London, with its growing population of residents and commuters. Over the past year roadworks and excessive congestion have limited our ability to earn Quality Incentive Contract bonuses. However, the underlying business is strong. We have retained our 24% market share with annual mileage of around 85 million miles. In the second half of the year we opened a new £7m bus depot, strategically located in Barking.

By understanding the varying needs of different customer groups we have shaped our bus networks and services to match demand. Innovative partnership working also continues to bring benefits for customers and stakeholders. Actions taken to maintain our position include: Brighton and Hove bus company championing accessible travel with the provision of wheelchair access on 100% of the fleet and other on-board innovations for disabled passengers; entry into the inter-urban market in Oxford with the launch of a new Birmingham express service; the installation of new 'happy or not' customer feedback machines on Plymouth City bus services; and a creative response to reduced public funding by Go South Coast to provide a unique combination of commercial and social services. These businesses have also taken the initiative to comprehensively examine their services through the eyes of the customer and understand how they can be better.

In the regional bus market the regulatory framework is also evolving with the Bus Services Bill that is passing through Parliament. It is a very different Bill from the one envisaged a year ago as a result of the industry's engagement with the DfT, with the Passenger Transport Executives and other stakeholders in order to protect the ethos of partnership working. It is vital that our bus companies remain embedded in local communities. We continue to work with the DfT on the important secondary legislation that underpins implementation of the Bill. Toward the end of 2015 we welcomed the report and findings of the independent Quality Contracts Scheme Board on Nexus's proposals for Tyne and Wear, which concluded that the scheme failed to meet all the necessary statutory public interest tests. We believe that the overriding lesson of Tyne and Wear is that rigorous and independent scrutiny of major transport schemes is a necessity. Clear accountability must be in place where there is a fundamental change to the provision of bus services to safeguard the interests of customers and taxpayers. With reductions in overall public spending, a continuing flow of private sector capital investment will remain crucial to meet important public policy objectives, as well as keep pace with demographic change and new technology that is rapidly transforming the passenger expectations. Our strength in this sector ensures that we can be agile and are able to pursue other opportunities as and when they arise.

Rail

Our three rail franchises carry about a third of all passengers in the UK and we have more than 19 years' experience of managing complex commuter franchises and delivering industry-leading projects.

The overall financial performance of our rail business was robust and slightly ahead of the Board's expectations. Full year adjusted operating profit* for our rail businesses was £57.0m (2015: £41.7m). We are committed to the long term development of rail travel and are investing to improve services for passengers. In partnership with the DfT, Go-Ahead is at the forefront of some of the largest long term improvements in rail infrastructure in the UK.

The GTR franchise has experienced a difficult year operationally, and we share the frustration of customers who have experienced repeated disruption to their journeys and we apologise for this. The complex nature of the franchise has created significant challenges. The major Thameslink infrastructure programme will ultimately bring vital extra capacity, but it has caused large scale disruption through restricted network capacity, particularly in the phase of major works at London Bridge. Management continues to work closely with industry partners on implementing the complex change programme. This includes the introduction of more spacious trains and the evolution of the customer service role onboard and at stations across the GTR network, in adherence

68.8%

Group profit from the bus division

£100.4m

Adjusted bus profit

£222.4m

Contribution to the DfT

More information on page 15

* Adjusted operating profit is reconciled to operating profit before amortisation, goodwill impairment and exceptional operating costs in the finance review.

to commitments in the franchise agreement with the DfT. We have instigated one of the largest driver recruitment programmes ever undertaken in the industry, but training a driver takes around 14 months so customers do not see the benefit of this straight away. We are confident that the Thameslink Programme will deliver real benefits for customers and the wider community. The DfT values the experienced management team in place at GTR which is best placed to steer these changes through. We are committed to the delivery of the franchise, enhancing service and building trust. We remain focused on delivering improvements, listening to our customers, and working with stakeholders to ensure the franchise has the resources needed to respond to growing demand.

Southeastern delivered a strong trading performance and continued to operate at maximum profit share, with payments of £39.9m made to the government in the year. For the remainder of the franchise the focus is to continue to improve the service for customers. The stated desire of the London Mayor and the London Assembly to devolve responsibility for the metro routes to TfL requires Secretary of State approval. If given, Southeastern would work with TfL and the DfT to ensure a smooth transition. From 2017, Go-Ahead's rail development team will be working on a bid to retain the franchise.

London Midland continued its trend of improvement, reflected in strong customer satisfaction scores that have repeatedly increased. The franchise, which Go-Ahead has been operating since 2007, has been successful in terms of both operational and financial performance. Since 1 April 2016 the franchise has been operating under a new direct award contract. Management is focused on ensuring that committed obligations are delivered in a timely manner. In the fourth quarter Go-Ahead was pleased to be shortlisted to bid for the new West Midlands franchise beginning October 2017.

During the year, our joint venture On Track Retail launched its new online ticket sales system 'On Track' in October 2015.

Training and development

More than £18m spent on training and development of

27,500 employees

"We remain focused on delivering continued improvements, listening to our customers, and working with stakeholders to ensure the GTR franchise has the resources needed to respond to growing demand."

The web and mobile platform provides highly personalised, realtime information to help customers find the best value ticket option available. Following introduction on Southern and Thameslink routes, On Track has been rolled out to all of Go-Ahead's rail operations and integrated within its mobile app and 'the key' smartcard.

Whilst we were disappointed that our bids for the new Trans-Pennine Express and Northern Rail franchises were unsuccessful, the Board still believes that the UK rail sector can provide long term growth opportunities for the Group. The UK rail industry clearly has some considerable challenges, both financial and operational. We are an established operator and will be seeking to develop our role in the future of the sector.

Overseas contract wins

As part of a targeted programme, we are pleased to have won new business in Singapore and Germany. With efficient and effective transport remaining a priority for governments, there are further opportunities overseas. We continue to explore similar opportunities in these and other selected markets.

Go-Ahead was awarded a five-year contract to operate bus services in Singapore and is set for a successful launch of the 25-route bus service operation from September 2016. Singapore's bus contracts system is largely modelled on London's and, as London's largest bus operator, Go-Ahead has the right experience and expertise to deliver high quality services in Singapore. We look forward to competing in the next tender tranche of bus services, to be awarded early next year.

We were also successful this year in our aim to enter the German rail market, having been awarded two contracts to operate rail services in the Baden-Wurttemberg region from June 2019 until 2032. The German passenger rail market generates annual revenue of around €9.6bn and we are well placed to capitalise on future opportunities in this market.

A resilient business

Following the result of the EU referendum vote in June we are entering a period of economic uncertainty. The true impact of the vote is yet unknown, but it will weigh on the economy, and the transport industry is not immune. Nevertheless, the characteristics of our business make it resilient and relatively well positioned for change. Our strength is our portfolio of operations with robust revenues in less economically sensitive bus markets in the UK.

Our London bus business has no direct exposure to passenger revenues, and has an excellent record of contract retention. In the regional bus business, experience of previous slowdowns in the economy suggests that overall demand for bus travel is resilient. The flexible commercial nature of the industry further enables it to match supply to the level of demand. Go-Ahead's position is reinforced by substantial investment in new fleet during the past few years, helping to improve the attractiveness

Voluntary Living Wage adopted

More information on page 5

and marketability of our services. In rail, we operate commuter routes in and out of London that are less discretionary in nature. Their unique position in relation to revenue support and profit share mechanisms will considerably mitigate the impact of any change in passenger numbers on our rail revenues.

As the external environment remains uncertain, we will be proactive in ensuring that the business remains robust. Our business offers value-orientated public transport services that are vital to the economy. We will remain focused on the delivery of existing services, while being agile to identify opportunities that this changing landscape brings.

Whilst there are clear links between economic activity and demand for our services, transport also enables growth. Change presents challenges for every part of the economy, transport included. It also provides strong motives for fresh thinking, and opportunities for innovation. In these times of regulatory, economic and social change, our future lies in our ability to engage with stakeholders and customers and develop solutions for their changing needs. With its wealth of knowledge and experience gained, Go-Ahead is well qualified and highly motivated to rise to the challenge.

Outlook

Go-Ahead has made substantial progress over the past year. The outlook and opportunities for the business are positive. Our strategy is clear and our business model robust. Our businesses have a track record of demonstrating the benefits that the private sector can bring to public transport. We will continue to work closely with partners at all levels to deliver value for money for our customers and stakeholders.

The new financial year has begun with similar trends to the second half of 2015/16. We expect continued moderate revenue growth in our bus division. Significantly reduced fuel costs will help offset headwinds such as contract reductions from lower local authority contracting. In London, we expect to see a year on year improvement in QICs payments as roadworks and congestion stabilise, which will help offset higher depreciation. Trading in the Southeastern and London Midland franchises continues to be robust and help offset weakness in GTR. We continue to explore overseas opportunities in selected markets.

David Brown,
Group Chief Executive

8 September 2016

Our new vision, beliefs and attitudes

Created in collaboration with employees at different levels across the Group and external stakeholders, these shape our focus, how we make decisions and how we behave.

Our vision

'A world where every journey is taken care of' – is our new vision. Today we are striving to provide a reliable service people can trust. Tomorrow we will be building stress-free, predictive and seamless connected journeys.

We will take care of our customers' every need transforming everyday journeys into positive experiences.

Our beliefs

We believe in trusting people, being can-do people, building relationships and being one step ahead.

Our attitudes

We are accountable, down-to-earth, collaborative and agile.

We believe in trusting our people to do their best and be accountable for what they are delivering.

We believe in being can-do people, who solve problems and are pragmatic with a down-to-earth attitude towards each other.

We believe in building relationships within our businesses, with our suppliers, partners and stakeholders and working collaboratively to achieve a greater good.

We believe in staying one step ahead of our competitors and emerging trends by working in an agile manner to identify opportunities to lead change.

More information on pages 32 to 35

Topical questions from our shareholders answered

How do you account for your resilient performance in regional bus?

Our margins in regional bus now stand at 14.2%, When we started the journey to our £100m profit target in 2012, our regional bus margins were at 11%. I am very pleased that this profit growth has been achieved sustainably. Revenue growth has been driven by strong contract income, while fares have increased in line with inflation. Go-Ahead has been successful because we continue to invest in our services, making life easier for our customers. We do it, for instance, through more Wifi, more audio-visual passenger information, online methods of payment and improved realtime information. We are giving passengers more choice and more flexibility, and are very pleased to have the joint highest customer satisfaction score in the UK of 89%. Partnership working with local authorities is how we have always conducted our business and it continues to bring benefits for customers. By understanding the varying needs of different markets we have successfully shaped our services to match demand.

What are you doing to address the issues at your GTR franchise?

The GTR franchise has been a challenge to run since its inception in September 2014. The industry and DfT accepts that the £6.5bn Thameslink Programme upgrade including the rebuilding of London Bridge station has had a greater impact on the resilience of those routes and neighbouring routes than expected in the planning and forecasting stage for the new franchise.

More than 3,000 train services a day run on the railway line linking London and the Sussex coast and as demand has grown strongly on this route performance has declined. The number of passengers on the Thameslink route has grown by 32% over the past five years, and by 40% on Southern routes. So more, longer, trains have been added to the timetable but the infrastructure upgrades have proved to be insufficient to cope with the growth in passenger numbers. This has all led to congestion and a noticeable decrease in performance of the train service. When complete in 2018, the Thameslink Programme and GTR's introduction of three new fleets of trains totalling 1,398 carriages will bring vitally needed extra capacity to the region but in the meantime it has added an additional strain with fewer routes into and out of London Bridge station.

Despite around 60% of GTR trains being driver only operated services, the unions have entered into industrial action, disrupting services from spring 2016. This stance is regrettable and has significantly impacted on the service that the company is able to provide for passengers. Trains where drivers open and close doors are not new, and have been deemed safe by rail safety experts and the independent regulator which oversees safety on the railway. The new role of onboard supervisor will still have safety training but the main role of these employees is to help passengers and improve onboard customer service. There are no job losses or pay cuts, in fact we need more people for our onboard supervisor roles.

New modern trains which allow the introduction of modern working practices are being introduced across the UK and Europe and will bring beneficial changes for customers.

What is the future of franchising?

The case for railway franchising is a strong one with net payments to the government totalling over a £billion* and an NAO report (November 2015) stating that competitively awarded franchises, if managed well, could increase returns to the taxpayer**.

Privatisation has been a success and government investment has combined with commercial drive to create the safest and fastest growing railway in Europe. The number of passengers has doubled but this has created limitations on capacity that are being addressed now with billions being spent to upgrade the network, improve reliability and modernise retailing and information. It is estimated that around a third of the four percent annual increase in rail journeys since the mid 1990s has come from the changes to the industry model (according to Oxera 2014 report).

As well as the potential for competitively awarded franchises to increase returns to the taxpayer, the key findings of the NAO's reform of the rail franchising programme review were that the DfT has improved the transparency, consistency and clarity of information provided to bidders and the public; and strengthened the assurance and governance of franchising. To continue to improve the programme the DfT has started to apply lessons learned from completed competitions and feedback from bidders. There is now also greater emphasis on passengers' experience, with bidders demonstrating how they will deliver punctual reliable services and limit crowding while improving levels of customer service on stations and onboard trains.

* £1.2bn total net payments to the DfT from train operating companies in 2014-15.

** £8.5bn total train operating company revenue in England and Wales, in 2013-14.

What opportunities do you see overseas?

Our established approach to development has been to seek opportunities that deliver value to our shareholders. We do not make strategic investments which increase market share without generating clear returns. We look for markets that fit with our strategy and risk appetite and to which we can bring knowledge, experience and expertise.

We are looking forward to running services in Singapore shortly and, in line with our devolved approach, have created Go-Ahead Singapore – an autonomous local bus company employing around 900 people, ready to operate 25 routes in the Loyang region. We have also established a rail company in Germany that has won two concessions in the Stuttgart region and will begin running passenger services from 2019. Germany has the largest rail market in Europe operating over 50bn passengers kilometres and generates annual revenue of around €9.6 billion.

What next after Target 100?

Achievement of the £100m target this year is a testament to the hard work of our people across the Group. We will continue to challenge our operating companies to grow sustainably by focusing on customer service and becoming the first choice for journeys. We have established businesses, based primarily in the south east, where there is economic strength to support continuing returns. However, we see some of our growth in the future coming from places such as our overseas contracts in Singapore in the coming year and Germany in a couple of years' time. We will also be submitting a strong bid for the West Midlands franchise when our current contracts end in October 2017 and for the South Eastern franchise when our current one expires in 2018.

Are you committed to the voluntary Living Wage?

We are pleased to have introduced the voluntary 'Living Wage' across the Group, ensuring all employees, regardless of age, earn at least £8.25 per hour, exceeding the government's 'National Living Wage' requirements. However, voluntary 'Living Wage' recommended-increases in future years could add to wage inflation, so we will always continue to review this.

Our business model is robust and provides long term earnings resilience across the economic cycle. In addition to delivering sustainable returns for our shareholders we create value for our customers, our people and the communities we serve.

1

We generate revenue and profit in two main ways:

1) The provision of transport services to fare-paying passengers, whose revenue covers the cost of service and a profit margin. Most bus operations in the UK outside London operate on this commercial basis.

2) The provision of passenger transport services on behalf of public sector transport authorities. We tender for, and run, contracts in two main sub-categories:

- *Gross cost contracts* where our entire revenue comprises payments made by the transport authority to us with the authority retaining all fare revenue raised and therefore revenue risk. This includes the UK London bus market and the GTR rail franchise.
- *Net cost contracts* where our revenue is a combination of income from fares and payments from transport authorities. Most UK rail franchises are run on this basis.

Where revenue is partly or wholly derived from transport authorities the operator carries cost risk. Good cost controls are vital in areas such as staff utilisation, fuel efficiency and negotiating and managing contractual relationships. Part of the Group's core skill set is managing all of these areas without compromising safety or quality.

2

Through our three operating divisions:

Read about our divisions on page 18 and 19

Regional bus

London bus

Rail

3

Enabled by:

Our key relationships

Passengers

We strive to deliver effective local services that put passengers at the heart of everything we do and where we stay one step ahead of changes in our customers' worlds.

Our people

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

Communities

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

Government

Policy and regulatory changes affect our bus and rail businesses. Working closely with both central and local government we bring the benefits of private sector delivery and lower public spending.

Strategic partners and suppliers

We work collaboratively with strategic partners including the DfT, TfL, local authorities, Network Rail and rail rolling stock companies. Professional relationships with core suppliers help to ensure and support efficient delivery of value for money services.

Shareholders

As a publicly listed company we provide open and transparent information, which enables informed investment decisions to be made. Feedback from our shareholders forms part of strategic Board discussions.

Our key inputs

Our people

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

Our buses and trains

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

Infrastructure

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

Fuel

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

Read about our fuel hedging policy on page 53

Finance

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

See the breakdown of our bus and rail cost bases on pages 52 and 56

4

Supported by:

Our strategic priorities

Read about our strategic priorities on page 23

Our robust governance framework

Read our corporate governance report on page 62

Our approach to risk

Read about our approach to risk on page 40

5

Creating value for:

A broad range of stakeholders

At Go-Ahead, we believe it is important to deliver shared value. Our bus and rail operations create value for our people, the communities we serve, and our passengers. We deliver high levels of services to our transport authority customers and strive to be a reliable partner to our industry colleagues. Through our robust business model, we are committed to delivering sustainable shareholder value. We also create benefits for the UK economy through the employment of over 27,500 people, the taxes we pay, payments to our suppliers and the contribution our rail franchises make to the government.

6

To build a sustainable business for the long term

We reinvest profits into our services to maintain our position as a leading provider of passenger transport.

We create shared value for our stakeholders through our three core operating divisions: regional bus, London bus, and rail.

Regional bus

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

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

Key market features

- Outside London
- Services operated on a largely commercial basis
- Accountable to the traffic commissioner and other industry bodies
- Work in partnership with local authorities to meet the needs of our communities
- Comprises local markets with unique features
- Mainly private operators, some local authority owned operations
- Operators largely make their own decisions, such as setting bus fares, routes and service frequencies
- Some tendered services are run on behalf of councils, such as school contracts
- Operators have a relatively flexible cost base which can be adapted to mitigate external factors

Growth opportunities

Go-Ahead operates around 7% of the regional bus market in the UK. It is a mature market with scope for growth through acquisition, network expansion and changing behaviours resulting in increased bus use. The Bus Services Bill, which is currently passing through Parliament, will give new enabling powers for franchising and the criteria which an authority needs to meet, though the Bill also enhances the partnership model with local authorities that Go-Ahead already supports.

Divisional revenue

70%: Fare paying passengers

By offering high quality services and value for money fares we are able to grow passenger numbers.

20%: Reimbursement for concessionary travel

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

10%: Tendered contracts

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

More information on page 51

London bus

We operate tendered contracts for Transport for London (TfL)

In London, we operate around 190 routes from 17 depots in the capital. Around 85% of these depots are freehold. We own 100% of this business.

Key market features

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

Growth opportunities

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

Divisional revenue

95%: Running bus services in London for TfL

Operating under a regulated system, TfL issues tenders for bus routes in London and private operators enter a competitive bidding process for individual route contracts. Contracts are usually five years in duration with a possible two year performance-based extension. Our revenue comes directly from TfL and is paid on a revenue per mile basis.

5%: Other revenue including Quality Incentive Contract bonuses

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

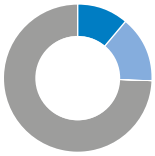
Performance targets are set by TfL through Quality Incentive Contracts (QIC) to encourage the provision of punctual services. Operators receive bonus payments when targets are met and are penalised for poor performance.

Singapore bus

Singapore bus operates under the Bus Contracting Model, similar to the London bus system. The Singapore Land Transport Authority tenders out routes and collects fares. Operators are paid a sum to run the routes, plus incentive bonuses for meeting or exceeding service standards.

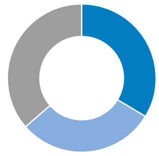
More information on page 51

Total Group revenue £3,361.3m



- Regional bus: **£375.7m**
- London bus: **£487.6m**
- Rail: **£2,498.0m**

Total Group adjusted operating profit £157.4m



- Regional bus: **£53.3m**
- London bus: **£47.1m**
- Rail: **£57.0m**

Rail

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

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

Key market features

- Regulated by the Office of Rail Regulation (ORR) and other industry bodies
- Peak fares, routes and service frequencies set by the government
- Existing franchises typically had initial contract terms of around eight years
- The infrastructure is largely owned and managed by Network Rail
- Trains are leased from rolling stock operators
- Operators have a relatively fixed cost base, reducing flexibility to adapt to changes in the wider economy

Growth opportunities

Govia operates around 27% of the UK rail market. There are significant growth opportunities in this market in the coming years, with several franchises due to be awarded. New franchises typically have revenue opportunity/risk, clear contingent capital requirements but low overall capital intensity.

Divisional revenue

95%: Passenger revenue, franchise payments and subsidies

Operating under a regulated system, the DfT issues tenders for rail franchises and private operators enter a competitive bidding process for the right to operate them. Typically, operators submit detailed franchise bids that specify the level of premium the operator will pay to the DfT or the level of subsidy or franchise payment it will require from the DfT for operating the franchise, dependent on a range of assumptions, such as passenger revenue and cost base. The model is designed to maximise the value to the taxpayer by incentivising train companies to operate efficiently and encourage passenger growth.

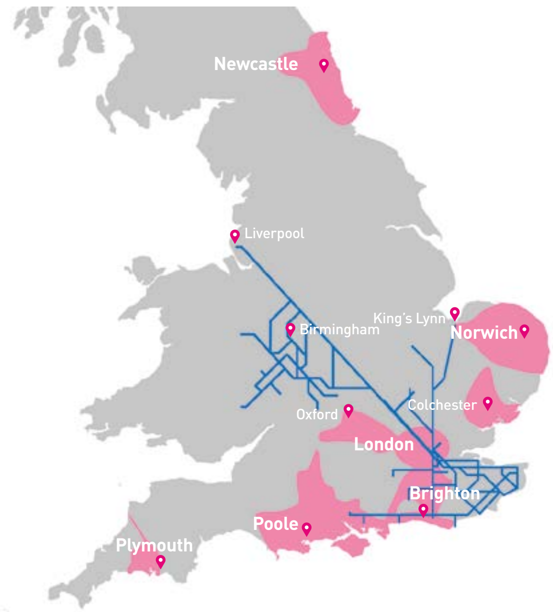
5%: Other revenue

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

More information on page 55

United Kingdom

Our operations are primarily based in the south east of the UK



Regional bus
London bus
Rail networks

New overseas business

We believe there is significant opportunity globally for the services we provide, and we actively monitor a range of markets for opportunities. In 2016 Go-Ahead won business in two overseas markets: Singapore and Germany.

From September 2016 Go-Ahead will operate 25 bus routes in the Loyang district of Singapore. The Loyang contract is awarded for five years with the option of a two-year extension based on good performance. Singapore's bus contracts system is largely modelled on London's.

Go-Ahead is also entering the German rail market, having been awarded two contracts of the Baden-Württemberg rail network. The contracts begin in June 2019 and run until 2032.

Our markets

We believe that public transport is best provided locally. Each local transport market is unique and each requires a tailored approach to help it deliver local objectives.

Market review

We firmly believe in the fundamental strengths of UK public transport. All major political parties recognise and support the importance of public transport for the UK's present and future needs. Public transport brings benefits to individuals, communities and the nation as a whole. Economically, it connects workers to jobs and enables trade. Socially, it provides access to employment, education, and health care, and unites friends and family. For many, especially older people, people with disabilities and children, public transport is often the only available way to make a journey.

In the UK, the population continues to increase and car ownership is rising, creating greater traffic congestion. Public transport helps to reduce levels of traffic on the road, improve carbon emissions and reduce travel times. See page 29 for our case study on customer journey experience.

It is important for us to listen to our customers at a local level and understand how their travel behaviours are changing and what is important to them. Understanding our customers and communities enables us to innovate and evolve to continue meeting their changing demands.

While we make use of market and wider economic data to help us understand trends, we do not rely solely on this. We believe the best way to understand our customers' behaviour is to ask our customers themselves for their views, as well as analysing travelling and purchasing behaviour through our various ticketing channels. Go-Ahead's companies undertake passenger research to ensure customers' needs are understood and are met. In general, levels of passenger satisfaction with bus services across the country are high and the commercial aspects of the market provide benefits to passengers through increased innovation, service quality, flexibility and efficiency. Commuter rail satisfaction in the south east has fallen recently as service has been impacted by congestion and the infrastructure upgrade programmes being implemented to reduce congestion. However, it is expected that satisfaction levels will increase dramatically when new trains and infrastructure upgrades are completed in 2018.

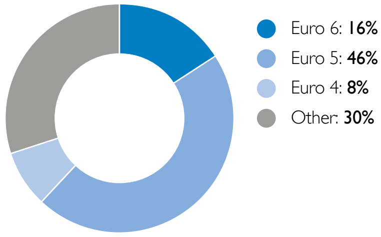
Our core markets

Our current bus and rail businesses operate in the UK, predominantly in London and the south east of England. Passenger demand for public transport services sees considerable variation across local markets reflecting differences in socio-demographic factors, the relative attractiveness of alternative modes of transport, as well as wider transport policy and government expenditure. Our operations are located in high density commuter markets, where there is strong demand for public transport.

The London bus and UK rail markets are regulated by Transport for London and the Office of Rail Regulation respectively. Both markets operate under an established and successful model. Local bus services outside of London have been de-regulated and privatised since 1986.

Go-Ahead is the largest operator in London with a market share of over 24%. Operating under a regulated system, TfL issues tenders for each bus route and private operators enter a competitive bidding process for the right to operate them. Having a good network of bus depots is vital. Go-Ahead has recently expanded its strategically located London depots to 17, with around 85% of our capacity owned as freehold.

Low emission buses



Euro 6,5 and 4 are considered to be the lowest emission vehicles in the market. The average age of our bus fleet is 7.8 years. In the past year we have invested £71.8m in 316 new buses.

Our strengths as an operator:

- Understanding and meeting the needs of the people in our local markets, delivering good quality services and value for money
- Developing strong local brands
- Delivering safe and efficient vehicle operations
- High customer service standards, for both our passengers and our transport authority customers
- Adopting a partnership approach in developing and operating services which create long term value for all parties involved
- Operating on large and complex transport networks
- Employing experienced management who are committed to supporting and developing our people

The economy and population growth

During the economic downturn in 2008/09 GDP fell by around 6% and did not return to its pre-downturn levels until 2013. Unlike many sectors that experience volatility with economic changes, the bus and rail markets remained relatively stable through this period. Go-Ahead in particular, showed resilience at this time with consistent growth in passenger volumes between 2008 and 2013, demonstrating the strength of our business model and strategy.

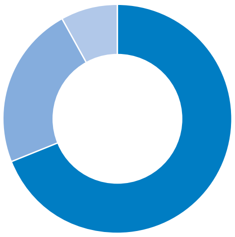
Demand for bus travel in the capital remains strong and, despite a recent dip in passenger journeys as a result of road improvements and congestion, the market is regarded as being relatively resilient. Population growth is a key driver for growth in public transport and the highest rates of population growth have been seen in London. Across the regional bus market it is important to note that there are considerable local and regional variations. Go-Ahead's strategy is to focus our operations in dense urban markets which can support a comprehensive network of bus routes, offering good value and ease of use for both commuter and leisure travel. Bus can often be the cheapest way to travel, offering a low-cost alternative to other modes in a more uncertain economic environment.

Our rail strategy is to operate intensive urban commuter franchises centred around London. The rail industry is not a single homogeneous entity as each franchise has distinct characteristics. Significant variables include the type of franchise, the age and length of the franchise and the revenue bid assumptions and subsidy/premium profiles. Go-Ahead benefits from rail profits that are relatively less sensitive to passenger volume changes: the GTR franchise is a gross cost contract that is not exposed to revenue risk; while Southeastern and London Midland have been operating in profit share.

New technology and social change

New technology and social changes are shaping the economics of our industry. As a result the transport market is changing fast quickly and there are great opportunities ahead, as well as competitive pressures. This includes the likely shrinkage of the traditional retail car as the need to own a car diminishes, especially in cities and the suburbs, and the use of automated cars and car-sharing services increase.

Bus payment method (%)



While all London bus journeys are paid with smartcard or contactless our regional bus journeys remain primarily paid for with cash.

New markets

Go-Ahead's longstanding approach to development has been to seek opportunities that deliver value to our shareholders. We look for markets that fit with our strategy and risk appetite and to which we can bring knowledge, experience and expertise. In the first half of the year we were pleased to win business in two overseas markets, Germany and Singapore.

In Singapore, Go-Ahead was awarded a five-year contract to operate bus services beginning September 2016. Singapore's bus contracts system is modelled largely on London's and, as London's largest bus operator, Go-Ahead has the right experience and expertise to deliver high quality services in Singapore.

We also look forward to entering the German rail market, having been awarded two contracts to operate rail services in Baden-Württemberg from June 2019 until 2032. In Germany almost 90 million train-km per year is due to be tendered each year between 2016 and 2020, almost half of this in Bavaria and Baden-Württemberg.

These contract wins show that Go-Ahead is a growing and forward-looking organisation which is well positioned to capture new, value adding opportunities.

Characteristics of the markets we are exploring:

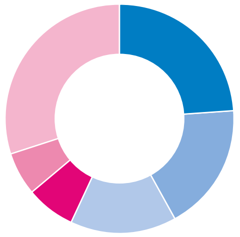
- Cultural similarities to UK
- Strong economic credentials
- High demand for public transport
- Stable political outlook
- Growing population

At Go-Ahead we recognise the need to put accessibility and consumer choice at the heart of our business. We strive to take advantage of technological advances and improve the services we provide. For a number of years we have led the industry in our use of smart ticketing, with the largest transport smartcard scheme outside of London. Over the last few years we have developed mobile apps with features such as realtime information to give customers access to up-to-the minute information on their mobile devices. We strive to enable people to use their time travelling productively by creating comfortable environments and providing innovations such as on board Wifi and mobile phone charging points. Integrated transport solutions will be an ever more important part of the transport network. We are exploring new ways to build end to end journeys, and have introduced car share hire schemes in Brighton and the north east that can be accessed by Go-Ahead's 'the key' smartcard.

More information on page 29

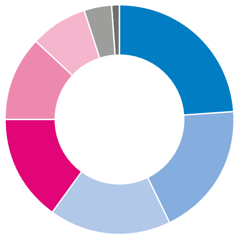
Regional bus market share (%)

7%



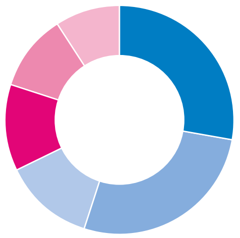
London bus market share (%)

24%



Rail market share (%)

27%



Political and regulatory developments

The Bus Services Bill, which was published during the course of the year and is currently passing through Parliament, introduces enabling powers for bus franchising and outlined the process by which powers granted to combined authorities can be exercised. The Bill also enhances the partnership model with local authorities that Go-Ahead already supports. Significant benefits have been achieved through the strong alliances Go-Ahead companies have forged with local authorities.

Go-Ahead has been working with the DfT on the important supporting guidelines that will underpin how the Bill gets implemented and will continue to help inform the debate. Measures brought forward in the Bus Services Bill must ensure that the franchise decision-making process is transparent and that any franchise proposals will deliver on customer service, value for money and affordability criteria.

More information on page 5

Market challenges

Regional bus:

- Infrastructure improvements in some of our operating areas that will deliver long term benefits are resulting in significant roadworks and disruption in the shorter term
- The local economy in the north east has not recovered at the same rate as other areas in which we operate. With unemployment at higher levels than the UK average, passenger volumes have fallen in this area as a result of weaker economic conditions
- The current lack of detail around the government's plans regarding the Bus Services Bill and possible links to devolution, creates uncertainty in this market, which in turn disincentivises investment by operators

London bus:

- TfL has acknowledged that passenger volume targets have not been met due to rising levels of traffic congestion caused by increased roadworks and infrastructure improvement schemes. TfL expects reliability of the bus network to return to best previous levels by next year

Rail:

- The large scale infrastructure project, the Thameslink Programme, continues to impact on our ability to operate some of our services to our target levels. We are reliant on other parties, such as Network Rail, delivering their contractual obligations

As a Group we have four strategic areas that we focus on: society; customers; our people; and finance.

Our vision

'A world where every journey is taken care of' describes our vision, and our aspirations, at the highest level. We believe that how we behave will benefit all our stakeholders, and help us grow and build a business for the long term.

Our strategy

Our Group strategy is to generate value for our investors, by building a sustainable business that meets the needs of our customers and communities. This strategy is underpinned by our strategic priorities.

Our strategic priorities

Society

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

We believe a sustainable public transport network is essential to the future of any society and as a leading provider of passenger transport services, sustainability is integral to the way we run our business. Ensuring the safety of our passengers and our people is an absolute priority for us. We are also committed to making a contribution to the communities in which we operate and wider society. Reducing the environmental impact of our operations while providing a greener alternative to the private car contributes to the government's environmental targets. The economic contribution from Go-Ahead helps support economic recovery and longer term prosperity.

More information on page 24

Customers

To provide high quality, locally focused passenger transport services.

Meeting the needs of our customers is vital to the success of the Group. Providing reliable, value for money passenger transport encourages more passengers to use our services and leaves us well placed to tender for contracts with our transport authority customers. Our devolved structure ensures strong localised expertise, focuses on the needs of the local customer and gives us the ability to respond quickly to changing conditions in local markets. Good customer service is at the heart of everything we do and we are committed to delivering high levels of customer satisfaction across the board.

More information on page 28

Our people

To be a leading employer in the transport sector.

Our people are our most valuable and important asset. Without them our buses and trains cannot create value. It is our teams across the Group that keep the business moving and are the face of Go-Ahead. Investing in and developing our people enables them to fulfil their potential and assists them in carrying out their jobs to the best of their ability, thereby improving the customer experience. Effective leadership development and succession planning are essential to sustainable success for the Group and a diverse workforce further enhances this.

More information on page 32

Finance

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

Our aim is to deliver shareholder value through a combination of earnings growth, strong cash generation and balance sheet management, supplemented by value adding growth opportunities. We have a steadfast commitment to operating with strong financial discipline and a conservative view to risk. The strength of our balance sheet allows us to pursue opportunities, adding value to the Group and making attractive returns to shareholders.

More information on page 36

Measuring our performance

The key performance indicators (KPIs) presented in this report are the measures we use in the business to assess the Group's performance against our strategic objectives. These measures are currently under review to ensure we are focusing on the right areas of performance.

The 2020 targets use 2014 performance as a baseline for measurement.

Read more about our sustainability materiality review on page 25

Directors' remuneration policy

The directors' remuneration policy is designed to reflect the Group's performance, with elements of remuneration linked to our strategic priorities, particularly health and safety, customer satisfaction, and operating profit and cashflow.

Read our full directors' remuneration report on page 84

Society

Focused on sustainability

For Go-Ahead sustainability means operating our business in a way that ensures it is viable for the long term. Our shareholders expect us to make good decisions to contribute to the long term sustainability of the organisation.

To continue to demonstrate to our stakeholders – both internal and external – that we are a responsible, forward-looking organisation, we have conducted a 'materiality review' to ensure we meet our stakeholders' expectations now and in the future.

In collaboration with colleagues and key external stakeholders such as the DfT, TfL, the financial community and passenger groups, we have sought to find out the issues which are considered significant, relevant and material to both the business and stakeholders. This robust materiality assessment has been based on gathering a range of internal and external perspectives to determine Go-Ahead's most critical issues. The exercise, which included a benchmark mapping against peers and competitors, has identified issues that impact on the business and are also important to stakeholders, and prioritises those that are rated highly against both criteria.

In the coming year we will be developing new non-financial key performance indicators for these issues and aligning them to our new vision and values. The new KPIs will be strategic, measurable and impactful – challenging us to improve our performance and demonstrate our commitment to stakeholders.

Of the 30 or more issues reviewed during the process these particular issues are ones identified as both key to the business and highly important to our stakeholders.

Sustainable reputation

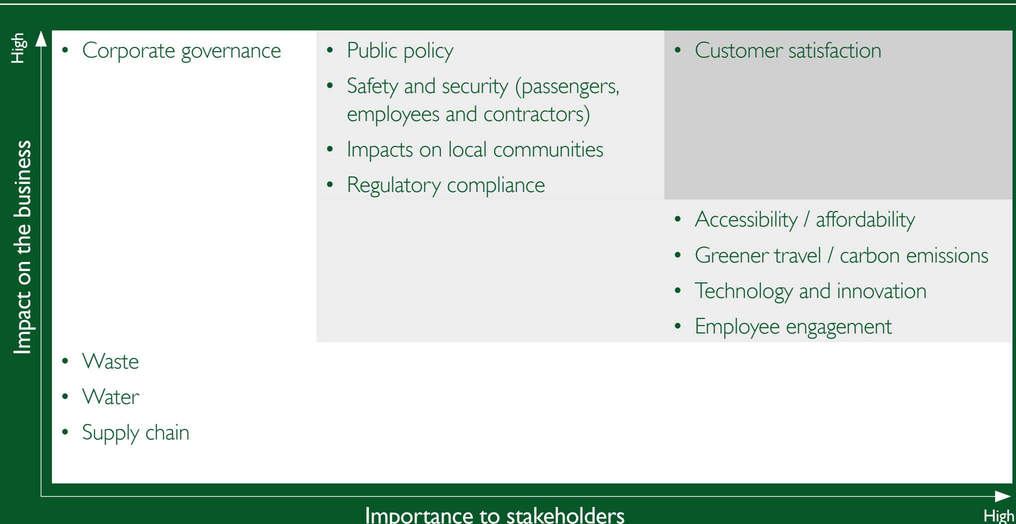
Go-Ahead's reputation is based on how we conduct ourselves, and how we are viewed to be responding to issues of concern to our stakeholders and issues in the public interest. Building the trust and understanding of stakeholders is very important. We engage actively with them to ensure they have an appreciation of the issues affecting our business and have the opportunity to discuss them openly with us.

Despite fewer passengers travelling by train than bus in the UK on a daily basis, rail services have a higher public profile in the media – and the scrutiny on London commuter services operated by the Group give significantly greater opportunities for reputational risk and contribute to a more challenging operating environment. In a highly regulated marketplace such as the rail franchises there are industry issues impacting on service delivery that are outside the direct control of our operating companies and this increases the risk to our reputation. In instances such as this we focus on working constructively with industry partners such as Network Rail to minimise the impact of any disruption on our passengers. It is here that focusing and prioritising strong engagement with our stakeholders is key to maintaining good relationships and enabling effective communication with colleagues, customers, local authorities, industry bodies and the media. Together with the DfT and Network Rail we have agreed joint narratives to explain the multi-faceted nature of the rail industry, positively promoting its often unreported successes and actively engaging with commentators and critics.

The industrial relations issues at rail operating company GTR over the summer of 2016 have diminished its reputation and put the Group in the public eye, increasing our reputational risk. Our focus will be to continue to modernise the franchise while embedding the right culture and values throughout the company and working to increase employee engagement, repair relationships to ensure all our people are customer focused and delivering a sustained good service for passengers.

Materiality matrix

Issues that are key to our business and important to stakeholders



Society

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

SPADs per million miles

What does it mean? Across the rail industry train operating companies report signals passed at danger (SPAD). A SPAD could be a precursor to a catastrophic accident and every SPAD is treated as a serious incident. Many SPADs happen each year and most have little or no potential to cause harm and are the result of minor misjudgements of braking distance. All SPADs are given a risk ranking which considers the actual and possible consequences of each incident.

Why is it important? It helps us to measure against our commitment to provide a safe rail passenger service.

Risks Poor performance in this metric could impact on operational performance, resulting in a poor safety record and reputation.

2016 performance The number of SPADs per million miles has decreased by nearly 10.4% to 0.69. Overall, we have achieved an improvement of 44.35% against our original 2007/08 baseline.

This result should be viewed in the context of many years of improvement in this metric across the industry. Performance is tracked against a very good baseline performance. We have tight controls around safety and high standards of driver training which minimise the likelihood of SPADs occurring. We also work closely with Network Rail to minimise the risk of SPADs and actively encourage accurate and timely reporting of incidents.

Due to the nature of these occurrences and high sensitivity to data changes, relative performance can fluctuate from one year to the next.

2020 target To maintain low levels of SPADs per million miles, delivering continuous improvement.

RIDDOR accidents per 100 employees

What does it mean? RIDDOR (reporting of injuries, diseases and dangerous occurrences regulations) is a statutory requirement for all companies and relates to any work place incident that results in any absence from work for over seven days or any legally reportable incident to the Health and Safety Executive.

Why is it important? It helps us to measure against our commitment to provide a safe working environment for our employees.

Risks Failing to provide a safe working environment for our people goes against our objective to be the employer of choice in the sector. Poor performance could lead to issues around employee relations, including satisfaction and productivity, and could also increase employer's liability insurance claim costs.

2016 performance The number of RIDDOR accidents per 100 employees reduced by 11.43% to 0.62. Overall, we have achieved an improvement of 68.69% against our original 2007/08 baseline, exceeding our 2015 target of 60%.

We take our responsibility for the safety of our people very seriously and ensure our employees have the necessary equipment and training to do their jobs properly and safely. During the year, we continued to invest in staff training and upgrades to our facilities to ensure a safe working environment for our people. We investigate every accident and encourage accurate and timely reporting of incidents.

2020 target To maintain low levels of RIDDOR accidents per 100 employees, delivering continuous improvement.

Bus accidents per million miles

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

Why is it important? It helps us to measure against our commitment to provide a safe and positive travel experience for our bus passengers and minimise risk to the general public. Good performance in this area can also reduce cost through lower insurance claim costs.

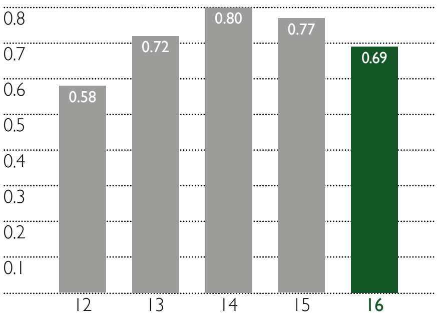
Risks Our objective to run our companies in a safe manner would be impacted by poor performance against this KPI. Risks associated with this include reputational risk and higher insurance claim costs.

2016 performance The number of bus accidents per million miles decreased by 2.35% to 37.3. Overall, we have achieved an improvement of 34.65% against our original 2007/08 baseline.

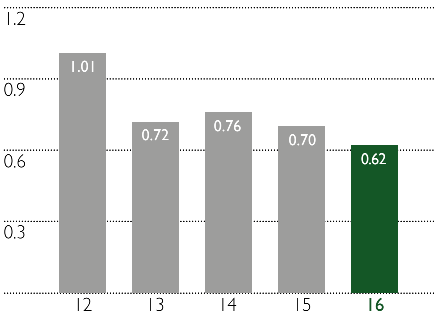
Bus accidents have reduced since 2011 as a result of action we have taken, despite an increase in accidents where we are not at fault. We invest heavily in training, monitor driving behaviour and encourage our drivers to improve their standards of driving through a range of initiatives across the division. We have improved end to end processes in place from accident prevention to claims management. We investigate every accident and encourage accurate and timely reporting of incidents.

2020 target To maintain low levels of bus accidents per million miles, delivering continuous improvement.

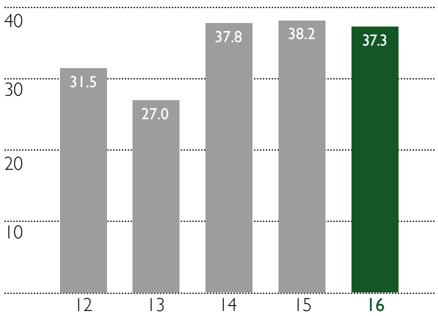
SPADs per million miles



Riddor accidents per 100 employees



Bus accidents per million miles



Strategic report
Governance
Financial statements
Shareholder information

Carbon emissions per passenger journey

What does it mean? We monitor all of the energy used within our operations and calculate our CO_2 emissions resulting from this energy use by using the appropriate CO_2 conversion factor. We divide our CO_2 emissions by the number of passenger journeys made to establish CO_2 per passenger journey and we use this metric to measure our performance.

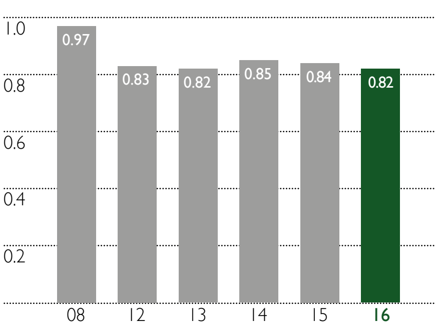
Why is it important? It helps us to measure against our commitment to improve energy efficiency while contributing to government's and local authorities' carbon reduction targets and providing a greener way for our passengers to travel. Good performance in this area also reduces cost through fuel efficiency.

Risks Our objective to run our companies in an environmentally responsible manner would be impacted by poor performance against this KPI. Poor performance could result in reputational risk for the Group and higher costs.

2016 performance The year on year rate in this metric has improved by 2.34% and we continue to make progress towards our 10% reduction target by 2018.

2018 target To reduce like for like carbon emissions per passenger journey by 10% on a 2014/15 baseline. This is a challenging target as we have already made significant improvements in this area. Carbon emissions per passenger journey have reduced 16.11% on a like for like basis from our original 2007/08 baseline.

Carbon emissions per passenger journey (kgs)



Greenhouse gas emissions

We report on greenhouse gas (GHG) emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and the UK government's Environmental Reporting Guidance methodologies together with the emissions conversion factors from DEFRA/DECC GHG conversion factors for Company Reporting 2015. In line with this guidance, we have reported the emissions sources* that are required. These sources fall within businesses included in our consolidated financial statements.

Emissions are expressed in terms of equivalent carbon dioxide (CO_2e). Our relative performance metric is kilogrammes of CO_2e emissions per passenger journey.

Overall, CO_2 emissions in absolute terms have increased as a result of business acquisitions but CO_2 emissions per passenger journey have decreased largely due to improved efficiency in the use of traction electricity.

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

	2015/16		2014/15	
		CO_2e tonnes ('000)		CO_2e tonnes ('000)
Scope 1				
Passenger journeys (m)	**1,297.23**		1,241.20	
Gas (buses) kwhs (m)	**6.3**		6.9	1.3
Gas (premises) kwhs (m)	**51.0**	**9.4**	54.5	10
Bus diesel (10% bio-diesel blend) ltrs (m)	**130.3**	**340.2**	127.6	329.8
Rail diesel ltrs (m)	**18.6**	**55.1**	18.4	53.5
Scope 2				
Traction electricity kwhs[1] (m)	**1,368.9**	**564.1**	1,169.3	540.4
Site electricity kwhs (m)	**104.8**	**43.2**	100.3	39.4
Electric buses kwhs (m)	**0.07**	**0.03**	n/a	n/a
Scope 3				
Electricity – transmission and distribution losses within the grid		**54.9**		44.6
Sub-total		**1,066.93**		1,019.0
Outside of scopes				
Biogenic content of bio-diesel[2]		**7.9**		11.0
Total		**1,074.83**		1,030.00

1. Traction electricity consumption data relates to the period from 1 April 2015 to 31 March 2016. This provides the most accurate figure for consumption.
2. The biogenic content of bio-diesel is considered outside scope as there is no conversion factor for our baseline year. Emissions from this source are reported for 2015/16 but are excluded from the calculation of our relative performance metric as comparative data is not available. We define our organisational reporting boundary by applying the financial control approach with a materiality threshold set at 5%.

	2015/16	2014/15
Kgs CO_2 per passenger journey	**0.82**	0.84

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

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

Customers

Focused on customer experience

With the help of passengers and colleagues, we have created comprehensive maps of our customers' bus and rail journeys from the very start to the very end of their journey.

Walking in our customers' shoes, we have identified where we can improve the experience they have of our services. We have detailed action plans to deliver enhancements across:

- planning and researching journey options
- buying tickets
- boarding the bus or train
- getting help from our staff or through information channels
- completing the onward journey
- contacting customer services, clearing delay repay or locating lost property

Our new vision helps the Group to create an aspirational version of what the future will be like for customers; the ideal customer experience where every journey is taken care of. Our commercial bus companies work hard to attract and retain customers and we are proud that for another year we have achieved leading national ratings of 89% customer satisfaction in the national bus passenger survey. Features that many of our services outside London have, such as onboard Wifi, USB phone charging points, and new way-finding apps all assist to increase satisfaction. As expectations increase we need to be agile and find new ways to take care of every aspect of journeys and deliver even better experiences.

We also appreciate that every customer is unique, so has different needs and expectations, increasing personalisation is key to people feeling taken care of. Whether it is an 'app' remembering a passenger's 'home' station, a customer service system automatically calculating a refund that is due, or a bus driver recognising the signs that a customer may have dementia and responding appropriately, it is increasingly important to offer a personal service that suits the needs of the individual.

We are investing in technology, and through our industry groups, working with information technology companies to build a substantial portfolio of innovative transport apps. Providing information at people's fingertips helps people make decisions about their journeys from start to finish. We know every minute counts for many of our customers, and providing people with the best information is essential to building trust.

Improving accessibility

An important element of public transport is providing an inclusive service. Whether customers are using wheelchairs or mobility scooters, have difficulty walking, are pregnant or travelling with young children, or have learning difficulties or mental health issues – all our bus and rail companies strive to make their services as accessible as possible to everyone.

We invest approximately up to £70m per annum in new buses and this year all vehicles acquired have audible announcements and electronic visual signage (AV) onboard, also we have made a commitment that future purchases will be fitted with AV. Our bus companies have signed up to the RNIB charter, using the 'Stop for Me, Speak to Me' training material to help drivers appreciate some of the experiences and problems blind and partially sighted people face.

We continue to deepen our people's understanding of the issues facing customer with dementia and – particularly in the coastal areas we serve which have higher percentages of elderly people – have used the Dementia Friend training along with other accessibility training to positive effect. Practical ways to assist passengers with hidden disabilities, such as the introduction of 'helping hand cards' at many of our operating companies, enables us to provide a more personal service. The Samaritans work with our train companies to promote mental health and wellbeing and also, as part of their 'safeguarding' programme, to assist identifying young people who may be vulnerable and at risk.

All our trains are wholly accessible for users of wheelchairs, but there is still some way to go before most stations have step-free access as many stations were built at a time when step-free accessibility was not a consideration. However, many of the barriers to increasing accessibility of our bus and train services are not physical ones, and can be overcome with increased employee awareness and training.

89%

Joint highest passenger satisfaction score of the large transport groups in the UK

Customers

To provide high quality, locally focused passenger transport services.

Like for like passenger volume growth

What does it mean? We measure the number of passenger journeys taken on our regional bus and rail services compared with the previous year. This is measured on a like for like basis, adjusting for acquisitions, new franchises and the effect of the 53rd week.

As we are contracted on the basis of mileage in our London bus division, we do not measure passenger numbers.

Why is it important? We track this metric closely as performance against our rail franchise bid assumptions and progress towards our bus operating profit targets are significantly impacted by passenger volumes.

Risks Decreasing volumes could be an indication of performance issues within our operations or changes in economic or market conditions, all of which could impact on the Group's overall performance.

2016 performance In regional bus, like for like volumes remained steady with ongoing weakness in the north east economy and redevelopment roadworks around Oxford. This decline follows many years of consistent growth, against a backdrop of declining volumes in the wider UK bus industry, outside London. This growth has been supported by our geographical focus in more economically resilient areas and our approach to marketing our high quality services.

In rail, we continued to deliver consistent growth throughout the challenging economic period from 2008 and this has continued in the year, with like for like growth of 3.1%.

We have made improvements over a period of time including sales channels, off-peak services and marketing.

2020 target To maintain growth at broadly similar levels to those consistently delivered in recent years.

Customer satisfaction

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

Why is it important? Providing high quality service is a strategic priority for the Group and monitoring customer satisfaction is a key measure of our performance. Identifying potential issues allows us to take action to improve our services.

Risks If customers are not satisfied with the service they receive, they may switch to other operators or other modes of transport. The satisfaction figures receive media attention and our reputation can be harmed if these are low. Our rail franchise contracts have satisfaction targets and our operating companies could face penalties if the targets are not achieved.

2016 performance In bus, we achieved the joint highest passenger satisfaction score of the large transport groups in the UK at 89%.

Rail scores declined a percentage point to 75.3% as a result of significant disruption for both Southeastern and GTR franchises, primarily due to the £6.5bn government funded Thameslink Programme upgrade and resulting lack of resilience in the network. London Midland, which is not impacted by significant infrastructure work, achieved 85.8%. The average score for train operators in London and the south east is 80%.

2020 target To maintain our sector-leading bus passenger satisfaction scores and improve on levels of customer satisfaction in the rail division, bringing them in line with the industry average for the London and south east network.

Regional bus punctuality

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

Why is it important? Service punctuality is important to our passengers and is key to helping us grow passenger numbers.

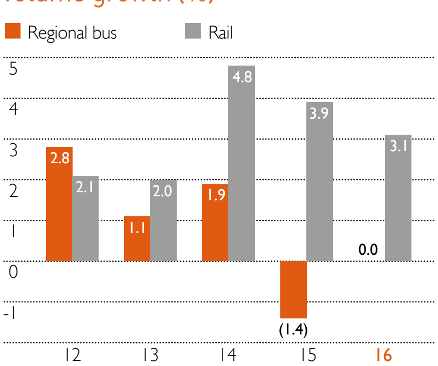
Risks Punctuality is a key driver of customer satisfaction. If our customers are not satisfied with the service they receive they may switch to other operators or other modes of transport. There is a direct correlation between journey times lengthening and fewer passengers travelling.*

2016 performance 86.2% of our regional bus services ran on time. This is in line with last year's performance, lower than previous years due to congestion and roadworks in some of our operating areas preventing punctual service running.

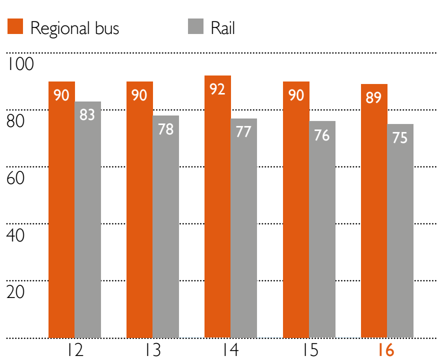
2020 target Achieve regional bus punctuality of over 95% in line with industry targets.

* The Impact of Congestion on Bus Passengers report (Greener Journeys, 2016).

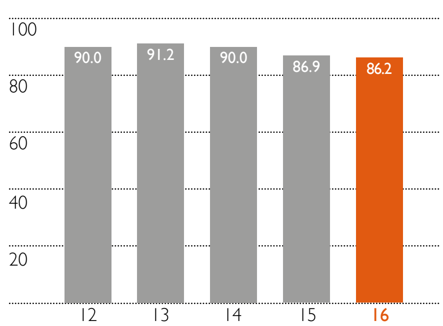
Like for like passenger volume growth (%)



Customer satisfaction (%)



Regional bus punctuality (%)



London bus punctuality

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

Why is it important? Service punctuality is important to the passengers we carry on behalf of TfL. We earn extra revenue through Quality Incentive Contract (QIC) bonus payments if we exceed TfL punctuality targets, on a contract route basis. Contract extensions are based on performance.

Risks Poor performance could result in lower QIC bonus payments and contracts not being extended.

2016 performance Average excess waiting time held at a similar level to last year at 1.22 minutes in excess of the average scheduled wait time. The industry average excess wait is 1.15 minutes.

Performance has been impacted by roadworks and congestion associated with public realm improvements, including the cycle super highway, affecting our ability to run services in line with targets.

2020 target Achieve low average excess waiting time of below one minute, in line with TfL's targets.

Rail punctuality

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

Why is it important? Service punctuality is important to our passengers. It is the strongest indicator of passenger satisfaction with the service and is fundamental to building trust and advocacy among customers. PPM performance forms part of our franchise agreements with the DfT.

Risks Punctuality is a key driver of customer satisfaction. Poor performance could result in customers stopping using our services and harm to our reputation. Breach of franchise agreement terms could lead to financial penalties or ultimately result in the loss of a franchise.

2016 performance Overall PPM for our rail companies was 82.8%. This is a significant decline of 4.6ppt against the prior year. This metric has been impacted for the last few years by weak network resilience in the Southeastern and GTR networks which saw a decline of 3.6ppt and 9.7ppt respectively. Conversely, London Midland's PPM saw an increase of 1ppt taking it to 88.5% and average for the year. We continue to work closely with Network Rail to improve performance on the networks on which we operate, but infrastructure will remain restricted during the Thameslink upgrade programme and it will not be until the end of 2018 that the full benefits of the investment will be realised.

2020 target Increase levels of punctuality in all our franchises to meet 90% PPM in accordance with the ORR's Network Rail and London and south east operators' 2019 target. The industry is currently reviewing how it measures performance from 2018 to 2022.

Key drivers of satisfaction

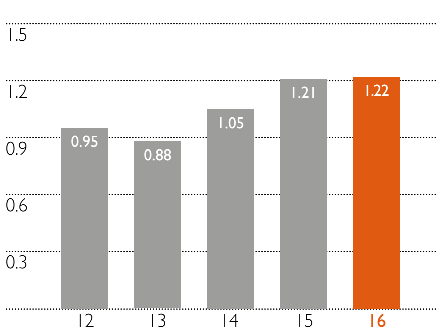
Research strongly demonstrates that what bus and rail passengers want first and foremost is a punctual, reliable service that offers value for money. A reliable network is fundamental to both bus and train services running on time.

Over the past year roadworks in places such as London and Oxford have caused congestion leading to an increase in journey times and decrease in bus reliability which has impacted on the number of passengers travelling. A 2016 study* into congestion describes the impact of slower speeds leading to higher costs, higher fares, increased journey times, punctuality and reliability decline and service decline; all leading to fewer passengers. Go-Ahead's bus companies work in partnership with local authorities in their regions to ensure that both operators and local authority planners can mitigate as much as possible against the deterioration experienced through necessary roadworks.

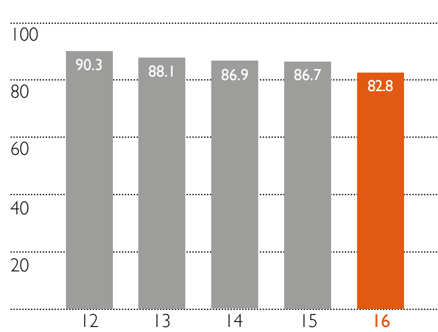
It has been accepted that after years of underinvestment and increasing passenger numbers the London and south east network is not providing the reliable network trains companies need to operate a punctual service and this is having an effect on overall customer satisfaction. The spring 2016 rail passenger survey included pilot survey where an 'emotional tracker' was used to monitor commuter experiences through a period of disruption linked to London Bridge rebuild and the Thameslink Programme. The two factors strongly affected passengers' sentiment were being on time and the ability to get a seat. The Thameslink Programme will create additional capacity and stabilise the network supporting a more reliable train service which will improve customer satisfaction.

* The impact of Congestions on Bus Passengers (Greener Journeys, 2016).

London bus punctuality (minutes)



Rail punctuality (%)



Our people

Focused on our vision

Our new behaviours and attitudes have been created in collaboration with colleagues and stakeholders. They capture in words the spirit of what we stand for, guiding our decision making and our actions and are how we are going to achieve our vision.

A world where every journey is taken care of – is our new Group vision. It is future focused, aspirational and puts customers at the heart of our business. It sets out where we want to be.

Creating our vision has been a collaboration between colleagues across the organisation and external stakeholders including customers. We know it is important that this is not just an exercise to refresh the words we use but that they make a tangible difference to how our people feel about working at Group, how customers experience the service we offer and a point of differentiation from our peers.

The vision is a continual reminder that we are an organisation that provides a valuable public transport service for people rather than just being operational logistics experts. The act of taking care of people's journeys resonates with our employees and is a common purpose for everyone in the Group.

Embedding the new vision, behaviours and attitudes across the organisation is underway – our policies, procedures, KPIs and contracts are all being re-drafted to align the organisation with our vision so that we are agile and responsive to meeting our customer needs. We have launched a programme entitled 'going forward together' to deliver the key changes we need to put in place in all our operating companies to continue to grow, deliver better value for money and provide a good service for customers. Facilitated workshop sessions have been held at all operating companies to ensure consistency of approach and language throughout the business. Action plans and commitments are part of our 'better together' sessions with leaders and managers accountable for overseeing delivery.

The new vision, beliefs and attitudes help us meet our shared goals and objectives in a way that we have mutually agreed is how we wish to behave and be seen to behave. With these strong values in place, the organisation will support the right behaviours and challenge those that go against them. Like other successful organisations we will use our values and behaviours to govern decision making. Our leaders and senior managers play a crucial role in assisting others to do this.

Delivering improved efficiencies and greater agility will help us to be one step ahead of the competition and continue to invest in the future. We know that by working together we will be able to create a truly customer-focused collaborative workplace and through that deliver growth. Passengers will benefit from better services; customers and our supply chain will benefit from increased responsiveness and improved value for money; our people will benefit through greater opportunities across the Group; and our shareholders will benefit in our success.

Next generation

Succession planning is an important part of running a responsible sustainable business and our people plans include several schemes to ensure colleagues have opportunities for full and successful careers within the Group. We have a strong talent programme where individuals with potential are encouraged to work on projects and take secondments in other areas of the Group to deepen their understanding of the industry.

Go-Ahead bus division's two year graduate scheme, launched in 2013, has now successfully seen 21 graduates go through the programme and six take management roles. The scheme built on the Group's well established engineering scheme and broadened the scope to include high calibre individuals enthusiastic about transport, who were commercially aware with strong leadership potential. Participants focus on the operational aspects of company management and have the opportunity to work across all areas of the business including driving, contract and project management, marketing and stakeholder relations. A coaching approach underpins the scheme and MDs and operations directors act as mentors for the graduates.

For the past few years our rail division has taken part in the industry's 'track and train' scheme providing all-round experience for graduates to find graduate roles and in the past year we have introduced our own Govia graduate scheme with five graduates in 2015/16. As part of our effort to increase gender diversity across our business, two women are part of the cohort.

Our new vision, beliefs and attitudes are:

Our vision

A world where every journey is taken care of

Our beliefs

We believe in

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

Our attitudes

We are

Accountable
Down-to-earth
Collaborative
Agile

Our people
To be a leading employer in the transport sector.

Employee engagement

What does it mean? Since 2012 we have measured how engaged our people are through annual independent employee surveys, conducted across our businesses.

Why is it important? Go-Ahead strives to be a good, respected employer and we appreciate the experience and opinions of our people and insight gained from their feedback. Whenever possible we make changes as a result of feedback received to build trust and foster an environment where employee voice is valued.

In addition to making Go-Ahead an attractive place to work, high levels of employee engagement will contribute to the success of the Group.

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

2016 performance In the year our overall engagement score for the Group was 53%. Our bus division recorded levels of employee engagement of 47%, and our rail division averaged scores of 59%.

As the largest employer in the Group, Go-Ahead London's relatively low score of 46% brought down the bus division average significantly. GTR's score of 40% has also negatively impacted the rail division results significantly. Improving engagement at both these operating companies will be a particular focus for the management teams.

2020 target All our bus and rail companies set their own challenging targets to increase levels of employee engagement. Overall, our aim is to improve our levels of engagement each year, remaining above the average for large businesses.

Absenteeism

What does it mean? We measure employee absence by the percentage of scheduled hours not worked due to unplanned absence from work.

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

Risks Staff shortages could impact on our ability to deliver our services at the frequency, level of punctuality and standard we aim to achieve. It potentially puts additional pressure on colleagues in the workplace and impacts on employee morale, engagement and stress levels. There is a significant cost to the business of absenteeism; the national estimated average cost of an absent employee is £554 per year (CIPD 2015 survey)

2016 performance In the year, the overall rate of Group absence was 3.9% of working hours lost to sickness, with 3.5% in our bus division and 4.3% in rail. This is higher than the national sector average (3.5% CIPD 2015 survey).

Our local management teams are focused on establishing workplaces with a positive working atmosphere and consider wellbeing when making operational business decisions. Line manager training is aimed at assisting our people's capability to manage absence through identifying and managing stress in their teams and adhering to attendance procedures.

2020 target Achieve low levels of absenteeism, below the national average.

Employee turnover

What does it mean? Employee turnover is measured by the percentage of employees who leave the business in year.

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

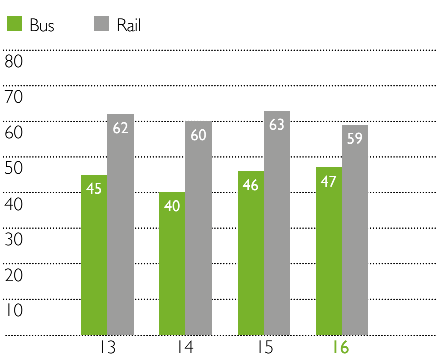
Risks Employee shortages could impact our ability to deliver our services at the frequency, level of punctuality and standard we aim to achieve. Some roles, such as train drivers, take more than a year to train and we have a disproportionate number of employees in those roles likely to be nearing the end of their career.

2016 performance The overall rate of employee turnover was 11.4% for the Group, with 14.8% in our bus division and 7.9% in rail.

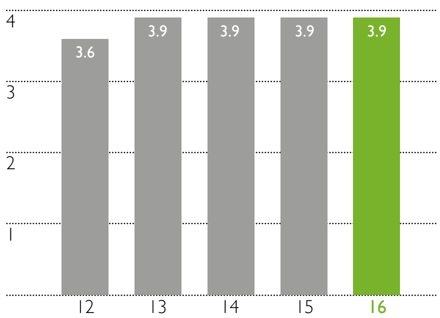
Levels of turnover are regularly monitored by local management teams who we believe are best placed to respond to changing levels and address local issues as they arise is important to consider the economic climate in relation to this KPI as the wider job market can impact turnover levels. Our rail division is recruiting and training an unprecedented number of new drivers to operate increased numbers of train services, and to fill vacancies left by retiring colleagues.

2020 target Maintain consistently low levels of employee turnover.

Employee engagement index (%)



Absenteeism (% of working hours)



Employee turnover (%)

Due to the timing of surveys 2015's rail figures show data from 2014/15 for Southeastern and 2012/13 for Southern and London Midland.

Focus on our people

Our aim is to be the employer of choice in the sector. The safety and wellbeing of our people is our priority and we place great emphasis on strong health and safety standards being maintained across the Group. We have refreshed our organisation's vision and values to better encourage an environment where our people develop and have the opportunity for fulfilling careers with us.

We seek to provide opportunities for personal and professional development and to recognise and reward excellence. We are committed to protecting the rights of our people and believe in equal opportunities at all levels of the business. We use a range of means to ensure that the voice of employees is heard across the Group including: employee surveys, informal feedback sessions and discussions, internal social media, phone-ins, newsletters and more.

During the year, we continued the development of our people and succession plans across the organisation from the boardroom to customer-facing colleagues. Our central HR function runs 'talent', 'rising star' and mentoring programmes for individuals identified as having potential for promotion. It also develops training courses and provides access to a suite of learning and development resources for managers and teams across all our operating companies.

We believe it is important employees can benefit from the Group's success alongside shareholders. In the past year we have introduced a Sharesave scheme, the second scheme in the past four years, aimed at encouraging our people to increase their vested interest in the Group's success.

Diversity and equal opportunities

Go-Ahead recognises the value of diversity in all areas and at all levels of the business. Over the past two years we have established a Group diversity forum, comprising individuals from across the Group, with a particular focus on increasing gender diversity. Traditionally our industry has a large percentage of men working in roles such as bus and train drivers and engineering operational roles. We work to ensure that there is no bias towards either gender and that all appointments and internal promotions are made on the basis of merit.

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

In the past year we have embarked on a training programme, that will ultimately include all operating companies, helping managers of people to be aware of issues such as unconscious bias to ensure all people are treated fairly and equitably.

Human rights

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

Employee relations

It has been established that retaining engaged and motivated employees is important to the success of the business. We seek to engage effectively with teams and individuals at a local level, while maintaining a Group approach with consistent values and behaviours. We appreciate the experience and opinions of our people and conduct annual employee engagement surveys across the Group. The majority of our workforce is represented by trade unions and we strive to foster good relationships with union representatives, acknowledging the impact that poor employee relations has on our success. It is clear that the response of unions to modernisation changes being introduced at rail company GTR has created a difficult climate for some particular roles and improving relations in this matter is one of the main focuses of the management team.

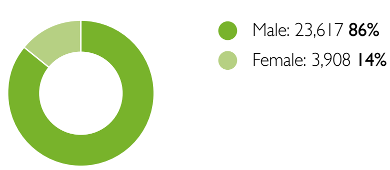
Our local approach

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

Board gender diversity

Senior management gender diversity

Overall Group gender diversity



Finance

Focused on accountability

Go-Ahead is committed to accountability in its finances, maintaining a strong and effective financial control environment.

We have a disciplined financial framework operating Group wide. A key part of our business model is to focus on customer service to improve customer retention and satisfaction and to invest in capability, processes and performance measures to reduce costs by making our operations reliable effective and efficient.

We continue to be one of the few FTSE 250 companies with the Fair Tax Mark – something that we were the first in the FTSE 350 to be accredited with at the scheme's launch in 2014. The Board continues to work towards being assessed as 'low risk' by HMRC and ensure that we adhere to our policy of not undertaking tax planning or making use of tax havens.

Our devolved approach enables us to build management accountability at operating company level. It means that decisions can be taken locally about where to re-invest to deliver the maximum benefit for customers. A significant portion of our profits are reinvested in the business to increase opportunities for growth as well as drive further efficiency. Organisational efficiency programmes include upgrading IT systems and moving all Group companies to one enterprise platform. Our central procurement department achieves cost savings through negotiations on behalf of our operating companies and our central marketing function adds value by negotiating advertising space nationally rather than at individual company level.

Our central procurement division has successfully delivered savings in the region of £4m across a range of contracts. For example the team has negotiated a telecommunications data contract leveraging the scale of our UK wide operations and the growing desirability of having Wifi service onboard our buses and trains and at stations.

Our suppliers play a strong role in helping us deliver our strategy and we aim to get the most from them. We aim to choose companies who act ethically and responsibly and by working in partnership with our suppliers we have continued to reduce our carbon, water and waste emissions. We have also signed up to the prompt payment code and follow the principles of the government's better payment practice code.

Over the last few years we have invested in establishing a central services IT helpdesk team offering our operating companies 24 hour technical support. This shared service centre allows employees to log all faults ranging from a problem with equipment such as station ticket vending machines through to getting assistance over the phone or via online chat with a computer software problem or query.

In the top 10 'UK's most trustworthy companies 2016' – Forbes List.

Companies that, "Consistently demonstrated transparent accounting practices and solid corporate governance"

Finance

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

Like for like revenue growth

What does it mean? For our rail operations, we measure revenue generated through the provision of passenger transport services. In our bus division, non-passenger revenue is less material, so we measure total revenue instead.

Why is it important? Growing revenue through a combination of growth in passenger numbers and modest fare increases drives operating profit growth.

Risks Inadequate levels of revenue growth can impact on profitability, reducing our ability to invest in the business and make returns to shareholders.

2016 performance In regional bus, like for like revenue growth was 2.4%, down on 2015 performance (2.6%). London bus like for like revenue increased by 2.6% despite a significant reduction in Quality Incentive Contract bonus revenue resulting from roadworks and congestion in the capital. Like for like growth in rail revenue of 4.6% is the result of growth in passenger numbers and regulated rail fares set by the government. Regulated rail fare increases are passed back to the government through the premium or subsidy payment of each franchise.

2020 target To maintain growth at broadly similar levels to those consistently delivered over recent years.

Adjusted operating profit

What does it mean? Adjusted operating profit excludes the incremental impact of IAS 19 (revised) and also amortisation, goodwill impairment and exceptional operating costs to provide more comparable year on year information.

Why is it important? Adjusted operating profit helps us measure the underlying performance of our operating companies. Profit growth enables us to reinvest in the business and deliver shareholder value.

Risks Inadequate levels of profitability can reduce our ability to invest in the business and make returns to shareholders.

2016 performance Total adjusted Group operating profit was £157.4m, up 16.9%. Adjusted bus operating profit of £100.4m was up 8.0% in the year and in line with our expectations, enabling us to achieve our target of £100m of bus operating profit this financial year. Our rail division performance was ahead of our initial expectations with adjusted operating profit for the year of £57.0m, up 36.7%, helped by improved insurance claims costs and lower fuel costs.

Bus target To maintain industry leading margins.

Rail target Deliver value from existing franchises and achieve margins nearer the industry average of 3%.

Adjusted NET DEBT/EBITDA

What does it mean? This ratio is used to indicate the Group's ability to pay down its debt from earnings. Adjusted net debt, which is total net debt plus restricted cash in our rail division, is measured against earnings before interest, tax, depreciation and amortisation (EBITDA).

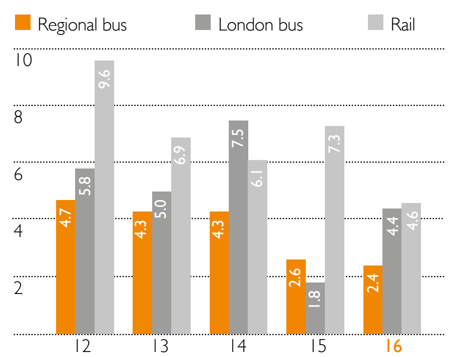
Why is it important? We have a bank covenant limit of 3.5x and are required to remain below this level. This ratio also helps us measure against our commitment to preserve a strong capital structure and maintain our investment grade credit ratings.

Risks Exceeding the bank covenant limit of 3.5x cover.

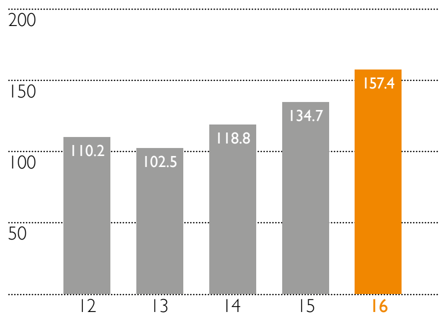
2016 performance In line with management's expectations, adjusted net debt to EBITDA was 1.36x, slightly below our target range. Adjusted net debt reduced by £5.4m to £239.3m in the year, while EBITDA was down by £9.6m to £175.6m.

2020 target To maintain adjusted net debt/EBITDA within our target range of 1.5x and 2.5x throughout the economic cycle.

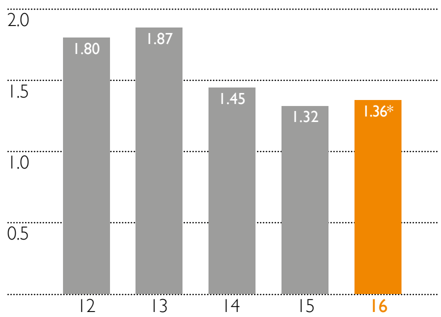
Like for like revenue growth (%)



Adjusted operating profit (£m)



Adjusted net debt/EBITDA (X)



* Not adjusted for the incremental impact of IAS 19 (revised), in line with the 2021 revolving credit facility.

Cashflow/Adjusted EBITDA

What does it mean? This ratio is used to monitor the conversion of operating profit into operating cash.

Why is it important? Good performance against this KPI demonstrates strong working capital management and financial discipline. Strong cash generation provides liquidity.

Risks Not generating sufficient earnings to reinvest in the business.

2016 performance Cashflow generated from operations* was 1.00 times EBITDA**. Negative working capital after adjusting for restricted cash in 2014/15 was predominately in the rail business and reflects changes in the London Midland and Southern franchise agreement. The nature of our rail business can lead to large working capital movements at certain times of year, which can result in some fluctuations from year to year due to timing of payments and receipts. Our London bus contracts run for five years with a possible two year extension. Capital expenditure requirements in this division are impacted by the timing of contract renewals.

2020 target To match or exceed cashflow generated from operations to EBITDA.

* excluding restricted cash movement.

** adjusted for the incremental impact of IAS 19 (revised).

Dividend cover

What does it mean? We measure the level by which our dividend payments can be covered by earnings (adjusted earnings per share divided by dividend per share).

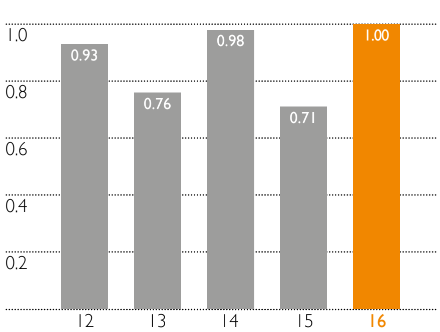
Why is it important? We are committed to delivering shareholder value through our dividend policy. We measure our dividend cover to help us assess how much of our profits we can pay to shareholders as a dividend whilst allowing sufficient retained earnings to invest in the business.

Risks Insufficient or unsustainable dividend cover could result in the dividend being reduced.

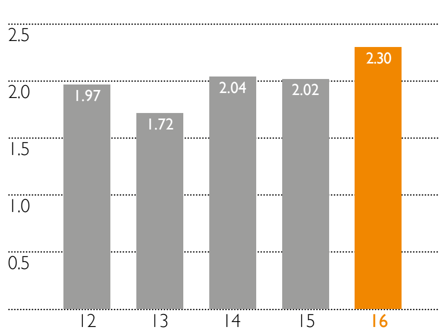
2016 performance Dividend cover was in line with our policy at 2.30 times earnings on a pre-IAS 19 basis. Further to a 6.5% increase in the interim dividend, the Board has proposed a final dividend of 67.52 per share, increasing the full year dividend to 95.85p, up 6.5%, from 90.0p.

2020 target Maintain adequate dividend cover throughout the economic cycle, in line with our policy of 2x cover, excluding the incremental impact of 1AS 19 (revised).

Cashflow/EBITDA (X)



Dividend cover (X)



Adrian Ewer,
Chairman of the audit committee

Managing our risks and embracing our opportunities effectively

Through the effective management of risk and by embracing opportunities we will be in a strong position to deliver our strategic goals and enhance shareholder value.

Risk appetite

The Board is responsible for determining the overall risk management framework for the group and for reviewing and establishing the appropriate level of risk to be taken in pursuit of strategic goals.

Setting the risk appetite for the Group is an integral part of the development of corporate strategy and the Board debates the risks around each strategic area during the planning process. Where current risk levels are outside approved tolerance levels, management is required to develop appropriate mitigations.

Risk environment

The Group's business involves the operation and maintenance of buses and trains. The Board is conscious of risks to the public, our customers and our people. In addition to developing systems and procedures to ensure compliance with legal, regulatory and other requirements, the Board strives to create an open culture where we learn from our experiences as part of a continuous drive to improve.

When operations start in Singapore in September 2016 and Germany in 2019, care will be taken to implement the same high standards.

Risk culture

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

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

Identifying, assessing and managing risks

The principal risks that face the Group are identified by the Board and through the year there is a process to review the most significant risks and ideally the emergence of new and potential risks. There are also regular audit committee meetings to monitor how the Group is managing its risks.

Identifying and prioritising our risks

The way in which we identify and prioritise risk shapes our approach to delivering our strategic objectives.

Viability statement

The directors have assessed the Group's viability over a three-year period to June 2019. This is consistent with the period covered by the Group's corporate plan which is the basis for the three years of the strategic plan. This gives the Board greater confidence in the forecasting assumptions used. In making its assessment, the Board took account of the Group's current financial position, its operational performance and both its contracted and anticipated capital expenditure. It also assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties set out on pages 42 to 45, the likely mitigating actions and the effectiveness of those mitigating actions.

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

- Funding for the Group is available in the form of capital markets debt, bank debt or alternatives and sufficient funding will be available in all plausible market conditions
- The UK proposals in respect of The Bus Services Bill will have limited impact on the Group's regional bus business in the period under review
- The Group will continue to work effectively with the DfT in resolving issues arising from the operation and implementation of change in the GTR franchise

Ongoing process for risk identification, evaluation and management

The Board

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

Executive directors

Monitor performance and changes in key risks

Provide regular reports and updates to the Board

Local operating companies

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

Group risk management process

Provides guidance and advice to operating companies to assist with:

- Identifying risks, assess extent of risks' impact and implement mitigating actions
- Health and safety
- Insurance

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

Audit committee

Monitors risk management and assurance arrangements

Effectiveness of risk control processes

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

- Internal audit
- External audit
- Insurance
- Risk surveys

Supporting risk management – lines of defence

1.	2.	3.
Local operating companies	Group support	Independent assurance

Risk review

Managing risk is an integral part of what our management think about every day, with robust risk management processes having supported the day to day business operations and decision making for some time. As Go-Ahead continues to grow and develop, it is a key responsibility of the Board to ensure that it maintains effective internal control systems and adequately manages the risks facing the Group.

During the year, an independent review of the Group's existing risk management processes was undertaken by PwC, which is also the Group's internal auditor. The objective of this review was to assess whether the existing risk management framework was fit for purpose, supported the delivery of business objectives and was embedded appropriately throughout the Group.

The review found that there was an inherent and embedded understanding of the key risks facing the Group on a day to day basis. Our approach to risk management was centred on the hands-on nature of the Group Chief Executive and senior management and a close working relationship with the operating companies where risk was identified, discussed and action taken as appropriate.

The review did identify that risk management could be enhanced in certain areas, particularly around assessing the controls in place to manage the risks, improving the focus of the discussions at the biannual operating companies board meetings at which the risk registers are formally discussed and the subsequent flow of information to the audit committee.

By introducing these enhancements, the process of risk and internal control assessment and the related discussions have improved considerably while keeping risk management practical and proportionate to the needs of the business. These enhancements also support compliance with the new provisions of the UK Corporate Governance Code 2014 and the spirit of the Code's guidance.

Prioritising our principal risks

A robust assessment has been undertaken by the Board to assess the principal risks facing the Group and consideration has been given to those that threaten our business model, could impact on our future performance, solvency or liquidity as well as our strategic objectives. The principal risks are those which could potentially have an impact on the Group's strategic objectives within the next six to twelve months.

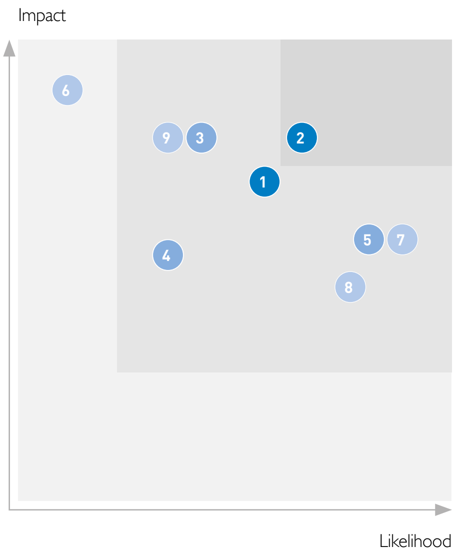
The executive directors, supported by other senior management, are responsible for creating mitigation plans to manage these risks. Appropriate mitigations are developed for each risk and communicated to those accountable for implementation. Most of the mitigating actions are the responsibility of Go-Ahead's operating companies.

Another important element of identifying and prioritising risks is managed at operating company level, where management teams are responsible for identifying, assessing and managing their local risks.

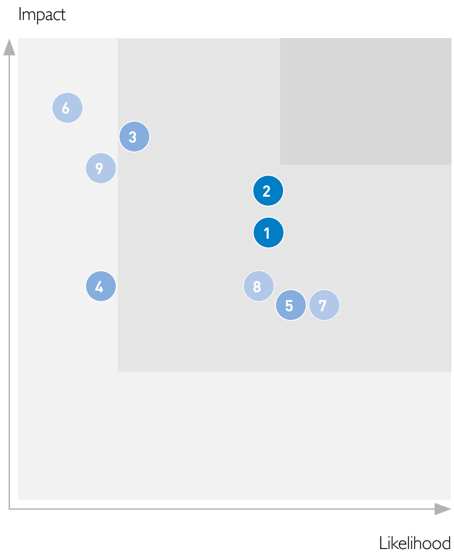
Risk heat map

These heat maps show the position of our principal risks in relation to others, the impact and likelihood both before and after mitigating actions have taken place, as well as the level of management focus associated with each risk.

Pre-mitigation



Post-mitigation



External risks

1. Economic environment
   Lower economic growth or reduction in economic activity.
2. Political and regulatory framework
   Changes to the legal and regulatory framework, particularly the Bus Services Bill.

Strategic risks

3. Sustainability of rail profits or loss of franchise
   Failure to retain key franchises on acceptable terms or failure to stabilise GTR's business performance.
4. Inappropriate strategy or investment
   Failure to make appropriate strategic or investment decisions.
5. Competition
   Competition from existing and new market participants, loss of business to other modes and threats from market disruptions.

Operational risks

6. Catastrophic incident or severe infrastructure failure
   An incident, such as a major accident, an act of terrorism, a pandemic, or a severe failure of rail infrastructure.
7. Large scale infrastructure projects
   Disruption caused by large scale projects on and around the networks on which we operate, such as the Thameslink programme, HS2, and major roadworks.
8. Labour costs, employee relations and resource planning
   Failure to secure the effective engagement of our people and trade unions in making change and managing costs.
9. Information technology failure or interruption, or security breach
   Prolonged or major failure of the Group's IT systems or a significant security breach which could pose significant risk to the ability to operate and trade.

Risk type

- External risks
- Strategic risks
- Operational risks

External risks

1

Economic environment

Lower economic growth or reduction in economic activity.

Potential impact

Reduced revenue as:

- Customers make fewer journeys
- Customers buy lower priced tickets

Mitigating actions

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

Opportunity

- Maximise geographic and product diversification opportunities
- Two rail contracts will be re-bid over the next two years allowing for a rebasing of target revenue

Change in risk in the year

- Economic growth rates for UK have been downgraded following the EU referendum vote
- There are variances between geographical areas in the rate of recovery

2

Political and regulatory framework

Changes to the legal and regulatory framework, particularly the Bus Services Bill.

Potential impact

- If bus services are franchised, the Group could lose revenue in some areas but has opportunity in others
- Change to the rail franchising model
- Reduced funding for public transport

Mitigating actions

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

Opportunity

- The political and regulatory framework provides us with the opportunity to influence decisions through close dialogue with the government, local authorities and other key parties
- The Bus Services Bill could provide business opportunities in new markets

Change in risk in the year

- Following the EU referendum and changes in government, uncertainty around the outlook for government policy has increased
- The Bus Services Bill relating to bus franchising outside of London. The Bill is currently making its way through Parliament

Strategic risks

3

Sustainability of rail profits or loss of franchise

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

Potential impact

- Rail revenues and profits could fall over the next three years

Mitigating actions

- Flexible and experienced management team which responds quickly and expertly to changing circumstances
- Shared risk through Govia, which is 65% owned by Go-Ahead and 35% by Keolis
- Invest in performance improvements
- Work constructively with industry partners, such as Network Rail, to deliver long term economic and infrastructure benefits
- Significant resource and financial investment in bidding for new franchises
- Regular Board review of rail performance, and Board approval of overall rail bidding strategy
- Compliance with franchise conditions closely monitored
- Recovery plan for GTR

Opportunity

- Opportunity to build on rail contract wins in Germany and potentially other European countries

Change in risk in the year

- The GTR franchise has seen a difficult year as a result of the impact of major infrastructure projects and industrial action
- We are heavily reliant on third parties, which have their own targets, budgets and deadlines to meet
- We began operating the London Midland franchise under new contract terms in April 2016 which will run until October 2017

Strategic risks continued

4

Inappropriate strategy or investment

Failure to make appropriate strategic or investment decisions.

Potential impact

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

Mitigating actions

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

Opportunity

- Continual focus on and review of strategy ensures the Board is well placed to assess value adding opportunities as they arise

Change in risk in the year

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

5

Competition

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

Potential impact

- Loss of revenue and profits as well as reputational damage if other offerings appear more customer focused

Mitigating actions

- Disciplined and focused bidding in London
- Adapt to changing customer requirements and technological advancements
- Foster close relationships with stakeholders to ensure we are meeting requirements, including service quality and price
- Work in partnership with local authorities and other operators
- Promote multi-modal travel, improving the overall door-to-door experience for passengers
- Remain at the forefront of promoting and introducing inter-operable ticketing schemes
- Focus on customer needs and expectations, including more channels for ticket purchase and journey planning

Opportunity

- Strategic partnerships provide opportunities and aim to improve the passenger experience and perception of public transport as a whole
- Increased competition in the market encourages innovation which improves the customer experience

Change in risk in the year

- The reduction in oil price, leading to lower fuel prices for motorists could result in passengers taking more trips in private cars rather than choosing public transport
- Technology based start-ups are entering transport markets

Operational risks

6

Catastrophic incident or severe infrastructure failure

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

Potential impact

- Serious injury to the public, our passengers or our people. Service disruption with financial losses and reputational damage

Mitigating actions

- Rigorous, high profile health and safety programme throughout the Group
- Appropriate and regularly reviewed and tested contingency and disaster recovery plans
- Thorough and regular staff training
- Work closely with our industry partners, such as Network Rail, which maintains the rail infrastructure

Opportunity

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

Change in risk in the year

- We have maintained high levels of safety performance, demonstrating our continuing efforts to minimise this risk

7 NEW

Large scale infrastructure projects

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

Potential impact

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

Mitigating actions

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

Opportunity

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

Change in risk in the year

- Our rail operations have been impacted by works associated with the £6.5bn Thameslink Programme, particularly around London Bridge
- Congestion due to roadworks in London has reduced our income from Quality Incentive Contracts

8

Labour costs, employee relations and resource planning

We fail to get the effective engagement of our people and trade unions in making change and managing costs.

Potential impact

- Strikes leading to reputational damage
- Low levels of morale and engagement lead to inadequate customer service
- Service disruption and costs arising from industrial action
- Inability to deploy new technology and work practices for the benefit of customers
- Wage costs increase or are higher than necessary

Mitigating actions

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

Opportunity

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

Change in risk in the year

- Operational challenges on the GTR franchise have been compounded by industrial action and a spike in sickness absence

9

Information technology failure or interruption or security breach

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

Potential impact

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

Mitigating actions

- Process standardisation and continued investment in best practice systems, including 'light sites' and 'load bearing' servers
- Clear and tested business continuity plans
- Proactive approach to cyber security issues

Opportunity

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

Change in risk in the year

- Continued investment in and maintenance of IT systems across the Group
- Cyber security certification achieved

Finance review

Patrick Butcher,
Group Chief Financial Officer

The Group once again delivered a robust financial performance in the year ended 2 July 2016 and is in a strong financial position.

Where adjusted figures are referred in this report, the statutory figures have been adjusted to remove the incremental impact of IAS 19 (revised). A full disclosure of the adjustments applied is set out in the finance review. Unless otherwise stated, reference made to operating profit throughout this report excludes amortisation, goodwill impairment and exceptional operating costs.

The financial year ended 2 July 2016 was a 53 week year compared with the year ended 27 June 2015 which was 52 weeks.

Overview and highlights

Revenue for the year was £3,361.3m, up £146.1m, or 4.5%, on last year (2015: £3,215.2m), with growth in both bus and rail divisions. The majority of this increase was attributable to rail performance, predominantly due to a full year of operation of the GTR franchise following its introduction on 14 September 2014.

Adjusted profit attributable to shareholders excluding amortisation, goodwill impairment and exceptional operating costs and the incremental impact of IAS 19 (revised) for the year increased by £16.7m, or 21.4%, to £94.7m (2015: £78.0m) and adjusted earnings per share rose 21.3% to 220.5p (2015: 181.8p).

Net cash at the year end of £323.0m (2015: £292.9m) reflects £30.1m of additional cash, the majority of which is restricted. The higher cash balance is largely due to working capital movements relating to timing of franchise payments. The adjusted net debt (net debt plus restricted cash) to EBITDA ratio of 1.36x (2015: 1.32x) is below our target range of 1.5x to 2.5x.

Adjusted Group income statement

	2016 £m	IAS 19 (revised) adjustment	2016 Adjusted £m	2015 £m	IAS 19 (revised) adjustment	2015 Adjusted £m
Regional bus operating profit	49.7	3.6	53.3	46.7	2.0	48.7
London bus operating profit	43.6	3.5	47.1	42.3	2.0	44.3
Total bus operating profit	93.3	7.1	100.4	89.0	4.0	93.0
Rail operating profit	27.1	29.9	57.0	25.7	16.0	41.7
Operating profit*	120.4	37.0	157.4	114.7	20.0	134.7
Amortisation and goodwill impairment	(3.0)	(0.4)	(3.4)	(9.1)	(1.9)	(11.0)
Exceptional operating costs	–	–	–	(8.8)	–	(8.8)
Operating profit	117.4	36.6	154.0	96.8	18.1	114.9
Net finance costs	(17.6)	2.1	(15.5)	(18.1)	2.3	(15.8)
Profit before tax	99.8	38.7	138.5	78.7	20.4	99.1
Total tax expense	(18.5)	(7.7)	(26.2)	(19.4)	(4.2)	(23.6)
Profit for the period	81.3	31.0	112.3	59.3	16.2	75.5
Non-controlling interests	(11.6)	(8.3)	(19.9)	(7.1)	(3.9)	(11.0)
Profit attributable to shareholders	69.7	22.7	92.4	52.2	12.3	64.5
Adjusted profit attributable to shareholders*			94.7			78.0
Weighted average number of shares (m)			43.0			42.9
Adjusted earnings per share (p)**			220.5			181.8
Proposed dividend per share (p)			95.85			90.0

* Before amortisation, goodwill impairment and exceptional operating costs.

** See the notes to the consolidated financial statements for the full calculation of adjusted earnings per share.

The 2016 and 2015 statutory results are principally adjusted for the incremental impact of applying IAS 19 (revised) in 2011 and also intangible asset amortisation. IAS 19 (revised) was introduced in 2011 and was first effective for the June 2014 year end. It amended the methodology for recognition of the interest and service costs associated with the present value of assets and liabilities for pension schemes. This includes rail pension schemes where liabilities represent future commitments which are well beyond the period covered by the Group's rail franchises. The standard requires that the cost of providing pension benefits in the future is discounted to a present value using corporate bond yield rates. As corporate bond yields vary over time, this creates inherent volatility in the Group Income Statement and Group Balance Sheet. These two factors make the Group's current non-cash IAS 19 (revised) charge disproportionately higher and more volatile than the cash contributions the Group is required to make in order to fund the future liabilities for which it is responsible. The Group accordingly believes a more relevant and consistent measure of the cost of providing post-employment benefits is the underlying contribution excluding the volatile element of IAS 19 (revised). Accordingly the charge applied in the adjusted results reflects that which would have arisen under IAS 19 (revised) prior to the changes made to the standard in 2011. Intangible asset amortisation represents the non-cash cost of amortising intangible items including acquired contracts and software costs. The charge associated with these previously acquired assets can be significantly different year on year reflecting the amortisation profile and the timing of when the acquired contracts/software developments arose and is therefore removed. In previous periods we have also removed exceptional items such as one-off restructuring costs and intangible asset impairments when they arise. The Board believes that these adjusted key performance indicators give a clearer and more consistent measure of the Group's underlying performance.

The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them are governed by a number of contracts between the major participants; the DfT, Network Rail and train operating companies. In arriving at the operating profit numbers for the rail division, management have made judgements on the outcome of contractual discussions with Network Rail and the DfT. These principally relate to the allocation of financial responsibility for train cancellations and delays.

Five year Group operating profit including and excluding the incremental impact of IAS 19 (revised)

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Group operating profit*	120.4	114.7	103.2	86.7	95.6
Incremental impact of IAS 19 (revised)	37.0	20.0	15.6	15.8	14.6
Adjusted Group operating profit*	157.4	134.7	118.8	102.5	110.2

* Before amortisation, goodwill impairment and exceptional operating costs.

Five year adjusted earnings per share (EPS) including and excluding the incremental impact of IAS 19 (revised)

	2016	2015	2014	2013	2012
Statutory basic earnings per share	162.3p	121.6p	164.0p	125.3p	129.5p
Adjusted EPS including IAS 19 (revised)	167.2p	150.8p	148.6p	117.6p	123.8p
Incremental impact of IAS 19 (revised)	53.3p	31.0p	24.0p	22.0p	18.1p
Adjusted EPS excluding incremental impact of IAS 19 (revised)	220.5p	181.8p	172.6p	139.6p	141.9p

Revenue and adjusted operating profit by division

	2016 £m	2015 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue				
Regional bus	375.7	359.9	15.8	4.4
London bus	487.6	457.9	29.7	6.5
Total bus	863.3	817.8	45.5	5.6
Rail	2,498.0	2,397.4	100.6	4.2
Total	3,361.3	3,215.2	146.1	4.5
Adjusted operating profit				
Regional bus	53.3	48.7	4.6	9.4
London bus	47.1	44.3	2.8	6.3
Total bus	100.4	93.0	7.4	8.0
Rail	57.0	41.7	15.3	36.7
Total	157.4	134.7	22.7	16.9

Earnings per share

Adjusted earnings (net profit after tax attributable to members before amortisation, goodwill impairment, exceptional operating costs and the incremental impact of IAS 19 (revised)) were £94.7m (2015: £78.0m), resulting in an increase in adjusted earnings per share from 181.8p to 220.5p.

The weighted average number of shares was 43.0 million (2015: 42.9 million), and the number of shares in issue, net of treasury shares, was 43.0 million (2015: 43.0 million).

Dividend

The Board is proposing a total dividend for the year of 95.85p per share (2015: 90.0p), a rise of 6.5%, following a 6.5% increase in the interim dividend. This includes a proposed final payment of 67.52p per share (2015: 63.4p) payable on 25 November 2016 to shareholders registered at the close of business on 11 November 2016.

Dividends of £39.4m (2015: £36.7m) paid in the period represent the payment of the prior year's final dividend of 63.4p per share (2015: 59.0p) and the interim dividend in respect of this year of 28.33p per share (2015: 26.6p). Dividends paid to non-controlling interests were £17.8m (2015: £12.8m). Excluding the non-cash incremental impact of IAS 19 (revised), dividend cover was 2.30x (2015: 2.02x).

Summary cashflow

	2016 £m	2015 £m	Increase/ (decrease) £m
Adjusted EBITDA*	212.6	205.2	7.4
Working capital/other items (excluding restricted cash movements)	(0.2)	(59.3)	59.1
Cashflow generated from operations	212.4	145.9	66.5
Tax paid	(24.8)	(20.3)	(4.5)
Net interest paid	(13.0)	(14.3)	1.3
Net capital investment	(106.4)	(47.9)	(58.5)
Free cashflow	68.2	63.4	4.8
Net acquisitions	(0.5)	(0.4)	(0.1)
Joint venture repayment	–	1.8	(1.8)
Other	(5.1)	–	(5.1)
Dividends paid	(57.2)	(49.5)	(7.7)
Decrease in adjusted net debt**	5.4	15.3	(9.9)
Opening adjusted net debt**	(244.7)	(260.0)	n/a
Closing net debt	(239.3)	(244.7)	n/a

* Operating profit before interest, tax, depreciation, amortisation, goodwill impairment, exceptional operating costs and the incremental impact of IAS 19 (revised).

** Adjusted net debt is net cash less restricted cash.

Cashflow

Cash generated from operations before tax and excluding movements in restricted cash was £212.4m (2015: £145.9m). This increase of £66.5m is largely due to movements in working capital, primarily reflecting structural changes in rail franchises. Tax paid of £24.8m (2015: £20.3m) comprised payments on account in respect of the current and prior years' liabilities. Net interest paid of £13.0m (2015: £14.3m) is lower than the charge for the period of £17.6m (2015: £18.1m) after excluding the impact of non-cash interest on pensions and the unwinding of discounting on provisions. Capital expenditure, net of sale proceeds, was £58.5m higher in the year at £106.4m (2015: £47.9m) predominantly due to increased investment in both the regional bus and London fleet. Investment in the bus division is expected to be around £110m in 2016/17 due to the timing of London bus contract renewals and continued investment in our regional bus operations.

During the financial period, as part of a 12 month planned programme of monthly share purchases, the Group repurchased 172,964 ordinary shares for a total consideration of £4.4m (2015: no shares repurchased).

Significant medium term finance is secured through our revolving credit facility (RCF) and £200m sterling bond. The £280m five year RCF had an initial maturity of July 2019 with two one year extension options, the second of which was agreed on 20 June 2016, extending the maturity of the facility to July 2021. The sterling bond is due to expire in September 2017. On 26 August 2016 the Group agreed a bridging facility of £200m to give timing options around the repayment of the sterling bond. The facility is expected to remain undrawn as it is most likely that the bond will be replaced with a similar long term instrument. The bridging facility is available during September 2017 to facilitate repayment of the bond and, if drawn, contains four extension options of six months each.

Capital expenditure

Expenditure on capital during the year can be summarised as:

	2016 £m	2015 £m
Regional bus	57.4	28.0
London bus	38.7	8.1
Total bus	**96.1**	**36.1**
Rail	17.8	6.2
Group total	**113.9**	**42.3**

Net cash/debt

Net cash of £323.0m (2015: £292.9m) comprised the £200m sterling bond, amounts drawn down against the £280m five year RCF of £113.0m (2015: £111.0m), and hire purchase and lease agreements of £0.3m (2015: £0.3m), offset by cash and short term deposits of £636.3m (2015: £604.2m) including £562.3m of restricted cash in rail (2015: £537.6m). There were no overdrafts in use at the year end (2015: £nil).

Our primary financial covenant under the 2016 RCF was an adjusted net debt to EBITDA ratio of not more than 3.5x. Adjusted net debt (net debt plus restricted cash) to EBITDA of 1.36x (2015: 1.32x) remains under our target range of 1.5x to 2.5x.

Capital structure

	2016 £m	2015 £m
Five year syndicated facility 2019/2021	**280.0**	280.0
7.5 year £200m 5.375% sterling bond 2017	**200.0**	200.0
Total core facilities	**480.0**	480.0
Amount drawn down at 2 July 2016	**313.0**	311.0
Balance available	**167.0**	169.0
Restricted cash	**562.3**	537.6
Net cash	**(323.0)**	(292.9)
Adjusted net debt	**239.3**	244.7
EBITDA*	**175.6**	185.2
Adjusted EBITDA**	**212.6**	205.2
Adjusted net debt/EBITDA*	**1.36x**	1.32x
Adjusted net debt/EBITDA**	**1.13x**	1.19x

* Not adjusted for the incremental impact of IAS 19 (revised), in line with new 2021 RCF.

** Adjusted for the incremental impact of IAS 19 (revised).

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

Net finance costs

On a statutory basis, net finance costs for the year were slightly behind the prior year at £17.6m (2015: £18.1m) including finance costs of £20.8m (2015: £20.5m) less finance revenue of £3.2m (2015: £2.4m). The average net interest rate for the period was 4.2% (2015: 4.2%).

Amortisation and goodwill impairment

On a statutory basis, the amortisation and goodwill impairment charge for the year was £3.0m (2015: £9.1m), which relates to the non-cash cost of amortising software costs, franchise bid costs and customer contracts. The prior year charge of £9.1m included a goodwill impairment charge of £4.9m.

Exceptional operating costs

Total exceptional operating costs in the year were £nil (2015: £8.8m).

Prior year exceptional operating costs related to rail restructuring of the GTR franchise bringing Thameslink and Greater Northern together with Southern and Gatwick Express under one management structure.

Taxation

On a statutory basis, net tax for the year was £18.5m (2015: £19.4m), equivalent to an effective rate of 18.5% (2015: 24.7%), below the UK statutory rate for the period of 20% (2015: 20.75%). Excluding the impact of the deferred tax rate reduction of £3.7m, the tax rate would have been 22.2%, as a result of non-deductible items such as German and Singaporean bid costs. In the year ended 27 June 2015, the underlying rate, excluding goodwill impairment of £4.9m, was 23.2%. The statutory rate will reduce to 19% and 17% in 2017 and 2020 respectively. We expect our effective tax rate to be 2% to 3% above the statutory rate in future years.

Non-controlling interest

On a statutory basis, the non-controlling interest in the income statement of £11.6m (2015: £7.1m) 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

Statutory operating profit includes the net cost of the Group's defined benefit pension plans for the year of £90.8m (2015: £68.9m) consisting of bus costs of £1.4m (2015: £2.7m) and rail costs of £89.4m (2015: £66.2m). Group contributions to the schemes totalled £48.3m (2015: £46.2m).

Bus pensions

Under accounting valuations, the net deficit after taxation on the bus defined benefit schemes was £2.2m (2015: £47.6m), consisting of pre-tax liabilities of £2.7m (2015: £59.5m) less a deferred tax asset of £0.5m (2015: £11.9m). The pre-tax deficit consisted of estimated liabilities of £765.8m (2015: £718.7m) less assets of £763.1m (2015: £659.2m). The percentage of assets held in higher risk, return seeking assets was 48% (2015: 51%).

Rail pensions

As the long term responsibility for the rail pension schemes rests with the DfT the Group only recognises the share of surplus or deficit expected to be realised over the life of each franchise. At the year end we recorded a pre-tax liability of £nil (2015: £nil).

Patrick Butcher,
Group Chief Financial Officer

8 September 2016


Reading
via Henley-on-Thames
X80
34
403
carousel
SM65 LNE

Bus

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

Overview

We are pleased that our target to grow adjusted operating profit in bus to £100m by 2015/16 has now been achieved, as planned.

Overall, our bus operations achieved record full year profits, with good revenue growth and cost control.

Regional bus

Our strategy is to grow our share of the regional UK bus market both organically and through value adding acquisitions. We have improved operating profit margins by stimulating revenue growth and through continued cost efficiencies. We remain committed to our long-standing approach of providing high quality and value for money services for our local markets, combined with our innovative approach to marketing, smart-ticketing and other customer solutions. This is key to revenue generation, whilst cost savings will be achieved through benchmarking, sharing best practice and the introduction and development of further efficiency initiatives.

London bus

Our strategy is to maintain our sector leading performance and market position through key relationships with TfL, through strong and effective management, providing high quality and valued operations whilst seeking expansion through additional contract wins and acquisitions. A stable contract base and external factors such as inflationary revenue growth combine with cost efficiencies to contribute toward profit growth.

Bus overview

	2016	2015
Total bus operations		
Revenue (£m)	**863.3**	817.8
Adjusted operating profit* (£m)	**100.4**	93.0
Adjusted operating profit margin	**11.6%**	11.4%
Regional bus		
Revenue (£m)	**375.7**	359.9
Adjusted operating profit* (£m)	**53.3**	48.7
Adjusted operating profit margin	**14.2%**	13.5%
London bus		
Revenue (£m)	**487.6**	457.9
Adjusted operating profit* (£m)	**47.1**	44.3
Adjusted operating profit margin	**9.7%**	9.7%
Like for like revenue growth		
Regional bus	**2.4%**	2.6%
London bus	**4.4%**	1.8%
Like for like volume growth		
Regional bus passenger journeys	**0.0%**	(1.4%)
London bus miles operated	**2.3%**	(0.9%)

* Adjusted to exclude amortisation, goodwill impairment, exceptional operating costs, and the incremental impact of IAS 19 (revised).

Overall bus performance review

Total bus revenue increased by 5.6%, or £45.5m, to £863.3m (2015: £817.8m). The bus division delivered adjusted operating profit of £100.4m (2015: £93.0m), increasing by £7.4m, or 8.0%, in the year, resulting in a rise in adjusted operating profit margin of 0.2ppts to 11.6%. This performance was in line with the Board's expectations for the year and marks the achievement of our £100m operating profit target, as planned.

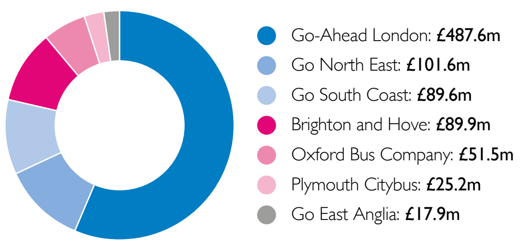
Regional bus operations

Regional bus revenue was £375.7m (2015: £359.9m), up £15.8m, or 4.4%, with growth in the second half of the year ahead of that in the first half. Overall, our regional bus operations saw stronger trends in commercial revenue and journey growth in the period, with concessionary revenue and numbers being consistent with the first half of the year. Passenger numbers remained the same year on year and increased 0.5% in the second half despite ongoing weakness in the north east economy, and redevelopment roadworks in and around Oxford.

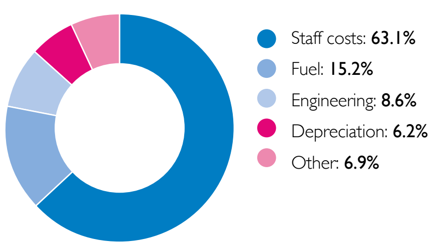
Overall, our bus operations achieved record full year profits, with good revenue growth and cost control.

Our bus financial highlights

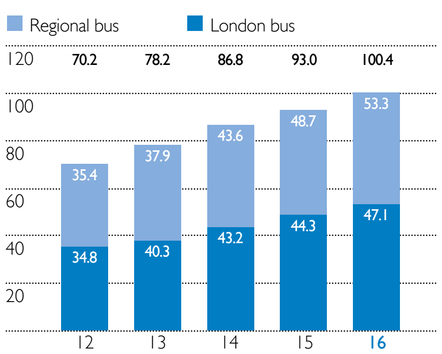
2016 Bus revenue (£m)
£863.3m (2015: £817.8m)



2016 Bus operating cost base (£m)
£770.0m (2015: £728.8m)



2016 Adjusted bus operating profit (£m)
£100.4m (2015: £93.0m)



Adjusted bus operating profit rose £7.4m, or 8.0%, to £100.4m.

Adjusted operating profit in the regional bus division was £53.3m (2015: £48.7m), up £4.6m, or 9.4%, and adjusted operating profit margins increased to 14.2% (2015: 13.5%). Insurance claim costs increased slightly in the year. However, the division benefitted from lower bid costs as well as a reduction in fuel costs, as a result of a lower hedge price.

	£m
2015 operating profit	46.7
IAS 19 (revised) adjustment (see finance review)	2.0
2015 adjusted operating profit	48.7
Change in:	
Revenue growth	15.8
Cost base increases	(13.5)
Fuel costs	2.0
Insurance claims	(0.8)
Bid costs	1.1
2016 adjusted operating profit	53.3
IAS 19 (revised) adjustment (see finance review)	3.6
2016 operating profit	49.7

London bus operations

London bus revenue grew by 6.5%, or £29.7m, to £487.6m in the year (2015: £457.9m) despite a significant reduction in QICs income, impacted by roadworks and congestion in the capital, which eased in the latter part of the second half of the year as roadwork schemes began to conclude. QICs bonuses of £1.1m were received (2015: £4.6m) in the last quarter of the year. Like for like mileage increased by 2.3% following contract gains and increased volume created by additional buses contracted by TfL to reduce waiting times during extended periods of roadworks. In addition there was a higher volume of rail replacement work undertaken. Adjusted operating profit in the London bus division was £47.1m (2015: £44.3m), up £2.8m, or 6.3%. Adjusted operating profit margins remained at 9.7% (2015: 9.7%). As with regional bus, our London operations saw an increase in insurance claim costs and a reduction in fuel costs, reflecting the lower hedge price.

	£m
2015 operating profit	42.3
IAS 19 (revised) adjustment (see finance review)	2.0
2015 adjusted operating profit	44.3
Change in:	
Revenue growth – volume	30.5
Revenue growth – price	2.6
Cost – volume increases	(22.3)
Cost – price increases	(4.1)
QICs bonuses	(3.4)
Fuel cost	2.0
Insurance claims	(2.5)
2016 adjusted operating profit	47.1
IAS 19 (revised) adjustment (see finance review)	3.5
2016 operating profit	43.6

Our performance in the Transport for London (TfL) quality league tables has been adversely impacted by London congestion with roadworks concentrated in some of the areas where we are the larger operator. Our performance has improved during the last quarter of the year. We operated 99.4% (2015: 99.5%) of our target mileage before traffic congestion losses.

Capital expenditure and depreciation

Net capital expenditure for the bus division was £92.3m (2015: £36.1m), of which £71.8m related to the purchase of new vehicles and a further £12.9m on new depots.

Investment of £38.6m (2015: £19.9m) was made in introducing 198 new buses (2015: 122 buses) into our regional bus fleet. Contract wins in our London bus business led to a spend of £33.2m (2015: £5.3m) on 118 new buses (2015: 29 buses).

We have a young green bus fleet with an average age of 7.8 years. Depreciation for the division was £47.8m (2015: £45.7m).

Fuel

In the year, the bus division consumed around 130 million litres of fuel at a net cost of £116.8m.

Bus fuel hedging prices

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

With Board approval additional purchases can be made to lock future period's costs in order to create certainty around one of our largest costs. The table below reflects the year end position, no significant purchases have been made subsequent to the year end.

	2016	2017	2018	2019	2020	2021
% hedged	**Fully**	Fully	Fully	60%	30%	10%
Price (pence per litre)	**45.4**	36.4	34.7	32.3	33.4	35.1

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

Overall bus outlook

Our bus division delivered its strongest ever financial performance and achieved one of the Board's critical business strategies, to achieve an adjusted operating profit in excess of £100m. The new financial year has begun with similar trends to the second half of 2015/16. We expect continued moderate revenue growth, driven by regional bus performance and improving QICs payments in London.

Significantly reduced fuel costs will help offset any contract reductions from lower local authority contracting.

In regional bus, we will continue to drive revenue growth through our sector leading marketing initiatives and sales channels, using smart and mticketing to attract and retain a wider market, and further improve the customer experience. We will remain focused on cost efficiency while maintaining the quality and reliability of our services.

In London bus, growth in contract mileage is expected to be moderate in the full year, mileage overall will reduce with lower levels of additional work from TfL to compensate for roadwork congestion. Ongoing roadworks and congestion in London have eased and we expect an increase in year on year QICs income.

In 2016/17, we expect total capital expenditure to be over £100m due to the timing of London contract renewals and continued investment in our regional bus services.

Our operating companies

Go-Ahead London
Revenue: **£487.6m**
Passenger journeys: **478m**
Average no. of employees: **7,010**

Go North East
Revenue: **£101.6m**
Passenger journeys: **66m**
Average no. of employees: **2,032**

go southcoast
Revenue: **£89.6m**
Passenger journeys: **49m**
Average no. of employees: **1,613**

goeastanglia
Revenue: **£17.9m**
Passenger journeys: **8m**
Average no. of employees: **420**

Brighton & Hove
Revenue: **£89.9m**
Passenger journeys: **67m**
Average no. of employees: **1,451**

oxford bus company
Revenue: **£51.5m**
Passenger journeys: **24m**
Average no. of employees: **804**

Plymouth citybus
Revenue: **£25.2m**
Passenger journeys: **17m**
Average no. of employees: **558**


GX
GATWICK EXPRESS
Emergency release
1 Turn latch
2 Pull handle
3 Pull doors apart

Rail

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

Overview

Our strategy is to deliver the commitments of our existing franchises, provide good customer service and secure future franchises through competitive bidding processes, whilst maintaining the moderate returns generated from this sector.

We remain committed and focused on the GTR franchise which began as a fully merged operation in July 2015 and delivering the commitments of the directly awarded contracts in Southeastern and London Midland.

The UK rail market continues to offer significant opportunities over the coming years. We have an established strong position and a good long term track record in the industry and we aim to secure the future of rail profitability by exploring these and other opportunities.

UK rail franchises are governed by contracts between train operators, Network Rail and DfT. These contracts contain detailed performance regimes allocating financial responsibility and material provisions are made in these results reflecting management's significant experience on the most probable outcomes of settling these amounts.

Rail overview

	2016	2015
Total rail operations		
Total revenue (£m)	**2,498.0**	2,397.4
Adjusted operating profit* (£m)	**57.0**	41.7
Adjusted operating profit margin	**2.3%**	1.7%
Like for like passenger revenue growth		
Southeastern	**4.9%**	8.5%
London Midland	**9.3%**	5.4%
GTR	**3.4%**	8.8%
Like for like volume growth		
Southeastern	**2.3%**	3.1%
London Midland	**5.9%**	2.1%
GTR	**2.9%**	6.4%

* Adjusted to exclude amortisation, goodwill impairment, exceptional operating costs, and the incremental impact of IAS 19 (revised).

The rail division profitability was marginally ahead of the Board's expectations through better than expected resolutions of contract negotiations, this was despite the operational challenges faced during the year and the fact that GTR did not contribute to profitability. Trading performance in both Southeastern and London Midland remained strong.

Rail performance review

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

Overall passenger revenue growth was 4.6% (2015: 7.6%) on a like for like basis, with like for like passenger journey growth of 3.1% (2015: 3.9%).

Revenue

Total revenue increased by 4.2%, or £100.6m, to £2,498.0m (2015: £2,397.4m) consisting of:

	2016 £m	2015 £m	Net change £m	% change
Passenger revenue				
Southern	**61.5**	735.7	(674.2)	(91.6)
Southeastern	**753.0**	728.6	24.4	3.3
London Midland	**330.0**	291.8	38.2	13.1
GTR*	**1,352.6**	484.0	868.6	179.5
Gross passenger revenue	**2,497.1**	2,240.1	257.0	11.5
GTR revenue adjustment**	**(276.0)**	(120.9)	(155.1)	(128.3)
Total passenger revenue	**2,221.1**	2,119.2	101.9	4.8
Other revenue				
Southern	**7.2**	55.8	(48.6)	(87.1)
Southeastern	**47.2**	23.8	23.4	98.3
London Midland	**44.3**	50.3	(6.0)	(11.9)
GTR	**62.2**	30.8	31.4	101.9
Total other revenue	**160.9**	160.7	0.2	0.1
Subsidy and revenue support				
Southeastern subsidy	**61.1**	19.8	41.3	208.6
London Midland subsidy	**52.0**	56.6	(4.6)	(8.1)
Southeastern revenue support	**–**	23.0	(23.0)	(100.0)
Southern revenue support	**2.9**	18.1	(15.2)	(84.0)
Total subsidy and revenue support	**116.0**	117.5	(1.5)	(1.3)
Total revenue	**2,498.0**	2,397.4	100.6	4.2

* Passenger revenue collected by GTR on behalf of the DfT.

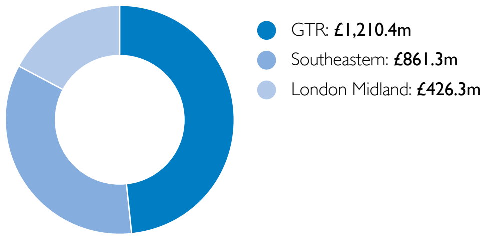
** Represents passenger revenue generated and payable to the DfT in excess of the management fee payable to Go-Ahead for operating the franchise, which is remitted to the DfT.

The rail division delivered a good financial result in the year, slightly ahead of the Board's expectations.

Our rail financial highlights

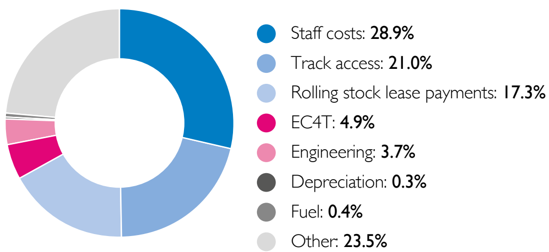
2016 Rail revenue (£m)

£2,498.0m (2015: £2,397.4m)



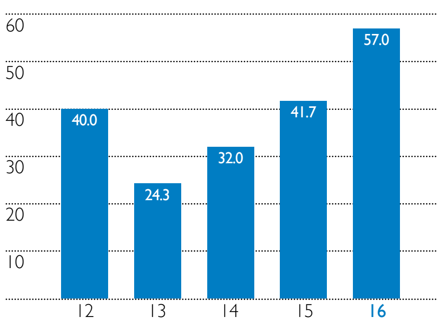
2016 Rail operating cost base (£m)

£2,470.9m (2015: £2,371.7m)



2016 Adjusted rail operating profit (£m)

£57.0m (2015: £41.7m)



Adjusted rail operating profit rose £15.3m, or 36.7%, to £57.0m.

Group's overall net contribution to the DfT

	2016 £m	2015 £m	Net change £m	% change
GTR revenue adjustment	276.0	120.9	155.1	128.3
Southern's core premium payments	18.8	228.6	(209.8)	(91.8)
Subsidy receipts – Southeastern	(61.1)	(19.8)	(41.3)	(208.6)
Subsidy receipts – London Midland	(52.0)	(56.6)	4.6	8.1
Revenue support – Southeastern	–	(23.0)	23.0	100.0
Revenue support – Southern	(2.9)	(18.1)	15.2	84.0
Profit share – Southeastern	39.9	23.9	16.0	66.9
Profit share – London Midland	0.6	–	0.6	n/a
Revenue share – London Midland	3.1	–	3.1	n/a
Group's overall net contribution to the DfT	222.4	255.9	(33.5)	(13.1)

The GTR revenue adjustment of £276.0m reflects the difference between passenger revenue and the franchise payment from the DfT, as set out in the bid model. The GTR revenue adjustment was a payment to the DfT and increased by £155.1m in the year.

Premium payments, profit share payments and revenue share payments

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

	2016 £m	2015 £m	Net change £m	% change
Southern core premium	18.8	228.6	(209.8)	(91.8)
Southeastern profit share	39.9	23.9	16.0	66.9
London Midland profit share	0.6	–	0.6	n/a
London Midland revenue share	3.1	–	3.1	n/a

Adjusted operating profit

Adjusted operating profit in the rail division was up £15.3m at £57.0m (2015: £41.7m), with adjusted operating profit margins increasing to 2.3% (2015: 1.7%). The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them are governed by a number of contracts between the major participants; the DfT, Network Rail and train operating companies. In arriving at the operating profit numbers for the rail division, management have made judgements on the outcome of contractual discussions with Network Rail and the DfT. These principally relate to the allocation of financial responsibility for train cancellations and delays.

Rail bid costs of £5.4m (2015: £9.4m), including around £2.0m on rail franchise activity in Germany.

	£m
2015 operating profit	25.7
IAS 19 revised adjustment (see finance review)	16.0
2015 adjusted operating profit	41.7
Change in:	
Southeastern profit improvement	14.9
London Midland profit improvement	7.6
GTR/Southern profit reduction	(13.6)
Lower bid costs	4.0
Lower central costs	2.4
2016 adjusted operating profit	57.0
IAS 19 (revised) adjustment (see finance review)	29.9
2016 operating profit	27.1

Individual franchise performance

GTR

GTR completed the integration of Southern, Gatwick Express, Thameslink and Great Northern to consolidate in one franchise from 26 July 2015. During this first period the franchise has been through significant changes, including training new drivers, revising the timetable, introduction of new fleet and the implementation of driver controlled operation. Customer satisfaction has been low during this transition as revised timetables have been introduced to create greater certainty for customers during a period of industrial action and unprecedented levels of absence. The management team and the executive directors are focused on delivering franchise obligations in accordance with the agreement with the DfT and are endeavouring to restore customer experience to expected levels. During this transitional phase the franchise has incurred significant costs and has not contributed to rail division profitability.

Southeastern

Southeastern recorded a strong trading performance. Overall passenger revenue increased by 4.9% (2015: 8.5%) on a like for like basis and like for like passenger numbers rose 2.3% (2015: 3.1%).

The franchise continued operating under its direct award contract terms, and whilst it is no longer eligible for revenue support, passenger journeys and revenue levels have exceeded bid expectations. Under the new contract, Southeastern made a contribution of £39.9m to the government during the year through a profit sharing mechanism.

London Midland

Passenger revenue grew by 9.3% (2015: 5.4%) in the year and passenger numbers increased by 5.9% (2015: 2.1%) on a like for like basis. London Midland's trading performance improved in the second half of the year.

The franchise entered into a directly awarded contract on 1 April 2016 and in the period to the year end passenger journeys and revenues exceeded bid expectations. We have been shortlisted to rebid for the West Midland franchise and look forward to submitting a strong bid.

Capital expenditure and depreciation

Capital expenditure for the rail division was £17.8m (2015: £6.2m) and depreciation was £7.4m (2015: £24.8m).

In 2016/17, capital expenditure is expected to be around £15m reflecting investment in GTR and Southeastern.

Rail outlook

This year has seen a continuation of the transition started last year in rail, with the industrial relations issues in that franchise being the primary area where a resolution is needed. We continue to focus our local management teams on delivering benefits for passengers while working with industry partners, such as Network Rail, to minimise the disruption caused by major infrastructure work associated with the Thameslink Programme. Our vision of every journey being taken care of is being cascaded across the franchises with programmes underway to enhance the customer experience and make our vision a reality.

Trading in the Southeastern and London Midland franchises continues to be robust and help offset underperformance in GTR.

Our operating companies

GTR	London Midland	Southeastern
Revenue: **£1,210.7m***	Revenue: **£426.2m**	Revenue: **£861.1m**
Passenger journeys: **335m***	Passenger journeys: **72m**	Passenger journeys: **186m**
Average no. of employees: **6,876***	Average no. of employees: **2,402**	Average no. of employees: **4,191**

* The numbers shown for GTR, are combined figures for GTR and Southern operations.

Introduction to corporate governance

"The Board will play an important role in the leadership and oversight of cultural change."

Dear Shareholder

As a Board, we are committed to maintaining high standards of corporate governance.

In September 2014, the Financial Reporting Council (FRC) published the latest edition of the UK Corporate Governance Code (the 2014 Code), which included a number of changes around directors' remuneration, risk management and internal control, which we have adopted. In the report that follows on pages 58 to 107 and in the shareholder information on pages 173 to 175, we set out our governance policies and practices and explain how the Group has applied the main principles and complied with the relevant provisions of the 2014 Code. We also explain some of the specific challenges we faced during the year and how we dealt with them.

Your Board

The balance of skills, knowledge and experience on the Board and the committees which support the Board are crucial to the effective functioning of the Board. I am very happy with the composition of our Board. It is strong and collegiate, in part because its members have relevant and diverse experience and there is the opportunity for everyone to contribute. We have constructive and challenging debate, enabling the Board to make the best possible decisions.

In March 2016, we welcomed Patrick Butcher to our Board as Group Chief Financial Officer. Patrick is an excellent addition to the Board, bringing strong financial and commercial management capabilities as well as significant transport sector and stakeholder experience. I am confident that Patrick's skills will complement those of the longer serving directors and will strengthen the Board.

Details of Patrick's appointment and induction process can be found on pages 66 and 81.

Culture and values

We recognise that the Group's culture is fundamental to our long term sustainable success. It will distinguish us from our competitors and is crucial to the achievement of our strategic goals. Our new vision, attitudes and beliefs will be the drivers for our desired culture. They will ensure the right behaviours and will govern our interaction with customers, stakeholders and employees.

The Board will play an important role in the leadership and oversight of cultural change and ensuring that our culture, strategy and capability are all aligned in a way that creates value for our business. Our new vision, attitudes and beliefs, which have been created in collaboration with our employees and stakeholders, put customers at the heart of our business and will support value creation for our key stakeholders, including our shareholders and the wider society. They will underpin our business model and guide Board behaviours and decision making. We are at the beginning of a journey of cultural change and the Board's role will continue to evolve as these changes are embedded throughout our business.

For background on our new vision, which is 'a world where every journey is taken care of' see page 33.

Board effectiveness

Following the external review of the Board last year, it was agreed that an internal review would be undertaken this year. This was led by the Group Company Secretary and assessed progress against the actions agreed as part of last year's evaluation, in addition to discussing some current themes and common areas of boardroom best practice.

I am pleased to report that the review this year concluded that the Board continued to function well with good progress having been made in all of the areas of improvement identified as part of last year's evaluation. It is evident that the changes we make each year in response to these reviews have improved the overall effectiveness of the Board. We look to continually improve and we will follow up and implement the recommendations from the internal review this year, as set out on page 68.

Risk

The Board is ultimately responsible for setting the risk appetite of the Group and ensuring that appropriate risk management systems are in place. During the year, we commissioned an independent review of our approach to risk management which found Go-Ahead's risk environment and culture to be robust, with an intrinsic understanding and management of risk across the Group. There were a number of recommendations which we have implemented, and which support the additional risk management responsibilities placed on the Board as a result of the recent changes to the 2014 Code. Details of the review process and results can be found on pages 41 to 45. Another new requirement of the 2014 Code is for Boards to make an annual viability statement and this can be found on page 41.

Andrew Allner,
Chairman

8 September 2016

Compliance with the UK Corporate Governance Code

Go-Ahead complied in full with the provisions of the Code published in September 2014 which applied throughout the financial year ended 2 July 2016. The Code is issued by the Financial Reporting Council (FRC) and is available for review on the FRC's website: http://www.frc.org.uk

Corporate governance at a glance

Summary of key Board objectives set for 2015/16

- Implement the external Board evaluation review recommendations
- Improve focus in response to rail performance and customer experience
- Bid for second tranche of work for the Singaporean bus market
- Continue to monitor progressive dividend policy
- Implement the changes required to comply with the 2014 Code including risk process and appetite

Summary of key highlights for 2015/16

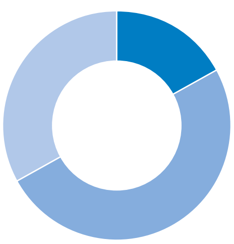
- Good progress made implementing the recommendations from the external Board evaluation review with improved Board effectiveness as a result
- More time spent on stakeholder management and corporate reputation at Board meetings, with particular focus on GTR, and regular updates from senior management
- Successful win of 25 route bus contract in Singapore
- Reviewed the Group's dividend policy, including capital allocation and return opportunities
- Independent review of risk framework, with enhancements made to support the assessment of risk and risk appetite

For the full list of objectives, highlights/progress made and priorities categorised under each of our key areas of Board, strategy, contracts, bids and acquisitions, finance and risk and governance, please see pages 64 and 65

Summary of key priorities for 2016/17

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

2016 Composition



- Chairman: **17%**
- Independent non-executive directors: **50%**
- Executive directors: **33%**

More information on pages 60 and 61

Attendance

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

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

1. Members of the executive team attended committee meetings by invitation as appropriate which are not included in the above attendance.
2. Patrick Butcher was appointed to the Board in March 2016 and was therefore eligible to attend three scheduled and two unscheduled Board meetings.
3. Keith Down officially resigned from the Board on 6 December 2015 but left the Group on 13 November 2015. He was therefore eligible to attend four scheduled Board meetings.
4. Nick Horler missed one unscheduled Board meeting called at short notice due to a previously confirmed commitment.

Responsibility of the Board

Board

- Governing the Group's vision, values and culture
- Approval of the Board's policies and procedures including delegated authorities and the terms of reference of all committees of the Board
- Reviewing the performance of the Board, its committees and individual directors on an annual basis
- Determining the remuneration policy for the executive directors and senior management
- Succession planning and appointments to the Board and senior management

Strategy

- Setting the long term strategy, targets and objectives to deliver value for our customers, employees, shareholders and other stakeholders
- Approval of the corporate plan for the Group and individual operating companies
- Setting and monitoring key performance indicators
- Oversight and monitoring of the corporate plan and against performance strategy

Contracts, bids and acquisitions

- Approval of material capital projects, investments, acquisitions, franchises and disposals
- Approval of changes to the Group's corporate structure and constitution
- Approval of all share schemes and share buy-back programmes

Finance

- Approval of the Group and Company financial statements and ensuring that the Annual Report is fair, balanced and understandable
- Approval of dividend policy and recommending dividends payable
- Approval of key financial policies including accounting, fuel hedging, tax and treasury policies

Risk and governance

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

Board of directors

Andrew Allner, Chairman

N R

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

Length of service: 7 years and 10 months

Independent: On appointment

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

Committee membership: Nomination Committee Chair and remuneration committee

Other directorships and offices: Non-Executive Chairman of Marshalls plc (Chairman of the nomination committee); Senior Independent Director of Northgate plc (Chairman of the audit and risk committee and member of the nomination and remuneration committees) and Non-Executive Chairman of Fox Marble Holdings plc (member of remuneration committee)

David Brown, Group Chief Executive

N

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

Length of service: 5 years and 5 months

Independent: –

Skills and experience: Over 33 years' experience in the industry with particular expertise in the London bus market. Former Managing Director of Surface Transport at Transport for London. Thorough knowledge and understanding of the Group's business, having been Chief Executive of Go-Ahead's London bus business from 2003 to 2006 and advisor to the main Board

Committee membership: Nomination committee member

Other directorships and offices: Non-Executive Director of ATOC Limited (Chair of the remuneration committee) and Director of Rail Delivery Group Limited

Patrick Butcher, Group Chief Financial Officer

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

Length of service: 0 years and 5 months

Independent: –

Skills and experience: Member of the Institute of Chartered Accountants (South Africa). Over 15 years' of experience as a finance director at Board level in transport and infrastructure companies. Former Group Finance Director of Network Rail as well as finance director roles at English, Welsh and Scottish Railways (now DB Schenker) and London Underground. Extensive experience working as a management consultant and auditor for Deloitte LLP. Former member of the British Transport Police Authority

Committee membership: Not applicable

Other directorships and offices: Not applicable

Katherine Innes Ker, Senior Independent Director

N A R

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

Length of service: 6 years and 1 month

Independent: Yes

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

Committee membership: Remuneration Committee Chair, nomination and audit committee member

Other directorships and offices: Non-Executive Chair of The Mortgage Advice Bureau

Nick Horler, Non-Executive Director

N A R

Appointment: Nick Horler joined the Board in November 2011

Length of service: 4 years and 9 months

Independent: Yes

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

Committee membership: Nomination, audit and remuneration committee member

Other directorships and offices: Non-Executive Director of Royal Mail plc (member of the audit and risk and nomination committees; Chair of Alderney Renewable Energy Limited; Chair of Meter Provida Limited and Meter Provida Investments Limited; Non-Executive Director of Thames Water Utilities Limited; Chair of Adler and Allan Limited and Chair of UK Power Reserve Limited

Adrian Ewer, Non-Executive Director

N A R

Appointment: Adrian Ewer joined the Board in April 2013

Length of service: 3 years and 4 months

Independent: Yes

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

Committee membership: Audit Committee Chair, nomination and remuneration committee member

Other directorships and offices: Not applicable

Carolyn Ferguson, Group Company Secretary

N A R

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

Length of service: 10 years and 2 months

Independent: –

Skills and experience: A Fellow of the Institute of Chartered Secretaries and Administrators. Qualified and practising coach and mentor. Extensive company secretarial, compliance, governance and pensions experience. Prior to her appointment as Group Company Secretary in July 2006, she was Assistant Company Secretary from 2001. Previous employment included working for Northern Electric, predominantly in the field of pensions.

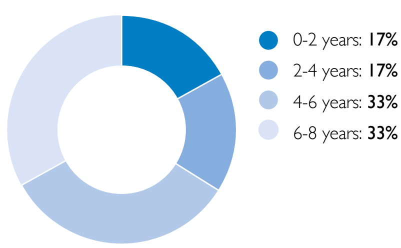
Committee membership: Nomination, audit and remuneration committee secretary

Other directorships and offices: Not applicable

Key to committees

- N Nomination committee
- A Audit committee
- R Remuneration committee
- Chairman
- Committee Secretary

Directors' tenure



* The above is as at 2 July 2016, and does not include Keith Down, who left the business on 6 December 2015 following a 4 year and 8 month term of office.

Corporate governance report

Our new vision, attitudes and beliefs will support value creation for our key stakeholders, as well as the wider society

Leadership

The role of the Board and its committees

Go-Ahead is headed by a Board whose members are collectively responsible for the long term success of the Group. Principally, we achieve this through:

- Developing and monitoring the Group's strategy, vision, attitude and beliefs
- Monitoring safety standards and championing improvements
- Setting strategic objectives for the operating companies within the Group
- Monitoring the performance of the Group
- Ensuring adequate funding and examining and approving major investment and acquisition opportunities
- Leadership and oversight of culture
- Formulating key policies and reporting to shareholders
- Assessing the governance framework of the Group
- Reviewing internal controls and maintaining a robust system of risk management
- Ensuring that suitable procedures are in place for the planning of executive, non-executive and senior management succession

Our governance framework on the following page establishes a clear division of responsibilities for the Board. The Chairman and Group Chief Executive hold distinctly separate roles and the Board has adopted a written Statement of Division of Responsibilities between the Chairman and the Group Chief Executive.

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

Our devolved framework

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

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

Board meetings

We hold nine scheduled formal meetings a year, including a separate meeting dedicated to reviewing the Group's strategy, which all directors attend. During the year, excluding standing items, the Board discussed a number of key areas including strategy, key risks and opportunities, financial performance, leadership, people and culture, governance and stakeholders. Topics of discussion centred around specific franchising and bidding opportunities, the political landscape and developments, stakeholder management and corporate reputation and deep dives into key risk areas such as cyber security and franchise bid process. This year, we also held three additional meetings where certain topics warranted more time, such as the challenges faced by GTR and financial forecasts in the corporate plan, particularly on the range of outcomes for the GTR contract. Additionally, we met to approve bids or contracts where decisions needed to be made outside the scheduled meeting timetable.

We continued to hold informal meetings and Board dinners during the year as these have proved to be an important way of building relationships outside the boardroom which in turn have resulted in greater challenge and improved Board dynamics. Additionally, the Chairman and the non-executive directors periodically meet without the executive directors present. During the year, the Chairman also met individually with each director.

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 electronically at least one week before each meeting. 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 small size of our Board provides an excellent opportunity for everyone to contribute. The Chairman ensures that adequate time is available for discussion of all agenda items, in particular strategic issues where more time is now spent in Board meetings debating key issues and key financial matters. A further improvement from last year's Board evaluation review was to adopt a clear flagging system for Board papers to guide whether these are for decision, for discussion or for information at Board meetings.

The areas which the Board focused on in 2015/16, the highlights/progress against these objectives together with the priorities for 2016/17 are set out on pages 64 and 65.

Modern Slavery Act 2015

The Board recognises the importance of the provisions of the Modern Slavery Act 2015 and the directors aim to ensure that slavery and human trafficking have no part in the Group's supply chain. The Group has always been vigilant about employee welfare and aims to be transparent in its practices. During the year, the Board approved a new Modern Slavery Act Policy and a signed statement can be found on the Group's website www.go-ahead.com. All operating companies across the Group have also approved the Group's Modern Slavery Act Policy, with signed statements also on all individual operating company websites. Further details on the Group's approach to human rights are set out on page 35.

Board and governance framework

Shareholders

Board

- Responsible for the overall conduct and culture of the Group's business
- Ensuring the long term sustainable success of the Group
- Setting strategy and direction
- Ensuring the effectiveness of and reporting on our system of corporate governance
- Accountable to stakeholders and shareholders

More information on page 62

A schedule of matters reserved for the Board can be found on our website www.go-ahead.com

Chairman

Leads the Board and is responsible for its effectiveness

Group Chief Executive

Leads the business and is responsible for executing the strategy

Group Chief Financial Officer

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

Senior Independent Director

Acts as a sounding board for the Chairman and intermediary for other directors where necessary

Non-Executive Directors

Constructively challenge and help develop the Group's strategy

Audit committee

- Provides assurance to the Board over the Group's financial statements
- Reviews the activity and performance of the internal and external auditors
- Reviews the integrity, adequacy and effectiveness of the Group's system of internal control including the risk management framework and related compliance activities

More information on page 71-79

Nomination committee

- Evaluates and makes recommendations regarding Board and committee composition, succession planning and diversity
- Oversees the Group's leadership and talent framework, succession planning and Group-wide diversity initiatives

More information on page 80-83

Remuneration committee

- Sets the executive directors' remuneration policy to support strategy
- Sets performance targets and reviews outcomes in accordance with policy
- Oversees the reward framework for senior managers within the Group

More information on page 84-103

Group Company Secretary

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

Operating company boards

- Operated as autonomous business units by local senior management who know their markets well
- Local senior management report directly on day-to-day management issues to the executive directors who in turn appraise the Board

Rail and bus steering groups and forums

Cross-business steering groups which comprise the managing directors in each operating company meet with the executive directors on a regular basis to:

- Explore and identify new opportunities and initiatives
- Share knowledge, experience and best practice across operations

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

Group executive team

- Comprises senior managers responsible for the key centralised Group functions
- Meets monthly with the executive directors to review the business and identify, execute and track synergies which can then be cascaded through the cross-business groups and forums
- Functions include, but are not limited to the areas of IT, procurement, bus and rail business development and marketing

Board

Board objectives set for 2015/16	Highlights/progress made against 2015/16 objectives	Priorities for 2016/17
• Implement the external Board evaluation review recommendations • Further align succession planning and leadership development with strategic planning • Continue to strengthen talent strategy in the context of culture, values and behavioural framework • Continue to build upon and develop diversity initiatives • Appoint a replacement Group Finance Director and facilitate his/her induction to the Group	• Good progress made implementing the recommendations from the external Board evaluation review with improved Board effectiveness as a result • Annual leadership review completed, including senior management succession planning oversight • Non-executive director succession review completed with agreed rotation points • Further progress with implementing a range of diversity initiatives under the direction of the new diversity steering group • Patrick Butcher appointed as Group Chief Financial Officer, with his induction completed	• Implement the actions from the internal Board evaluation • Drive culture change and ensure all strategic decisions are underpinned by the Group's new vision, attitudes and beliefs • Continue to strengthen diversity initiatives and extend the work across the rail division • Continue supporting the new Group Chief Financial Officer's integration during the remainder of his first year with the Group • Remain informed and abreast with best practice processes and reporting

Strategy

Board objectives set for 2015/16	Highlights/progress made against 2015/16 objectives	Priorities for 2016/17
• Review of organisational structure to deliver strategy • Continue to develop framework for development and diversification opportunities • Further enhance collaboration and partnership working • Improve focus in response to rail performance and customer experience	• Organisational review completed, including succession, leadership and talent planning to support strategy • Approach to strategy discussions and monitoring strengthened to develop and support framework • Improved collaboration and partnership working, supported by the new vision, attitudes and beliefs, with their customer centric focus • Increased focus on stakeholder management and corporate reputation at Board meetings, with regular updates from senior management • Executive remuneration closely aligned to rail performance and customer experience priorities	• Review and monitor delivery of the Group's strategic priorities • Understand the internal and external factors, including risks, that support the delivery of the Group's strategic priorities • Review approach to succession planning, leadership development and talent management to ensure alignment with strategic planning and corporate culture • Focus on improving performance and customer services at GTR • Ensure our strategy supports delivering value for our customers, employees, shareholders, stakeholders and the wider society • Effective roll-out of a 'lean engineering' approach across the bus division to reduce costs and improve productivity

Contracts, bids and acquisitions

Board objectives set for 2015/16	Highlights/progress made against 2015/16 objectives	Priorities for 2016/17
• Consider further contract opportunities in the German regional rail market • Bid for second tranche of work in the Singaporean bus market • Direct award contract terms for London Midland • Continue to undertake careful analysis to establish other opportunities which best complement our portfolio, match our risk appetite and offer attractive returns for our shareholders	• Successful win of two German rail contracts • Successful win of 25 route bus contract in Singapore • London Midland awarded a new contract enabling it to retain the West Midlands franchise until October 2017 • Ongoing research and due-diligence to consider further opportunities	• Bid for the West Midlands franchise • Continue to grow the business in Germany through further contract wins • Bid for third tranche of work for the Singaporean bus market • Continue to ensure growth within the bus division and prepare for the threats and opportunities of bus franchising • Work with stakeholders on the potential structure of a Southeastern bid in 2018 • Continue to undertake careful analysis to establish other opportunities which best complement our portfolio, match our risk appetite and offer attractive returns for our shareholders

Finance

Board objectives set for 2015/16	Highlights/progress made against 2015/16 objectives	Priorities for 2016/17
• Continue to monitor progressive dividend policy • Maintain focus on strong financial discipline and best practice policies and processes • Execute the agreed transition plan for the change of statutory auditor • Respond to changes in the external regulatory environment to ensure best practice compliance and reporting	• Reviewed the Group's dividend policy, including capital allocation and return opportunities • Reviewed key financial policies, including delegated authorities and fuel hedging • Managed the transition of external auditor from Ernst & Young LLP to Deloitte LLP • New viability statement in this year's Annual Report, with processes now in place to support this assessment annually • Secured a bridging facility to provide a backstop option for repayment of the £200m corporate bond	• Continue refinement of dividend policy and return to shareholders where appropriate • Continue to review fuel hedging policy and levels secured • Re-finance the corporate bond with an appropriate instrument • Maintain investment grade rating

Risk and governance

Board objectives set for 2015/16	Highlights/progress made against 2015/16 objectives	Priorities for 2016/17
• Implement the changes required to comply with the updated 2014 Code including risk process and appetite • Continue to review and strengthen cyber security policies and processes	• Review of processes to ensure full compliance with the 2014 Code • Independent review of risk framework, with enhancements made to support the assessment of risk and risk appetite • More in-depth review of information and cyber security, including review of risk management, controls, training and action plans • New Board approved Enterprise Information Security Charter • Internal audit review of IT security systems	• Continue embedding the recent risk management and internal control improvements and review effectiveness • Schedule 'deep dive' reviews into key risk areas and continue to develop risk appetite discussions and assessment • Implement the recommendations of professional advisors to continue to strengthen and enhance IT Systems across the Group • Review internal management of compliance and internal audit workstreams • Participate and consult on developments in governance and best practice

New priority for 2016/17: Culture

As explained on page 33, during the year we introduced a new Group vision with supporting attitudes and beliefs. The Board believes that strong governance and setting the correct 'tone from the top' underpins a healthy culture, which in turn both protects and generates long term value for the business. Our new vision is 'a world where every journey is taken care of'. It is future focused, aspirational and puts customers at the heart of our business. It sets out where we want to be. The Board has played an important role in leading this cultural change and has been mindful of the report on 'corporate culture and the role of board' by the Financial Reporting Council (FRC). The Board has a key role to play in influencing and shaping culture change as we embed it throughout the business and below are just a few of the Board's key priorities on culture over the year ahead:

- Lead by example and ensure good standards of boardroom behaviour
- Ensure the Group's strategy and business model are aligned to our new values
- Ensure Board behaviour and decision making is underpinned by our new values
- Agree the indicators and measures to evaluate and report on culture change
- Engage with shareholders, employees and other stakeholders
- Oversee the embedding and integration of the Group's values across the business
- Ensure we remain at the forefront of good governance, consult and engage as appropriate
- Dedicate time and resource to culture and the role of the Board

Effectiveness

Board composition
On 2 July 2016, the Board comprised the Chairman, three non-executive directors and two executive directors. Patrick Butcher became Group Chief Financial Officer on 14 March 2016 after Keith Down stepped down as Group Finance Director on 6 December 2015.

The biographies of all members of the Board, outlining the experience they bring to their roles, are set out on pages 60 and 61.

Election and re-election to the Board
All directors have submitted themselves for re-election at the 2016 Annual General Meeting with the exception of Patrick Butcher, Group Chief Financial Officer, who will offer himself for election for the first time in accordance with the Group's articles of association.

The nomination committee confirmed to the Board that the contributions made by the directors continued to be effective, with the non-executive directors exercising strong and independent oversight. The nomination committee recommended that the Board should support the re-election of all directors. Full details of the review of the Board's composition, the contribution of individual directors and time commitments can be found on pages 67 to 69.

Induction
All new directors undertake a full induction programme either shortly before, or upon joining the Board. This is a personalised induction programme tailored specifically to take into account their previous experience and background and is targeted to particular areas of focus. It includes, amongst other things, the business of the Group; the legal and regulatory responsibilities of directors; meetings and briefings from members of the Board; opportunities to meet with local senior management at operating companies; and opportunities to meet with key advisors.

Ongoing development
The Chairman regularly encourages the non-executive directors to continually update their skills, knowledge and ongoing familiarity with the Group in order to competently carry out their responsibilities.

This is achieved as follows:

- Regular presentations at Board meetings from senior management on matters of importance. Examples during the year included presentations on key areas of risk, rail franchising opportunities and bidding, overseas rail and bus strategy and matters of operational significance

Patrick Butcher's induction

"My induction programme enabled me to quickly develop my knowledge of all parts of the business and to gain an understanding of the interaction between the Group's centralised functions and the devolved, autonomous operating companies. Meeting shareholders and other stakeholders was an important part of understanding the link to the strategic priorities of the Group and the timing of my appointment was such that I was able to contribute to the new vision, attitudes and beliefs work before it was rolled out across the Group. I believe that the positive cultural changes that these will evoke, underpinned by the customer centric approach, will differentiate us from our competitors and will support the achievement of our strategic goals."

Patrick Butcher,
Group Chief Financial Officer

Expertise
Over 15 years' experience as a finance director at Board level in transport and infrastructure companies

Focus areas:
- Group structure, including the devolved management approach and governance framework
- Understanding the key strategic priorities and how they add value to the Group
- Understanding the key risks and the internal controls in place to mitigate the risks
- Group culture including embedding the new vision, attitudes and beliefs
- Building relationships with key colleagues across the Group, stakeholders and advisors

Overview of the Group Chief Financial Officer's induction programme
- One-to-one meetings with members of the Board, including the Group Company Secretary
- One-to-one meetings with the Group executive team responsible for the Group's centralised functions
- Meeting with the local senior management teams in each of the Group's operating companies, in addition to colleagues within the businesses
- Meeting independently with both the internal and external auditors and the key advisors to the Group and the Board
- Meeting with key financial stakeholders
- Training on his duties as a director, listed company regulations and the Group's governance framework and policies
- Reviewing investor feedback reports and introductory meetings with a number of major shareholders

- The non-executive directors have a planned programme of operating company visits during the year, in addition to attending the Group's annual management conference
- Regular updates on the Group's businesses as well as updates on corporate governance, sustainability and legislative/regulatory issues. Updates are by way of written briefings from the Group Company Secretary, presentations from management and presentations from external advisors. During the year under review updates again focused on the revisions to the 2014 Code, the new Market Abuse Regulations, the Modern Slavery Act and boardroom best practice
- Regular updates on political and market related issues as well as compliance training. During the year this included the Bus Sevices Bill and the referendum to exit the European Union

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

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

Board effectiveness review

Following the external review of the Board last year, it was agreed that an internal review, facilitated by the Group Company Secretary, would be undertaken this year.

The key objective of the review, which was undertaken from April to August 2016, was to build upon the improvements made after last year's external evaluation and to identify if there were any further changes that may enhance the Board's effectiveness.

Ahead of meeting individually with each Board member, the Group Company Secretary distributed a discussion document which had been agreed with the Chairman and included a copy of the previous year's evaluation report and action plan. Following the individual meetings, the Group Company Secretary briefed the Chairman on her findings before a final report was sent to all Board members ahead of discussion at the next Board meeting.

Progress against actions

Good progress was made against the recommendations arising from the previous year's external evaluation:

Recommendations from 2014/15 Board evaluation	Actions taken in 2015/16
Stakeholder management and corporate reputation Consider how to maximise the non-executive directors' participation in stakeholder management	The Board now discusses stakeholder management and corporate reputation at each Board meeting, with the Group Chief Executive providing a comprehensive update. There were also presentations from senior management across the Group who were at the forefront of stakeholder management and corporate reputation.
Strategy development/iteration Consider the timing and format of more regular strategy updates	The Board felt that there was now a good balance between presentations and discussions on the annual strategy day, with much more free-flow discussion. Strategic discussions were also becoming more 'business as usual' as part of routine meetings. The mid-year strategy review had become a regular feature in the Board's calendar, with the executive directors providing a more formal update on each of the key strategic priorities.
Organisation and Group structure Review Group and organisation structure, and succession and talent planning to further support Group strategic objectives	During the year, the Board had discussed and debated the current organisation structure, in addition to considering succession and talent planning in the context of supporting the Group's strategic objectives. Regular updates were now provided by the Group HR Director, with more detail provided for critical key roles and individuals. Further details can be found in the nomination committee report on pages 80-83.
Top down consideration of risk Consider new approaches to the assessment of risk including how the Group improves its articulation of risk appetite	During the year, the Group's internal auditor, PricewaterhouseCoopers (PwC), was asked to assess the Group's risk management approach, with a focus on the top down risk management process. A number of enhancements were subsequently made to the risk management which are explained in more detail on page 77.
Non-executive director rotation and succession Plan for the next Board refreshment and crystallising non-executive director rotation points in light of future needs	Led by the Chairman, a comprehensive review of non-executive director rotation and succession had taken place during the year, which had included one-to-one discussions with all non-executive directors. A plan and timeline had subsequently been agreed, including all non-executive director crystallisation points, and this would now regularly be reviewed at nomination committee meetings. Further details can be found in the nomination committee report on pages 80-83.
Executive team development and diversity Develop internal and external candidate pools from non-traditional sources	The Board welcomed the more detailed information now provided as part of the Group HR Director's regular updates and which enabled them to understand how the executive team were being developed and how they were supporting succession strength. With the Group's new diversity steering group now firmly established, regular updates would now also be received on the Group's diversity and inclusion initiatives. Further information can be found on page 83.

Current themes and boardroom best practice

In addition to reviewing progress against the actions from the previous year's review, the one-to-one meetings with the Group Company Secretary also drew upon the current themes for boards and boardroom best practice in the context of Go-Ahead, including each individual non-executive director's own experience:

Leadership and culture	The view was that successfully embedding the Group's new vision, attitudes and beliefs, with their underpinning customer centric view, would be a critical element in the Group's long term sustainable success. There was an acknowledgement that work to embed culture change would present both opportunity and risk and the Board embraced the leadership role they would play and their accountability for the governance of culture.
Diversity	The Board welcomed the changes and initiatives underway to improve gender diversity below Board level, with the planned regular diversity steering group updates enabling the Board to be more informed about the progress being made and the industry challenges. While the initial focus had been on improving gender diversity in the bus division, it would be important to consider all areas of diversity across the entire business with the ongoing work on vision, attitudes and beliefs helping to support and influence behaviours.
Risk	The Board felt that they had a good understanding of the risks to the business, with the work undertaken with PwC providing the assurance that risk management within the Group was effective in practice. The Board welcomed the now regular 'deep dives' into key risk areas which during the year had included reputation, franchise bidding process, disruptive technology and cyber security.
Succession planning	The Board understood the importance of having a solid pipeline of high quality internal candidates who could be ready for senior management and Board positions in a range of situations. The regular updates now received from the Group HR Director enabled the Board to review internal talent and development practices in support of succession planning. It would be important that this focus continued, with processes aligned to the new vision, attitudes and beliefs.

Board review highlights

Overall, the internal review this year concluded that the Board continued to function well with the dynamics, culture and effectiveness all continuing to improve. The small size of the Board was cited as a positive by all, primarily as it provided the opportunity for everyone to contribute. Discussions were supportive, with open dialogue and constructive challenge, and individual members of the Board remained effective in their ability to discharge their duties and responsibilities.

The review also found Board information to be comprehensive and received in a timely manner. The role of the Chairman, and the formal and informal initiatives which were now a regular feature of the Board's operation, continued to be welcomed and it was this building of trust and the fostering of good relationships both inside and outside the boardroom which had served Board discussions well during the year.

There was general satisfaction that audit, nomination and remuneration committees were functioning well.

Opportunities to increase Board effectiveness

The Board continually strives to improve its effectiveness. There were a number of opportunities identified as part of this year's internal evaluation which could serve to further enhance the effectiveness of the Board. These included:

- Culture: A detailed review of the Board's role in the governance and oversight of culture, with the Board's dual leadership role of accountability and assurance
- Succession planning (executive): Increased focus on alignment to strategic planning and corporate culture as a means of selecting the individuals best suited to the Group's future direction
- Succession planning (non-executive): To support the plan and timeline now agreed, assess existing skill set of the Board and undertake gap analysis of Board requirements to achieve a better link to strategy and Group culture
- Risk: Embedding the recent improvements made to risk management processes during the year to ensure the Group remains at the forefront of effective risk management and best practice. Focusing on key risk areas, such as reputational risk, and the actions taken to mitigate such risks

Full details of the actions taken in response to these opportunities to increase Board effectiveness, including progress against them, will be provided in next year's annual report.

Individual director effectiveness

In addition to the evaluation of the Board and its committees, the Group Company Secretary also facilitated 'peer to peer' director assessments which involved each non-executive director completing a self-assessment questionnaire and a cross-assessment questionnaire on each other.

The questionnaires were designed to gain insight into the directors' perception and views of the nature of the relationship between Board members and whether the Board processes, support and interactions with its committees were appropriate. Views were also sought on the administrative support for the Board and whether sufficient information and time were devoted to key issues and strategic matters.

Executive directors were not required to complete self-assessment questionnaires or have cross-assessment questionnaires completed on them given that this process had taken place at their one-to-one appraisals. The executive directors were required to complete a cross-assessment questionnaire on each non-executive director.

The Group Company Secretary compiled the information from the questionnaires into a report to ensure feedback from each director remained anonymous. The Chairman met with each director to discuss findings from the questionnaires. As in previous years, the Senior Independent Director led the process of evaluating the performance of the Chairman, in consultation with the non-executive directors and with input from the executive directors.

Information and support

Board procedures manual

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. This manual is regularly updated to ensure it is consistent with current best practice.

Group Company Secretary

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

The Group Company Secretary reports to the Chairman in her role as secretary to the Board and its committees. She reports to the Group Chief Financial Officer on all other company secretariat matters, including the management of the Group's bus pension arrangements. Her biography can be found on page 61.

Independent advice

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

Our key stakeholders

Collaboration with stakeholders and partnership-working is fundamental in our approach and the long term sustainability of our business.

As a leading provider of transport in the UK, we face a wide range of complex issues. Some of those issues are within our control, some we seek to influence and others are more challenging to manage and require strong and collaborative relationships with our stakeholders, which can be seen to give us a positive advantage in our market.

Our customers, people, local communities, investors, both international and local governments, strategic partners and suppliers are our key stakeholders and all have a material impact on the successful delivery of our strategic targets.

Relations with stakeholders

One of the Board's key priorities is to build relationships with all of our stakeholders through communication, collaboration and partnership working. We recognise that in certain parts of our business there are challenges, which we are working hard to address. We strongly believe that these challenges are best met by working together.

Our people

High levels of employee engagement, commitment and job satisfaction contribute directly to the success of Go-Ahead. The majority of our people are members of trade unions and our local teams look to foster good relationships with their representatives.

Communities

Our businesses are part of the local communities in which they operate. Our aim is to play a constructive role in the villages, towns and cities we serve, working closely with local community groups.

Investors

As a publicly listed company we provide open and transparent information which enables informed investment decisions to be made. Providing information so that investors can make informed decisions is a priority for us. Feedback from our shareholders forms part of strategic discussions in the boardroom.

Governments and local authorities

Policy and regulatory changes affect our bus and rail business. Working closely with both central and local government enables us to provide input into new policies and ensure we receive regular feedback on our performance.

Strategic partners and suppliers

Professional relationships with core suppliers and strategic partners help to ensure and support efficient delivery of our passenger transport services. We have an ethical procurement policy demonstrating our values extend to our supply chain and those who do business with us.

Customers

We need to know how we are performing and our passengers' perception of our services so we can deliver change and improvements. We understand our local markets and strive to meet our passengers' needs, including accessibility. Our new vision, attitudes and beliefs have a customer centric focus.

For more about our relationships with our stakeholders, visit: www.go-ahead.com

Relations with shareholders

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

The Group's investor relations (IR) programme, managed by the Group IR team, includes regular dialogue between the executive directors and current and potential shareholders through group and one to one meetings, presentations and conferences. The executive team are also in regular contact with sell-side analysts and meet with broker sales teams to communicate the Group's key message to the people dealing with investors every day. We also communicate with the investment community through regular news releases and trading updates. Financial results and other material news releases are issued via the London Stock Exchange as well as being published on our corporate website www.go-ahead.com.

The IR section of our website provides a wealth of information including a dedicated results centre, latest news, access to reports, presentations and other useful documents, as well as share price, market capital and other shareholder information. Investors and other interested parties can subscribe to receive news through email updates by registering their details on our website.

Our website is fully responsive, enabling shareholders to access information on the move through a range of mobile devices.

We continue to use other channels to engage with a wider audience through our social media accounts. We also have a range of award-winning social media activities in place across our bus and rail companies, updating passengers with realtime service information. Combined, Go-Ahead and its companies are reaching 250,000 people on Twitter and 140,000 on Facebook. During the year we were awarded the most effective communication of overall investment proposition and best use of digital communications within the FTSE 250 category, at the Investor Relations Society Awards 2015 for the second year running. More recently, we have been shortlisted for the best printed Annual Report in the 2016 Corporate & Financial Awards.

Our investor base is largely UK focused and as such we focus our IR programme in the UK. Following our full and half year results we hold investor roadshows in London and Edinburgh for institutional investors. We also typically attend the annual conferences held by our corporate brokers. In addition to these programmed events, we respond to meeting requests from institutional and private holders throughout the year. While key shareholder engagement activities are undertaken by the executive directors, overall responsibility for ensuring that there is regular and effective dialogue with investors rests with the Chairman. The Chairman held a number of meetings with shareholders during the year and is available to meet investors and appreciates the opportunity to do so. The Senior Independent Director and committee chairs are also available to meet key investors on request and the Group Corporate Communications Director and Head of IR are available to provide updates on the Group's sustainability and broader governance strategies to socially responsible investors.

The IR team provides the Board with regular reports and updates, including analysts' reviews, analysis of the shareholder register and shareholder feedback. Understanding our shareholders' views is important to us. Following our full and half year roadshows our corporate advisors gather detailed feedback from institutional shareholders which is presented to the Board. This forms an important part of the Board's strategic discussions and also assists the IR team in improving the quality of communications.

Annual General Meeting (AGM)

In addition to individual meetings, the principal communication with all shareholders is through the Annual Report and the AGM. The AGM is attended by all directors and all shareholders are invited and encouraged to attend as it provides an opportunity to develop their understanding of the Group and ask questions. There is also the opportunity to meet informally with the directors before and after the meeting.

Full details of the business to be discussed at the Group's next AGM on Thursday 3 November 2016 can be found in the Notice of Meeting. This is sent to registered shareholders in advance of the meeting and will also be available on our website at www.go-ahead.com.

Audit committee report

"During the year, we enhanced our risk management and internal control framework"

Dear Shareholder

As Audit Committee Chair, I am pleased to present the audit committee's report for the year ended 2 July 2016.

We take very seriously our governance requirements and the support we provide to the Board. As a result of regulatory change in recent years, the role of the audit committee has significantly expanded and it remains one of our key priorities to monitor and implement changes in the external regulatory environment and best practice. The committee has welcomed the changes to the UK Corporate Governance Code (the 2014 Code) and the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in September 2014, which applies to the Group for the first time this year. Our aim is to provide confidence in the integrity of the Group's processes and procedures in relation to internal control, risk management and financial reporting.

On the following page, we set out the committee's objectives for 2015/16 and the progress we have made against these objectives. We have also focused on a number of key areas during the year which are explained in more detail throughout this report.

Internal controls and risk

The committee places great emphasis over the need to maintain sound internal control processes across the Group. In particular, we will look to strengthen our controls over IT processes. In addition to reviewing the internal control and risk management systems in place, we commissioned an independent review of the effectiveness of our framework. This review was a robust assessment of the effectiveness of our existing risk management and internal control framework and how well we monitor principal risks. As a result of this review, we made a number of enhancements which strengthen our approach to risk management and supports compliance with the new provisions of the 2014 Code and the spirit of the 2014 Code's guidance.

Integrity of reporting

We review the external audit findings to support the accuracy and completeness of reporting disclosures. During the year this included ensuring consistency with the business model and strategy, providing assurance to the Board on the fair, balanced and understandable statement and assessing the new long term viability statement, more details of which are included in this report.

In conjunction with the external auditor, the committee also focused on a number of key areas where significant judgements had been applied which could have a material impact on the financial statements. The committee discussed the assessment of the impact of the key judgements and the level of management challenge, particularly around provisions and accruals in the train operating companies. As explained on page 120 the rail industry operates through a number of complex contractual arrangements between the DfT, Network Rail and our train operating companies. Given the difficulties that the Group has experienced with GTR, the committee has focused on the key judgements exercised by management over the expected outcomes of negotiations with the DfT and Network Rail on the GTR franchise. The committee is satisfied that the amounts recognised in the accounts are fair estimates of the likely outcomes. More details on the significant accounting judgements and key sources of estimation uncertainty can be found on page 75.

New external auditor

Following a competitive tender process in 2014, the proposal to appoint Deloitte LLP as external auditor received shareholder approval at the AGM on 22 October 2015. Chris Powell was appointed as the lead engagement partner from the same date.

Management and Deloitte LLP have worked collaboratively to ensure a thorough induction process has been undertaken. The induction has enabled Deloitte to gain a deep understanding of the business, its systems and processes. On behalf of the Board, I thank Ernst and Young LLP for their long-standing contribution to the Group over the years.

Our remit also included ensuring that the scope of the external audit and fee were appropriate and the effectiveness of the external audit was monitored, which was particularly important this year with the transition from Ernst & Young LLP to Deloitte LLP.

Looking forward to the next 12 months, the committee will continue to focus on the audit, assurance and risk processes within the business.

Further details of the committee's activities during the financial year ended 2 July 2016 can be found on the pages which follow.

Adrian Ewer,
Audit Committee Chair

8 September 2016

Audit committee report at a glance

Audit committee objectives set for 2015/16

- Continue to monitor changes in the external regulatory environment to make sure that we continue to have appropriate financial, compliance and internal controls in place
- Support the transition of the external auditor from Ernst & Young LLP to Deloitte LLP and facilitate the induction of Deloitte LLP
- Continue to ensure the committee is exercising its assurance oversight in the best possible way
- Support the Board in responding to the amendments to the updated 2014 Code, including assessment of risk appetite and the statement on the Group's viability
- Review of scope and delivery of internal audit

Highlights/progress made against 2015/16 objectives

- Reviewed the significant financial judgements made during the year and in the preparation of the 2015/16 Annual Report and Financial statements
- Provided assurance to the Board on whether the 2015/16 Annual Report and Financial statements, taken as a whole, are fair, balanced and understandable
- Managed the independent review of the risk management and internal control framework, and the implementation of a number of enhancements
- Considered the longer term assessment of the viability of the Group, including the financial and operational position of the Group and the potential impact of the principal risks and uncertainties
- Oversaw the handover process from external auditor Ernst & Young LLP to Deloitte LLP
- Reviewed the effectiveness of the external audit process and recommendation on reappointment

Priorities for 2016/17

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

More information on pages 73 to 79

Audit committee membership

Adrian Ewer	Committee Chair
Katherine Innes Ker	Senior Independent Director
Nick Horler	Independent Non-Executive Director

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

Attendance

Committee at work – external auditor transition

Deloitte LLP was appointed as the Group's external auditor at the 2015 AGM following a rigorous selection process. This involved six firms submitting a response to a pre-qualification questionnaire with three being shortlisted to provide presentations to an audit tender panel (the AT Panel) comprising the Audit Committee Chair, the former Group Finance Director and the Group Financial Controller. The Board approved the AT Panel's recommendation to appoint Deloitte LLP due to their extensive experience, particularly in a listed environment, and their knowledge and experience of the transport industry, particularly the rail and bus sectors.

Since then, the audit committee has overseen the transition of the external audit work to Deloitte LLP through a number of activities:

- An extensive handover with the former auditor, Ernst & Young LLP, was undertaken to ensure a smooth transition took place
- Deloitte LLP underwent a thorough induction process to enhance their understanding of our business, including meetings with our executive directors and senior managers across the business
- Deloitte LLP carried out a number of site visits across our operating companies
- Deloitte LLP created a detailed audit plan, setting out the scope and objectives of the audit together with an overview of the planned approach, an assessment of the Group's risk and controls, and proposed areas of audit focus
- Deloitte LLP has worked closely with the Group to consider key accounting matters that arose throughout the year
- Deloitte LLP completed a review of the interim results and carried out some advanced audit procedures on the period 10 results, and provided preliminary findings on the key financial and internal control matters

Committee purpose and responsibilities

The purpose of the committee is to monitor and review the Group's financial reporting arrangements, the effectiveness of its internal controls and risk management framework, the internal and external audit processes and the Group's whistleblowing procedures. The committee reports to the Board on its activities and makes recommendations, all of which have been accepted during the year.

Committee composition, skills and experience

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

How the committee operates

The audit committee usually meets at least four times a year, excluding meetings held to review its effectiveness as part of the annual performance evaluation. Members' individual attendance at committee meetings for the year under review can be found on page 59.

Meetings of the committee generally take place immediately prior to a Board meeting in order to maximise the effectiveness of collaborating with the Board. Meetings are attended by the independent non-executive directors. By invitation, the Chairman, Group Chief Executive, Group Chief Financial Officer and internal and external auditors regularly attend meetings. In order to ensure momentum is sustained and matters progressed, the Audit Committee Chair holds pre-audit committee meetings with key advisors between main committee meetings.

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

Terms of reference

The committee's terms of reference are reviewed annually and approved by the Board. They are available on our corporate website at www.go-ahead.com or upon request from the Group Company Secretary.

During the year, the committee reviewed the recently revised UK Corporate Governance Code 2016 and the associated Guidance on Audit Committees to reflect the forthcoming UK legislation on audit committees and auditor appointments. The committee's terms of reference and policy on non-audit services have been updated accordingly to ensure compliance.

Effectiveness of the audit committee

During the year, the committee's performance was reviewed by the Group Company Secretary as part of the internal Board evaluation. The review found the committee to be effective and well run, with the committee embracing the changes arising from the 2014 Code. The resultant enhancements to the processes supporting the assessment of risk and internal controls, risk appetite and the statement on the Group's viability had added value, in addition to ensuring that the Group remained abreast of best practice.

Financial reporting

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

- The quality and acceptability of accounting policies and practices
- Material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements, including the 2014 Code
- Any correspondence from regulators in relation to the Group's financial reporting
- An assessment of whether the Annual Report (the Report), taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. This assessment forms the basis of the advice given to the Board to assist in making the statement required by the 2014 Code
- Reviewing the assumptions and providing assurance to support the long term viability statement

Fair, balanced and understandable

At the request of the Board, the audit committee has considered whether, in its opinion, the 2015/16 Annual Report and Financial Statements are fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The steps that the committee followed before arriving at their recommendation were as follows:

Collaborative process

A collaborative approach is taken to creating the Report and Financial Statements which involves direct input from key report contributors, including the Board and committee, throughout the process and includes the following:

- Early planning and implementation of timetable with experienced project managers for each section
- Briefings on the requirements of the fair, balanced and understandable requirements for all involved; this includes the Group corporate communications, company secretariat and legal teams as well as Group finance to validate the appropriateness of material disclosed. The inclusion of these various departments, with input from operating divisions as appropriate, ensures the balance, completeness and accuracy of the Report
- Validation of data and information included in the Report undertaken both internally and by the external auditor
- A series of key proof dates for comprehensive review across all sections that aim to ensure consistency and accuracy
- Early drafts of the Report available to the audit committee to ensure timely review and allow comments to be incorporated
- Audit committee recommendation to the Board

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

Is the Report fair?

- Is the whole story presented and has equal weight been given to all messages?
- Is the narrative reporting consistent with the financial reporting, with key messages reflected in both?
- Is the description of the business, principal risks and uncertainties, strategy and objectives in the report consistent with the Board's understanding?
- Are KPIs disclosed at an appropriate level based on the financial reporting?

Is the Report balanced?

- Is there a good level of consistency between the narrative reporting in the front and the financial reporting in the back of the report, and does the messaging reflected in each remain consistent when read independently of the other?

Is the Report an appropriate document for shareholders?

- Are the statutory and adjusted measures explained clearly with appropriate prominence?
- Are the key judgements referred to in the narrative reporting and the key financial and internal control matters reported in this audit committee report consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?
- How do these compare with the risks that the external auditor Deloitte LLP include in their report?

Is the Report understandable?

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

Conclusion

Following its review, the committee concluded that the disclosures, and the processes and controls underlying their production, were appropriate and recommended to the Board that the Annual Report and Financial Statements for the year ended 2 July 2016 is fair, balanced and understandable.

Long term viability statement

During the 2015/16 financial year, the committee's terms of reference were extended to include providing advice to the Board on the form and basis underlying the long term viability statement.

The committee reviewed the process and assessment of the Group's prospects made by management including:

- The review period and alignment with the Group's internal long term forecasts
- The assessment of the capacity of the Group to remain viable after consideration of future cash flows, expected debt service requirement, undrawn facilities and access to capital markets
- The modelling of the financial impact of certain of the Group's principal risks materialising using several plausible scenarios

Management also sought independent external advice on best practice to ensure appropriate compliance with the requirements of the 2014 Code.

Details of our viability statement can be found in the 'managing risk' section on page 41.

External audit

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

Tenure

Deloitte LLP were appointed as the Group's external auditor in October 2015 following an audit tender and, in accordance with the 2014 Code, the Group will be required to put the external audit contract out to tender by 2025. In addition, Deloitte LLP will be required to rotate the audit partner responsible for the Group audit every five years and, as a result, the current lead audit partner will be required to change in 2021.

The committee continues to review the auditor appointment and the need to tender the audit, ensuring the Group's compliance with the 2014 Code and the reforms of the audit market by the UK Competition and Markets Authority. Accordingly, the Group confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review. For the financial year ending 1 July 2017, the committee has recommended to the Board that Deloitte LLP be reappointed under the current external audit contract and the directors will be proposing the reappointment of Deloitte LLP at the 2016 AGM.

External auditor effectiveness

During the year, the Audit Committee Chair led the process to assess the effectiveness of the audit process. The primary purpose of this assessment was to gain assurance that the external auditor had conducted a comprehensive, appropriate and effective audit. It was particularly important this year in order to set standards and expectations with Deloitte LLP, who had just completed their first full year as the Group's new statutory auditor. Through a constructive, honest and open dialogue with the external auditor about its performance, the objectives of the process were to:

- Assess each phase of the audit process against a quality framework, as shown in the table on page 76
- Discuss with the external auditor what areas went well and what could be improved
- Result in optimised assurance being derived from the audit

The assessment was carried out in conjunction with each key phase of the audit.

The observations from this assessment for the 2015/16 financial year were presented and discussed at the September 2016 Board meeting and it was concluded by the audit committee that the audit process was effective.

Key financial and internal control matters

During 2015/16, the committee considered the following key financial and internal control matters in relation to the Group's financial statements and disclosures, with input from management and the external auditor

Key financial and internal control matters for 2015/16	How the committee addressed these key financial matters
Compliance with franchise terms and conditions relating to the rail components of the Group, specifically relating to the accounting for related income and costs arising from franchise agreements. Please see page 120 for further information.	The committee regularly reviews the accounting policies relating to income and cost arising from franchise agreements. At interim and year end reviews, a full schedule of material income statement and balance sheet is assessed against the committee's expectations and discussed with the Group Chief Executive, the Group Chief Financial Officer and, where appropriate, the external auditor.
Ongoing review of provisions for liabilities, specifically relating to third-party claims and lease return and dilapidation provisions for rolling stock, stations, depots, other properties and measurement of uninsured liabilities. Please see note 24 of the consolidated financial statements for further information.	At interim and year end, the levels of provision for third-party claims, lease return and dilapidation provisions are reviewed with the Group Chief Executive and the Group Chief Financial Officer. Management's review is supported by reports from appropriate third-party experts who independently assess the required provision based on their industry knowledge and an understanding of the Group's specific circumstances. Increases in provisions, utilisation and release of provisions are all reviewed for reasonableness in light of these reports and the Group's specific circumstances.
Impairment testing in respect of the carrying value of goodwill on the Group's investments. Please see note 13 of the consolidated financial statements for further information.	The ongoing review of goodwill and carrying value of investments, as presented by management, is challenged by the committee. This is done by assessing the expected performance of the individual cash generating units and ensuring that relevant risk factors are imputed to the rate of return used to assess net present value of future cashflows. The committee also reviews historic performance against expectations set in previous years.
Assumptions underpinning the calculation of the Group's defined benefit pension liabilities. Please see note 27 of the consolidated financial statements for further information.	Pension scheme liabilities are assessed on behalf of the Group by independent actuaries. Additionally the committee assesses the underlying assumptions with other professional advisors to ensure that the actuaries' own assumptions are appropriate for the Group. The committee also discusses the appropriateness of the assumptions with the Group's external auditor.
Ongoing review of changing issues such as the impact of the European Working Time Directive on holiday pay.	The audit committee's review of risks and uncertainties in the wider economy encompasses emerging risks and considers each when appropriate to the Group's circumstances. The committee will seek specific legal or other professional advice to support its assessment of areas that could affect the Group.
Understanding and treatment of exceptional items in the year end accounts. Please see note 7 of the consolidated financial statements for further information.	The committee will consider separate disclosure of exceptional income or costs in light of the FRC recommendations of a balanced and consistent approach. The committee is mindful of the need to understand the underlying trends of each division within the business with the impact of large and unusual items separated out as necessary to avoid distortions from such non-recurring aspects.
Ensuring operating company compliance with Group policies and procedures and maintaining the required financial control environment.	The committee, together with the Group Chief Executive and the Group Chief Financial Officer, approves the scope of internal audit including the cycle of visits to test operating company compliance and financial control, based on a risk assessment. The results of the internal audit visits are considered by the committee, together with management's responses to any improvement points. Control matters and reporting issues identified as part of the external auditor interim and year end audits are also reviewed by the committee which considers the adequacy of any management responses. In addition management ensure that the recruitment and review process for operating company directors gives confidence in the calibre of the operating company teams and their management, and review of the control environment in which they operate.

External auditor effectiveness

The audit committee reviewed an audit quality framework which assessed the following key audit phases:

Phase	Areas covered
Audit planning and design	• Team structure and leadership demonstrated by the audit partner • Integrated audit approach • Audit tailored to the business • Leveraging sources of assurance • Use of innovation and technology
Audit execution	• Behavioural factors including professional challenge • Technical excellence • Communication and audit reporting • Audit efficiency and project management
Independence and quality control	• Review of external auditor's internal quality control procedures • Review of the provision of non-audit services by the external auditor • Consideration of audit firm transparency report in line with the 2014 Code, paying specific attention to the sections on independence and quality assurance and training
Role of management	• Detailed questioning of the role of management both at operating company and Group level

Independence, objectivity and fees

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

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

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

During the financial year, the principal external auditor's fees were £0.6m (2015: £0.5m); in addition, non-audit fees of £0.1m (2015: £0.2m) were payable to the principal auditor. In comparison, non-audit fees paid to other providers during the financial year were £1.4m (2015: £1.5m). This comprised of £1.1m being paid to KPMG in respect of bid-modelling costs and £0.3m to PwC for internal audit work.

A limited number of our smaller operating companies used Grant Thornton as their auditor during the year. Total fees to Grant Thornton during the financial year were less than £0.1m (2015: less than £0.1m). Grant Thornton received non-audit fees of less than £0.1m (2015: less than £0.1m).

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

The Board's responsibility

The Board has overall responsibility for risk management and the system of internal controls and for reviewing their effectiveness. Some of these responsibilities have been delegated to the audit committee as outlined below. The system is designed to manage rather than eliminate risk of failure to achieve the Group's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal control and risk management

The key roles and responsibilities of each of the respective functions within the Group's system of risk management are detailed on page 41.

During the year, the committee commissioned PwC, which is also the Group's internal auditor, to undertake an independent review of the Group's existing risk management processes. The review found that Go-Ahead's approach to risk management is supported by a structured oversight and established processes for identifying, quantifying, reporting and monitoring risk. In particular, PwC noted that:

- There is an inherent and embedded understanding of the key risks facing the Group on a day-to-day basis
- Strategic risk perspectives and operational risk issues are brought to the attention of the Board by the Group Chief Executive through hands-on management of the business
- Willingness to take on risk is debated by the Board as a normal part of decision-making. The Group's risk appetite is inherently understood
- Appropriate governance structures are in place to provide oversight over key risks and controls at Group, rail and bus operating company level. Risk is regularly discussed through these structures
- Periodic risk reporting takes place from the operating companies to the audit committee and Board in line with the agreed process and methodology
- Risk and opportunities are actively identified during the bid process for new franchises or acquisitions
- Key risk areas are identified, assessed and prioritised
- Progress against actions is monitored by senior management, the executive directors and the audit committee

The review however did identify that risk management could be enhanced, particularly around the assessment of the controls in place and the focus of discussions throughout the process. A number of enhancements were therefore made to our risk management process:

- Risk registers have been updated to rate more effectively the strength of the control/mitigation in place and the effectiveness of the assurance provided
- To improve the formal biannual discussions at operating company board meetings, a new self-assessment document has been created with the aim of helping management consider what are the most important risk and control areas to discuss. This then flows up to the audit committee and Board, thus ensuring the right risk management discussions at this level

These enhancements were introduced for the year ending 2 July 2016 and the committee found that these changes improved the effectiveness of their review of the internal control and risk management systems. The committee will continue to review whether there are further enhancements that can be made, particularly in the context of PwC's review and the new requirements of the 2014 Code.

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

The key features of the Group's internal control and risk management system are set out on the following page. The Board has confirmed that through its audit committee and the committee's review of the key financial and internal control matters for 2015/16 as detailed on page 75, it has reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, and considers that this system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

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

Group structure

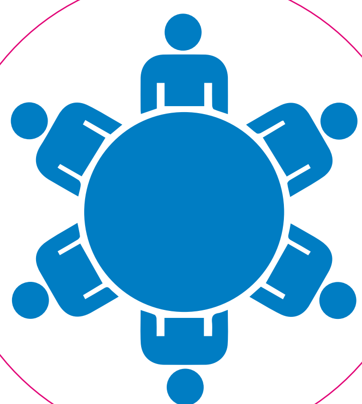
The Group's devolved organisational structure supports an effective top-down/bottom-up approach to risk management and control

Leadership

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

Compliance management

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



Strategy and financial reporting

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

Board-level reporting

Regular review of reports received from the Group's internal auditor, health and safety consultants, external auditor and the executive directors

Health and safety reporting

Health and safety standards established across all operating companies and key performance indicators monitored on a monthly basis at operating company and Board level

Internal auditor

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

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

In accordance with the previously agreed internal audit plan for the two years ending June 2017, the committee reviewed reports confirming the findings from the internal audit reviews undertaken, the actions taken to implement the recommendations made in these reports and the status of progress against previously agreed actions.

Whistleblowing and anti-bribery procedures

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

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

Focus on cyber security

Go-Ahead continues to focus on ensuring it is protected against the threat of cyber security attack as resilient IT systems are essential to our commercial success. We take the protection of data security and privacy seriously and have policies in place to ensure our data is handled sensitively, with respect, and in a way that complies, as a minimum, with any legal requirements.

Our Board of directors has endorsed an internal Enterprise Information Security Charter demonstrating its commitment to treating information and cyber security as a critical business issue. Work has been carried out across the Group to create a security-aware workforce and working environment and to implement controls that are proportionate to risk. We have also ensured that individuals who are information owners are accountable and understand and comply with information security policies and procedures.

All employees of the Group have responsibility for information and security and an ongoing communications campaign, alongside regular briefing and training sessions, ensures its importance is appreciated. We have recently created a new aide-memoire for operating companies to help them identify incidents and ensure they're reported internally. We regularly review our crisis response and probe for vulnerabilities in our automated and manual responses.

However, it is vital that as technology and law change our business procedures also change and follow industry best practice. We therefore work with data protection agencies and IT advisors to strengthen our systems and procedures. We also update our procurement systems and processes to ensure that our supplier base understands the importance of this issue and we are members of industry groups and London First's Security and Resilience Network supported by world experts in security counter terrorism, resilience, business continuity and policing.

Nomination committee report

"During the year, the committee led the process to appoint a Group Chief Financial Officer"

Dear Shareholder

During the year, the committee focused on the areas of work highlighted as key priorities in last year's annual report.

Succession planning

I am pleased to report that I completed the review of the Board's composition during the year, which included meeting with each non-executive director to discuss their tenure and contribution to the Board. To support the plan and timetable now agreed, one of our priorities for the year ahead will be to assess the existing skill set of the Board. We will then develop a skills gap analysis to ensure that there is a link between Board succession planning and the development of our strategy and culture.

The committee also received regular updates on the senior management's leadership and talent framework and pipeline and this year there was a 'deep dive' assessment of critical roles, with an increased focus on ensuring that this work more closely aligned with our succession planning and strategic planning. This year's internal Board evaluation review did however identify that there was still more to be done to align senior management succession planning to strategic planning and corporate culture and we will oversee this work as a means of selecting the individuals best suited to the Group's future direction.

Appointment of Group Chief Financial Officer

During the year, the committee was responsible for leading the process for appointing a new Group Chief Financial Officer, to replace the departing Group Finance Director. In March 2016, the Board was pleased to welcome Patrick Butcher to the Group and full details of the process undertaken and induction are provided on pages 81 and 66 respectively.

Culture

Our employees will play an important role in shaping our culture and their behaviours will support our new vision, attitudes and beliefs. The committee will reflect this in its oversight of succession planning, leadership development and the talent framework and will also build them into the Board's recruitment, development and succession considerations.

Diversity

The Group has continued to focus on improving diversity. The diversity steering group established last year has provided support and direction to the diversity and inclusion forum, in addition to reviewing strategy and guiding policy across the Group and operating companies. Diversity initiatives continue to develop and we now have representatives from the rail division on the diversity steering group, which will enable us to extend this work across the rail division over the coming year.

As a Board, we take our responsibility to monitor developments in corporate governance very seriously, to ensure that we remain at the forefront of good governance practices. Examples of this for the nomination committee during the year included consideration of the Financial Reporting Council's discussion and feedback papers on UK Board Succession Planning and The Governance Institute's research report on the role of the nomination committee. One of our key focus areas for the year ahead will be to consider in more detail the actions that we can take to further improve nomination committee effectiveness.

Andrew Allner,
Nomination Committee Chair

8 September 2016

Nomination committee report at a glance

Nomination committee objectives set for 2015/16

- Review Board composition and non-executive rotation in the context of business needs
- Future orientated Group wide succession planning aligned to strategy
- Further development of the leadership and talent framework and pipeline
- Development of the diversity initiatives in the bus division across the rail division and wider Group
- Appoint a replacement Group Finance Director and facilitate his/her induction to the Group

Highlights/progress made against 2015/16 objectives

- Appointment of Group Chief Financial Officer
- Review of Board composition and non-executive director rotation
- Future orientated Group wide succession planning more aligned to strategy
- Further development of the leadership and talent framework and pipeline
- Induction of rail representatives into the diversity steering group

Priorities for 2016/17

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

More information on pages 81 to 83

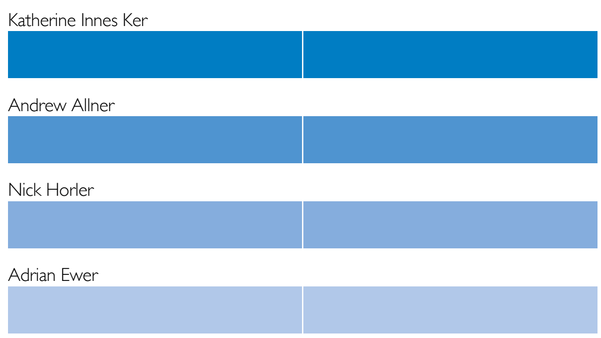
Nomination committee membership

Andrew Allner	Committee Chair
Katherine Innes Ker	Senior Independent Director
Nick Horler	Independent Non-Executive Director
Adrian Ewer	Independent Non-Executive Director
David Brown	Group Chief Executive*

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

* With effect from the start of the 2016/17 financial year, and in accordance with best practice, the Group Chief Executive will no longer be a member of the nomination committee.

Attendance



Committee at work – recruitment of Patrick Butcher, Group Chief Financial Officer

In July 2015, the search for a Group Chief Financial Officer to replace the departing Group Finance Director, commenced. The nomination committee directed the selection process, which included agreeing a candidate profile and engaging Russell Reynolds (Russell) to work with the committee on this assignment. Russell has no other connection to the Group. In addition to strong leadership and people development qualities, the committee sought candidates with a track record of delivery and credibility and a strong focus on commercial finance and contract work, as well as seeking a number of key performance and personal attributes aligned to the Group's culture.

Russell researched the market for potential candidates to produce a 'long list' of candidates for the committee's consideration. From this 'long list', the committee agreed that a number of candidates, including one internal candidate, should meet with the Group Chief Executive and Group HR Director before a 'short list' of candidates were invited to attend a site visit with the Group Chief Executive. Patrick Butcher emerged as the preferred candidate, meeting the profile requirements with his skills and experience. Having confirmed his interest in the role, he met with the Chairman/ Nomination Committee Chair and then the remaining members of the Board.

An important part of this process was for the Nomination Committee Chair to ensure that all Board members were kept up to date. In addition to the committee meetings held throughout the process, the Board and the remuneration committee also held meetings to specifically discuss the committee's recommendation and to agree the appropriate remuneration package, before approving Patrick's appointment, which was announced on 2 November 2015.

Patrick Butcher joined the Group as Group Chief Financial Officer on 14 March 2016. He came from Network Rail where he had been Group Finance Director since 2009, and brings a wealth of industry experience to the position having held finance director roles at English, Welsh and Scottish Railways (now DB Schenker), Mapeley Limited, London Underground and King's College Hospital. His early career was spent at Deloitte & Touche as a management consultant and auditor. Until recently, he was also a member of the British Transport Police Authority.

Following Keith Down's resignation on 6 December 2015, Go-Ahead's Group Financial Controller, Paul Edwards, was appointed as Interim Group Finance Director which ensured an orderly transition in the intervening period prior to Patrick's appointment date.

Board composition and skills

The committee reviews the tenure of individual non-executive directors on a regular basis in the context of length of service, experience, independence, contribution and skills. This is not only from a current strategy perspective but also taking into account potential future strategic needs. This year's review also enabled the Board to confirm that the contributions made by all directors continued to be effective and that the Group should support their re-election. For Katherine Innes Ker, who was approaching her six-year term with the Group in July 2016, there was a more comprehensive review, with greater challenge and discussion, before the committee concluded that Katherine's term should be extended beyond six years.

The nomination committee considers that the Board consists of individuals with the right balance of skills, diversity, experience and knowledge to provide strong and effective leadership of the Group. The Board consists of the Chairman, three non-executive and two executive directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience. The majority of the Board, excluding the Chairman, are independent non-executive directors.

Time commitments

The time commitments required from the non-executive directors, and their other commitments, are also reviewed as part of the year end process. Prior to any new commitments being made by directors, agreement is sought from the Chairman.

This year, the committee was again satisfied that there are no conflicts of interest and that all directors have sufficient time to fulfil their responsibilities. In particular, the committee reviews the time commitments of those directors who chair committees or who have roles on other Boards to ensure that they have sufficient time to fulfil their responsibilities to the Go-Ahead Board. This is to ensure that they are able to be fully engaged and actively involved with the Group's business throughout the year.

Committee effectiveness

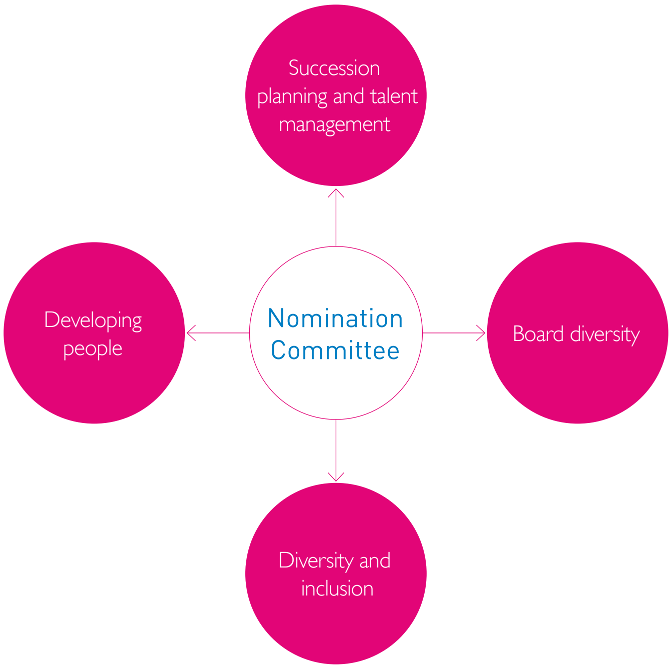
The committee's performance was also reviewed during the year through the internal Board evaluation facilitated by the Group Company Secretary. The review found that the positive trend of improvement had continued, which was largely attributable to the quality of information now being received by the committee and the related more detailed discussions around the areas of succession planning, leadership, talent management and diversity.

Committee purpose and responsibilities

The purpose of the nomination committee is to keep the Board's governance, composition, skills, experience, knowledge, independence and succession arrangements under review and to make appropriate recommendations to the Board to ensure the Group's arrangements are consistent with the highest corporate governance standards.

During the year, the committee met four times. Two of these meetings were scheduled and two were additional meetings to deal with the departure of the former Group Finance Director and the appointment of the new Group Chief Financial Officer.

A full list of responsibilities is detailed in the committee's terms of reference which are reviewed regularly, approved by the Board, and available on the Group's corporate website (www.go-ahead.com) or upon request from the Group Company Secretary.



Succession planning and talent management

The annual leadership review is now an embedded process within each of our operating companies and the results are consolidated and analysed by Group HR. Succession risks, critical roles and scarce skills are identified through this process. The talent strategy is reviewed each year to address this maturing agenda.

The committee recognises the importance of preparing a pipeline of high quality internal talent that are ready for senior management and Board positions in a range of roles. During the year, the committee was updated on the succession plans for all senior management across the Group, including succession risks that were being planned for. Where there had been changes to the individuals in key critical roles, or new roles were established, the committee was updated on the plans and process for making future appointments to these roles.

The Board recognises that significant advantage is to be gained by identifying and developing our own people as well as bringing in skills from outside the organisation. We continue to strengthen our internal retention strategies to include career planning, personal development plans, coaching and secondments.

The committee takes an active interest in talent management across the Group and this year the committee received more information on how the pipeline of talent was being managed and how this worked to support succession planning at senior levels. There is now strong evidence to support the success of the Group's talent pool programme introduced four years ago, with a good proportion of colleagues who have been through this programme having been promoted or taken on broader responsibilities. A number of colleagues are also now supporting or continuing to support the mobilisation of the Singapore operations, with only a small proportion overall having actually left the business. The Group's talent pool is now the first port of call when looking for internal candidates for existing or new roles, with new support tools and coaching programmes being developed to support the development of others.

With future plans to further strengthen the Group's approach to succession planning, leadership development and talent management, the committee will continue to play an active role, particularly with regard to ensuring that initiatives are aligned with strategic planning and corporate culture.

For further information on our people, see pages 32 to 35.

Board diversity

The Board continues to believe that the Board Diversity Policy remains appropriate. We have one female non-executive director on the Board, with the percentage of female representation currently 17%. While this is below the recommendation of Lord Davies, which was that there should be a minimum female representation on Boards of 25% by 2015, the Board's view is that this level of female representation is appropriate at this time. This is particularly in the context of the comparatively small size of Go-Ahead's Board, which we feel is appropriate, with all the directors participative and accountable.

Our foremost priority however remains to ensure that Go-Ahead continues to have the strongest possible leadership and we will appoint only the most appropriate candidates.

The annual Board evaluation process includes an assessment of the Board's diversity including gender, helping the Board to objectively consider its composition and effectiveness.

Diversity and inclusion

The nomination committee also oversees the diversity and inclusion initiatives across the wider Group. We continue to acknowledge that in the transport industry generally there are barriers to attracting, retaining and promoting women and some of this is legacy and also cultural. The promotion of women to the Board and other senior positions within the Group is completely dependent on our ability to attract, develop and promote women from within. There has been an increased focus to improve gender ratios in all businesses and a Group diversity and inclusion manager has recently been appointed to ensure time and focus is given to this important topic.

Our diversity and inclusion steering group and forum are now well established and working well together. Our forum is supported by 'champions' who each represent our operating companies and sponsor local activities and good progress has continued to be made during the year, with highlights including:

- Recruitment fairs and open days to successfully attract women into bus driver roles
- Modernised recruitment advertising to be attractive to women and more diverse groups
- Increased connections with local schools promoting bus driving as a positive career option for boys and girls

Our new diversity steering group, which was created in 2015, has also made good progress establishing best practice in policy and equal opportunities. All of our operating companies are working with the steering group to establish best practice processes and have agreed to complete a peer assessment against a common set of standards. This will establish a benchmark for each business which they will then continue to work to improve. Training resources have been developed by the Group Academy and each operating company has committed to delivering a training plan that will include all people managers and those involved in recruitment. The focus of the training is understanding the implications of the Equality Act and recognising unconscious bias.

Recently, representatives from the rail division have joined the diversity steering group, which means that the good work we have done in the bus division will be extended into the rail division in the next year.

In preparation for the Gender Pay Gap regulations coming into force we have developed a plan that will represent best practice. This will create a benchmark for the Group to be able to understand any issues that may exist in differences between male and female pay across the Group. Action plans will then be created by each operating company to address any narrative that we create from the analysis of the data.

Developing people

People are the heart of any business and the Board continues to recognise the importance of investment both to develop people to execute their role effectively and to grow the talent required for the future. There is a formal and maturing agenda that is discussed on a regular basis. The discussion ranges across succession planning, talent identification, management and development, leadership development, and the resources provided by the Group Academy. The Group Academy offers core learning resources to everyone in the Group. Commitments communicated in 2016 are that all people identified as successors will have a personal development plan; high performers will attend a tailored leadership development programme and the pipeline of graduates will continue and be extended. The bus graduate scheme has been maintained and a new rail scheme has started with five new entrants in 2016. It is anticipated that even more graduates will be recruited into both schemes in 2017. Group HR focus has been on defining a future focused resourcing strategy to identify the critical and scarce skills that will be required to deliver our strategic objectives. These skills will come from both inside and outside the business. Individual operating companies are initiating a wide range of local activities to develop their own talent, including establishing their own learning portals which are connected to, and supported by, the Group Academy.

Annual Statement by the Remuneration Committee Chair

Dear Shareholder

On behalf of the Board, I am pleased to present the directors' remuneration report for the year ended 2 July 2016. This report sets out our policy, as approved by shareholders at the 2015 AGM, how this policy was implemented during 2015/16 and how we will apply the policy for the forthcoming year 2016/17.

Performance and reward – Group Chief Executive

At the request of the Group Chief Executive, no annual increase was awarded to his base salary from 1 April 2016.

During the year under review, the Group Chief Executive informed the committee that he did not wish to be considered for his 2015/16 annual performance-related bonus in acknowledgement of the operational issues and difficulties that continue to be experienced in GTR, and the direct and negative impact this is having on customers. The committee accepted that no annual performance-related bonus would be paid to the Group Chief Executive for the year ending 2 July 2016.

The committee considered the extent to which the Long Term Incentive Plan (LTIP) award granted to the Group Chief Executive in October 2013 should vest. This award was based on the achievement of specific long term value creation targets set three years ago which included stretching total shareholder return, earnings per share and operating profit targets for each of the bus and rail divisions. This award is paid in shares to further align the interests of the Group Chief Executive with those of our shareholders. Further details of the performance achieved are provided on page 96.

Appointment and remuneration of Group Chief Financial Officer

Patrick Butcher was appointed as Group Chief Financial Officer on 14 March 2016. Upon his appointment, the committee reviewed his remuneration, taking into account all relevant factors including his experience, the pay level of his predecessor and the principles of our remuneration policy. No compensation was paid for incentives lost from his previous employer. The committee determined that the Group Chief Financial Officer should be paid an annual base salary of £370,000 per annum, which was below that of his predecessor. He was not eligible to receive a salary increase from 1 April 2016, his next salary review being on 1 April 2017.

The committee also determined that the Group Chief Financial Officer would not be eligible to receive an LTIP award but would be eligible to receive an annual performance-related bonus for the year ended 2 July 2016 and that this would be based solely on the achievement of Group operating profit and cashflow targets. This would be pro-rated to reflect his period of service, with any award being paid fully in deferred shares to immediately align his interests with those of our shareholders. Full details of the performance against targets can be found on pages 95 and 96.

Departure of former Group Finance Director

The former Group Finance Director, Keith Down resigned on 6 December 2015 and continued to receive salary and benefits until that date. In accordance with our remuneration policy, he forfeited any entitlement to an annual performance-related bonus for the year ended 2 July 2016. Additionally, Keith's LTIP and Deferred Share Bonus Plan awards granted in 2013 and 2014 lapsed in full on 6 December 2015.

Single remuneration figure

The total single remuneration figure for our executive directors for the year ended 2 July 2016 is shown below:

	2016 £'000	2015* £'000
Group Chief Executive – David Brown	**1,311**	2,134
Group Chief Financial Officer – Patrick Butcher	**269**	–
Former Group Finance Director – Keith Down	**191**	1,246

* Restated from last year to reflect actual value of the 2012/13 LTIP award which vested in November 2015. See page 95 for further information.

Full details of the remuneration earned by the Group Chief Executive, the Group Chief Financial Officer and the former Group Finance Director can be found in this report.

Remuneration linked to strategy

Our remuneration policy has been structured to support the financial objectives and strategic priorities of the Group in a manner which is aligned with shareholders' interests. It encourages achievement of our corporate goals through (i) an annual performance-related bonus linked to achieving profitable growth and specific strategic targets; and (ii) long term incentives that only reward for absolute shareholder value creation and delivery of long term earnings growth.

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

Future policy

The Group's remuneration policy was approved by shareholders at last year's AGM in October 2015 and the current intention is that it will apply until the 2018 AGM. As such, we will not be asking shareholders to vote on the policy at the 2016 AGM.

Implementation of remuneration policy 2016/17

The committee is not proposing any changes to remuneration policy for the financial year 2016/17. However, the committee does have the discretion to vary the weighting of and choice of LTIP metrics prior to each award. In accordance with best practice, the committee will be consulting with the Group's major shareholders and shareholder representative bodies regarding proposed changes to the LTIP's threshold and maxima EPS metrics in response to the revised outlook for GTR and analysts' repositioning their forecasts.

The outcome of this consultation will be confirmed to the Group's major shareholders and shareholder representative bodies before the 2016 AGM, in addition to being disclosed in next year's annual report.

The committee has also agreed that the Group Chief Executive's shareholding requirement will increase from 150% to 200% of base salary in accordance with best practice. While it will not be incorporated into the current remuneration policy until the next opportunity, it is effective immediately.

I was very pleased that, at last year's AGM, 97.77% and 99.23% of the votes cast supported the resolutions to approve our remuneration policy and the annual report on remuneration respectively. This indicates support for the committee's focus on implementing the key principles of our executive remuneration approach.

We look to shareholders to approve the report at the forthcoming AGM.

Katherine Innes Ker,
Remuneration Committee Chair

8 September 2016

Performance in 2015/16

The Group has achieved another year of good financial performance and has continued to deliver sustainable returns and growth for its shareholders. Key highlights of the year included:

- Successful win of two German rail services contracts expected to generate combined revenues of around €1.6bn over the life of the contracts
- Successful win of a 25 route five-year bus contract in Singapore expected to generate total revenues of around SGD$500m over five years
- Maintained sector leading customer satisfaction in regional bus operations
- Record year of operating profits from our regional bus division and achievement of £100m profit target on an adjusted basis, through sector leading margins
- Southeastern delivered a strong trading performance and continued to operate at maximum profit share
- London Midland continued its trend of improvement, with strong customer satisfaction scores, and is now operating under the new direct award contract which was secured during the year
- Shortlisted for the new West Midlands franchise beginning October 2017
- The integration last year of Southern and Gatwick Express completes the formation of GTR and the largest franchise ever let by the government, with about 330 million passenger journeys made per year and employing around 6,900 people
- Introduction of new rolling stock to improve services to customers as longer, more spacious trains are introduced across the GTR franchise
- The interim dividend was increased by 6.5%. The final dividend proposed has also been increased by 6.5%
- Net cash of £323.0m, adjusted net debt of £239.3m and an adjusted net debt to EBITDA ratio of 1.36x below the Group's target level

Despite good financial performance across the Group during the year, one of our greatest challenges has been with our train operating company GTR and the operational issues and constraints associated with the major Thameslink infrastructure programme. As previously reported, additional resources being invested in GTR to support service delivery in the current challenging operational and industrial relations environments have depressed margins for the year ended 2 July 2016. The issues we continue to experience mean that we have not provided the levels of reliability and services our passengers expect, which has caused inconvenience and hardship for our passengers. We now no longer expect to recover the profit shortfalls and margins over the life of the contract will be lower than originally forecast.

Directors' remuneration report at a glance

Remuneration committee objectives set for 2015/16

- Ensure that the Group's remuneration policy for the departure of executive directors is applied for the departing Group Finance Director
- Ensure that the Group's recruitment remuneration policy is taken into account when appointing the new Group Chief Financial Officer
- Set targets and review outcomes for performance-related remuneration
- Continue to remain abreast of best practice and market developments in remuneration and reporting
- Monitor the ongoing balance between long term and short term incentives to ensure that they remain appropriately aligned to the Group's strategic objectives
- Provide ongoing training and support for committee members

Highlights/progress made against 2015/16 objectives

- Approved leaving terms for the former Group Finance Director and recruitment terms for the new Group Chief Financial Officer in accordance with policy
- Set targets and reviewed outcomes for performance-related remuneration, taking into account strategic objectives, risk policies and systems
- Assessed performance against targets for the annual performance-related bonus 2015/16 and accepted the Group Chief Executive's request not to be considered for an annual performance-related bonus 2015/16 or April 2016 annual salary increase
- Reviewed remuneration policy in the context of best practice and remained abreast of emerging developments such as the work of the Investment Association's Executive Remuneration Working Group
- Reviewed the overall remuneration policy for senior management and the pay and employment conditions elsewhere in the Group
- Reviewed performance of the committee and its external advisors

Priorities for 2016/17

- Set targets and review outcomes for performance-related remuneration, taking into account strategic objectives, risk policies and systems
- Continue to review remuneration policy in the context of best practice and emerging developments
- Ensure regular dialogue with major shareholders and shareholder advisory bodies and take into account their views when formulating policy and making decisions
- Ensure compliance with all regulatory requirements, including overseeing compliance with the Equal Pay Bill and gender pay gap reporting
- Review the overall remuneration policy for senior management and the pay and employment conditions elsewhere in the Group
- Review performance of the committee and its external advisors

More information on pages 94-103

Committee members and secretary

Katherine Innes Ker	Committee Chair
Andrew Allner	Chairman
Nick Horler	Independent Non-Executive Director
Adrian Ewer	Independent Non-Executive Director

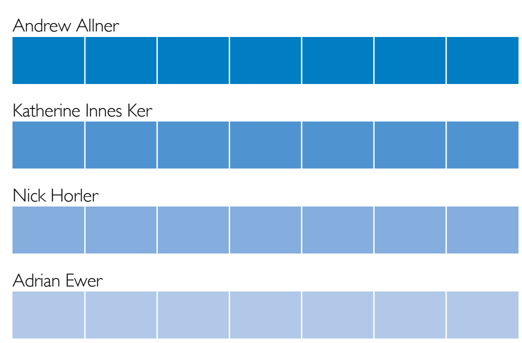
Carolyn Ferguson attends the meetings in her capacity as Group Company Secretary

About this report

This report sets out details of the remuneration policy for our executive and non-executive directors, describes the implementation of the approved remuneration policy and sets out the remuneration received by the directors for the year ended 2 July 2016. No changes have been made other than to reflect changes to salary levels and the fact that the policy was formally approved by shareholders at the 2015 AGM. The report complies with the provisions of the Companies Act 2006, Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules of the Financial Conduct Authority (FCA). The Group also follows the requirements of the UK Corporate Governance Code published in September 2014 (the 2014 Code).

For completeness and transparency, this part of the directors' remuneration report includes the remuneration policy in the same form as it was approved by shareholders at the 2015 AGM (set out on pages 88 to 93) and intended to operate until the 2018 AGM unless any significant changes to the policy are proposed that require shareholder approval prior to this date. The Annual Statement by the Remuneration Committee Chair (set out on pages 84 and 85) and the annual report on remuneration (set out on pages 94 to 103) will be subject to an advisory vote at the 2016 AGM.

Attendance



At a glance – application of the policy in the year ahead

Policy element	David Brown Group Chief Executive	Patrick Butcher Group Chief Financial Officer
Base salary from 1 April 2016	£541,800	£370,000
% increase from prior year	0%	n/a
Pension	Does not receive any form of pension provision	Receives a non-pensionable cash supplement of 13% of base salary
Performance-related bonus	Up to 150% of base salary	
Performance-related bonus metrics	Adjusted Group operating profit (65%) Group cashflow (10%) Strategic KPIs (25%)	
Payment for threshold performance	0%	0%
Deferred share bonus plan	50% of the performance-related bonus is deferred for three years in Go-Ahead shares	
LTIP	150% of base salary	100% of base salary
LTIP metrics	Compound annual growth in adjusted EPS (40%) Relative TSR (40%) Customer satisfaction ratings (20%)	
Payment for threshold performance	For the EPS and TSR measures not more than 25%	
Malus and clawback	The performance-related bonus and LTIP are both subject to recovery (clawback) and withholding (malus) provisions for three years following the award. Malus applies to the period prior to vesting for both the performance-related bonus and LTIP. Clawback applies to the cash and deferred shares awarded under the performance-related bonus for a period of three years from the date the cash payment is made and the date the share award is granted, and to the LTIP for three years following the date on which an award vests. LTIP awards granted from 2015 must be retained (other than to pay tax and NICs due on receipt of the shares) for two further years.	
Dividends on vested awards	Participants are eligible for dividend equivalents on awards granted under the deferred share bonus plan or LTIP	
Shareholding requirement	150% of base salary*	100% of base salary

* The Group Chief Executive's shareholding requirement will increase from 150% to 200% in accordance with best practice. While it will not be incorporated into the current remuneration policy until the next opportunity, it is immediately effective.

Remuneration policy report

Policy overview

The Group's remuneration policy was approved at the 2015 AGM and is effective until the 2018 AGM. The key principles of the policy are as follows:

- Remuneration should be designed to promote the long term success of the Group and the creation of shareholder value
- The policy should provide an appropriate balance between fixed and performance-related, cash and share-based and immediate and deferred remuneration
- Performance related elements of remuneration should be relevant, transparent, stretching and rigorously applied
- Remuneration incentives should be compatible with risk policies and systems
- Remuneration should be judged relative to other companies but without the corresponding improvement in corporate and individual performance, should avoid paying more than necessary
- Due regard should be given to pay and employment conditions elsewhere in the Group

The policy table that follows provides detail on each key element of remuneration, including the maximum potential value of each element, a brief summary of how it works and details of any performance metrics.

Remuneration policy table for executive directors

Element & maximum	Purpose & link to strategy	Operation	Maximum	Performance targets
Base salary	• Salary is the core reward for the role and enables the Group to recruit and retain individuals of the calibre required to deliver its strategic objectives and lead its management team, without paying more than is necessary • Base salary also reflects the individual's skills, expertise, experience and role within the Group	• Paid monthly in cash • In determining base salaries, the committee considers: – Pay levels at companies of a similar size and complexity in the FTSE 250 – External market conditions – Pay and conditions elsewhere in the Group – Individual performance, skills, experience in post and potential • Salaries are normally reviewed annually with changes taking effect from 1 April each year • The committee may also review salaries on an ad hoc basis if an individual is promoted and/or there is an increase in their responsibilities	• Annual salary increases for executive directors will not normally exceed the average increase awarded to other UK based employees • However, larger increases may be awarded in certain circumstances including but not limited to: – Increase in scope of responsibilities of the role – To apply salary progression for a newly appointed director – Where a director's salary has fallen significantly below market position	n/a
Performance-related bonus	• Focuses on the key priorities for the coming year • Deferral of half of bonus into Group shares aligns executive directors' interests with those of shareholders	• Annual, non-pensionable payments made after the AGM • Half of any bonus is paid in cash following the AGM and half is paid in shares deferred for a period of three years • Based on the achievement of specific financial and non financial objectives • Subject to recovery and withholding provisions for three years following the award	• Maximum of 150% of salary	• Performance metrics will normally include Group profit, cash and individual strategic goals with profitability accounting for at least half of the opportunity • A quality of earnings review and health and safety target thresholds also apply to the full bonus

Element & maximum	Purpose & link to strategy	Operation	Maximum	Performance targets
Long term incentive plan (LTIP)	• Aligned to the strategic objectives of the Group to deliver long term returns to shareholders	• Annual grant of performance shares that vest three years after grant (subject to the satisfaction of performance conditions) • Awards granted from 2015 must be retained (other than to pay tax or NICs due on receipt of the shares) for two further years • Subject to recovery and withholding provisions for three years following vesting	• Maximum of 150% of salary for Group Chief Executive and 100% of salary for other executive directors • Exceptional circumstances maximum (e.g. on recruitment) of 200% of salary	• Performance measured over three financial years • Performance metrics will include compound annual growth in adjusted EPS and relative TSR with each accounting for at least 25% of the award • For the 2015 awards adjusted EPS would have a 40% weighting, relative TSR would have a 40% weighting and customer satisfaction ratings in our bus and rail divisions will each have a 10% weighting • For the EPS and TSR measures not more than 25% of the award may vest at threshold performance • The committee has the discretion to vary the weighting of and choice of metrics including the comparator groups prior to each award. However, it would consult with shareholders before introducing significantly different metrics
Pension allowance	• Provides a cash alternative to pension contributions in line with market practice	• Monthly, non pensionable payment, paid in cash	• A cash allowance of up to 15% of salary may be provided[1]	n/a
Other benefits	• Ensures package is competitive with market practice and employees have a minimum level of insured benefits	• The main benefits include family private healthcare, death in service and life assurance cover (4x base salary), free travel on the Group's services and professional membership subscriptions	• Benefits are intended to be market competitive but are not subject to a maximum as the cost of providing the insured benefits is set by third party providers and can vary from year to year	n/a
All employee share plans	• Executive directors are eligible to participate in HMRC approved all employee schemes which encourage share ownership	• Executive directors may participate in these plans in line with HMRC guidelines currently prevailing (where relevant), on the same basis as other eligible employees	• Participation levels operate in accordance with HMRC limits as amended from time to time	n/a
Share ownership	• To align the financial interests of the executive directors with those of shareholders	• Executive directors are required to retain 50% of the post tax gain on vested LTIP and deferred share awards until such time as the Group Chief Executive has achieved a holding of 150% of salary and other executive directors have achieved 100% of salary	• 150% of salary holding for the Group Chief Executive[2] and 100% of salary holding for other executive directors	n/a

1. The current Group Chief Executive does not receive any form of pension provision from the Group. The Group Chief Financial Officer receives a cash allowance of 13% of salary.
2. The Group Chief Executive's share ownership guidelines will increase from 150% to 200% in accordance with best practice. While it will not be incorporated into the current remuneration policy until the next opportunity, it is immediately effective.

Considerations when determining remuneration policy

The remuneration committee considers shareholder feedback received and guidance from shareholder representative bodies more generally when reviewing remuneration policy, in addition to best practice and the 2014 Code.

A substantial proportion of the executive directors' pay is performance-related, with half of the annual bonus also being subject to deferral into the Group's shares. A broad range of financial and non-financial targets are included in our incentive structure and recovery and withholding provisions apply to both the annual performance-related bonus and LTIP from 2015/16. In addition, awards granted under the new LTIP will be subject to an additional two year holding period following the vesting of awards.

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

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

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

The Group did not formally consult with employees when drawing up the directors' remuneration policy. However, the Group considers any informal feedback received through employee staff surveys or other channels.

Committee discretions

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

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

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

Outstanding share incentive awards that remain unvested or unexercised at the date of this report, as detailed on pages 98 and 99, remain eligible for vesting or exercise based on their original award terms.

Consistency with remuneration for the wider Group

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

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

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

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

Performance measure selection

With the exception of base salary, benefits, pension allowance and participation in all employee share plans, all other elements of the remuneration packages of the executive directors are linked to performance.

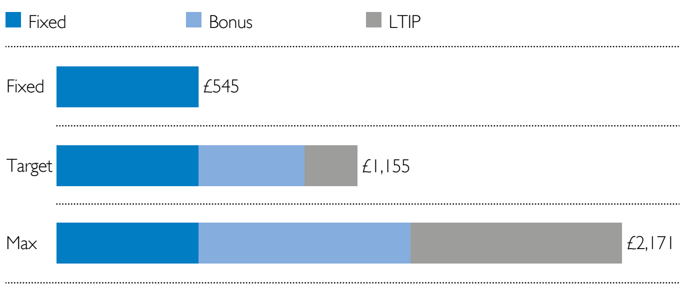
In choosing the performance metrics and targets we have sought to provide a strong and demonstrable link between management incentives and the Group's strategic objectives. We have also set a performance based framework for remuneration which is consistent with the Group's scale and unique structure.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

The choice of performance measures for the annual performance-related bonus is based on a mixture of financial, non financial, personal and strategic targets, with a clear alignment to the Group's short and long term strategic objectives.

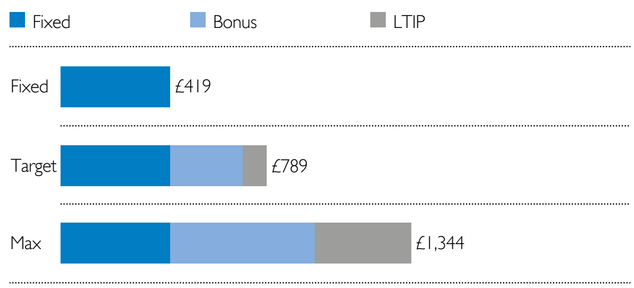
A significant proportion of executive directors' potential remuneration is performance-related. This comprises annual bonuses under the performance-related bonus and long term incentives under the LTIP. The charts below provide estimates of the potential future reward opportunity for the executive directors split between fixed, target and maximum remuneration scenarios. The scenarios do not take into account share price appreciation or dividends.

Total remuneration by performance scenario for 2016/17 financial year (£'000)

Group Chief Executive



Group Chief Financial Officer



The assumptions underlying each scenario are described below:

Fixed remuneration: base salary as at 1 April 2016, benefits as received in 2015/16 and, for the Group Chief Financial Officer only, the value of his pension allowance.

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

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

Recruitment remuneration

On appointing a new executive director, the committee would seek to align the remuneration package for the relevant individual with the Group's remuneration policy as set out on pages 88 and 89. It would aim not to pay more than necessary to secure the right candidate and the package would take into account the experience and calibre of the individual concerned. The remuneration package for a new executive director would be set in accordance with the terms of the approved remuneration policy in force at the time of appointment.

Where a newly appointed executive director is required to relocate, the Group may pay the costs of relocation if appropriate and may provide tax equalisation and assistance with reasonable legal fees.

Any executive director promoted internally may remain eligible for payments under incentive plans joined and/or contractual arrangements entered into before joining the Board. However the committee will have regard to best practice in reviewing the treatment of any such entitlements.

The committee assesses on an individual basis whether it is necessary to compensate executive directors for incentives lost from their previous employers. The level and timing of such compensation will normally seek to reflect or take account of the term and performance conditions of the payments or awards forgone on a like for like basis.

Compensation will normally take the form of conditional awards or options over Group shares but cash and/or time vested payments may be made where the committee believes these would offer better value for money for shareholders. Existing arrangements will be used where possible, however, the committee also reserves the ability to make use of the flexibility provided under the Listing Rules without prior shareholder approval. The committee is sensitive to investor concerns about such arrangements and will endeavour to take cost effective approaches.

During the year, the recruitment remuneration policy was followed for the appointment of Patrick Butcher, Group Chief Financial Officer. There were no relocation costs or compensation paid for incentives lost from his previous employer.

Service agreements of executive directors

The Group Chief Executive and the Group Chief Financial Officer entered into a service agreement with The Go-Ahead Group plc on 1 April 2011 and 14 March 2016 respectively. The term of each service agreement is undefined and is terminable by either the Group on one year's notice or by the executive director on six months' notice. The directors' service agreements are available for inspection at the Group's registered office.

External appointments

In accordance with their service agreements, the executive directors are able to accept external appointments and are permitted to retain any fees paid for such services, provided that approval is given by the Board. The Group Chief Executive is a non-executive director of ATOC Limited and Rail Delivery Group Limited. He does not receive any fees in relation to these roles. The Group Chief Financial Officer does not have any external appointments.

The former Group Finance Director, Keith Down, is a non-executive director of Topps Tiles plc and received fees of £18,840 for the period from 28 June 2015 to 6 December 2015 when he resigned from the Board (2014: £17,409).

Departure of executive directors

Executive directors' service agreements contain a provision, exercisable at the discretion of the Group, to pay an amount in lieu of notice on early termination of the agreement. Such payments are limited to base salary plus pension allowance and other benefits (such as family private healthcare and life assurance cover), but would not automatically include entitlement to bonus or share awards.

The Group can also pay legal fees and outplacement services. There are no provisions for special pension benefits, such as beneficial early retirement terms. Other than the notice periods specified above, the executive directors are not due any contractual compensation payments in the event of early termination of a service agreement. The committee believes that the agreements provide appropriate protection of the interests of shareholders when negotiating a termination, at which time the committee would take into account the departing director's duty to mitigate his/her loss when determining the amount of any compensation.

During the year, this policy was applied for the departure of the former Group Finance Director. Salary, pension allowance and other benefits only were paid, with no entitlement to bonus or share awards for the year ended 2 July 2016. Deferred bonus shares and LTIPs that were unvested on cessation of employment also lapsed.

Loss of office payments

The treatment of remuneration for executive directors whose service with Go-Ahead terminates will be considered on a case-by-case basis. However, the table below sets out the treatment of elements of remuneration that would normally apply:

Reason for termination	Retirement, redundancy, disability, death or change of ownership	Other leavers (e.g. resignation/misconduct)
Salary and contractual benefits	Payment equal to the aggregate of the base salary and the value of any contractual benefits for the notice period including any accrued or untaken holiday	Paid to date of termination, including pay for any accrued but untaken holiday
Performance-related bonus (cash)	Bonus awarded (subject to satisfaction of performance targets) for the relevant financial year, pro-rated accordingly for the period of employment to the date of cessation of employment	No award for year of termination
Performance-related bonus (deferred shares)	Awards vest on the date of cessation of employment	Awards lapse in full on cessation of employment
Unvested LTIP awards	Awards normally vest at the normal vesting date unless the remuneration committee determines the award should vest on the date of cessation of employment The amount of award vesting will be subject to the satisfaction of performance conditions and will normally be reduced pro rata to reflect time elapsed between grant and cessation of employment although the committee has discretion to waive pro-rating where it believes it would be appropriate to do so	Awards lapse in full on cessation of employment

Policy table for Chairman and non-executive directors

The remuneration policy for the Chairman and the non-executive directors is set out in the table below. Non-executive directors are not involved in any discussions or decisions about their own remuneration.

Element	Purpose and link to strategy	Operation
Fees	The basic fee for the Chairman and non-executive directors is a fixed annual fee commensurate with the time each director is expected to spend on the Group's affairs and with the responsibility assumed as director of a listed company Fees are set at a level to attract and retain individuals with appropriate expertise to complement the Group's strategy	The remuneration of the non-executive directors takes the form solely of fees, which are set annually by the Board The level of fees set is subject to the current limits as set out in the Group's articles of association (currently aggregate fees of £500,000 for all non-executive directors) Fees are reviewed on 1 April each year with reference to comparable listed companies in the FTSE 250
Additional fees payable for duties	Additional fees may be paid to non-executive directors who are chair of a Board committee and/ or who occupy the role of senior independent director to reflect the additional responsibility and time commitment required	Non-executive directors are not eligible to receive performance-related remuneration or pension entitlements or to participate in share option schemes Non-executive directors may also be provided with limited travel, hospitality and accommodation expenses

The Chairman and non-executive directors do not receive benefits in kind nor do they participate in the Group's short and long term incentive arrangements or in its pension scheme.

Letters of appointment for Chairman and non-executive directors

Each non-executive director has a letter of appointment which provides for a notice period of six months. The terms of appointment contain no entitlement to compensation for early termination. The letters of appointment are available for inspection at the Group's registered office during normal business hours and will also be available for inspection prior to and during the AGM.

The contract dates and notice periods for the non-executive directors are shown in the table below:

Director	Date of service agreement	Notice period from the Group	Notice period from the director
Andrew Allner	October 2008	6 months	6 months
Katherine Innes Ker	July 2010	6 months	6 months
Nick Horler	November 2011	6 months	6 months
Adrian Ewer	April 2013	6 months	6 months

Retirement and re-election of directors

In accordance with the Group's articles of association and the provisions of the 2014 Code, all directors are required to submit themselves for re-election at each AGM. Accordingly, all directors will be submitting themselves for re-election with the exception of Patrick Butcher, Group Chief Financial Officer, who will offer himself for election for the first time.

Annual report on remuneration

The remuneration committee presents the annual report on remuneration which, together with the annual statement from the Remuneration Committee Chair, will be put to shareholders as an advisory vote at the AGM to be held on 3 November 2016.

Remuneration committee report

All members of the committee are independent non-executive directors.

The committee met seven times during the year. Four of these meetings were scheduled, with three additional meetings to discuss the remuneration of the new Group Chief Financial Officer and remuneration policy more generally. Attendance at the committee meetings is set out on page 59.

Role of the committee

The committee's principal responsibilities are to:

- Develop the remuneration policy for the executive directors, including the balance between fixed and performance-related, cash and share-based, immediate and deferred remuneration
- Review the ongoing appropriateness and effectiveness of the Group's remuneration policy
- Regularly review the design and targets for performance-related pay arrangements and approve the total annual payments and awards
- Ensure adherence to the policy set for executive directors' service agreements, including recruitment and compensation payment policies
- Recommend and monitor the level and structure of remuneration for senior management within the Group
- Determine the fees of the Chairman

The members of the committee have no personal interests in the matters to be decided by the committee other than as shareholders, and have no conflicts of interest arising from cross directorships. Committee members did not attend meetings where matters associated with their own remuneration were considered.

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

Terms of reference

The committee's terms of reference are reviewed annually and approved by the Board. They are available on our corporate website at www.go-ahead.com or upon request from the Group Company Secretary.

External advisors to the committee

New Bridge Street (NBS) (a trading name of Aon Hewitt Limited, part of Aon plc) act as independent remuneration advisors to the committee. The advisor was selected through a thorough process led by the Remuneration Committee Chair and was appointed by the committee. Neither Aon Hewitt Limited nor the wider Aon plc provided any other services to the Group during the year and therefore the committee was satisfied that it provided objective and independent advice. NBS is a member of the Remuneration Consultants Group and complies with its code of conduct. The fees payable to NBS for advice throughout the year were £38,816 (2015: £20,778).

Statement of voting at general meeting

At last year's AGM (22 October 2015) the directors' remuneration report received the following votes from shareholders:

	Votes for and discretionary	Votes against	Total votes	Withheld
Remuneration report	23,971,292	185,563	24,156,855	3,410,784
	99.23%	0.77%	100%	
Remuneration policy	21,842,550	497,285	22,339,835	5,227,804
	97.77%	2.23%	100%	

Implementation of remuneration policy for 2015/16

Executive directors' annual base salary (audited)

Base salary levels for executive directors are shown below and will remain in place until April 2017 when they will be reviewed again:

Executive directors	**From 1 April 2016**	From 1 April 2015	% Increase
Group Chief Executive, David Brown	**£541,800**[1]	£541,800	0
Group Chief Financial Officer, Patrick Butcher	**£370,000**[2]	n/a	n/a

1. David Brown has, at his own request, not received an increase this year.
2. Patrick Butcher was appointed on 14 March 2016. His first review following his appointment will be April 2017.

Executive directors' remuneration (audited)

The below table summarises all remuneration that was earned by each executive director during the year and computes a single total remuneration figure for the year. The value of the performance-related bonus reflects what was earned in respect of the year but will be paid out shortly after the AGM in November 2016. Similarly the value of the LTIP reflects the award granted in 2013 which will vest in November 2016 as a result of the performance through the three year period ended at the completion of our financial year on 2 July 2016. The LTIP value in the below table is based on the average market share price in the last quarter of 2015/16 of £24.54. This value has been estimated as the award will not actually vest until shortly after the 2016 AGM. The closing share price on 2 July 2016 was £19.78 which would result in a lower LTIP value than that stated in the table below.

The remuneration committee reviews all incentive awards prior to payment and uses judgement to ensure that the final assessments of performance are fair and appropriate. If circumstances warrant it, the committee may adjust the final payment or vesting downwards. The remuneration for the Group Chief Executive reflects his request not to be considered for the 2015/16 annual performance-related bonus award.

				Short term incentives (Performance-related bonuses[2])					
		Salary £'000	Taxable benefits[1] £'000	Cash bonus[2] £'000	Deferred share bonus[2] £'000	Long term incentives LTIP[3] £'000	Pension allowance[4] £'000	Other remuneration[5] £'000	Single total remuneration figure £'000
Executive directors									
Group Chief Executive, David Brown	**2016**	**542**	**3**	**–**	**–**	**744**	**–**	**22**	**1,311**
	2015	535	3	279	279	1,038	–	–	2,134*
Group Chief Financial Officer, Patrick Butcher	**2016**	**112**	**1**	**–**	**141**	**–**	**15**	**–**	**269**
	2015	–	–	–	–	–	–	–	–
Former executive director									
Former Group Finance Director, Keith Down	**2016**	**155**	**1**	**–**	**–**	**–**	**21**	**14**	**191**
	2015	351	2	183	–	664	46	–	1,246*

* Restated from last year to reflect actual value of the 2012/13 LTIP award which vested in November 2015. For the Group Chief Executive and the former Group Finance Director this was £942,053 (2015 estimation: £970,823) and £602,911 (2015 estimation: £621,324) respectively based on the share price as at 5 November 2015 of £25.016. The cash equivalent value of the gross cumulative dividend payment was as disclosed last year being £96,216 for the Group Chief Executive and £61,578 for the former Group Finance Director.

1. Taxable benefits

The taxable benefit for the executive directors comprises family healthcare membership.

2. Cash bonus and deferred share bonus (performance-related bonus) Group Chief Financial Officer only

The table below illustrates the components of the annual performance-related bonus award at maximum and actual payouts for business objectives set for the Group Chief Financial Officer from 14 March 2016, the date he joined the Board:

Metric	Performance measure	Weighting (percentage of maximum)	Achieved	Actual payout (percentage of maximum)	Actual payout (percentage of salary)
Adjusted Group operating profit (AGOP)	Actual 2015/16 AGOP	87%	96.1%	83.6%	125.4%
Group cashflow	Net debt after adding back restricted cash	13%	0.0%	0%	0%
Total		100%	96.1%	83.6%	125.4%

The Group Chief Financial Officer was awarded an overall bonus of 125.4% of pro-rata salary based on AGOP and cashflow targets only. All of this bonus is payable in deferred shares to be held for a period of three years to immediately align his interests with those of shareholders and is subject to clawback provisions.

The former Group Finance Director did not receive any annual performance-related bonus on account of his cessation of employment on 6 December 2015.

Adjusted Group operating profit (AGOP)

The AGOP target for the 2015/16 financial year was as shown below, with payout on a sliding scale from the 2014/15 AGOP:

Measure	Target	Payout (percentage of maximum)
AGOP 2015/16	AGOP of £137.7m in 2014/15	0%
	AGOP budget of £158.2m in 2015/16	87%

Actual AGOP for the year ended 2 July 2016 was £157.4m, resulting in a pro-rated payout of 83.6% of the maximum 87% (125.4% of salary) for the Group Chief Financial Officer.

Cashflow

For Group cashflow (defined as net debt after adding back restricted cash), the target for the 2015/16 financial year was £166.0m. Actual Group cashflow was £239.3m (2015: £244.7m) resulting in no payout for this element of bonus.

Health and safety target threshold

The annual performance-related bonus includes an underpin that enables the committee to use its discretion to scale back the bonus earned should there be a catastrophic event or a deterioration in health and safety performance. The committee concluded that payment of the annual performance-related bonus was appropriate in light of the Group's health and safety performance in the year.

Recovery and holding provisions

The annual performance-related bonus is subject to recovery and holding provisions for three years following vesting.

3. Vesting of 2013/14 LTIP award – Group Chief Executive only

The table below summarises the performance conditions for the Group Chief Executive's 2013/14 LTIP award and the actual performance achieved. This award was subject to performance conditions measured over three financial years ending with the 2015/16 financial period.

As shown below, the adjusted EPS growth target (25% weighting) and relative TSR target (25% weighting) were fully achieved. For the bus division, the profit target (25% weighting), which was to continue to organically grow bus division profits to £100m by 2015/16, was also fully achieved.

For the rail division, 15% of the profit target (25% weighting) was achieved on the basis of the performance on London Midland and Southeastern having been excellent, with both franchises being extended and generating the maximum possible profit under their direct awards. Full payout of this element was not achieved as the GTR margins over the life of the contract will be lower than originally forecast.

	Payout (% of each element)	Compound annual growth in adjusted EPS	Relative TSR vs FTSE 250 (excluding certain sectors)	Bus division profit in 2015/16	Rail division profit in 2015/16
Weighting (% of total award)	–	25%	25%	25%	25%
Below threshold	0%	Less than RPI + 2% p.a.	Below median	–	–
Threshold	25%	RPI + 2% p.a.	Median	–	–
Between threshold and maximum	Between 25% and 100%	Between RPI + 2% p.a. and RPI + 8%p.a.	Between median and upper quartile	–	–
Maximum	100%	RPI + 8% p.a.	Upper quartile	–	–
Performance achieved		Adjusted EPS of 220.5p. From a base of 139.6p this is equivalent to growth of RPI + 14.65% p.a.	26th out of 122 companies	See commentary above	
Actual % vesting	90%	25%	25%	25%	15%

The value of the Group Chief Executive's LTIP award is shown in the executive directors' remuneration table on page 95. This includes the value of the long term incentive shares vesting which amounted to £672,764 based on the average market share price in the last quarter of 2015/16 of £24.54. This value has been estimated as the award will not actually vest until shortly after the 2016 AGM. The closing share price on 2 July 2016 was £19.78 which would result in a lower LTIP value at vesting. The cash equivalent value of the gross cumulative dividend payment is also payable equating to £70,821.

4. Pension allowance

The Group Chief Financial Officer receives a non-pensionable cash supplement of 13% of his base salary. The Group Chief Executive does not receive any form of pension provision from the Group.

5. Other remuneration

The value of the gross cumulative dividend payment in relation to the 2012/13 deferred share bonus award which vested in November 2015 following the end of the three year deferral period.

2015/16 LTIP awards granted during the year ended 2 July 2016 (audited)

As reported in the annual report last year, an LTIP award was granted to the Group Chief Executive during the year ended 2 July 2016. This was structured as a nil-cost option, which is exercisable at the end of a three year performance period commencing with the start of the 2015/16 financial period and ending with the 2017/18 financial period, subject to the satisfaction of performance conditions. Vested awards are then subject to a further two year holding period other than for sales to settle any tax or NIC liability on exercise of the awards. The 2015/16 grant policy was to grant awards with a face value of 150% of salary for the Group Chief Executive only as follows:

Executive director	Basis of award granted	Share price at grant date	Number of shares over which award was granted [1]	Face value of award[2] (£'000)	% of award which vests as threshold	Vesting determined by performance over
David Brown	150% of salary	£25.46	32,618	830	10% for EPS, 25% for TSR and 10% for each customer element	Three financial years ending on 1 July 2018

1. The number of shares over which the award was granted was calculated using a share price of £24.58, this being the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the plan rules.
2. The face value of the award has been calculated on a share price of £25.46. This was the share price on 4 November 2015, the date of grant.

Following consultation with our major shareholders and shareholder representative bodies regarding changes to our remuneration policy for the 2015/16 financial year, which included the LTIP performance targets, the performance conditions attaching to the 2015/16 LTIP awards were as follows:

	EPS payout (% of element)	Compound annual growth in adjusted EPS	Payout (% of TSR element)	Relative TSR vs FTSE 250 (excluding certain sectors)	Payout (% of each customer element)	Rail customer service target	Bus customer service target
Weighting (% of total award)	–	40%	–	40%	–	10%	10%
Below threshold	0%	Less than RPI + 5% p.a.	0%	Below median	0%	Less than 78%	Less than 90%
Threshold	10%	RPI + 5% p.a.	25%	Median	10%	78%	90%
Between threshold and maximum	Between 10% and 100%	Between RPI + 5% p.a. and RPI + 13% p.a.	Between 25% and 100%	Between median and upper quartile	Between 10% and 100%	Between 78% and 82%	Between 90% and 93%
Maximum	100%	RPI + 13% p.a.	100%	Upper quartile	100%	82%	93%

The customer satisfaction targets will be as measured by the independent passenger watchdog Transport Focus (formerly Passenger Focus) and published in the annual report. This is a key operating performance measure for Go-Ahead. It is a strategic priority for the Group to provide high-quality service and customer satisfaction is a critical measure of our performance. This influences our ability to retain franchises and to win new ones. Ensuring management is focused on this strategic measure is critically important as a driver of long term shareholder value.

There is an additional profit threshold for the customer service target which is that adjusted EPS growth over the three year period must be greater than RPI + 5% before any of the customer service element of award can vest.

The above EPS targets are based on current accounting policies and will be adjusted should there be any changes to these policies. Awards will continue to vest three years after grant, subject to the performance conditions being met over broadly the same period.

Statement of directors' shareholdings and share interests (audited)

The committee believes that the shareholding requirements for executives play an important role in the alignment of the interests of executives and shareholders and help to incentivise executives to deliver sustainable long term performance.

From the 2015/16 financial year, the Group Chief Executive's guideline was 150% of salary, which had increased from 100% previously, while the Group Chief Financial Officer's guideline was 100% of salary. Until they reach these levels, the executive directors are expected to retain 50% of the post-tax gain on vested LTIP and deferred share awards. From the 2016/17 financial year, the committee has agreed that the Group Chief Executive's share ownership guidelines will increase to 200% in accordance with best practice. LTIP awards granted from 2015 must be retained (other than to pay tax and NICs due on receipt of shares) for a further two years.

Details of the interests of the executive directors in shares and long term incentive interests for the period ending 2 July 2016 are set out in the table below. At this date, the Group Chief Executive beneficially held 46,261 shares equating to 169% of base salary (based on the closing share price on 2 July 2016) and therefore meets the shareholding requirement. The Group Chief Financial Officer beneficially held 1,866 shares, which he had purchased shortly after joining the Group, equating to 10% of base salary and therefore does not meet the shareholding requirement yet.

Executive director			David Brown[8]	Patrick Butcher
Ordinary shares[1]	28 June 2015 or date of appointment if later		21,677	0
	2 July 2016		46,261[2]	1,886
Shareholding requirement (% of basic salary)			150%	100%
Current shareholding as at 2 July 2016 (% of basic salary)[3]			169%	10%
Shareholding requirement met			Yes	No
Share options[4]	Without performance conditions	Sharesave[5]	197	0
	With deferral conditions	Unvested deferred share bonus awards[6]	31,364	0
	With performance conditions	Unvested LTIP awards[6]	53,953	0
		Vested but unexercised share awards[7]	27,415	0
Shareholding when 2013 DSBP and 2012/13 LTIP awards vest in November 2016 (% of basic salary)			227%	10%

1. Ordinary shares are beneficial holdings which include the directors' personal holdings and those of their spouses. They also include the beneficial interests in shares which are held in trust under the Group's Share Incentive Plan.
2. During the year, David Brown's beneficial shareholding increased by 24,584 ordinary shares. This comprised of 4,590 and 19,923 ordinary shares acquired through the post-tax gain on the 2012/13 deferred share bonus and LTIP awards respectively which vested in November 2015. Additionally, 71 shares were purchased under the Group's Share Incentive Plan during the period 28 June 2015 and 2 July 2016. For further details on the vesting of the 2012/13 deferred share bonus and LTIP awards, please see page 99.
3. Shareholding as a % of salary includes only ordinary shares. Unvested deferred shares or LTIP awards have not been included. Shareholding is based on the closing share price on 2 July 2016.
4. Deferred share bonus plan and LTIP awards are structured as nil cost options.
5. Sharesave is an all-employee share option plan and has no performance condition as per HMRC Regulations.
6. Excludes deferred share bonus plan shares and LTIP awards which will be granted in November 2016 for the year ended 2 July 2016. The value of deferred share awards granted in respect of the year ended 2 July 2016 is shown in the executive directors' remuneration table on page 95.
7. Relates to the 2013/14 LTIP award which has vested in respect of the year ended 2 July 2016 and which will be exercised shortly after the AGM, in November 2016. The value of the 2013/14 LTIP award is shown in the executive directors' remuneration table on page 95.
8. In the period 2 July 2016 to 8 September 2016, David Brown's ordinary shareholding increased from 46,261 to 46,277 as a result of shares purchased under the Group's Share Incentive Plan. There have been no other changes in the shareholdings of the executive directors between 2 July 2016 and the date of this Annual Report and Accounts.
9. Keith Down beneficially owned 13,322 as at 28 June 2015 and 13,347 ordinary shares as at 6 December 2015 (the date he resigned as director).

Following the vesting of the 2013/14 LTIP award and the 2013/14 deferred share award which will take place in November 2016, the Group Chief Executive's shareholding will increase to 227% of salary.

Executive directors' interests in outstanding share awards and options (audited)

The table below sets out details of the executive directors' outstanding share awards (which will vest in future years subject to performance conditions and/or continued service). The Group Chief Financial Officer joined the Group on 14 March 2016 and so had no interests in share awards and options during the year ended 2 July 2016.

Group Chief Executive, David Brown

Plan	Date of grant	Mid-market price on date of grant	Option price	Balance at 27 June 2015	Granted in year	Vested in 2014/15 but exercised during year	Lapsed in year	Balance at 2 July 2016	Awards vested at 2 July 2016 but not yet exercised[1]		Balance post exercise
									Vested	Lapsed	
Sharesave[2]	25.03.14	–	17.34	103	–	–	–	103	–	–	103
	22.03.16	–	19.11	–	94	–	–	94	–	–	94
Deferred share bonus plan	13.11.12	12.35	–	8,661	–	8,661[3]	–	–	–	–	–
	30.10.13	16.84	–	4,432	–	–	–	4,432	–	–	4,432
	05.11.14	25.03	–	15,601	–	–	–	15,601	–	–	15,601
	29.10.15	24.13	–	–	11,331	–	–	11,331	–	–	11,331
LTIP	05.11.12	13.06	–	37,658	–	37,658[4]	–	–	–	–	–
	30.10.13	16.84	–	30,462	–	–	–	30,462	27,415	3,047	–
	05.11.14	25.03	–	21,335	–	–	–	21,335	–	–	21,335
	04.11.15	25.46	–	–	32,618	–	–	32,618	–	–	32,618
Total				118,252	44,043	46,319	–	115,976	27,415	3,047	85,514

Former Group Finance Director, Keith Down[5]

Plan	Date of grant	Mid-market price on date of grant	Option price	Balance at 27 June 2015	Granted in year	Vested in 2014/15 but exercised during year	Lapsed in year	Balance at 2 July 2016	Awards vested at 2 July 2016 but not yet exercised[1]		Balance post exercise
									Vested	Lapsed	
Sharesave[2]	25.03.14	–	17.34	103	–	–	103	–	–	–	–
Deferred share bonus plan	13.11.12	12.35	–	5,543	–	5,543[3]	–	–	–	–	–
	30.10.13	16.84	–	2,836	–	–	2,836	–	–	–	–
	05.11.14	25.03	–	9,990	–	–	9,990	–	–	–	–
LTIP	05.11.12	13.06	–	24,101	–	24,101[4]	–	–	–	–	–
	30.10.13	16.84	–	19,496	–	–	19,496	–	–	–	–
	05.11.14	25.03	–	13,661	–	–	13,661	–	–	–	–
Total				75,730	–	29,644	46,086	–	–	–	–

1. Relates to the 2013/14 LTIP award which has vested in respect of performance for the year ended 2 July 2016 and will be exercised shortly after the 2016 AGM in November 2016.
2. Sharesave is an all-employee share option plan and has no performance condition as per HMRC Regulations.
3. The 2012/13 deferred share bonus award was exercised on 13 November 2015 with a share price of £25.57. David Brown and Keith Down's gain on their awards was therefore £221,462 and £141,735 respectively.
4. The 2012/13 LTIP award was exercised on 5 November 2015 with a share price of £25.016. David Brown and Keith Down's gain on their awards was therefore £942,053 and £602,911 respectively.
5. The former Group Finance Director resigned from the Board on 6 December 2015. Details of his leaving arrangements are set out on page 100. All awards made in 2013 and 2014 and his sharesave award lapsed on leaving the Group. For transparency, these are shown in the 'lapsed in year' column.

Payments to former directors and payments for loss of office (audited)

There were no payments made to former executive directors during the year ended 2 July 2016.

Departure terms for the former Group Finance Director (audited)

Keith Down resigned as Group Finance Director on 6 December 2015 and continued to receive salary and benefits until that date. The committee considered the overall circumstances of his departure as well as performance, contractual obligations and plan rules. The committee's determinations, which are consistent with the remuneration policy, are set out below:

Remuneration element	Description
Payment in lieu of notice	No payment in respect of salary or benefits (or compensation in lieu) in respect of any period after 6 December 2015 or compensation for loss of office was made
Performance-related bonus	All entitlement to the performance-related bonus for the year ended 2 July 2016 has been forfeited
Pension allowance	No pension allowance was made in respect of any period after 6 December 2015 and no additional amounts were paid for loss of office
Deferred share awards	As reported last year, as the former Group Finance Director remained employed by the Group on the vesting date, the 2012/13 deferred shares vested in November 2015 Those other amounts of annual performance-related bonus from 2013 onwards that were compulsorily deferred into shares for a period of three years all lapsed with effect from 6 December 2015 in accordance with the plan rules
LTIP awards	No 2015/16 LTIP grant was made to Keith Down As reported last year, as the former Group Finance Director remained employed by the Group on the vesting date, the 2012/13 LTIP award vested in November 2015. All other LTIP awards lapsed with effect from 6 December 2015 in accordance with the plan rules

Recruitment remuneration for Group Chief Financial Officer

The remuneration package for the new Group Chief Financial Officer comprises the following which is entirely in line with the approved remuneration policy:

- A base salary of £370,000
- Family healthcare membership
- A non-pensionable cash supplement of 13% of base salary
- Eligibility to participate in the Group's annual performance-related bonus up to a maximum of 150% of base salary per annum
- Eligibility to participate in the Group's LTIP up to a maximum of 100% of base salary per annum
- The Group Chief Financial Officer has a service agreement which requires six months' notice of termination by him and 12 months' notice by the Group
- No compensation was paid for incentives lost from the Group Chief Financial Officer's previous employer

Percentage change in the Group Chief Executive's remuneration

The table below shows the percentage change in the Group Chief Executive's total remuneration between the financial years 28 June 2015 and 2 July 2016, compared to the average change for all employees of the Group.

	% change from 2015 to 2016		
	Salary	Benefits	Bonus
Group Chief Executive	–	(2.8)	(100)
Average employees	2.3	–	(4.1)

Group Chief Executive remuneration comparison

Year	Group Chief Executive	Single total figure of remuneration £'000	Annual performance-related bonus (actual award v maximum opportunity) £'000 (and % vesting)	Long term incentive vesting (vesting v maximum opportunity) £'000 (and % vesting)
2015/16	David Brown	1,311[1]	£0	£744 (90%)
2014/15	David Brown	2,134[2]	£558 (69.6%)	£1,067 (100.0%)
2013/14	David Brown	1,960[2]	£766 (97.5%)	£666 (80.0%)
2012/13	David Brown	942	£422 (55.3%)	–
2011/12	David Brown	1,022	£513 (68.0%)	–
2010/11	David Brown	251[3]	£125 (100.0%)	–
2010/11	Keith Ludeman	1,564	£530 (100.0%)	–

1. The single total figure of total remuneration for 2015/16 includes the vesting of the 2013/14 LTIP award. At the request of the Group Chief Executive, there was no annual base salary increase as at 1 April 2016 or any annual performance-related bonus paid for the year ended 2 July 2016.
2. The single figure of total remuneration for 2014/15 (restated) and 2013/14 includes the vesting of the 2012/13 and 2011/12 LTIP awards respectively.
3. Following his appointment in April 2011, the Group Chief Executive was paid a pro-rata performance-related bonus for the financial year 2010/11.

The relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the financial year being reported on, compared to that of the previous year.

	2015/16 £'m	2014/15 £'m	% change
Dividends	**£39.4**	£36.7	7.4
Overall expenditure on pay	**£1,215.5**	£1,079.6	12.6

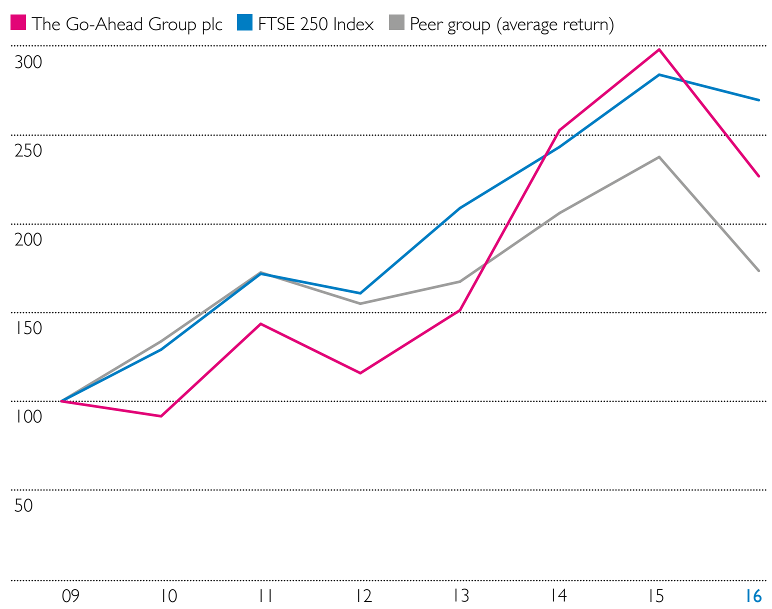
The Group has not made any other significant distributions and payments or other uses of profit or cashflow deemed by the directors to assist in understanding the relative importance of spend on pay.

Total shareholder return (TSR) performance graph

The graph to the right shows a comparison of The Go-Ahead Group plc cumulative TSR against that achieved by the FTSE 250 Index for the last seven financial years to 2 July 2016. In assessing the performance of the Group's TSR, the Board believes the FTSE 250 index comparator group it has chosen represents an appropriate and fair benchmark upon which to measure the Group's performance for this purpose.

This graph shows the value by 2 July 2016 of £100 invested in The Go-Ahead Group plc on 27 June 2009 compared with the value of £100 invested in the FTSE 250 index and our peer group over the same period. The other points plotted are the same values at intervening financial year ends.

The table above shows the total remuneration figure for the Group Chief Executive over the same seven year period. The total remuneration figure includes the performance-related bonus and LTIP awards (and the percentage of the maximum opportunity that these represent).



Strategic report
Governance
Financial statements
Shareholder information

Chairman and non-executive director fees

Fee levels for the Chairman and the non-executive directors were reviewed on 1 April 2016 and increased by 2%. Non-executive directors who chair a committee receive an additional fee. From 1 April 2016, an additional fee is also paid to the Senior Independent Director to reflect the additional time commitment attributable to this role.

Non-executive director		Base fee	Additional fee for Senior Independent Director	Additional fee for chairing a committee	Total
Andrew Allner	**From 1 April 2016 £'000 p.a.**	**173**	**–**	**–**	**173**
	From 1 April 2015 £'000 p.a.	172	–		172
Katherine Innes Ker	**From 1 April 2016 £'000 p.a.**	**48**	**5**	**5**	**58**
	From 1 April 2015 £'000 p.a.	47	–	5	52
Nick Horler	**From 1 April 2016 £'000 p.a.**	**48**	**–**	**–**	**48**
	From 1 April 2015 £'000 p.a.	47	–	–	47
Adrian Ewer	**From 1 April 2016 £'000 p.a.**	**48**	**–**	**5**	**53**
	From 1 April 2015 £'000 p.a.	47	–	5	52

Chairman and non-executive directors' remuneration (audited)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 2 July 2016 and the prior year:

	Single total remuneration figure £'000	
Non-executive director	**2016**	2015
Andrew Allner	**173**	170
Katherine Innes Ker	**54**	52
Nick Horler	**47**	46
Adrian Ewer	**53**	52

Non-executive directors' shareholdings (audited)

Non-executive directors are not subject to a shareholding requirement. The shareholdings of each non-executive director is as follows:

	As at 2 July 2016	As at 27 June 2015
Andrew Allner	**742**	742
Katherine Innes Ker	**116**	–
Nick Horler	**1,038**	–
Adrian Ewer	**138**	138

Material contracts

There have been no other contracts or arrangements during the financial year in which a director of the Group was materially interested and/or which were significant in relation to the Group's business.

Implementation of remuneration policy for 2016/17

Details of how the remuneration policy will be implemented for the 2016/17 financial year are set out below.

2016/17 base salaries

The base salaries of the executive directors will remain unchanged until the next review on 1 April 2017.

Benefits

The benefits for both executive directors will remain consistent with those detailed in the remuneration policy section on pages 88 and 89.

Pension

The current pension arrangements described on page 97 will remain in place for the forthcoming financial year.

2016/17 Performance-related bonus

The performance measures and weightings for 2016/17 which remain unchanged from 2015/16 are as follows:

Metric	Weighting (% of maximum bonus)
Adjusted Group operating profit (AGOP)	65%
Group cashflow	10%
Strategic KPIs	25%

AGOP, cashflow and strategic KPI targets will be stretching for the 2016/17 financial year and more information on the specific targets and performance against them will be provided retrospectively in next year's remuneration report to the extent that they are not commercially sensitive at the time. The strategic KPIs include a number of non-financial strategic and personal objectives, including customer satisfaction, communication and reputational KPI's.

A health and safety target threshold will continue to apply to the full bonus, with the remuneration committee having discretion to reduce bonus payments potentially to zero should it be considered appropriate.

There will also be an additional rail customer service threshold, with the remuneration committee having discretion to scale back the bonus, if customer satisfaction across the Group's train operating companies in Spring 2017, as measured by the Transport Focus National Rail Passenger Survey (NRPS) averaged across the Group's train operating companies (Southeastern, Southern, Thameslink and Great Northern, Gatwick Express and London Midland) is less than the London and South East Sector NRPS reported for Spring 2016.

Any bonus payable will be satisfied 50% in cash and 50% in deferred shares. Recovery and withholding provisions will apply to the full performance-related bonus and the audit committee will undertake a formal end-of-year quality of profit and budget review in conjunction with the auditor before approval of any bonus payment.

2016/17 LTIP awards

The structure of LTIP awards to be granted in 2016 will remain the same as for the 2015 awards with the EPS and TSR elements of the awards accounting for 40% each and a customer satisfaction target award of 20% split equally between rail and bus. The LTIP award will be subject to recovery and withholding provisions for three years following vesting. An additional two year holding period following the vesting of awards will also apply during which any vested awards may not be sold (other than to pay any tax and NICs due on exercise). This will result in an overall five year period before executives can realise the gain on vested shares.

For the year commencing 3 July 2016, the LTIP award for the Group Chief Executive and the Group Chief Financial Officer will have a face value of 150% and 100% of salary respectively. The performance measures and targets for awards to be made in 2016/17 are detailed below:

	EPS payout (% of element)	Compound annual growth in adjusted EPS	Payout (% of TSR element)	Relative TSR vs FTSE 250 (excluding certain sectors)	Payout (% of customer element)	Rail customer service target	Bus customer service target
Weighting (% of total award)	–	40%	–	40%	–	10%	10%
Below threshold	0%	See below	0%	Below median	0%	Less than 78%	Less than 90%
Threshold	10%		25%	Median	10%	78%	90%
Between threshold and maximum	Between 10% and 100%		Between 25% and 100%	Between median and upper quartile	Between 10% and 100%	Between 78% and 82%	Between 90% and 93%
Maximum	100%		100%	Upper quartile	100%	82%	93%

The committee is not proposing any changes to remuneration policy for the financial year 2016/17. However, the committee does have the discretion to vary the weighting of and choice of LTIP metrics prior to each award. In accordance with best practice, the committee will be consulting with the Group's major shareholders and shareholder representative bodies regarding the EPS targets for the 2016/17 awards in response to the revised outlook for GTR and analysts' repositioning their forecasts. At the time of signing this report the adjusted EPS targets for the 2016/17 awards had not been finalised by the committee and so are not included in the table above. It is intended that these targets will be at least as stretching in the current circumstances as those set for the 2015/16 awards.

The outcome of this consultation will be confirmed to the Group's major shareholders and shareholder representative bodies before the 2016 AGM, in addition to being disclosed in next year's annual report.

Non-executive directors' fees

The non-executive directors' fees will remain unchanged until the next annual fee review is undertaken on 1 April 2017.

Katherine Innes Ker,
Remuneration Committee Chair

8 September 2016

Directors' report

The directors present their report and audited financial statements for the year ended 2 July 2016.

This report has been prepared in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and forms part of the management report as required under Disclosure and Transparency Rule (DTR) 4. Certain information that fulfils the requirements of the directors' report can be found elsewhere in this document and is referred to below.

Corporate governance report

Under DTR Rule 7, a requirement exists for certain parts of the corporate governance report to be outlined in this directors' report. The corporate governance statement setting out how the Group complies with the UK Corporate Governance Code published in September 2014 (the 2014 Code) and which includes a description of the main features of its internal control and risk management arrangements in relation to the financial reporting process is set out on pages 58 to 107. The information required by DTR 7.2.6R can be found in the 'shareholder information' section on pages 173 to 175. A description of the composition and operation of the Board and its committees is set out on pages 60 to 63.

Strategic report

The strategic report on pages 1 to 57 includes an indication of future likely developments in the Group, the Group's business and model strategy and greenhouse gas emissions.

Articles of association

The Group's articles can only be amended by a special resolution at a general meeting of shareholders. Shareholders of the Group can request a copy of the articles by contacting the Group Company Secretary at the registered office.

Directors and their interests

The directors of the Group as at the date of the approval of this Annual Report are shown on pages 60 and 61. All were directors throughout the year to 2 July 2016, with the exception of Patrick Butcher, Group Chief Financial Officer, who joined the Board on 14 March 2016. Keith Down resigned as Group Finance Director on 6 December 2015.

The interests of directors and their connected persons in the shares of the Group along with details of directors' share options, are contained in the directors' remuneration report set out on pages 84 to 103.

Directors' conflicts of interests

The Board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Group's articles of association. The Board considers that the procedures in respect of this power, which have been properly followed, have operated effectively during the year and the conflicts register has been updated accordingly. The Board is aware of its directors' other commitments and any changes to these commitments are advised to and approved by the Board committees.

Election and re-election of directors

The appointment and replacement of directors are governed by the Group's articles, the 2014 Code, the Companies Act 2006 (the Act) and related legislation. The directors are appointed by ordinary resolution at a general meeting of shareholders. The directors have the power to appoint a director during the year but any person so appointed must be subject to election at the first AGM following their appointment. The current articles require that all directors are subject to re-election on an annual basis.

All directors will be submitting themselves for election or re-election at the AGM in accordance with the 2014 Code. The Board is satisfied that each director is qualified for re-election by virtue of their skills, experience and contribution to the Board. Biographical details can be found on pages 60 and 61.

Directors' indemnities

The Group maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. The Group has also granted indemnities to each of its directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 2 July 2016 and remain in force, in relation to certain losses and liabilities that the directors may incur to third parties in the course of acting as directors or employees of the Group or of any associated company. Neither the Group's indemnity nor its insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

Share capital and substantial shareholdings

All information relating to the Group's capital structure, rights attaching to shares, dividends, any restrictions on the transfer of shares, the policy to repurchase the Group's own shares, substantial shareholdings and other shareholder information is shown on pages 173 to 175.

Change of control

Details of change of control provisions in the Group's rail franchise agreements and revolving credit facility are set out on page 175.

There are no agreements between the Group and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Dividends

Our dividend policy is for progressive dividend growth whilst maintaining dividend cover of approximately two times adjusted earnings, on a pre IAS 19 (revised) basis, through the economic cycle. Details of the proposed final dividend payment for the year ended 2 July 2016 are shown on the consolidated income statement on page 112 of the report.

Listing Rule 9.8.4R disclosures

Disclosures required pursuant to Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be found within the following sections of the Annual Report:

Listing Rule 9.8.4	Required disclosure	Reference
(1)	Interest capitalised and tax relief	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(3)	Details of long term incentive schemes	Note 6 to the financial statements and directors' remuneration report on pages 84 to 103
(4)	Waiver of emoluments by a director	Directors' remuneration report on pages 84 to 103
(5)	Waiver of future emoluments by a director	Not applicable
(6)	Non pre-emptive issues of equity for cash	Not applicable
(7)	Non pre-emptive issues of equity for cash by major subsidiary undertakings	Not applicable
(8)	Parent participation in a placing by a listed subsidiary	Not applicable
(9)	Contracts of significance	Not applicable
(10)	Provision of services by a controlling shareholder	Not applicable
(11)	Shareholder waivers of dividends	Directors' report on pages 104 to 107
(12)	Shareholder waivers of future dividends	Directors' report on pages 104 to 107
(13)	Agreements with controlling shareholders	Not applicable

Share schemes

Employee Benefit Trust

The Computershare Trustees (Jersey) Limited, the Trustee of The Go-Ahead Group Employee Trust (the Trust), holds shares for the benefit of the Group's executive directors and in particular for the satisfying of awards made under the Group's Long Term Incentive Plan (LTIP) and Deferred Share Bonus Plan (DSBP). During the financial period, as part of a 12 month planned programme of monthly share purchases, the Trust purchased a total of 172,964 ordinary shares at a total price of £4,366,152.11 (including all associated costs). The average price was £22.58 per share. As at 8 September 2016 (being the latest practical date prior to the date of this report) the Trust held 147,886 ordinary shares representing 0.34% of the issued share capital of the Group, less treasury shares, in trust for the benefit of the executive directors of the Group under the LTIP and DSBP. The voting rights in relation to these shares are exercised by the Trustee and dividends are waived while the shares are held by the Trustee.

Share Incentive Plan

The Group operated a Share Incentive Plan during the year under review, enabling employees of the Group to acquire shares in the Group. In order to preserve certain tax benefits, these shares are held in a trust by EES Corporate Trustees Limited for participating employees. Whilst these shares are held in trust, the voting rights attached to them will not be exercised by the Trustee or the employees for whom they are held. As at 8 September 2016 (being the latest practical date prior to the date of this report), 0.9% of the issued share capital of the Group, less treasury shares, was held by EES Corporate Trustees Limited. In the event of an offer being made to acquire these shares the employees are entitled to direct EES Corporate Trustees Limited to accept an offer in respect of the shares held on their behalf.

Save As You Earn Scheme

The Group also operates a save as you earn scheme known as The Go-Ahead Group Plc 2013 Savings-Related Share Option Scheme (Sharesave), for which the last launch was in February 2016. Under Sharesave, all permanent employees who have completed at least six months' continuous service with a participating company are invited to make monthly savings of between £5 and £50 for three years. At the end of the savings term, participants have the choice of their money back, or to purchase Go-Ahead Group shares at a 20% discount to the market price set at the date of invitation.

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 (2016: £nil). Additionally, the Group did not incur any political expenditure as defined in the Act (2016: £nil).

Employees

Details of the Group's employee policies, including those concerning the employment of disabled persons and employee engagement, are provided on pages 32 to 35, within the 'People' section. There have been no significant changes to our policies over the year.

Pension

The defined benefit section of the Group's pension plan closed to future accrual with effect from 1 April 2014. Existing members were offered the opportunity to join the defined contribution section instead. The defined contribution section of the Group's pension plan was closed to new employees with effect from 1 April 2013 but existing members continue to contribute at their current contribution levels. A new 'workplace savings section' was set up with effect from 1 April 2013 for the purposes of auto-enrolment. This provides a default investment option and at least the minimum level of contributions as required under Government regulations.

Reappointment of external auditor

Details of the reappointment of the external auditor are provided on page 74.

Post balance sheet events

There have been no material events from 2 July 2016 to the date of this report.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are described in the finance review on pages 46 to 49. In addition note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to price risk, credit risk, liquidity risk and cash flow risk.

Cash generation from the Group's bus and rail operations was excellent and the balance sheet remains strong. Core financing is provided by a £200m sterling bond securing financing to September 2017 and committed bank facilities of £280.0m originally to July 2019, but subsequent to the year end, has been extended to July 2021. In July 2014 the £280m facility replaced a £275.5m February 2016 facility. On 26 August 2016, the Group entered into a £200m term loan to provide flexibility on refinancing the £200m sterling 7.5 year bond. This facility is available to draw down between 4 September 2017 and 29 September 2017. Once drawn down, the facility is available to the Group with extensions for up to a further 24 months. The directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook.

The directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a 'going concern'. The directors confirm they are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis in preparing the Annual Report and Accounts.

The directors are also required to provide a broader assessment of viability over a longer period, which can be found on page 41.

The directors 'going concern' confirmation and 'viability statement' have both been considered in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the Financial Reporting Council in September 2014.

Directors' statement of responsibilities

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under IFRS as adopted by the European Union. Detailed below are statements made by the directors in relation to their responsibilities, disclosure of information to the Group's auditors, going concern and management's report on internal control over financial reporting.

Financial statements and accounting records

Under company law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- Present fairly the financial position, financial performance and cashflows of the Group
- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Make judgements and estimates that are reasonable
- Provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- State whether the Group financial statements have been prepared in accordance with IFRS as adopted by the European Union

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the Group financial statements comply with the Act and Article 4 of the IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the strategic report, directors' report, including the directors' remuneration report and the corporate governance report, in accordance with the Act and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's corporate website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement of responsibility under the Disclosure and Transparency Rules

The Board confirms to the best of its knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole
- The strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face

Directors' statement under the UK Corporate Governance Code 2014

The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Disclosure of information to the auditor

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by section 418(3) of the Act of which the Group's auditor is unaware and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

By order of the Board

Carolyn Ferguson,
Group Company Secretary

8 September 2016

Independent auditor's report to the members of The Go-Ahead Group plc

Opinion on financial statements of The Go-Ahead Group plc

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 2 July 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated income statement, Consolidated and Company statements of comprehensive income, Consolidated and Company statements of changes in equity, Consolidated and Company balance sheets, Consolidated cashflow statement and the related Consolidated notes 1 to 28 and Company notes 1 to 18. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the group contained within the Managing Risk section of the strategic report on page 41.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 42 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 43-45 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the Directors' report on page 106 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 41 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
Rail franchise compliance and revenue recognition As noted in the Critical Accounting Judgements section on page 120 in respect of the three train operating companies (TOCs) a franchise agreement details the arrangements covering entitlement to revenue, certain costs and performance conditions. Due to the complexity of the arrangements there is a risk that the financial statements do not appropriately reflect the correct revenue and costs in terms of completeness, measurement and occurrence, and/or income/penalties that can arise based on the actual performance of the individual TOC under the franchise agreement.	• We have read the key elements of the franchise agreements to understand their critical elements, inform the audit approach and challenge the accounting treatments adopted. • We have performed a review of all significant assets, provisions and accruals, and associated revenue or costs recognised, to assess whether their recognition and quantum is appropriately stated, and whether there are any indicators that the balances held should no longer be recognised due to the passage of time, changes in contractual commitments, or legal requirements. • We have held meetings with each of the franchise compliance managers to assess whether there are any new issues of non-compliance or expected non-compliance, and whether any franchise committed obligations will not be delivered. • We have tested the schedules prepared by management to source information, evaluated whether it is compliant with the franchise agreements, and tested the calculations applied including recalculation where relevant. • We have held meetings with the Finance Directors and members of the finance team to assess on a case by case basis the movements in the provisions and accruals, during the period under review, and challenged management both on the recognition of new provisions and accruals, and also the continued recognition of long standing provisions and accruals. • We have reviewed Board minutes and Board papers to assess whether there is inconsistency in the determination of the provisions and accruals balances or any significant judgements which have not been accounted for by management. • We have reviewed relevant legal documentation and minutes of meetings held with the Department for Transport. • We have reviewed the accounts disclosures to assess whether they are appropriate.
Rail provisions and accruals This risk relates to the incorrect valuation of contractual and property related liabilities, in particular third party claims; and dilapidation provisions relating to rolling stock, depots and stations (note 24). Key judgements are the assessment of the recognition criteria in each individual circumstance and the level of the provision required as noted in the Critical Accounting Judgements on page 120.	• We gained an understanding of each significant accrual or provision, the basis of estimate and the range of possible outcomes with the Finance Director and relevant members of the finance team. Where possible, we have completed a review of supporting documentation and evidence for the existence of the obligation and re-performed management's calculations. • We assessed whether the provisions meet the criteria for recognition per IAS 37 and whether they have been appropriately classified as provisions or as an accrual. • We assessed whether the third parties used to estimate relevant valuations have the appropriate experience, qualifications and knowledge of the business, and agreed the findings from their surveys into the provision. • We reviewed relevant legal documentation and correspondence with Network Rail.
Uninsured liabilities This risk relates to the incorrect valuation of insurance related liabilities, in particular uninsured liabilities relating to transport incidents. Judgement is required in the assessment of the recognition criteria in each individual circumstance and the level of the provision required. The application of this accounting treatment requires significant levels of management judgement regarding the level of self-insurance required and the amount to provide in respect of claims incurred but not reported. The uninsured claims provision held in the Group financial statements at 2 July 2016 is £42.1m (£41.3m as at 27 June 2015) (see note 24) and is noted in the Critical Accounting Judgements on page 120.	• We have gained an understanding of the Group's obligations under its insurance policies with relevant members of the finance team and reviewed the documents to confirm these. • We have assessed the self-insurance provision to settle claims for incidents which arose prior to the balance sheet date (including those for incidents incurred but not reported) for completeness and accuracy through discussions held with the finance team and testing of third party reports. • We have gained a detailed understanding of the methodology used to calculate the claims incurred liabilities. • We have tested the completeness of the information received and gained a detailed understanding of the approach used to determine the provision for claims incurred but not received and tested this provision against historical trends. • We have reviewed group and subsidiary Board minutes, Board papers and held discussions with management to identify any significant matters which should have been considered when creating the provision and to identify any inconsistencies between the minutes and our understanding from the review of provisions performed.

Risk	How the scope of our audit responded to the risk
Accounting for pensions and related disclosure Given the size of the Group, managing the pension liabilities is complex and significant judgement is required in determining the value of the liability provided as set out in the Critical Accounting Judgements on page 120. The liabilities of the schemes are highly sensitive to any changes in long-term assumptions year on year which could materially impact the Group's balance sheet position. The franchise adjustment also requires judgement under the relevant accounting consideration (IFRIC 14) and is sector specific in the case of the Railway Pension Scheme. The values and associated disclosures are set out in note 27.	• We have involved our actuarial experts to assess whether the values used by management's actuaries for key assumptions at the year-end are within Deloitte's acceptable range with a focus on estimations of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate. • We have involved our actuarial experts to assess the appropriateness of the methodology used by management's actuaries to calculate the liabilities for the pension schemes. • We tested the membership data utilised by the actuaries to calculate the liabilities for the pension scheme. • We have reviewed the accounting treatment of the Railway Pension Scheme, and the franchise adjustment applied, for compliance with the Group's accounting policy and IFRS. • We have assessed the pension disclosures in the financial statements and considered their compliance with the requirements of IAS 19 (revised).
Revenue recognition – bus In the bus division the risk over revenue recognition has been focused on whether recognising revenue in relation to concessionary fare income, contract sales and most significantly Quality Incentive Contract premiums in London Bus is appropriate.	• We have gained an in depth understanding of the process undertaken to recognise revenue in the bus businesses with the finance team and the associated reviews and controls performed. • We evaluated the design and implementation of controls related to revenue processes to identify any potential areas of risk around the correct recording of revenue. • We have performed detailed testing to supporting documentation of the key revenue balances at each in scope bus business including a focus on the Quality Incentive Contract premium income recognised in London Bus.

Last year the previous auditor's report included one other risk which is not included in our report this year being the carrying value of goodwill which following the impairments charged in the prior year is no longer considered to be a significant risk to the audit.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 75.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £3.97m, which is below 5% of statutory pre-tax profit, which is considered an area of focus for the users of the accounts, and below 2.5% of equity. The previous auditor determined a materiality of £4.38m using 5% of statutory pre-tax profit before exceptional items as the basis.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £78k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. We have not scoped in the new overseas businesses in Singapore or Germany reflecting that these were not operational or material to the Group at the balance sheet date. Based on that assessment, we focused our group audit scope primarily on the audit work at 10 principal locations including all the UK rail businesses which were subject to a full audit. The remaining 2 bus businesses were subject to desktop review. The locations in scope represent the principal business units and account for 98% of the group's total assets, 99% of the group's revenue and 100% of the group's profit before tax with the businesses subject to desktop review contributing an immaterial loss. The locations were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the principal locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £1m to £2.34m.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team continued to follow a programme of planned visits that has been designed so that either the Senior Statutory Auditor or a senior member of the group audit team visits each of the locations where the group audit scope was focussed at least once every year and the most significant of them at least twice a year.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

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 and 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Christopher Powell, FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

8 September 2016

Consolidated income statement
for the year ended 2 July 2016

	Notes	2016 £m	2015 £m
Group revenue	4	**3,361.3**	3,215.2
Operating costs (excluding amortisation, goodwill impairment and exceptional operating costs)	5	**(3,240.9)**	(3,100.5)
Intangible asset amortisation and goodwill impairment	13	**(3.0)**	(9.1)
Exceptional operating costs	7	**–**	(8.8)
Total operating costs		**(3,243.9)**	(3,118.4)
Group operating profit		**117.4**	96.8
Group operating profit (before amortisation, goodwill impairment and exceptional operating costs)		**120.4**	114.7
Finance revenue	4, 8	**3.2**	2.4
Finance costs	8	**(20.8)**	(20.5)
Profit on ordinary activities before taxation		**99.8**	78.7
Tax expense	9	**(18.5)**	(19.4)
Profit for the year from continuing operations		**81.3**	59.3
Attributable to:			
Equity holders of the parent		**69.7**	52.2
Non-controlling interests		**11.6**	7.1
		81.3	59.3
Earnings per share			
– basic	10	**162.3p**	121.6p
– diluted	10	**161.4p**	119.5p
– adjusted basic*	10	**220.5p**	181.8p
– adjusted diluted*	10	**219.3p**	178.6p
Dividends paid (pence per share)	11	**91.73p**	85.60p
Final dividend proposed (pence per share)	11	**67.52p**	63.40p

* Adjusted earnings per share is calculated after adjusting for amortisation, goodwill impairment, exceptional operating costs and the incremental impact of IAS 19 (revised) to the extent that they impact earnings attributable to equity shareholders.

The year ended 2 July 2016 was a 53 week year compared with the year ended 27 June 2015 which was a 52 week year.

The consolidated income statement includes the majority of our income and expenses for the year with the remainder recorded in the consolidated statement of comprehensive income

Highlights of the movements in the year are set out below:

Revenue

Revenue increased by 4.5% to £3,361.3m (2015: £3,215.2m). The rail operations comprised 74.3% of the total revenue and grew by 4.2% during the year to £2,498.0m primarily as a result of a full year of operation of GTR, which took over operation of the First Capital Connect franchise partway through the previous year. Regional bus comprised 11.2% of revenue, growing by 4.4% to £375.7m, and London bus comprised the remaining 14.5%, growing by 6.5% to £487.6m. Divisional performance is shown in note 3.

Operating profit*

Overall, the operating profit* increased 5.0% from £114.7m to £120.4m with improved profitability in both rail and bus. The rail business margins remained at 1.1%, the regional bus margins improved from 13.0% to 13.2% and London bus decreased marginally from 9.2% to 8.9% as a result of reduced QICs income. Rail profitability is underpinned by cost controls and contract management benefits. Cost control is also a focus of the bus divisions.

Intangible asset amortisation and goodwill impairment

The intangible amortisation and goodwill impairment charge for the year is £3.0m (2015: £9.1m), of which £3.0m (2015: £4.2m) represents the non-cash cost of amortising software costs, franchise bid costs and customer contracts. The prior year charge included a goodwill impairment charge of £4.9m which related to the Go East Anglia bus operations.

Exceptional operating items

During the year ended 27 June 2015 the Group incurred restructuring costs in its GTR franchise which brings Thameslink and Greater Northern together with Southern and Gatwick Express under one management structure.

Finance costs

Overall net finance costs are consistent year on year.

Tax expense

The tax expense decreased from £19.4m in 2015 to £18.5m. The 2016 effective tax rate is 18.5%. The underlying tax rate in 2015 was 23.2%, excluding goodwill impairment of £4.9m. In both years the underlying rate is higher than the statutory rate due to non-tax deductible costs such as overseas bid costs.

Adjusted earnings per share

Adjusted earnings per share is calculated after adjusting for amortisation, goodwill impairment and exceptional operating items and the incremental impact of IAS 19 (revised) to the extent that they impact earnings attributable to equity shareholders. Adjusted earnings per share is shown in note 10 and has increased to 220.5p from 181.8p, an increase of 21.3%, largely reflecting increased profit before taxation.

* Operating profit before amortisation, goodwill impairment and exceptional operating costs.

Consolidated statement of comprehensive income

for the year ended 2 July 2016

	Notes	2016 £m	2015 £m
Profit for the year		**81.3**	59.3
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement gains on defined benefit pension plans	27	**100.8**	24.6
Tax relating to items that will not be reclassified	9	**(19.7)**	(4.9)
		81.1	19.7
Items that may subsequently be reclassified to profit or loss			
Unrealised losses on cashflow hedges		**(17.4)**	(36.0)
Losses on cashflow hedges taken to income statement – operating costs		**28.7**	16.2
Tax relating to items that may be reclassified	9	**(2.1)**	4.0
Foreign exchange gain		**0.4**	–
		9.6	(15.8)
Other comprehensive gains for the year, net of tax		**90.7**	3.9
Total comprehensive income for the year		**172.0**	63.2
Attributable to:			
Equity holders of the parent		**147.6**	49.4
Non-controlling interests		**24.4**	13.8
		172.0	63.2

The consolidated statement of comprehensive income records all of the income and losses generated for the year

Highlights of the movements in the year are set out below:

Profit for the year

The profit for the year after taxation is £81.3m and includes amounts attributable to equity shareholders and non-controlling interests.

Remeasurement of defined benefit pension plans

As disclosed in note 27 the remeasurement gains on defined benefit pension plans were £100.8m, which consisted of rail pension plans showing remeasurements of £45.3m and bus pension plans showing remeasurements of £55.5m.

Unrealised losses on cashflow hedges

The Group manages its exposure to the future cost of diesel through a programme of hedging. At each period end the derivatives used are marked to a market price and the amounts attributable to future periods are revalued through the comprehensive income statement.

Consolidated statement of changes in equity

for the year ended 2 July 2016

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Share premium reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 28 June 2014	72.1	(69.9)	(4.2)	1.6	0.7	50.4	50.7	16.4	67.1
Profit for the year	–	–	–	–	–	52.2	52.2	7.1	59.3
Net movement on hedges (net of tax)	–	–	(15.8)	–	–	–	(15.8)	–	(15.8)
Remeasurement on defined benefit retirement plans (net of tax) (note 27)	–	–	–	–	–	13.0	13.0	6.7	19.7
Total comprehensive income	–	–	(15.8)	–	–	65.2	49.4	13.8	63.2
Exercise of share options	–	1.1	–	–	–	(1.1)	–	–	–
Share based payment charge (and associated tax) (note 6)	–	–	–	–	–	1.9	1.9	–	1.9
Dividends (note 11)	–	–	–	–	–	(36.7)	(36.7)	(12.8)	(49.5)
At 27 June 2015	72.1	(68.8)	(20.0)	1.6	0.7	79.7	65.3	17.4	82.7
Profit for the year	–	–	–	–	–	69.7	69.7	11.6	81.3
Net movement on hedges (net of tax)	–	–	9.2	–	–	–	9.2	–	9.2
Remeasurement on defined benefit retirement plans (net of tax) (note 27)	–	–	–	–	–	68.3	68.3	12.8	81.1
Foreign exchange gain	–	–	–	–	–	0.4	0.4	–	0.4
Total comprehensive income	–	–	9.2	–	–	138.4	147.6	24.4	172.0
Exercise of share options	–	2.3	–	–	–	(2.3)	–	–	–
Share based payment charge (and associated tax) (note 6)	–	–	–	–	–	2.0	2.0	–	2.0
Acquisition of own shares	–	(4.4)	–	–	–	–	(4.4)	–	(4.4)
Dividends (note 11)	–	–	–	–	–	(39.4)	(39.4)	(17.8)	(57.2)
At 2 July 2016	**72.1**	**(70.9)**	**(10.8)**	**1.6**	**0.7**	**178.4**	**171.1**	**24.0**	**195.1**

The consolidated statement of changes in equity shows the movements in equity shareholders' funds and non-controlling interests

Equity shareholders' funds increased from £65.3m to £171.1m as a result of retained profit for the year exceeding dividend payments, and remeasurement gains on defined benefit retirement plans (net of tax) of £68.3m in the year.

Non-controlling interests have increased from £17.4m to £24.0m and consist of the appropriate share of rail profits, plus a relevant proportion of remeasurement gains on rail pension schemes, less dividends paid to non-controlling interests during the year.

Consolidated balance sheet

as at 2 July 2016

	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Property, plant and equipment	12	494.3	437.4
Intangible assets	13	82.8	84.7
Trade and other receivables	17	1.6	0.8
Other financial assets	23	0.2	–
Deferred tax assets	9	4.2	11.9
		583.1	534.8
Current assets			
Inventories	16	18.3	17.9
Trade and other receivables	17	337.0	260.1
Other financial assets	23	0.6	–
Cash and cash equivalents	18	636.3	604.2
		992.2	882.2
Assets classified as held for sale	15	0.8	6.0
Total assets		1,576.1	1,423.0
Liabilities			
Current liabilities			
Trade and other payables	19	(872.5)	(772.9)
Other financial liabilities	23	(10.3)	(19.1)
Interest-bearing loans and borrowings	20	–	0.7
Current tax liabilities	9	(18.9)	(14.9)
Provisions	24	(32.0)	(75.4)
		(933.7)	(881.6)
Non-current liabilities			
Interest-bearing loans and borrowings	20	(312.4)	(310.2)
Retirement benefit obligations	27	(2.7)	(59.5)
Other financial liabilities	23	(4.1)	(5.5)
Deferred tax liabilities	9	(50.1)	(46.1)
Other liabilities	19	(4.3)	(5.2)
Provisions	24	(73.7)	(32.2)
		(447.3)	(458.7)
Total liabilities		(1,381.0)	(1,340.3)
Net assets		195.1	82.7
Capital & reserves			
Share capital		72.1	72.1
Reserve for own shares		(70.9)	(68.8)
Hedging reserve		(10.8)	(20.0)
Share premium reserve		1.6	1.6
Capital redemption reserve		0.7	0.7
Retained earnings		178.4	79.7
Total shareholders' equity		171.1	65.3
Non-controlling interests		24.0	17.4
Total equity		195.1	82.7

The financial statements were approved by the Board of Directors on 8 September 2016 and were signed on its behalf by:

Andrew Allner,
Chairman

Patrick Butcher,
Group Chief Financial Officer

The consolidated balance sheet shows all of our assets and liabilities at the year end

Further details of the major movements of our assets and liabilities in the year are set out below:

Assets

Property, plant and equipment

Overall, the property, plant and equipment totalled £494.3m, £56.9m up on the prior year, with the vast majority held in the bus division in freehold land and buildings and bus vehicles. During the year the Group spent £113.9m on assets, £96.1m in the bus division and £17.8m in the rail division; offsetting this were depreciation charges of £55.2m, £47.8m in bus and £7.4m in rail.

Intangible assets

Of the total intangible balance of £82.8m, goodwill on the acquisition of bus businesses represents £75.9m, with no additions during the year. Additions during the year comprised £0.7m of software costs, and acquisitions comprised £0.4m of customer contracts in the bus business. Amortisation during the year totalled £3.0m.

Other current assets

The Group's current assets totalled £992.2m, up £110.0m on the prior year. Of this increase, £32.1m was in cash and cash equivalents and £76.9m was in trade and other receivables, mainly held in the rail business.

Assets held for sale

Assets held for sale of £0.8m are made up of property, plant and equipment.

Trade and other payables

Trade and other payables have increased by £99.6m to £872.5m, mainly attributable to the rail business.

Other financial liabilities

Included in current liabilities is £10.3m and in non-current liabilities is £4.1m which represent the mark to market value of the fuel hedges, split between those due within one year and those due in more than one year. There are also other financial assets included in current assets of £0.6m and non-current assets of £0.2m, also representing the mark to market value of the fuel hedges.

Non-current interest bearing loans and borrowings

Non-current interest bearing loans and borrowings totalled £312.4m, up from £310.2m in 2015. Principal balances within this amount are a corporate bond of £200m and amounts drawn on our revolving credit facility of £113.0m offset by deferred debt issue costs. Interest rates and movements on these balances are shown in full in note 20.

Retirement benefit obligations

Further details of the retirement benefit obligations in both bus and rail are shown in note 27. The deficit on the bus schemes total £2.7m and represents the excess of future liabilities compared to current assets in the pension fund. This deficit is primarily being addressed using an asset backed off balance sheet funding arrangement agreed with the scheme trustees. The rail deficit is £nil as the ongoing responsibility for the deficit remains with DfT beyond each franchise term.

Provisions

As shown in note 24, the Group provides for both uninsured claims and for franchise commitments including property and rolling stock dilapidations. The total provision for uninsured claims of £42.1m is higher than in 2015. Franchise commitments are lower than prior year at £60.1m. The Group engages with external third party professionals to assist in the calculation of these provisions.

Total equity

Movements in equity and reserves are described in the commentary on the consolidated statement of changes in equity.

Consolidated cashflow statement

for the year ended 2 July 2016

	Notes	2016 £m	2015 £m
Profit after tax for the year		81.3	59.3
Net finance costs	8	17.6	18.1
Tax expense	9	18.5	19.4
Depreciation of property, plant and equipment	12	55.2	70.5
Amortisation of intangible assets	13	3.0	4.2
Impairment of goodwill	13	–	4.9
Profit on sale of assets held for sale		(0.7)	(0.4)
Loss on sale of property, plant and equipment		0.7	–
Share based payment charges	6	2.2	1.6
Difference between pension contributions paid and amounts recognised in the income statement		41.8	22.0
Sale of assets held for disposal		–	1.5
(Increase)/decrease in inventories		(0.4)	3.0
Increase in trade and other receivables		(76.8)	(3.3)
Increase in trade and other payables		99.0	232.1
Movement in provisions		(4.3)	(1.5)
Cashflow generated from operations		237.1	431.4
Taxation paid	9	(24.8)	(20.3)
Net cashflows from operating activities		212.3	411.1
Cashflows from investing activities			
Interest received		3.2	2.3
Proceeds from sale of property, plant and equipment		2.3	0.5
Proceeds from sale of assets held for disposal		5.9	–
Purchase of property, plant and equipment		(113.9)	(42.3)
Purchase of intangible assets		(0.7)	(6.1)
Net cash transfer on handover of rail franchise	18	–	34.8
Purchase of businesses	14	(0.5)	(0.4)
Repayment of funding for rolling stock procurement		–	(68.6)
Sale of rolling stock		–	68.6
Repayments from US joint venture		–	1.8
Net cashflows used in investing activities		(103.7)	(9.4)
Cashflows from financing activities			
Interest paid		(16.2)	(16.6)
Dividends paid to members of the parent	11	(39.4)	(36.7)
Dividends paid to non-controlling interests		(17.8)	(12.8)
Payment to acquire own shares		(4.4)	–
Foreign exchange gain		0.4	–
Repayment of borrowings		–	(122.5)
Proceeds from borrowings		2.0	111.0
Payment of finance lease and hire purchase liabilities		(1.1)	(1.7)
Net cash outflows on financing activities		(76.5)	(79.3)
Net increase in cash and cash equivalents		32.1	322.4
Cash and cash equivalents at 27 June 2015	18	604.2	281.8
Cash and cash equivalents at 2 July 2016	18	636.3	604.2

The consolidated cashflow statement shows the cashflows from operating, investing and financing activities for the year

Net cash/debt

Closing adjusted net debt was £239.3m, a positive movement of £5.4m from opening adjusted net debt of £244.7m. This has been achieved as the result of increased profitability.

Cashflow reconciliation

A reconciliation of cash generated by operations to free cashflow and net debt, two non-GAAP measures used by management, is shown below.

Summary cashflow	2016 £m	2015 £m	Increase/(decrease) £m
EBITDA[1]	212.6	205.2	7.4
Working capital/other items (excluding restricted cash movements)	(0.2)	(59.3)	59.1
Cashflow generated from operations	212.4	145.9	66.5
Tax paid	(24.8)	(20.3)	(4.5)
Net interest paid	(13.0)	(14.3)	1.3
Net capital investment	(106.4)	(47.9)	(58.5)
Free cashflow	68.2	63.4	4.8
Net acquisitions	(0.5)	(0.4)	(0.1)
Joint venture repayment	–	1.8	(1.8)
Other	(0.7)	–	(0.7)
Payments to acquire own shares	(4.4)	–	(4.4)
Dividends paid	(57.2)	(49.5)	(7.7)
Decrease in adjusted net debt[2]	5.4	15.3	(9.9)
Opening adjusted net debt[2]	(244.7)	(260.0)	n/a
Closing adjusted net debt[2]	(239.3)	(244.7)	n/a

1. Operating profit before interest, tax, depreciation, amortisation, goodwill impairment, exceptional operating costs and incremental impact of IAS 19 (revised).
2. Adjusted net debt represents net cash less restricted cash.

EBITDA increased by £7.4m or 3.6% to £212.6m through increased profitability across all three divisions.

Negative working capital after adjusting for restricted cash in 2015 was predominantly in the rail business and reflects changes in the London Midland and Southeastern franchise agreements.

Capital expenditure, net of sale proceeds, was £58.5m higher in the year at £106.4m (2015: £47.9m) predominantly due to new bus vehicle purchases in both the regional bus and London fleet.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

Contract and franchise accounting

The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them is governed by a number of contracts between the major participants, the DfT, Network Rail and train operating companies. These contracts include detailed performance regimes which determine the allocation of financial responsibility relating to the attribution of delays. The processes for attribution, whilst well understood, require detailed assessment and can take significant time to resolve, particularly in unusual circumstances.

The Group makes provision for income and costs relating to performance regimes and contractual obligations relating to operating delays caused by Network Rail, or caused by our own operating companies. This process can be based primarily on previous experience of settling such claims, or, in certain circumstances based on management's view of the most likely outcome of individual claims. The Group has significant internal expertise to assess and manage these aspects of the agreements and the issues relating to delay attribution to enable management to assess the most probable outcomes, nonetheless significant judgements are required, which can have material impacts on the financial statements.

Accordingly judgements in these and other areas are made on a continuing basis with regard to amounts due and the recoverable carrying value of related assets and liabilities arising from franchises and other contracts. Regular reviews are performed on the expected outcome of these arrangements, which require assessments and judgements relating to the expected level of revenues and costs. Contract and franchise accounting is specific to the rail business disclosed in the segmental analysis in note 3.

Measurement of franchise commitments

The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations and also income claims from other rail franchise operators is set out in note 24. Significant elements of the provisions required are subject to interpretation of franchise agreements and rolling stock agreements. The Group has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the most probable outcomes. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from professional external advisors to support provision levels.

Uninsured claims

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 24. In order to assess the appropriate level of provisions the Group engages with its brokers and claims handlers to ensure external expertise is adequately factored in to the provision for known claims.

Retirement benefit obligations

The measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 27. The Group engages Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to the Group's particular circumstances. Management also benchmark these assumptions on a periodic basis with other professional advisors such as PricewaterhouseCoopers.

Impairment testing

IFRS require management to review for impairment if events or changes in circumstances indicate that carrying values may not be recoverable. In addition the measurement and impairment reviews of indefinite life intangible assets requires estimation of the net present value of future cashflows including:

- Growth in profitability and EBITDA adjusted for risk factors appropriate to each business
- Future growth rates
- Timing of future cash outflows such as capital items required
- The selection of a suitable discount rate adjusted for risk factors appropriate to the Group

No significant impairments arose in the current year. The considerations applied in the review for impairment of goodwill balances are detailed in note 13.

The following are the critical judgements, apart from those involving estimations (as detailed above), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Exceptional operating costs

In certain years the Group presents as exceptional operating costs on the face of the income statement, material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance. The determination of whether items merit treatment as exceptional in a particular year is therefore a matter of judgement.

Accounting for the rail pension schemes

The train operating companies participate in the RPS, a defined benefit pension scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses the RPS is a shared cost scheme which means that costs are formally shared 60% employer 40% employee. The total surplus or deficit recorded is adjusted by way of a 'franchise adjustment', which includes an assessment of surpluses or deficits from future contributions, 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.

Notes to the consolidated financial statements

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 2 July 2016 were authorised for issue by the Board of directors on 8 September 2016 and the balance sheet was signed on the Board's behalf by Andrew Allner and Patrick Butcher. The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Group's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) as they apply to the consolidated financial statements of the Group for the year ended 2 July 2016, and applied in accordance with the provisions of the Companies Act 2006. The Group is required to comply with IFRS's under IAS 1 Presentation of Financial Statements, except in extremely rare circumstances where management concludes that compliance would be so misleading that it would conflict with the objective to 'present fairly' its financial statements. On that basis, the Group has departed from the requirements of IAS 19 Employee Benefits (revised) and has accounted for its contractual 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 27.

The financial statements have been prepared on a going concern basis as disclosed in detail on page 106.

2. Summary of significant accounting policies

Basis of preparation

This note details the accounting policies which have been applied in the Group's consolidated financial statements. New accounting standards and interpretations which require adoption in future years have also been listed and our current view of the impact they will have on financial reporting.

The financial statements are prepared under the historical cost convention, as modified by the fair value of financial instruments.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand (£0.1m) except when otherwise indicated.

As noted above, the Group has taken the decision to depart from the requirements of IAS 19 (revised) 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 2 July 2016:

- IAS 19 Defined Benefit Plans: Employee Contributions (amendment)
- Annual Improvements to IFRS's 2010-2012 Cycle
- Annual Improvements to IFRS's 2011-2013 Cycle

Adoption of these new standards and interpretations had no material impact on the financial position or reported performance of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of The Go-Ahead Group plc and its subsidiaries as at 2 July 2016.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries for use in the consolidation are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Non-controlling interests represent the equity interests not held by the Group in Govia Limited, a 65% owned subsidiary, and are presented within equity in the consolidated balance sheet, separately from shareholders' equity.

Joint operations represent the 50% equity interest held by the Group in repsect of On Track Retail Limited, and are currently immaterial.

Joint arrangements

A joint arrangement is defined as an arrangement of which two or more parties have joint control and rights to the net assets. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Interest in joint arrangements are accounted for as either a joint venture or a joint operation in accordance with IFRS 11 'Joint Arrangements'.

A joint arrangement is accounted for as a joint venture when the Group, along with other parties have joint control and rights to the net assets of the arrangement. Joint ventures are equity accounted in accordance with IAS 28 'Investments in associates and joint ventures' (revised). A joint arrangement is accounted for as a joint operation when the Group, along with other parties have joint control of the arrangement, rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by including the Group's share of the assets, liabilities, income and expense on a line by line basis.

Revenue recognition

Revenue is recognised to the extent that it is probable that the income will flow to the Group and the value can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

Rendering of services

The revenue of the Group comprises income from road passenger transport and rail passenger transport.

Bus revenue comprises contractual income from Transport for London ('TfL') in London bus and amounts receivable generated from ticket sales and revenue generated from services provided on behalf of local transport authorities.

Rail revenue comprises amounts based principally on agreed models of route usage, by Railway Settlement Plan Limited (which administers the income allocation system within the UK rail industry), in respect of passenger receipts and other related services such as rolling stock maintenance and commission on tickets sold. In addition, franchise subsidy receipts from the DfT and local Passenger Transport Executives (PTEs) are treated as revenue, whereas franchise premium payments to the DfT are recognised in operating costs. In relation to the GTR franchise, passenger revenue is collected and remitted to the DfT net of management charges payable by DfT as revenue.

Revenue is recognised by reference to the stage of completion of the customer's journey or for other services based on the proportion of services provided. The attributable share of season ticket or travel card income is deferred within liabilities and released to the income statement over the life of the relevant season ticket or travel card.

Rental income

Rental income is generated from rental of surplus properties and subleasing of rolling stock and railway infrastructure access. It is accounted for on a straight-line basis over the lease term.

Profit and revenue sharing/support agreements

The rail companies have certain revenue and profit sharing agreements with the DfT. An accrual is made within amounts payable to central government for the estimated cost to the Group of the relevant amounts accrued at the balance sheet date. Payments are charged to operating costs.

Revenue support is provided by the DfT typically in the last two years of a franchise. Receipts are shown in revenue.

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.

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all addtions to, or disposals of, depreciating assets in the year of purchase or disposal and over its expected useful life as follows:

Leasehold land and buildings	The life of the lease
Freehold buildings	Over 50 to 100 years
Bus vehicles	Over 8 to 15 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment in value is recognised immediately in the income statement.

Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in operating costs within the income statement over the period necessary to match on a systematic basis to the costs that it is intended to compensate. Where the grant relates to a non-current asset, value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

Franchise bid costs
A key part of the Group's activities is the process of bidding for and securing franchises, principally to operate rail services in the UK. All franchise bid costs incurred prior to achieving preferred bidder status are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Directly attributable, incremental costs incurred after achieving preferred bidder status or entering into a franchise extension are capitalised as an intangible asset and amortised over the life of the franchise/franchise extension.

Share based payment transactions
The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Exceptional operating costs
The Group presents as exceptional operating costs items on the face of the income statement, material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance.

Finance revenue
Interest on deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest-bearing loans and borrowings
Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other de-recognition of debt are recognised directly in the income statement.

Leases
Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet, with a corresponding liability being recognised, and are depreciated over the shorter of their useful lives and the lease terms.

The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Leases where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the income statement on a straight-line basis over the lease term.

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- On the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Software
Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

Franchise assets
Where the conditions relating to the award of a franchise require the Group to assume legal responsibility for any pension liability that exists at that point in time, the Group recognises a liability representing the fair value of the related net pension deficit that the Group expects to fund during the franchise term. When a pension deficit exists at the start of the franchise, a corresponding intangible asset is recognised, reflecting a cost in acquiring the right to operate the franchise. If a pension surplus exists at the start of the franchise, then a corresponding deferred income balance is recognised, representing a government grant. The intangible asset or deferred income balance is amortised through the income statement on a straight-line basis over the period of the franchise.

The carrying value of franchise assets is reviewed for impairment at the end of the first financial year following the award of the franchise and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Business combinations and goodwill
Business combinations are accounted for under IFRS 3 Business Combinations (revised) using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 in profit and loss.

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.

Customer contracts
Customer contracts relate to the value attributed to contracts and relationships purchased as part of the Group's acquisitions. The value is based on the unexpired term of the contracts at the date of acquisition. Customer contracts have a residual value of £nil and are amortised over the unexpired term. The amortisation expense is taken to the income statement as operating costs.

Impairment of assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount, being the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Impairment losses (including goodwill impairment) of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Goodwill impairment losses are not reversed. The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, on a systematic basis less any residual value, over its remaining useful life.

Non-current assets held for sale
Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Inventories
Stocks of fuel and engineering spares are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Cost comprises direct materials and costs incurred in bringing the items to their present location and condition. Net realisable value represents the estimated selling price less costs of sale.

2. Summary of significant accounting policies continued

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cashflow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial assets and derivatives

The Group uses derivatives to hedge its risks associated with fuel price fluctuations, and interest derivatives to hedge its risks associated with interest rate fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Financial assets are accounted for in accordance with IAS 39. Financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss, directly attributable transaction costs.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period in which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

Fair value measurement

The Group measures financial instruments (derivatives) and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

When required, the Group presents the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, expected future cashflows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Uninsured liabilities

The Group limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits for total claims within the excess limits. A provision is recognised for the estimated cost to the Group to settle claims for incidents occurring prior to the balance sheet date.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Group by the insurer.

Treasury shares

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

Retirement benefits

The Group operates a number of pension schemes, both defined benefit and defined contribution. The costs of these are recognised in the income statement. 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 (revised) in respect of the Rail Pension Schemes (RPS).

Bus schemes

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

Contributions payable under defined contribution schemes are charged to operating costs in the income statement as they fall due.

Rail schemes

The train operating companies participate in the RPS, a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. A liability or asset is recognised in line with other defined benefit schemes in the Group, although this is offset by a franchise adjustment so that the net liability or asset (including as appropriate the impact of any minimum funding requirements) represents the deficit or surplus that the Group expects to fund or benefit from during the franchise term. This represents a departure from IAS 19 (revised) so as to present fairly the Group's financial performance, position and cashflow in respect of its obligations for the RPS. Please refer to note 27 'Retirement benefit obligations' for further details.

New standards and interpretations not applied

The International Accounting Standards Board ('IASB') has issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
Annual Improvements to IFRSs 2012 – 2014 Cycle	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IAS 1 Presentation of Financial Statements – Disclosure Initiative (amendment)	1 January 2016
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants (amendment)	1 January 2016
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (amendment)	1 January 2016
IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (amendment)	1 January 2016
IFRS 10 Consolidated Fianancial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates – Investment Entities: Applying the Consolidation Exception (amendment)	1 January 2016
IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (amendment)	1 January 2016
IAS 12 Income Taxes – Recognition of Deferred Tax Assets and Assets for Unreaslised Losses (amendment)	1 January 2017
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019

IFRS 16 Leases will have a significant impact on the Group's balance sheet and income statement as operating leases are reclassified as balance sheet liabilities. Work will commence during 2016/17 to quantify the impact ahead of implementing the standard in the year ended June 2020.

The Group does not expect IFRS 15 – Revenue Recognition to have a material impact on the Group when implemented in the year ended June 2019 on the basis that in both our rail and bus divisions our contracted customers are easily recognised, performance obligations are clear and transaction prices are even over the period to which they relate and are time apportioned.

The directors do not anticipate adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements.

3. Segmental analysis

The Group's businesses are managed on a divisional basis. Selected financial data is presented on this basis below.

For management purposes, the Group is now organised into three reportable segments: regional bus, London bus and rail. Operating segments within those reportable divisions are combined on the basis of their long term characteristics and similar nature of their products and services, as follows:

The regional bus division comprises bus operations outside London.

The London bus division comprises bus operations in London under control of TfL and also rail replacement and other contracted services in London.

The rail operation through an intermediate holding company, Govia Limited, is 65% owned by Go-Ahead and 35% by Keolis and comprises four rail franchises: Southern, Southeastern, London Midland and GTR. The division is aggregated for the purpose of segmental reporting under IFRS 8 as each operating company has similar objectives, to provide passenger rail services and achieve a modest profit margin through its franchise arrangements with DfT. Each company targets similar margins, has similar economic risks and is viewed and reacted to as one segment by the chief operating decision maker, considered to be the Group Chief Executive. The registered office of Keolis (UK) Limited is in England and Wales.

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities and accordingly IFRS 8 does not require this information to be presented. Segment performance is evaluated based on operating profit or loss excluding amortisation of intangible assets, goodwill impairment and exceptional operating costs.

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 2 July 2016 and the year ended 27 June 2015.

Year ended 2 July 2016

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	403.3	507.2	910.5	2,511.1	3,421.6
Inter-segment revenue	(27.6)	(19.6)	(47.2)	(13.1)	(60.3)
Group revenue	**375.7**	**487.6**	**863.3**	**2,498.0**	**3,361.3**
Operating costs (excluding amortisation, goodwill impairment and exceptional operating costs)	(326.0)	(444.0)	(770.0)	(2,470.9)	(3,240.9)
Segment profit – Group operating profit (before amortisation, goodwill impairment and exceptional operating costs)	**49.7**	**43.6**	**93.3**	**27.1**	**120.4**
Intangible amortisation	(1.2)	(0.9)	(2.1)	(0.9)	(3.0)
Group operating profit	**48.5**	**42.7**	**91.2**	**26.2**	**117.4**
Net finance costs					(17.6)
Profit before tax and non-controlling interests					**99.8**
Tax expense					(18.5)
Profit for the year					**81.3**

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
– Additions	57.4	38.7	96.1	17.8	113.9
– Acquisitions	1.2	–	1.2	–	1.2
– Intangible assets	1.0	0.1	1.1	–	1.1
Depreciation	29.0	18.8	47.8	7.4	55.2

At 2 July 2016, there were non-current assets included within London bus of £1.2m (2015: £nil) relating to operations in Singapore. The operations in Singapore will commence trading in September 2016 and the revenue generated during the year to 2 July 2016 was £nil (2015: £nil). For the year ending 1 July 2017 onwards, operations in Singapore will be disclosed as a separate reportable segment.

We have two major customers which individually contribute more than 10% of the Group revenue, one of which contributes £1,076.6m (2015: £363.0m) and the other contributes £481.5m (2015: £456.5m).

Year ended 27 June 2015

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	384.8	469.7	854.5	2,414.0	3,268.5
Inter-segment revenue	(24.9)	(11.8)	(36.7)	(16.6)	(53.3)
Group revenue	**359.9**	**457.9**	**817.8**	**2,397.4**	**3,215.2**
Operating costs (excluding amortisation, goodwill impairment and exceptional operating costs)	(313.2)	(415.6)	(728.8)	(2,371.7)	(3,100.5)
Segment profit – Group operating profit (before amortisation, goodwill impairment and exceptional operating costs)	**46.7**	**42.3**	**89.0**	**25.7**	**114.7**
Intangible amortisation	(1.6)	(1.8)	(3.4)	(0.8)	(4.2)
Goodwill impairment	(4.9)	–	(4.9)	–	(4.9)
Exceptional operating costs	–	–	–	(8.8)	(8.8)
Group operating profit	**40.2**	**40.5**	**80.7**	**16.1**	**96.8**
Net finance costs					(18.1)
Profit before tax and non-controlling interests					**78.7**
Tax expense					(19.4)
Profit for the year					**59.3**

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
– Additions	28.0	8.1	36.1	6.2	42.3
– Acquisitions and new rail franchises	0.4	–	0.4	6.9	7.3
– Intangible assets	1.1	0.1	1.2	4.9	6.1
Depreciation	27.5	18.2	45.7	24.8	70.5

4. Group revenue

This note provides an analysis of Group revenue. For accounting policies see 'Revenue recognition', 'Rendering of services', 'Rental income' and 'Profit and revenue sharing/support agreements' in note 2.

	2016 £m	2015 £m
Rendering of services	**3,498.5**	3,208.6
Rental income	**22.8**	10.0
GTR franchise revenue adjustment	**(276.0)**	(120.9)
Franchise subsidy receipts and revenue support	**116.0**	117.5
Group revenue	**3,361.3**	3,215.2
Finance revenue	**3.2**	2.4
Total Group revenue	**3,364.5**	3,217.6

5. Operating costs (excluding amortisation, goodwill impairment and exceptional operating items)

Detailed below are the key amounts recognised in arriving at our operating costs. For accounting policies see 'Profit and revenue sharing/support agreements', 'Property, plant and equipment', 'Government grants' and 'Franchise bid costs' in note 2.

	2016 £m	2015 £m
Employee costs (note 6)	1,215.5	1,079.6
Operating lease payments		
– bus vehicles	15.4	16.6
– non-rail properties	3.3	2.6
– other non-rail	–	0.1
– rail rolling stock	427.7	410.9
– other rail	112.2	88.0
Total lease and sublease payments recognised as an expense (excluding rail access charges)[1]	558.6	518.2
– rail access charges	519.2	489.9
Total lease and sublease payments recognised as an expense[2]	1,077.8	1,008.1
DfT Franchise agreement payments	38.2	228.6
Other operating income	(17.5)	(24.8)
Depreciation of property, plant and equipment		
– owned assets	54.9	69.4
– leased assets	0.3	1.1
Total depreciation expense	55.2	70.5
Auditors' remuneration		
– audit of parent financial statements (Deloitte/EY)	0.1	0.1
– audit of subsidiary financial statements (Deloitte/EY)	0.5	0.4
– audit of subsidiary financial statements (Grant Thornton)	–	–
Total audit fees	0.6	0.5
– taxation compliance services	0.1	0.1
– taxation advisory services	–	–
– other non-audit	0.1	0.1
Total non-audit fees	0.2	0.2
Total auditors' remuneration	0.8	0.7
Trade receivables not recovered	0.8	0.3
Energy costs		
– bus fuel	116.8	118.4
– rail diesel fuel	9.8	9.6
– rail electricity (EC4T)	122.3	109.5
– cost of site energy	15.3	15.2
Total energy costs	264.2	252.7
Government grants	(4.1)	(8.0)
Loss/(profit) on disposal of property, plant and equipment	0.7	(0.4)
Profit on sale of assets held for sale	(0.7)	–
Costs expensed relating to franchise bidding activities	5.7	10.7
DfT profit share	43.7	24.0
Other operating costs	560.6	458.5
Total operating costs (excluding amortisation, goodwill impairment and exceptional operating costs)	3,240.9	3,100.5

1. The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £574.2m (2015: £531.7m), net of sublease payments of £15.6m (2015: £13.5m) relating to other rail leases.
2. The total lease and sublease payments recognised as an expense are made up of minimum lease payments of £1,093.4m (2015: £1,021.6m), net of sublease payments of £15.6m (2015: £13.5m) relating to other rail leases.

During the year, £1.4m (2015: £1.5m) was also paid to other 'Big 4' accounting firms for a variety of services.

The Group received net receipts from Network Rail during the year of £38.1m (2015: £88.0m).

6. Employee costs

This note shows total employment costs, inclusive of share based payment charges. We have a number of share plans used to award shares to directors and employees. A charge is recognised over the vesting period in the consolidated income statement, based on the fair value of the award at the date of grant. The note also shows the average number of people employed by the Group during the year. For accounting policies see 'Share based payment transactions' in note 2.

	2016 £m	2015 £m
Wages and salaries	1,017.6	915.4
Social security costs	92.2	80.5
Other pension costs	103.5	82.1
Share based payments charge	2.2	1.6
	1,215.5	1,079.6

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

	2016	2015
Administration and supervision	3,007	2,964
Maintenance and engineering	2,597	2,651
Operations	21,962	20,545
	27,566	26,160

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the directors' remuneration report.

Sharesave scheme

Shareholder approval was obtained at the 2013 AGM for the introduction of a new HM Revenue & Customs approved Savings-Related Share Option scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (the Sharesave scheme) for employees of the Group and its operating companies.

The Sharesave scheme is open to all full time and part-time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch, the maximum monthly savings limit set by the Group was £50. At the end of the savings period, employees can buy shares at a 20% discount of the market price set at the date of invitation or take their full savings back.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk free interest rate, forfeiture rate and option life.

There are savings-related options at 2 July 2016 as follows:

Scheme maturity	1 May 2019	1 May 2017
Option price (£)	19.11	17.34
No. of options unexercised at 2 July 2016	367,593	397,311
No. of options exercised during the year	–	1,667
No. of options exercisable at 2 July 2016	–	–

The expense recognised for the scheme during the year to 2 July 2016 was £0.4m (2015: £0.3m).

The following table illustrates the number and weighted average exercise price (WAEP) of share options for the Sharesave scheme:

	2016 No.	2016 WAEP £	2015 No.	2015 WAEP £
Outstanding at the beginning of the year	436,322	17.34	461,575	17.34
Granted during the year	370,251	19.11	–	–
Forfeited during the year	(40,002)	17.46	(25,089)	17.34
Exercised during the year	(1,667)	17.34	(164)	17.34
Outstanding at the end of the year	764,904	18.19	436,322	17.34

6. Employee costs continued

The weighted average exercise price at the date of exercise for the options exercised in the period was £17.34 (2015: £17.34).

At the year end, no options were exercisable and the weighted average exercise price of the options was £18.19 (2015: £17.34).

The options outstanding at the end of the year have a weighted average remaining contracted life of 1.79 years (2015: 1.83 years).

Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 (LTIP). The LTIP provides for executive directors and certain other senior employees to be awarded nil cost shares in the Group conditional on specified performance conditions being met over a period of three years. Refer to the directors' remuneration report for further details of the LTIP.

The expense recognised for the LTIP during the year to 2 July 2016 was £0.5m (2015: £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 2 July 2016 and 27 June 2015 were:

	2016 % per annum	2015 % per annum
The Go-Ahead Group plc		
Future share price volatility	**21.0**	22.0
FTSE Mid-250 index comparator		
Future share price volatility	**20.0**	20.0
Correlation between companies	**30.0**	30.0

The weighted average fair value of options granted during the year was £20.82 (2015: £23.49).

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

	2016	2015
Outstanding at the beginning of the year	**181,302**	259,145
Granted during the year	**32,618**	34,996
Forfeited during the year	**(33,157)**	(36,350)
Exercised during the year	**(96,348)**	(76,489)
Outstanding at the end of the year	**84,415**	181,302

At the year end, 27,415 options were exercisable and the weighted average exercise price of the options was £19.78 (2015: £26.98).

The weighted average remaining contractual life of the options was 1.03 years (2015: 0.66 years). The weighted average share price of options exercised was £25.44 (2015: £24.11).

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for executive directors and certain other senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three year period. Refer to the directors' remuneration report for further details of the DSBP.

The expense recognised for the DSBP during the year to 2 July 2016 was £1.3m (2015: £0.9m).

The DSBP options are not subject to any market based performance conditions. Therefore the fair value of the options is equal to the share price at the date of grant.

The weighted average fair value of options granted during the year was £25.97 (2015: £25.71).

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

	2016	2015
Outstanding at the beginning of the year	**136,144**	56,086
Granted during the year	**62,047**	87,320
Forfeited during the year	**(18,341)**	(5,270)
Exercised during the year	**(14,204)**	(1,992)
Outstanding at the end of the year	**165,646**	136,144

At the year end, 30,327 options were exercisable and the weighted average exercise price of the options was £19.78 (2015: £26.98).

The weighted average remaining contractual life of the options was 1.18 years (2015: 1.54 years). The weighted average share price of options exercised was £25.57 (2015: £23.96).

Share incentive plans

The Group operates an HM Revenue & Customs (HMRC) approved share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (SIP). The SIP is open to all Group employees (including executive directors) who have completed at least six months' service with a Group company at the date they are invited to participate in the plan.

The SIP permits the Group to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Group has, so far, made awards of partnership shares only. Under these awards, the Group invites qualifying employees to apply between £10 and £150 per month in acquiring shares in the Group at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Group and employees.

7. Exceptional operating items

This note identifies items of an exceptional nature that have a significant impact on the results of the Group in the period. For accounting policies see 'Exceptional operating items' in note 2.

	2016 £m	2015 £m
Rail restructuring costs	–	(8.8)
Total exceptional operating costs	–	(8.8)

Year ended 2 July 2016

There were no exceptional operating items during the year ended 2 July 2016.

Year ended 27 June 2015

Total exceptional operating costs in the year of £8.8m related to rail restructuring costs of the GTR franchise which brings Thameslink and Great Northern together with Southern and Gatwick Express under one management structure.

8. Finance revenue and costs

Finance revenue comprises interest received from bank deposits. Finance costs mainly arise from interest due on the bond and bank loans. For accounting policies see 'Finance revenue' and 'Interest-bearings loans and borrowings' in note 2.

	2016 £m	2015 £m
Bank interest receivable on bank deposits	3.2	2.4
Finance revenue	3.2	2.4
Interest payable on bank loans and overdrafts	(2.0)	(2.5)
Interest payable on £200m sterling 7.5 year bond	(11.3)	(11.2)
Other interest payable	(2.2)	(2.8)
Unwinding of discounting on provisions	(2.4)	(1.4)
Interest payable under finance leases and hire purchase contracts	(0.8)	(0.2)
Interest on net pension liability	(2.1)	(2.4)
Finance costs	(20.8)	(20.5)

9. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note sets out the deferred tax assets and liabilities held across the Group. For accounting policies see 'Taxation' in note 2.

The Group tax policy can be found at www.go-ahead.com.

a. Tax recognised in the income statement and in equity

	2016 £m	2015 £m
Current tax charge	28.5	25.0
Adjustments in respect of current tax of previous years	0.6	(0.4)
	29.1	24.6
Deferred tax relating to origination and reversal of temporary differences at 20% (2015: 20%)	(7.1)	(4.8)
Adjustments in respect of deferred tax of previous years	0.2	(0.4)
Impact of opening deferred tax rate reduction	(3.7)	–
Tax reported in consolidated income statement	18.5	19.4

Strategic report

Governance

Financial statements

Shareholder information

9. Taxation continued

Tax relating to items charged or credited outside of profit or loss

	2016 £m	2015 £m
Tax on remeasurement gains on defined benefit pension plans	18.5	4.9
Deferred tax on cashflow hedges	2.1	(4.0)
Deferred tax on share based payments (taken directly to equity)	0.5	(0.3)
Corporation tax on share based payments (taken directly to equity)	(0.3)	–
Impact of opening deferred tax rate reduction	1.2	–
Tax reported outside of profit or loss	**22.0**	**0.6**

b. Reconciliation

A reconciliation of income tax applicable to accounting profit on ordinary activities before taxation, at the statutory tax rate, to tax at the Group's effective tax rate for the years ended 2 July 2016 and 27 June 2015 is as follows:

	2016 £m	2015 £m
Accounting profit on ordinary activities before taxation	99.8	78.7
At United Kingdom tax rate of 20% (2015: 20.75%)	20.0	16.3
Adjustments in respect of current tax of previous years	0.6	(0.4)
Expenditure not allowable for tax purposes	0.8	3.7
Adjustments in respect of deferred tax of previous years	0.2	(0.4)
Effect of the difference between current year corporation tax and deferred tax rates	0.6	0.2
Impact of opening deferred tax rate reduction	(3.7)	–
Tax reported in consolidated income statement	18.5	19.4
Effective tax rate	18.5%	24.7%

The underlying tax rate is the same as the effective tax rate for the year ended 2 July 2016 at 18.5%.

The underlying tax rate for the year ended 27 June 2015 is 23.2%, as it excludes the impact of the goodwill impairment of £4.9m.

The Group had subsidiary companies in Germany and Singapore during the year but neither generated any operating income. Costs incurred by these companies were either expensed in the UK without tax relief being claimed or were carried forward as prepayments without tax relief being claimed during the year. As such the Group was entirely taxable in the UK during the course of the financial year.

c. Reconciliation of current tax liabilities

A reconciliation of the current tax liability is provided below:

	2016 £m	2015 £m
Current tax liability at start of year	14.9	10.6
Corporation tax reported in consolidated income statement	29.1	24.6
Corporation tax (taken directly to equity)	(0.3)	–
Paid in the year	(24.8)	(20.3)
Current tax liability at end of year	18.9	14.9

d. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2016 £m	2015 £m
Deferred tax liability		
Accelerated capital allowances	(28.4)	(29.6)
Other temporary differences	(8.4)	(1.1)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(13.3)	(15.4)
Deferred tax liability included in balance sheet	**(50.1)**	**(46.1)**
Deferred tax asset		
Retirement benefit obligations	0.5	11.9
Cashflow hedges	2.8	–
Share based payments	0.9	–
Deferred tax asset included in balance sheet	**4.2**	**11.9**

The deferred tax asset is recognised as it is considered probable that there will be future taxable profits available.

The deferred tax liabilities and assets included in the balance sheet have been calculated using applicable enacted rates.

Of the deferred tax liability, £1.6m (2015: £1.7m) is classed as current and £48.5m (2015: £44.4m) is classed as non-current. Of the deferred tax asset, £2.0m (2015: £nil) is classed as current and £2.2m (2015: £11.9m) as non-current.

The movements in deferred tax in the income statement and other comprehensive income for the years ending 2 July 2016 and 27 June 2015 are as follows:

Year ended 2 July 2016

	At 27 June 2015 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Transfer categories £m	At 2 July 2016 £m
Accelerated capital allowances	(29.6)	1.2	–	–	–	(28.4)
Other temporary differences	(1.1)	(1.0)	–	–	(6.3)	(8.4)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(15.4)	2.1	–	–	–	(13.3)
Retirement benefit obligations	11.9	8.3	(19.7)	–	–	0.5
Cashflow hedges	–	–	(2.1)	–	4.9	2.8
Share based payments	–	–	–	(0.5)	1.4	0.9
	(34.2)	10.6	(21.8)	(0.5)	–	(45.9)

Year ended 27 June 2015

	At 28 June 2014 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Transfer categories £m	At 27 June 2015 £m
Accelerated capital allowances	(30.6)	1.0	–	–	–	(29.6)
Other temporary differences	(2.8)	(2.6)	4.0	0.3	–	(1.1)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(17.3)	1.9	–	–	–	(15.4)
Retirement benefit obligations	11.9	4.9	(4.9)	–	–	11.9
	(38.8)	5.2	(0.9)	0.3	–	(34.2)

The deferred tax included in the Group income statement is as follows:

	2016 £m	2015 £m
Accelerated capital allowances	0.2	(1.5)
Revaluation	(0.6)	(0.9)
Retirement benefit obligations	(8.3)	(4.9)
Temporary differences arising on pension spreading	2.4	2.9
Other temporary differences	(0.8)	(0.4)
	(7.1)	(4.8)
Adjustments in respect of prior years	0.2	(0.4)
Adjustments in respect of opening deferred tax rate reduction	(3.7)	–
Deferred tax expense	(10.6)	(5.2)

The standard rate of UK corporation tax reduced from 21% to 20% from 1 April 2015. A rate of 20% therefore applies to the current tax charge arising during the year ended 2 July 2016.

In addition to the change in rate of corporation tax identified above, further reductions in the rate to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted prior to the balance sheet date and have been applied to the Group's deferred tax balance at the balance sheet date.

An announcement in the 2016 Budget also noted the intention to amend the rate from 1 April 2020 to 17%. If the reduction to 17% had been enacted at the balance sheet date, the Group's deferred tax liability would have reduced by £2.4m to £47.7m, and the deferred tax asset would have remained the same at £4.2m.

10. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year. This note also includes adjusted earnings per share, which shows a 'normalised' earnings per share following elimination of the impact of intangible asset amortisation, goodwill impairment, exceptional operating costs, and the incremental effect of IAS 19 (revised).

Basic and diluted earnings per share

	2016 £m	2015 £m
Net profit attributable to equity holders of the parent	69.7	52.2
Consisting of:		
Adjusted earnings on continuing operations attributable to equity holders of the parent	94.7	78.0
Amortisation and goodwill impairment after taxation and non-controlling interests	(2.1)	(8.0)
Exceptional operating costs after taxation and non-controlling interests	–	(4.5)
IAS 19 (revised) after taxation and non-controlling interests	(22.9)	(13.3)
Basic and diluted earnings attributable to equity holders of the parent	69.7	52.2

10. Earnings per share continued

	2016	2015
Basic weighted average number of shares in issue ('000)	**42,951**	42,916
Dilutive potential share options ('000)	**247**	754
Diluted weighted average number of shares in issue ('000)	**43,198**	43,670

Earnings per share:		
Basic earnings per share (pence per share)	**162.3**	121.6
Diluted earnings per share	**161.4**	119.5
Adjusted basic earnings per share	**220.5**	181.8
Adjusted diluted earnings per share	**219.3**	178.6

The weighted average number of shares in issue excludes treasury shares held by the Group, and shares held in trust for the LTIP and DSBP arrangements.

No shares were bought back and cancelled by the Group in the period from 2 July 2016 to 8 September 2016.

The effect of taxation and non-controlling interests on intangible asset amortisation, goodwill impairment, exceptional operating costs and the incremental effect of IAS 19 (revised) is shown below for each of the periods.

Adjusted earnings per share

Adjusted earnings per share is also presented to eliminate the impact of intangible asset amortisation, goodwill impairment, exceptional operating costs and the incremental effect of IAS 19 (revised) in order to show a 'normalised' earnings per share, reflecting the underlying performance of the business.

Adjusted earnings were £94.7m in the period (2015: £78.0m) resulting in adjusted earnings per share of 220.5p (2015: 181.8p).

This is analysed as follows:

Year ended 2 July 2016

	Profit for the year £m	Amortisation and goodwill impairment £m	Exceptional operating costs £m	IAS 19 (revised) £m	Adjusted profit for the year £m
Profit before taxation	**99.8**	**3.0**	**–**	**39.1**	**141.9**
Less: Taxation	**(18.5)**	**(0.6)**	**–**	**(7.8)**	**(26.9)**
Less: Non-controlling interests	**(11.6)**	**(0.3)**	**–**	**(8.4)**	**(20.3)**
Adjusted profit attributable to equity holders of the parent	**69.7**	**2.1**	**–**	**22.9**	**94.7**
Adjusted basic earnings per share (pence per share)					**220.5**
Adjusted diluted earnings per share (pence per share)					**219.3**

Year ended 27 June 2015

	Profit for the year £m	Amortisation and goodwill impairment £m	Exceptional operating costs £m	IAS 19 (revised) £m	Adjusted profit for the year £m
Profit before taxation	78.7	9.1	8.8	22.3	118.9
Less: Taxation	(19.4)	(0.9)	(1.8)	(4.6)	(26.7)
Less: Non-controlling interests	(7.1)	(0.2)	(2.5)	(4.4)	(14.2)
Adjusted profit attributable to equity holders of the parent	52.2	8.0	4.5	13.3	78.0
Adjusted basic earnings per share (pence per share)					181.8
Adjusted diluted earnings per share (pence per share)					178.6

11. Dividends paid and proposed

Dividends are one type of shareholder return, historically paid to our shareholders in April and November.

	2016 £m	2015 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2015: 63.4p per share (2014: 59.0p)	**27.2**	25.3
Interim dividend for 2016: 28.33p per share (2015: 26.6p)	**12.2**	11.4
	39.4	36.7

	2016 £m	2015 £m
Proposed for approval at the AGM (not recognised as a liability as at 2 July 2016)		
Equity dividends on ordinary shares:		
Final dividend for 2016: 67.52p per share (2015: 63.4p)	**29.0**	27.2

12. Property, plant and equipment

The Group holds significant investments in land and buildings, bus vehicles and plant and equipment, which form our tangible assets. All assets (excluding freehold land) are depreciated over their useful economic lives. For accounting policies see 'Property, plant and equipment' in note 2.

	Freehold land and buildings £m	Long term leasehold land and properties £m	Short term leasehold land and properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost:						
At 28 June 2014	183.7	0.4	14.2	520.5	180.2	899.0
Additions	1.8	–	–	31.2	9.3	42.3
Acquisitions and new rail franchises	–	–	–	0.4	6.9	7.3
Disposals	–	–	–	(10.9)	(6.8)	(17.7)
Transfer of assets held for resale	0.2	–	–	–	–	0.2
At 27 June 2015	185.7	0.4	14.2	541.2	189.6	931.1
Additions	13.4	–	0.5	78.4	21.6	113.9
Acquisitions	–	–	–	1.2	–	1.2
Disposals	(0.2)	–	–	(45.9)	(2.0)	(48.1)
Transfer categories	–	–	–	(2.1)	2.1	–
At 2 July 2016	**198.9**	**0.4**	**14.7**	**572.8**	**211.3**	**998.1**
Depreciation and impairment:						
At 28 June 2014	19.6	–	6.0	267.7	147.1	440.4
Charge for the year	9.2	–	1.4	39.9	20.0	70.5
Disposals	–	–	–	(10.6)	(6.6)	(17.2)
At 27 June 2015	28.8	–	7.4	297.0	160.5	493.7
Charge for the year	3.3	–	1.4	42.3	8.2	55.2
Disposals	–	–	–	(43.5)	(1.6)	(45.1)
Transfer categories	–	–	–	(0.8)	0.8	–
At 2 July 2016	**32.1**	**–**	**8.8**	**295.0**	**167.9**	**503.8**
Net book value:						
At 2 July 2016	**166.8**	**0.4**	**5.9**	**277.8**	**43.4**	**494.3**
At 27 June 2015	156.9	0.4	6.8	244.2	29.1	437.4
At 28 June 2014	164.1	0.4	8.2	252.8	33.1	458.6

The net book value of leased assets and assets acquired under hire purchase contracts is:

	2016 £m	2015 £m
Bus vehicles	2.7	1.3
Plant and equipment	–	0.1
	2.7	1.4

13. Intangible assets

The consolidated balance sheet contains significant intangible assets mainly in relation to goodwill, software, franchise bid costs and customer contracts. Goodwill, which arises when the Group acquire a business and pay a higher amount than the fair value of the net assets primarily due to the synergies the Group expect to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise bid costs are amortised over the life of the franchise/franchise extension. Customer contracts are amortised over the life of the contract. For further details see 'Software', 'Franchise bid costs', 'Franchise assets', 'Business combinations and goodwill', 'Impairment of assets' and 'Customer contracts' in note 2.

	Goodwill £m	Software costs £m	Franchise bid costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost:						
At 28 June 2014	80.8	17.5	9.2	16.7	13.2	137.4
Additions	–	3.8	2.3	–	–	6.1
Disposals	–	(0.7)	–	–	(1.3)	(2.0)
At 27 June 2015	80.8	20.6	11.5	16.7	11.9	141.5
Additions	–	0.7	–	–	–	0.7
Acquisitions	–	–	–	–	0.4	0.4
At 2 July 2016	**80.8**	**21.3**	**11.5**	**16.7**	**12.3**	**142.6**
Amortisation and impairment:						
At 28 June 2014	–	14.8	7.9	16.7	10.3	49.7
Charge for the year	–	1.7	0.8	–	1.7	4.2
Impairment	4.9	–	–	–	–	4.9
Disposals	–	(0.7)	–	–	(1.3)	(2.0)
At 27 June 2015	4.9	15.8	8.7	16.7	10.7	56.8
Charge for the year	–	1.5	0.6	–	0.9	3.0
At 2 July 2016	**4.9**	**17.3**	**9.3**	**16.7**	**11.6**	**59.8**
Net book value:						
At 2 July 2016	**75.9**	**4.0**	**2.2**	**–**	**0.7**	**82.8**
At 27 June 2015	75.9	4.8	2.8	–	1.2	84.7
At 28 June 2014	80.8	2.7	1.3	–	2.9	87.7

Software costs

Software costs capitalised exclude software that is integral to the related hardware.

Franchise bid costs

A part of the Group's activities is the process of bidding for and securing franchises to operate rail services in the UK. Directly attributable, incremental costs incurred after achieving preferred bidder status or entering into a franchise extension are capitalised as an intangible asset and amortised over the life of the franchise/franchise extension.

Rail franchise asset

This reflects the cost of the right to operate a rail franchise, and relates to the cost of the intangible asset acquired on the handover of the franchise assets relating to the Southeastern rail franchise. The intangible asset was being amortised on a straight-line basis over the original life of the franchise.

Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period.

Goodwill

Goodwill acquired through acquisitions has been allocated to individual cash-generating units for impairment testing on the basis of the Group's business operations. The carrying value of goodwill is tested annually for impairment by cash-generating unit and is as follows:

	2016 £m	2015 £m
Go South Coast	**28.6**	28.6
Brighton & Hove	**12.7**	12.7
Plymouth Citybus	**13.0**	13.0
Go-Ahead London	**10.5**	10.5
Go North East	**2.7**	2.7
Konectbus	**3.6**	3.6
Thames Travel	**2.7**	2.7
Carousel	**2.1**	2.1
	75.9	75.9

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three year period which have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long term stability of the relevant income streams. Growth has been extrapolated forward from the end of the three year forecasts over a total period of ten years plus a terminal value using a growth rate of 3.0% which reflects the directors' view of long term growth rates in each business, and the long term recurrent nature of the businesses.

The Group's weighted average cost of capital has been initially calculated as 5.4% (2015: 8.8%). Given the current low weighted average cost of capital the calculation of value in use has been initially derived based on the internal rate of return that the Group uses to appraise investments, currently 8.0%, to identify any goodwill balances requiring further consideration and review. The economic conditions that the cash-generating units operate in are considered similar enough, primarily being UK based, to use the same discount rate.

The calculation of value in use for each cash-generating unit is most sensitive to the forecast operating cashflows, the discount rate and the growth rate used to extrapolate cashflows beyond the budget period. The operating cashflows are based on assumptions of revenue, employee costs and general overheads. These assumptions are influenced by several internal and external factors. The directors consider the assumptions used to be consistent with the historical performance of each unit and to be realistically achievable in light of economic and industry measures and forecasts.

A 0.5% increase in WACC or revenue growth falling by 1.0% are considered the most likely sensitivities that could impact recoverable amounts. These sensitivities would not cause the carrying value of any of the businesses to exceed their recoverable amount.

14. Business combinations

This note details acquisition transactions carried out in the current and prior periods. For accounting policies see 'Business combinations and goodwill' and 'Customer contracts' in note 2.

Year ended 2 July 2016

On 13 October 2015, Go South Coast Limited, a wholly owned subsidiary of the Group, acquired certain tendered contracts, commercial operations and 13 buses from Excelsior Coaches Limited and Excelsior Transport Limited for a cash consideration of £0.5m.

Net assets at date of acquisition:

	Total acquisitions – Fair value to Group £m
Property, plant and equipment	1.2
Intangible assets – customer contracts	0.4
Interest-bearing loans and borrowings	(1.1)
Net assets	0.5
Cash	0.5
Total consideration	0.5

Interest-bearing loans and borrowings comprise finance leases and hire purchase commitments.

Acquisition costs of less than £0.1m have been expensed through operating costs.

From the date of acquisition in the period, the acquisition recorded an operating profit of £0.1m and revenue of £2.1m. Had the acquisition been completed on the first day of the financial period, the impact on the Group's operating profit would have been £0.2m and the impact on revenue would have been £2.9m.

Year ended 27 June 2015

On 8 December 2014, Plymouth Citybus Limited, a wholly owned subsidiary of the Group, acquired certain tendered contracts, commercial operations and nine buses from Western Greyhound Limited for a cash consideration of £0.4m.

Net assets at date of acquisition:

	Total acquisitions – Fair value to Group £m
Property, plant and equipment	0.4
Intangible assets – customer contracts	–
	0.4
Cash	0.4
Total consideration	0.4

Acquisition costs of less than £0.1m have been expensed through operating costs.

From the date of acquisition in the year ended 27 June 2015, the acquisition recorded an operating profit of £nil and revenue of £0.9m. Had the acquisition been completed on the first day of the financial period, the impact on the Group's operating profit would have been £nil and the impact on revenue would have been £1.5m.

15. Assets classified as held for sale

This note identifies any non-current assets or disposal groups that are held for sale. The carrying amounts of these assets will be recovered principally through a sale rather than through continuing use. For accounting policies see 'Non-current assets held for sale' in note 2.

At 2 July 2016, assets held for sale, with a carrying value of £0.8m, related to property, plant and equipment available for sale, and are included in the regional bus segment.

During the year ended 2 July 2016, assets held for sale were sold for a profit of £0.7m, which is included within operating costs in the income statement.

At 27 June 2015, assets held for sale had a carrying value of £6.0m, consisting of £2.5m of property, plant and equipment available for sale and £3.5m of bus vehicles awaiting refinancing onto operating leases.

16. Inventories

Inventory primarily consists of vehicle spares and fuel and is presented net of allowances for obsolete products. For accounting policies see 'Inventories' in note 2.

	2016 £m	2015 £m
Raw materials and consumables	18.3	17.9

The amount of any write down of inventories recognised as an expense during the year is immaterial.

17. Trade and other receivables

Trade and other receivables mainly consist of amounts owed by principal contracting authorities and other customers, amounts paid to suppliers in advance, amounts receivable from central government and taxes receivable. Trade receivables are shown net of an allowance for bad or doubtful debts.

	2016 £m	2015 £m
Current		
Trade receivables	178.1	102.0
Less: Provision for impairment of receivables	(1.7)	(1.1)
Trade receivables – net	176.4	100.9
Other receivables	32.7	66.5
Prepayments	48.5	18.8
Accrued income	45.4	23.0
Receivable from central government	34.0	50.9
	337.0	260.1

	2016 £m	2015 £m
Non-current		
Other receivables	1.6	0.8

As at 2 July 2016, the ageing analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	Less than 30 days £m	30-60 days £m	60-90 days £m	90-120 days £m	Past due but not impaired – more than 120 days £m
2016	176.4	166.5	3.0	3.4	2.2	0.5	0.8
2015	100.9	88.0	11.2	0.8	0.6	0.3	–

Trade receivables at nominal value of £1.7m (2015: £1.1m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total £m
At 27 June 2015	1.1
Charge for the year	1.1
Utilised	(0.2)
Unused amounts reversed	(0.3)
At 2 July 2016	1.7

As at 2 July 2016, the ageing analysis of impaired and fully provided for trade receivables is as follows:

	2016 £m	2015 £m
60-90 days	–	–
90-120 days	–	–
More than 120 days	1.7	1.1
	1.7	1.1

18. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements. For accounting policies see 'Cash and cash equivalents' in note 2.

	2016 £m	2015 £m
Cash at bank and in hand	**82.1**	145.5
Cash and cash equivalents	**554.2**	458.7
	636.3	604.2

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The fair value of cash and cash equivalents is not materially different from book value.

Amounts held by rail companies included in cash at bank and on short term deposit can be distributed only with the agreement of the DfT, normally up to the value of distributable reserves or based on a working capital formula. As at 2 July 2016, balances amounting to £562.3m (2015: £537.6m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £181.3m at 2 July 2016 (2015: £172.8m).

Non cashflow movements

During the year ended 27 June 2015 the Group transferred in certain assets and liabilities relating to the handover of the GTR franchise. Initial cash received by the Group as a result of the rail franchise handover is detailed below:

	GTR £m
Property, plant and equipment	6.9
Inventories	5.3
Trade and other receivables	7.1
Trade and other payables	(53.9)
Provisions	(0.2)
Cash and cash equivalents	34.8
	–

19. Trade and other payables

Trade and other payables mainly consist of amounts owed to suppliers that have been invoiced or accrued, deferred income and deferred season ticket income. They also include taxes and social security amounts due in relation to our role as an employer and amounts owed to central government.

	2016 £m	2015 £m
Current		
Trade payables	**262.0**	148.9
Other taxes and social security costs	**30.6**	22.8
Other payables	**67.9**	106.6
Deferred season ticket income	**181.3**	175.4
Accruals	**122.1**	106.0
Deferred income	**56.0**	148.2
Payable to central government	**149.9**	60.5
Government grants	**2.7**	4.5
	872.5	772.9

	2016 £m	2015 £m
Non-current		
Government grants	**4.3**	5.2
	4.3	5.2

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest-bearing and are normally settled on 30 day terms
- Other payables are non-interest-bearing and have varying terms of up to 12 months

20. Interest-bearing loans and borrowings

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. For accounting policies see 'Interest-bearing loans and borrowings' and 'Cash and cash equivalents' in note 2.

Net cash/debt and interest-bearing loans and borrowings

The net cash/debt position comprises cash, short term deposits, interest-bearing loans and borrowings, and can be summarised as:

Year ended 2 July 2016

	Effective interest rate %	Maturity	Current: Within one year £m	Non-current: After one year but not more than five years £m	Non-current: After more than five years £m	Total £m
Syndicated loans (see below)	1.00	0-5 years	–	113.0	–	113.0
Debt issue costs on syndicated loans			(0.3)	(0.6)	–	(0.9)
£200m sterling 7.5 year bond (see below)	5.38	0-2 years	–	200.0	–	200.0
Debt issue costs			–	–	–	–
Finance leases and HP commitments (see note 21)	8.89	0-1 years	0.3	–	–	0.3
Total interest-bearing loans and borrowings			–	312.4	–	312.4
Debt issue costs			0.3	0.6	–	0.9
Total interest-bearing loans and borrowings (gross of debt issue costs)			0.3	313.0	–	313.3
Cash and short term deposits (note 18)			(636.3)	–	–	(636.3)
Net cash			(636.0)	313.0	–	(323.0)
Restricted cash*						562.3
Adjusted net debt						239.3

Year ended 27 June 2015

	Effective interest rate %	Maturity	Current: Within one year £m	Non-current: After one year but not more than five years £m	Non-current: After more than five years £m	Total £m
Syndicated loans (see below)	1.01	0-5 years	–	111.0	–	111.0
Debt issue costs on syndicated loans			(0.4)	(0.8)	–	(1.2)
£200m sterling 7.5 year bond (see below)	5.38	0-3 years	–	200.0	–	200.0
Debt issue costs			(0.5)	(0.1)	–	(0.6)
Finance leases and HP commitments (see note 21)	9.55	0-3 years	0.2	0.1	–	0.3
Total interest-bearing loans and borrowings			(0.7)	310.2	–	309.5
Debt issue costs			0.9	0.9	–	1.8
Total interest-bearing loans and borrowings (gross of debt issue costs)			0.2	311.1	–	311.3
Cash and short term deposits (note 18)			(604.2)	–	–	(604.2)
Net cash			(604.0)	311.1	–	(292.9)
Restricted cash*						537.6
Adjusted net debt						244.7

* Restricted cash balances are amounts held by rail companies which are included in cash and short term deposits. The restricted cash can only be distributed with the agreement of the DfT, normally up to the value of revenue reserves or based on a working capital formula.

Analysis of Group net debt

	Cash and cash equivalents £m	Syndicated loan facility £m	Dollar loan £m	Hire purchase/ finance leases £m	£200m sterling bond £m	Total £m
28 June 2014	281.8	(120.0)	(2.5)	(2.0)	(200.0)	(42.7)
Cashflow	287.6	9.0	2.5	1.7	–	300.8
On handover of rail franchise	34.8	–	–	–	–	34.8
27 June 2015	**604.2**	**(111.0)**	**–**	**(0.3)**	**(200.0)**	**292.9**
Cashflow	32.1	(2.0)	–	1.1	–	31.2
On acquisition	–	–	–	(1.1)	–	(1.1)
2 July 2016	**636.3**	**(113.0)**	**–**	**(0.3)**	**(200.0)**	**323.0**

Syndicated loan facility

On 16 July 2014, the Group re-financed and entered into a £280.0m five year syndicated loan facility. The loan facility is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group. The facility had an initial maturity of July 2019, with two one-year extensions, the second of which was agreed on 20 June 2016, extending the maturity of the facility to July 2021 from that date.

As at 2 July 2016, £113.0m (2015: £111.0m) 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%.

£200m term loan

On 26 August 2016, the Group entered into a £200m term loan to provide flexibility on refinancing the £200m sterling 7.5 year bond. The facility is available to draw down between 4 September 2017 and 29 September 2017. Once drawn down, the facility is available to the Group with extensions for up to a further 24 months. The loan facility is unsecured and interest is charged at LIBOR + Margin, where the margin is dependant on the Group's investment grade rating, currently BBB- and Baaa3.

Dollar loan

On 26 July 2010, a $10.0m five year facility was entered into for the purposes of financing our Go-Ahead North America joint venture. The joint venture ceased trading on 25 July 2014, and on termination of the joint venture all outstanding loans were repaid and the facility subsequently cancelled. The dollar loan was unsecured and interest was charged at US$ LIBOR + Margin.

Debt issue costs

There are debt issue costs of £0.9m (2015: £1.2m) on the syndicated loan facility.

The £200m sterling 7.5 year bond has debt issue costs of £nil (2015: £0.6m).

The Group is subject to two covenants in relation to its borrowing facilities. The covenants specify a maximum adjusted net debt to EBITDA and a minimum net interest cover. At the year end and throughout the year, the Group has not been in breach of any bank covenants.

21. Finance lease and hire purchase commitments

This note details finance lease and hire purchase commitments. For accounting policies see 'Interest bearing loans and borrowings' in note 2.

The Group has finance leases and hire purchase contracts for bus vehicles and various items of plant and equipment. These contracts have no terms of renewal or purchase option escalation clauses. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments, are as follows:

	2016		2015	
	Minimum payments £m	**Present value of payments £m**	Minimum payments £m	Present value of payments £m
Within one year	**0.3**	**0.3**	0.2	0.2
After one year but not more than five years	**–**	**–**	0.1	0.1
Total minimum lease payments	**0.3**	**0.3**	0.3	0.3
Less amounts representing finance charges	**–**	**–**	–	–
Present value of minimum lease payments	**0.3**	**0.3**	0.3	0.3

22. Financial risk management objectives and policies

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to interest rate, liquidity, foreign exchange and credit risk, and the policies in place to monitor and manage these risks.

Financial risk factors and management

The Group's principal financial instruments comprise bank loans, a sterling bond, hire purchase and finance lease contracts, and cash and short term deposits. The main purpose of these financial instruments is to provide an appropriate level of net debt to fund the Group's activities, namely working capital, fixed asset expenditure, acquisitions and dividends. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

It is Group policy to enter into derivative transactions, primarily fuel swaps and interest rate swaps. The purpose of these is to manage the fuel price and interest rate risks arising from the Group's operations and its sources of finance. At the year end, the Group did not hold any interest rate swaps.

It is, and has been throughout 2014/15 and 2015/16, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk and credit risk. Commodity price risk is managed via fuel derviatives. Risks arising from these are explained in note 23.

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Group's policy toward cash deposits is to deposit cash short term on UK money markets. Interest payable on senior bank borrowings can be based on re-fixing the rate of interest over short periods of time of up to 36 months.

The Group manages interest rate risk through a combination of fixed rate instruments and/or interest rate derivatives. During the years ended 2 July 2016 and 27 June 2015 the Group had no interest rate swaps in place. The Group has net cash and hence the present adverse risk is a decrease in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group (excluding unamortised issue costs) as at 2 July 2016 and 27 June 2015 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 2 July 2016								
Floating rate (assets)/liabilities								
Variable rate loans	**1.00**	**–**	**–**	**–**	**–**	**113.0**	**–**	**113.0**
Gross floating rate liabilities		**–**	**–**	**–**	**–**	**113.0**	**–**	**113.0**
Cash assets	**0.55**	**(636.3)**	**–**	**–**	**–**	**–**	**–**	**(636.3)**
Net floating rate (assets)/liabilities		**(636.3)**	**–**	**–**	**–**	**113.0**	**–**	**(523.3)**
Fixed rate liabilities								
£200m sterling 7.5 year bond	**5.38**	**–**	**200.0**	**–**	**–**	**–**	**–**	**200.0**
Obligations under finance lease and hire purchase contracts	**8.89**	**0.3**	**–**	**–**	**–**	**–**	**–**	**0.3**
Net fixed rate liabilities		**0.3**	**200.0**	**–**	**–**	**–**	**–**	**200.3**
Year ended 27 June 2015								
Floating rate (assets)/liabilities								
Variable rate loans	1.10	–	–	–	–	111.0	–	111.0
Gross floating rate liabilities		–	–	–	–	111.0	–	111.0
Cash assets	0.54	(604.2)	–	–	–	–	–	(604.2)
Net floating rate (assets)/liabilities		(604.2)	–	–	–	111.0	–	(493.2)
Fixed rate liabilities								
£200m sterling 7.5 year bond	5.38	–	–	200.0	–	–	–	200.0
Obligations under finance lease and hire purchase contracts	9.55	0.2	0.1	–	–	–	–	0.3
Net fixed rate liabilities		0.2	0.1	200.0	–	–	–	200.3

The expected maturity of the financial assets and liablities in the table above is the same as the contractual maturity of the financial assets and liabilities.

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are non-interest bearing and are therefore not subject to interest rate risk.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) based on recent historic changes.

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2016			
GBP	**50.0**	**(0.5)**	**(0.5)**
GBP	**(50.0)**	**0.5**	**0.5**
2015			
GBP	50.0	(0.5)	(0.5)
GBP	(50.0)	0.5	0.5

Liquidity risk

The Group has in place a £280.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range.

On 16 July 2014, the Group re-financed and entered into a £280.0m five year syndicated loan facility, with two one-year extensions replacing the previous £275.0m five year syndicated loan facility. The second of the one-year extensions was agreed on 20 June 2016, extending the maturity of the current facility to July 2021.

On 24 March 2010, the Group raised a £200m bond of 7.5 years maturing on 29 September 2017. The level of drawdown and prevailing interest rates are detailed in note 20.

On 26 August 2016, the Group entered into a £200m term loan to provide flexibility on refinancing the £200m sterling 7.5 year bond. The facility is available to draw down between 4 September 2017 and 29 September 2017. Once drawn down, the facility is available to the Group with extensions for up to a further 24 months.

Available liquidity as at 2 July 2016 and 27 June 2015 was as follows:

	2016 £m	2015 £m
Five year syndicated facility 2019/2021	**280.0**	280.0
£200m 7.5 year 5.375% sterling bond 2017	**200.0**	200.0
Total core facilities	**480.0**	480.0
Amount drawn down at 2 July 2016	**313.0**	311.0
Headroom	**167.0**	169.0

The Group's bus vehicles can be financed by hire purchase or finance lease arrangements, or term loans at fixed rates of interest over two to five year primary borrowing periods. This provides a regular inflow of funding to cover expenditure as it arises.

Foreign currency risk

The Group has foreign exchange exposure in respect of cashflow commitments to both its operations in Germany and in Singapore, of which neither are currently material to the Group.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables (see note 17) and cash deposits (see note 18). The maximum credit risk exposure of the Group comprises the amounts presented in the balance sheet, which are stated net of provisions for doubtful debt. A provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of future cashflows.

The majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT). The Group does not consider these counterparties to be a significant credit risk. Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A- or A3 or above by at least one of the credit rating agencies. The treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

22. Financial risk management objectives and policies continued

Contractual payments

The tables below summarise the maturity profile of the Group's financial liabilities at 2 July 2016 and 27 June 2015 based on contractual undiscounted payments.

Year ended 2 July 2016

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	–	**0.2**	**0.9**	**116.9**	–	**118.0**
£200m sterling 7.5 year bond	–	**10.7**	–	**202.7**	–	**213.4**
Other financial liabilities	–	**2.4**	**7.9**	**4.1**	–	**14.4**
Trade and other payables	**24.0**	**483.4**	**86.7**	–	–	**594.1**
	24.0	**496.7**	**95.5**	**323.7**	–	**939.9**

Year ended 27 June 2015

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	–	0.2	0.7	113.8	–	114.7
£200m sterling 7.5 year bond	–	10.6	–	212.9	–	223.5
Other financial liabilities	–	4.8	14.3	5.5	–	24.6
Trade and other payables	20.0	321.5	80.4	–	–	421.9
	20.0	337.1	95.4	332.2	–	784.7

Managing capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Details of the issued capital and reserves are shown in note 25. Details of interest-bearing loans and borrowings are shown in note 20.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 2 July 2016 and 27 June 2015.

The Group applies the primary objective by managing its capital structure such that net debt (adjusted to exclude restricted cash) to EBITDA* is within a range which retains an investment grade debt rating of at least BBB-.

In the year ended 2 July 2011, the Group obtained investment grade long term credit ratings from Standard & Poor's and Moody's as follows:

Standard & Poor's	BBB- (Stable outlook)
Moody's	Baa3 (Stable outlook)

Those ratings have been maintained in the year ended 2 July 2016.

The Group's policy is to maintain an adjusted net debt to EBITDA ratio of 1.5x to 2.5x. The Group's calculation of adjusted net debt is set out in note 20 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. During the year no specific actions were required to be taken by the Group with regard to this ratio or to ensure the investment grade debt rating.

Our primary financial covenant under the 2021 syndicated loan facility is an adjusted net debt to EBITDA ratio of not more than 3.5x and at 2 July 2016, was 1.36x (2015: 1.32x). Under the previous 2016 syndicated loan facility we adjusted for the effect of IAS 19 (revised) of £37.0m (2015: £20.0m) resulting in a restated adjusted net debt to EBITDA ratio of 1.12x (2015: 1.19x).

* Operating profit before interest, tax, depreciation, amortisation, goodwill impairment and exceptional operating costs.

Operating leases

The Group uses operating leases for bus and coach purchases across the Group primarily where the vehicles service specific contracts to mitigate the risk of ownership at the end of the contract. This results in £1.1m (2015: £1.1m) of cost within operating charges which would otherwise have been charged to interest. The Group holds operating leases for its bus fleet with an asset capital value of £24.6m (2015: £20.1m).

The majority of assets in the rail division are financed by operating leases, in particular rolling stock.

23. Derivatives and financial instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations. Financial instruments held by the Group include fuel hedge derivatives and finance lease/hire purchase contracts. For accounting policies see 'Financial assets and derivatives', 'Fair value measurement' and 'Interest bearing loans and borrowings' in note 2.

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 2 July 2016 and 27 June 2015 and are as follows:

	2016 £m	2015 £m
Non-current assets	0.2	–
Current assets	0.6	–
	0.8	–
Current liabilities	(10.3)	(19.1)
Non-current liabilities	(4.1)	(5.5)
	(14.4)	(24.6)
Net financial derivatives	(13.6)	(24.6)

Year ended 2 July 2016

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(13.6)	(13.6)	(13.6)
Net financial derviatives	–	(13.6)	(13.6)	(13.6)
Obligations under finance lease and hire purchase contracts	(0.3)	–	(0.3)	(0.3)
	(0.3)	(13.6)	(13.9)	(13.9)

Year ended 27 June 2015

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(24.6)	(24.6)	(24.6)
Net financial derivatives	–	(24.6)	(24.6)	(24.6)
Obligations under finance lease and hire purchase contracts	(0.3)	–	(0.3)	(0.3)
	(0.3)	(24.6)	(24.9)	(24.9)

The fair value of all other assets and liabilities in notes 17, 19 and 20 is not significantly different from their carrying amount, with the exception of the £200m sterling 7.5 year bond which has a fair value of £209.5m (2015: £213.7m) but is carried at its amortised cost of £200.0m (2015: £199.4m). The fair value of the £200m sterling 7.5 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

All other fair values shown above have been calculated by discounting cashflows at prevailing interest rates.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 2 July 2016, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments.

During the year ended 2 July 2016, there were no transfers between valuation levels.

23. Derivatives and financial instruments continued

b. Hedging activities

Fuel derivatives

The Group is exposed to commodity price risk as a result of fuel usage. The Group closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate.

Bus

As at 2 July 2016 the Group had derivatives against bus fuel of 370 million litres for the five years ending June 2021. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 2 July 2016 the amounts hedged are as follows:

	2017	2018	2019*	2020*	2021*
Actual percentage hedged	100%	100%	60%	30%	10%
Litres hedged (million)	125	124	73	36	12
Price (pence per litre)	36.4	34.7	32.3	33.4	35.1

* Assuming consistent usage and that hedging is completed at June 2016 market price.

Rail

As at 2 July 2016 the Group had derivatives against rail fuel of 12 million litres for the year ended 1 July 2017 and 4 million litres for the 2018 financial year, representing the anticipated fuel usage in London Midland. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

The movement during the year on the hedging reserve was £9.2m credit (net of tax) (2015: £15.8m debit (net of tax)) taken through other comprehensive income.

24. Provisions

A provision is a liability recorded in the consolidated balance sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to uninsured claims and dilapidation provisions relating to franchise commitments. For accounting policies see 'Provisions' and 'Uninsured liabilities' in note 2.

	Franchise commitments £m	Uninsured claims £m	Other £m	Total £m
At 27 June 2015	63.2	41.3	3.1	107.6
Provided (after discounting)	12.4	20.8	0.9	34.1
Utilised	(12.9)	(16.0)	–	(28.9)
Released	(3.4)	(5.6)	(0.5)	(9.5)
Unwinding of discounting	0.8	1.6	–	2.4
At 2 July 2016	**60.1**	**42.1**	**3.5**	**105.7**

	2016 £m	2015 £m
Current	**32.0**	75.4
Non-current	**73.7**	32.2
	105.7	107.6

Franchise commitments comprise £57.7m (2015: £60.1m) dilapidation provisions on vehicles, depots and stations across our three active rail franchises, and £2.4m (2015: £3.1m) provisions relating to other franchise commitments. Of the dilapidations provisions, £12.1m (2015: £52.1m) are classified as current. All of the £2.4m (2015: £3.1m) provision relating to other franchise commitments is classified as current. During the year £3.4m (2015: £9.3m) of provisions previously provided were released following the successful renegotiation of certain contract conditions. The dilapidations will be incurred as part of a rolling maintenance contract over the next three years. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Of the uninsured claims, £16.0m (2015: £19.1m) are classified as current and £26.1m (2015: £22.2m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years.

Within other provisions, £3.2m (2015: £2.8m) relates to dilapidations in the bus division of which £1.2m (2015: £0.8m) are classified as current, and £2.0m (2015: £2.0m) are classified as non-current. It is expected that the dilapidations will be incurred within two to five years. The remaining other current provision of £0.3m (2015: £0.3m) relates to completion claims regarding the sale of our aviation business.

25. Issued capital and reserves

Called up share capital is the number of shares in issue at their par value. For accounting policies see 'Treasury shares' in note 2.

	Allotted, called up and fully paid			
		2016		2015
	Millions	£m	Millions	£m
As at 2 July 2016 and 27 June 2015	**46.9**	**4.7**	46.9	4.7

The Group has one class of ordinary shares which carry no right to fixed income and have a par value of 10p per share.

Share capital

Share capital represents proceeds on issue of the Group's equity, both nominal value and share premium.

Reserve for own shares

The reserve for own shares is in respect of 4,017,412 ordinary shares (8.6% of share capital), of which 115,182 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 2 July 2016 the Group has repurchased 172,964 shares (2015: no shares purchased). The Group has not cancelled any shares during the year (2015: no shares cancelled).

Share premium reserve

The share premium reserve represents the premium on shares that have been issued to fund or part fund acquisitions made by the Group. This treatment is in line with Section 612 of the Companies Act 2006.

Hedging reserve

The hedging reserve records the movement in value of fuel price derivatives, offset by any movements recognised directly in equity.

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

26. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to operating leases and agreements to procure assets. These amounts are not recorded in the consolidated financial statements as we have not yet received the goods or services from the supplier.

Capital commitments

	2016 £m	2015 £m
Contracted for but not provided – acquisition of property, plant and equipment	**78.3**	52.7

Contractual commitments

The Group had contractual commitments, regarding payments to the DfT in respect of the Southern franchise, which transferred to GTR on 26 July 2015 of £nil at 2 July 2016 (27 June 2015: £22.5m payable within one year).

26. Commitments continued

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties and other items. Renewals are at the option of the lessee. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 2 July 2016 and 27 June 2015 were as follows:

As at 2 July 2016

	Bus vehicles £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	**10.6**	**0.6**	**525.6**	**608.0**	**202.7**
In the second to fifth years inclusive	**12.3**	**3.0**	**1,801.2**	**1,264.9**	**571.8**
Over five years	**2.8**	**2.6**	**86.7**	**57.3**	**29.4**
	25.7	**6.2**	**2,413.5**	**1,930.2**	**803.9**

As at 27 June 2015

	Bus vehicles £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	14.5	2.3	484.3	618.8	166.4
In the second to fifth years inclusive	12.6	5.4	1,791.7	1,810.9	541.9
Over five years	0.7	3.9	280.0	251.0	71.9
	27.8	11.6	2,556.0	2,680.7	780.2

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 2 July 2016 and 27 June 2015 were as follows:

	2016		2015	
	Land and buildings £m	**Other rail agreements £m**	Land and buildings £m	Other rail agreements £m
Within one year	**3.5**	**2.9**	4.8	2.8
In the second to fifth years inclusive	**2.5**	**2.8**	11.7	–
Over five years	**–**	**–**	2.1	–
	6.0	**5.7**	18.6	2.8

Performance bonds

The Group has provided bank guaranteed performance bonds of £76.2m (2015: £124.3m), a loan guarantee bond of £36.3m (2015: £36.3m), and season ticket bonds of £227.1m (2015: £207.2m) to the DfT in support of the Group's rail franchise operations.

To support subsidiary companies in their normal course of business, the Group has indemnified certain banks and insurance companies who have issued certain performance bonds and a letter of credit. The letter of credit at 2 July 2016 is £45.0m (2015: £45.0m).

The Group has a bond of $10.9m SGD (2015: $nil SGD) to the Land Transport Authority of Singapore in support of the Group's Singapore bus operations. At the year-end exchange rate this equates to £6.1m (2015: £nil).

27. Retirement benefit obligations

The Group operates a defined contribution pension scheme and a workplace saving scheme for our employees. We also administer a defined benefit pension scheme, which is closed to new entrants and future accruals. The train operating companies participate in the Rail Pension Scheme, a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. For accounting policies see 'Retirement benefits' in note 2.

Retirement benefit obligations consist of the following:

	2016			2015		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Pre-tax pension scheme liabilities	(2.7)	–	(2.7)	(59.5)	–	(59.5)

	2016			2015		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Remeasurement gains/(losses) due to:						
Experience on benefit obligations	68.8	(0.4)	68.4	21.9	32.9	54.8
Changes in demographic assumptions	(10.6)	–	(10.6)	–	–	–
Changes in financial assumptions	(102.1)	(184.0)	(286.1)	(93.5)	(206.0)	(299.5)
Salary cap introduction	–	48.1	48.1	–	–	–
Return on assets greater than discount rate	99.4	102.2	201.6	72.3	65.8	138.1
Franchise adjustment movement	–	79.4	79.4	–	131.2	131.2
Remeasurement gains on defined benefit pension plans	55.5	45.3	100.8	0.7	23.9	24.6

Bus schemes

The Go-Ahead Group Pension Plan

For the majority of bus employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the Go-Ahead Plan), which consists of a funded defined benefit scheme and a defined contribution section as follows.

The defined contribution section of the Go-Ahead Plan is not contracted-out of the State Second Pension Scheme. It is now closed to new entrants and has been replaced by a workplace saving scheme, which is also a defined contribution pension scheme. The expense recognised for the defined contribution section of the Go-Ahead Plan is £9.9m (2015: £11.3m), being the contributions paid and payable. The expense recognised for the workplace saving scheme is £2.8m (2015: £1.9m) being the contributions paid and payable.

The defined benefit section of the Go-Ahead Plan is contracted-out of the State Second Pension Scheme and provides benefits based on a member's final salary. The assets of the scheme are held in a separate trustee-administered fund. Contributions to this section are assessed in accordance with the advice of an independent qualified actuary. The defined benefit section of The Go-Ahead Group Pension Plan has been closed to new entrants and closed to future accrual.

The Go-Ahead Plan is a plan for related companies within the Group where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19 (revised). Each of the participating companies accounts on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company and is subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2015.

The investment strategy of the Go-Ahead Plan, which aims to meet liabilities as they fall due, is to invest plan assets in a mix of equities, other return seeking assets and liability driven investments to maximise the return on plan assets and minimise risks associated with lower than expected returns on plan assets. Trustees are required to regularly review investment strategy.

Other pension plans

Some employees of Plymouth Citybus have entitlement to a Devon County Council defined benefit plan. This scheme is externally funded and is now closed to new entrants. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary.

Summary of bus schemes year end assumptions

	2016 %	2015 %
Retail price index inflation	2.9	3.3
Consumer price index inflation	1.9	2.3
Discount rate	2.8	3.8
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment and deferred pension	1.9	2.0

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

27. Retirement benefit obligations continued

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.

	2016 Years	2015 Years
Pensioner	21	20
Non-pensioner	22	21

Sensitivity analysis

In making the valuation, the above assumptions have been used. For bus pension schemes, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation, the following adjustments would adjust the pension deficit as shown.

	2016 Pension deficit %	2015 Pension deficit %
Discount rate – increase of 0.1%	(1.7)	(1.7)
Price inflation – increase of 0.1%	1.5	1.5
Rate of increase in salaries – increase of 0.1%	n/a	n/a
Rate of increase of pensions in payment – increase of 0.1%	0.9	0.9
Increase in life expectancy of pensioners or non-pensioners by 1 year	3.6	3.6

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.1% and 1 year in the sensitivity analysis is considered to be a reasonable illustrative approximation of possible changes, as these variations can regularly arise.

Maturity profile of bus schemes defined benefit obligation

The following tables shows the expected future benefit payments of the plan at 2 July 2016.

	2016 £m
June 2017	22.5
June 2018	23.0
June 2019	23.5
June 2020	24.1
June 2021	24.6
June 2022 to June 2026	131.5

Category of assets at the year end

	2016		2015	
	£m	%	£m	%
Equities	275.1	36.0	254.3	38.6
Bonds	16.5	2.2	15.9	2.4
Property	69.6	9.1	61.4	9.3
Liability driven investing portfolio	392.2	51.4	306.1	46.4
Cash/other	9.7	1.3	21.5	3.3
	763.1	100.0	659.2	100.0

All of the asset categories above are held within pooled funds and are therefore quoted in active markets.

Funding position of the Group's pension arrangements

	2016 £m	2015 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	(765.8)	(718.7)
Assets at fair value	763.1	659.2
Pension scheme liability	(2.7)	(59.5)

Pension cost for the financial year

	2016 £m	2015 £m
Service cost	0.1	–
Administration costs	1.8	2.2
Settlement (gain)/ loss	(0.5)	0.5
Interest cost on net liabilities	2.1	2.4
Total pension costs	3.5	5.1

The £0.5m settlement gain represents gains made by the pension scheme in respect of the pension increase exchange exercise undertaken in the year.

Analysis of the change in the pension scheme liabilities over the financial year

	2016 £m	2015 £m
Pension scheme liabilities – at start of year	718.7	663.3
Service cost	0.1	–
Interest cost	26.4	27.2
Settlement gain	(0.5)	–
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	(68.8)	(21.9)
Changes in demographic assumptions	10.6	–
Changes in financial assumptions	102.1	93.5
Transfer payments	–	(17.9)
Benefits paid	(22.8)	(25.5)
Pension scheme liabilities – at end of year	765.8	718.7

Analysis of the change in the pension scheme assets over the financial year

	2016 £m	2015 £m
Fair value of assets – at start of year	659.2	603.5
Interest income of plan assets	24.3	24.8
Remeasurement gains due to return on assets greater than discount rate	99.4	72.3
Administration costs	(1.8)	(2.2)
Group contributions	4.8	4.7
Transfer payments	–	(18.4)
Benefits paid	(22.8)	(25.5)
Fair value of plan assets – at end of year	763.1	659.2

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2017	6.5
Estimated employee contributions in financial year 2017	–
Estimated total contributions in financial year 2017	6.5

Rail schemes

The Railways Pension Scheme (RPS)

The majority of employees in our train operating companies are members of sections of the RPS, a funded defined benefit scheme. The RPS is a shared costs scheme, with assets and liabilities split 60%/40% between the franchise holder/employee respectively. The RPS sections are all open to new entrants and the assets and liabilities of each company's section are separately identifiable and segregated for funding purposes.

Changes in financial assumptions includes the effect of changes in the salary cap agreed to offset additional National Insurance costs as a result of the schemes no longer "opting out".

British Railways Additional Superannuation Scheme (BRASS) matching AVC Group contributions of £0.7m (2015: £0.8m) were paid in the year.

It is our experience that all pension obligations to the RPS cease on expiry of the franchises without cash or other settlement, and therefore the obligations recognised on the balance sheet under IAS 19 (revised) are only those that are expected to be funded during the franchise term. However, in spite of our past experience and that of other train operating companies proving otherwise, our legal obligations are not restricted. On entering into a franchise, the operator becomes the designated employer for the term of the contract and under the RPS rules is obliged to meet the schedule of contributions agreed with the scheme trustees and actuaries, in respect of which no funding cap is set out in the franchise contract.

The RPS is governed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

IAS 19 (revised) would require the Group to account for its legal obligation under the formal terms of the RPS and its contractual 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 contractual but not its legal RPS defined benefit obligations. In all other respects the Group's accounting policy is consistent with IAS 19 (revised) 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 (revised) 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.

27. Retirement benefit obligations continued

The total surplus or deficit recorded is adjusted by way of a 'franchise adjustment', which includes an assessment of surpluses or deficits that could arise from future contributions, and is that portion of the deficit or surplus projected to exist at the end of the franchise which the Group will not be required to fund or benefit from.

Summary of year end assumptions

	2016 %	2015 %
Retail price index inflation	**2.9**	3.3
Consumer price index inflation	**1.9**	2.3
Discount rate	**2.8**	3.8
Rate of increase in salaries	**3.1**	4.3
Rate of increase of pensions in payment and deferred pension	**1.9**	2.3

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male member of each pension scheme at age 65.

	2016 Years	2015 Years
Pensioner	**22**	22
Non-pensioner	**24**	24

The mortality assumptions adopted as at 2 July 2016 and 27 June 2015 are based on the results of the latest funding valuation as at 31 December 2013.

Sensitivity analysis

Due to the natue of the franchise adjustment, the balance sheet position in respect of the rail pension schemes is not sensitive to small movements in any of the assumptions and therefore we have not included any quantitative sensitivity analysis.

Category of assets at the year end

	2016		2015	
	£m	%	£m	%
Equities	**1,907.6**	**96.5**	1,663.6	95.5
Property	**67.2**	**3.4**	71.4	4.1
Cash	**2.0**	**0.1**	7.0	0.4
	1,976.8	**100.0**	1,742.0	100.0

All of the asset categories above are held within pooled funds and therefore quoted in active markets.

Funding position of the Group's pension arrangements

	2016 £m	2015 £m
Employer's 60% share of pension scheme:		
Liabilities at the end of the year	**(2,625.8)**	(2,290.4)
Assets at fair value	**1,976.8**	1,742.0
Gross deficit	**(649.0)**	(548.4)
Franchise adjustment	**649.0**	548.4
Pension scheme liability	**–**	–

Pension cost for the financial year

	2016 £m	2015 £m
Service cost	85.5	63.2
Administration costs	3.9	3.0
Interest cost on net liabilities	21.2	16.9
Interest on franchise adjustments	(21.2)	(16.9)
Pension cost	89.4	66.2

Analysis of the change in the employer's 60% share of pension scheme liabilities over the financial year

	2016 £m	2015 £m
Pension scheme liabilities less members share (40%) of the deficit – at start of year	2,290.4	1,601.6
Franchise adjustment (100%)	(548.4)	(337.3)
	1,742.0	1,264.3
Liability movement for members' share of assets (40%)	119.9	94.1
Service cost (60%)	85.5	63.2
Interest cost (60%)	60.6	55.2
Interest on franchise adjustment (100%)	(21.2)	(16.9)
Remeasurement losses/(gains) due to:		
Experience on benefit obligations (60%)	0.4	(32.9)
Changes in financial assumptions (60%)	184.0	206.1
Salary cap introduction (60%)	(48.1)	–
Benefits paid (100%)	(66.9)	(51.7)
GTR franchise award – employers' share of pension scheme liabilities (60%)	–	354.8
GTR franchise award – franchise adjustment (100%)	–	(63.0)
Franchise adjustment movement (100%)	(79.4)	(131.2)
	1,976.8	1,742.0
Franchise adjustment (100%)	649.0	548.4
Pension scheme liabilities less members share (40%) of the deficit – at end of year	2,625.8	2,290.4

Analysis of the change in the pension scheme assets over the financial year

	2016 £m	2015 £m
Fair value of assets – at start of year (100%)	1,742.0	1,264.3
Interest income of plan assets (60%)	39.3	38.3
Remeasurement gains due to return on assets greater than discount rate (60%)	102.2	65.8
Administration costs (100%)	(6.6)	(5.0)
Group contributions (100%)	43.5	41.5
Benefits paid (100%)	(66.9)	(51.7)
GTR franchise award (100%)	–	291.8
Members' share of movement of assets (40%)	123.3	97.0
Fair value of plan assets – at end of year (100%)	1,976.8	1,742.0

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2017	37.4
Estimated employee contributions in financial year 2017	24.2
Estimated total contributions in financial year 2017	61.6

27. Retirement benefit obligations continued

If the Group had accounted for the rail schemes in accordance with the full provisions of IAS 19 (revised) the following adjustments would have been made to the financial statements:

	2016 £m	2015 £m
Balance sheet		
Defined benefit pension plan	(649.0)	(548.4)
Deferred tax asset	116.8	109.7
	(532.2)	(438.7)
Other comprehensive income		
Remeasurement gains	79.4	131.2
Tax on remeasurement gains	(14.3)	(26.2)
	65.1	105.0
Income statement		
Operating costs – franchise adjustment	(21.2)	(16.9)
Deferred tax charge	3.8	3.4
	(17.4)	(13.5)

Risks associated with defined benefit plans

Rail schemes

Despite remaining open to new entrants and future accrual, the risks posed by the RPS are limited, as under the franchise arrangements, the train operating companies are not responsible for any residual deficit at the end of a franchise. As such, there is only short term cashflow risk within this business.

Bus schemes

The number of employees in defined benefit plans is reducing, as these plans are closed to new entrants, and in the case of The Go-Ahead Group Pension Plan, closed to future accrual.

The key risks relating to the defined benefit pension arrangements and the steps taken by the Group to mitigate them are as follows:

Risk	Description	Mitigation
Asset volatility	The liabilities are calculated using a discount rate set with reference to bond yields with maturity profiles matching pension maturity; if assets underperform this yield, this will create a deficit. Most of the defined benefit arrangements hold a proportion of return-seeking assets (equities, diversified growth funds and global absolute return funds), and to offset the additional risk, hold a proportion in liability driven investments, which should reduce volatility.	Asset liability modelling has been undertaken recently in all significant plans to ensure that any risks taken are rewarded and that we have a balance of risk seeking and liability driven investments.
Inflation risk	A significant proportion of the UK benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities.	The business has some inflation linking in its revenue streams, which helps to offset this risk.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	The Group final salary scheme has closed to future accrual reducing exposure to increases in life expectancy risk.
Legislative risk	Future legislative changes are uncertain. In the past these have led to increases in obligations, introducing pension increases, and vesting of deferred pensions, or reduced investment return through the ability to reclaim Advance Corporation Tax. The UK government has legislated to end contracting out in 2016. Further legislation could result in an increase in the value of Guaranteed Minimum Pension. If this legislation is implemented, this would increase the defined benefit obligation of the arrangements.	The Group final salary scheme has closed to future accrual, reducing risk to legislative change. The Group takes professional advice to keep abreast of legislative changes.

28. Related party disclosures and Group undertakings

Our subsidiaries listed below each contributes to the profits, assets and cashflow of the Group. The Group has a number of related parties including joint ventures, pension schemes and directors. For accounting policies see 'Interests in joint arrangements' in note 2.

The consolidated financial statements include the financial statements of The Go-Ahead Group plc and the following Group undertakings:

Name	Country of incorporation	% equity interest 2016	2015
Trading subsidiaries			
Go-Ahead Holding Limited	United Kingdom[2]	100	100
Go North East Limited	United Kingdom	100	100
Go Northern Limited	United Kingdom	100	100
London General Transport Services Limited	United Kingdom	100	100
London Central Bus Company Limited	United Kingdom	100	100
Go-Ahead London Rail Replacement Services Limited	United Kingdom	100	100
Metrobus Limited	United Kingdom	100	100
Brighton & Hove Bus and Coach Company Limited	United Kingdom	100	100
The City of Oxford Motor Services Limited	United Kingdom	100	100
Go South Coast Limited	United Kingdom	100	100
Hants & Dorset Transport Support Services Limited	United Kingdom	100	100
Plymouth Citybus Limited	United Kingdom	100	100
Konectbus Limited	United Kingdom	100	100
Thames Travel (Wallingford) Limited	United Kingdom	100	100
Carousel Buses Limited	United Kingdom	100	100
Hedingham and District Omnibuses Limited	United Kingdom	100	100
Anglian Bus Limited	United Kingdom	100	100
HC Chambers and Son Limited	United Kingdom	100	100
Aviance UK Limited	United Kingdom	100	100
New Southern Railway Limited	United Kingdom[1]	65	65
London and South Eastern Railway Limited	United Kingdom[1]	65	65
London and Birmingham Railway Limited	United Kingdom[1]	65	65
Southern Railway Limited	United Kingdom[1]	65	65
Govia Thameslink Railway Limited	United Kingdom[1]	65	65
Thameslink Rail Limited	United Kingdom[1]	65	65
Govia Limited	United Kingdom[1]	65	65
Go-Ahead Scotland Limited	United Kingdom	100	100
Go-Ahead Holding LLC	United States of America	–	100
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Germany	100	100
Go-Ahead Holding (Singapore) PTE Ltd	Singapore	100	–
Go-Ahead Loyang PTE Ltd	Singapore	100	–
Jointly controlled entities			
On Track Retail Limited	United Kingdom[3]	50	50

1. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.
2. Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.
3. On Track Retail Limited is a start up company and was immaterial to the Group's financial statements.

The above trading subsidiaries have one class of ordinary shares which carry no right to fixed income. With the exception of On Track Retail Limited, which also have redeemable preference shares.

The registered office of all trading subsidiaries incorporated in the United Kingdom is: 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne, NE1 6EE.

The registered office of Go-Ahead Verkehrsgesellschaft Deutschland GmbH incorporated in Germany is: Platz vor dem Neuen Tor 2, D- 10115, Berlin, Germany.

The registered office of trading subsidiaries incorporated in Singapore is: 2 Loyang Way, Singapore 508776.

28. Related party disclosures and Group undertakings continued

Name	Company number	Country of incorporation	% equity interest 2016	2015
Dormant subsidiaries				
Eastern Railway Limited	7164882	United Kingdom	**100**	100
Go Wear Buses Limited	2019645	United Kingdom	**100**	100
Go-Reading Limited	3158846	United Kingdom	**100**	100
South Central Limited	4173713	United Kingdom	**100**	100
The Go-Ahead Group Trustee Co Limited	2125799	United Kingdom	**100**	100
Go-Ahead Property Development Limited	7128594	United Kingdom	**100**	100
Go-Ahead XX Limited	8205871	United Kingdom	**100**	100
GHI Limited	4262016	United Kingdom	**100**	100
Southern Vectis Limited	2005917	United Kingdom	**100**	100
Birmingham Passenger Transport Services Limited	2901263	United Kingdom	**100**	100
Go Coastline Limited	2018469	United Kingdom	**100**	100
Go London Limited	2849983	United Kingdom	**100**	100
Go West Midlands Limited	2490584	United Kingdom	**100**	100
Levers Coaches Limited	2524573	United Kingdom	**100**	100
MetroCity (Newcastle) Limited	4153866	United Kingdom	**100**	100
Thames Trains Limited	3007943	United Kingdom	**100**	100
Victory Railway Holdings Limited	3147927	United Kingdom	**100**	100
Govia Northern Limited	6537238	United Kingdom[1]	**65**	65
London & East Midlands Railway Limited	5814586	United Kingdom[1]	**65**	65
London and West Midlands Railway Limited (previously North London Orbital Railway Limited)	5537947	United Kingdom[1]	**65**	65
Abingdon Bus Company Limited	3151270	United Kingdom	**100**	100
Reed Investments Limited	4236536	United Kingdom	**100**	100
Gatwick Handling Limited	2984113	United Kingdom	**100**	100
GH Heathrow Limited	2813292	United Kingdom	**100**	100
GH Manchester Limited	1883900	United Kingdom	**100**	100
GH Stansted Limited	1983429	United Kingdom	**100**	100
Midland Airport Services Limited	1592083	United Kingdom	**100**	100
Oxford Newco Limited	9542008	United Kingdom	**100**	100
London General Trustee Company Limited	6953098	United Kingdom	**100**	100
Go-Ahead Finance Company	4699524	United Kingdom	**100**	100
Hants & Dorset Motor Services Limited	2752603	United Kingdom	**100**	100
Hants & Dorset Trim Limited	2017829	United Kingdom	**100**	100
Solent Blue Line Limited	2103030	United Kingdom	**100**	100
Marchwood Motorways (Services) Limited	2201331	United Kingdom	**100**	100
Marchwood Motorways (Southampton) Limited	1622531	United Kingdom	**100**	100
The Southern Vectis Omnibus Co. Limited	0241973	United Kingdom	**100**	100
Tourist Coaches Limited	3006529	United Kingdom	**100**	100
Wilts & Dorset Bus Company Limited	1671355	United Kingdom	**100**	100
Wilts & Dorset Investments Limited	4613075	United Kingdom	**100**	100
Wilts & Dorset Holdings Limited	2091878	United Kingdom	**100**	100
Dockland Buses Limited	3420004	United Kingdom	**100**	100
Blue Triangle Buses Limited	3770568	United Kingdom	**100**	100
Go-Ahead Leasing Limited	5262810	United Kingdom	**100**	100
Go-Ahead Sverige AB		Sweden	**100**	–
Go-Ahead Norge AS		Norway	**100**	–

1. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.

The registered office of all dormant subsidiaries incorporated in the United Kingdom is: 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne, NE1 6EE.

The registered office of Go-Ahead Sverige AB incorporated in Sweden is: Mäster Samuelsgatan 20, SE 101 39, Stockholm, Sweden.

The registered office of Go-Ahead Norge AS incorporated in Norway is: Filipstad Brygge 1, NO 0125, Oslo, Norway.

All dormant companies listed above incorporated in the United Kingdom have taken advantage of the UK Companies Act 2006, S480 exemption from audit.

Transactions with other related parties

The Group meets certain costs of administering the Group's retirement benefit plans, including the provision of meeting space and office support functions to the trustees. Costs borne on behalf of the retirement benefit plans amounted to £0.2m (2015: £0.2m).

Joint operations

The Group's joint operations, On Track Retail Limited 'OTR' have their principal place of business in the United Kingdom. The principal activity of OTR is the development and provision of web ticketing applications for the rail industry. The activities of the joint operation are strategically important to the business activities of the Group. The Group owns 50% of the ordinary share capital of OTR.

Compensation of key management personnel of the Group

The key management are considered to be the directors of the parent company.

	2016 £m	2015 £m
Short term employee benefits	1.3	1.9
Long term employee benefits[1]	1.0	2.3
Post employment benefits	–	0.1
	2.3	4.3

1. The long term employee benefits relate to LTIP and DSBP.

Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2016	2015
Govia Limited	United Kingdom	35%	35%
London and South Eastern Railway Limited[1]	United Kingdom	35%	35%
Southern Railway Limited[1]	United Kingdom	35%	35%
London and Birmingham Railway Limited[1]	United Kingdom	35%	35%
Govia Thameslink Railway Limited[1]	United Kingdom	35%	35%
Thameslink Rail Limited[1]	United Kingdom	35%	35%
New Southern Railway Limited[1]	United Kingdom	35%	35%

1. Subsidiary of Govia Limited.

	2016 £m	2015 £m
Accumulated balances of material non-controlling interest:		
Govia Limited	22.6	15.8
Total comprehensive income allocated to material non-controlling interest:		
Govia Limited	24.4	13.8

28. Related party disclosures and Group undertakings continued

The summarised financial information of these subsidiaries is provided below. The information is based on amounts before inter-company eliminations:

Summarised income statement of Govia Limited and its subsidiary companies for the year ended 2 July 2016 and 27 June 2015:

	2016 £m	2015 £m
Revenue	**2,498.0**	2,397.4
Operating costs (excluding amortisation and exceptional operating costs)	**(2,455.3)**	(2,355.1)
Intangible asset amortisation	**(0.6)**	(0.8)
Exceptional operating costs	**–**	(8.8)
Finance revenue	**3.2**	2.3
Finance costs	**(2.9)**	(2.9)
Profit on ordinary activities before taxation	**42.4**	32.1
Tax expense	**(9.3)**	(11.8)
Profit for the year from controlling operations	**33.1**	20.3
Total comprehensive income	**69.8**	39.4
Attributable to non-controlling interests	**24.4**	13.8
Dividends paid to non-controlling interests	**17.8**	12.8

Summarised balance sheet of Govia Limited and its subsidiary companies as at 2 July 2016 and 27 June 2015:

	2016 £m	2015 £m
Current assets – inventories, trade and other receivables, cash	**924.5**	843.7
Non-current assets – property, plant and equipment, intangible assets, deferred tax	**35.4**	25.0
Current liabilities – trade and other payables, provisions	**(849.7)**	(815.7)
Non-current liabilities – provisions	**(45.6)**	(8.0)
Total equity	**64.6**	45.0
Attributable to:		
Equity holders of the parent	**42.0**	29.2
Non-controlling interest	**22.6**	15.8

These balance sheet amounts are shown before intercompany eliminations.

Summarised cashflow information of Govia Limited and its subsidiary companies for the year ended 2 July 2016 and 27 June 2015:

	2016 £m	2015 £m
Operating	**62.7**	324.9
Investing	**20.8**	45.5
Financing	**(53.7)**	(39.3)
Net increase in cash and cash equivalents	**29.8**	331.1

Company statement of comprehensive income
for the year ended 2 July 2016

	2016 £m	2015 £m
Profit for the year	23.4	72.4
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurement gains on defined benefit pension plans	56.7	0.7
Tax relating to items that will not be reclassified	(11.3)	(0.1)
	45.4	0.6
Other comprehensive income for the year, net of tax	45.4	0.6
Total comprehensive income for the year	68.8	73.0

Company statement of changes in equity

for the year ended 2 July 2016

	Share capital £m	Share premium £m	Revaluation reserve £m	Share premium reserve £m	Capital redemption reserve £m	Reserve for own shares £m	Retained earnings £m	Total equity £m
At 28 June 2014	4.7	67.4	82.0	1.6	0.7	(69.9)	447.3	533.8
Profit for the year	–	–	–	–	–	–	72.4	72.4
Remeasurement on defined benefit retirement plans (net of tax)	–	–	–	–	–	–	0.6	0.6
Total comprehensive income	–	–	–	–	–	–	73.0	73.0
Dividend income (note 2)	–	–	–	–	–	–	(36.7)	(36.7)
Movement on revaluation reserve (note 13)	–	–	(4.9)	–	–	–	4.9	–
Share based payment charge (and associated tax)	–	–	–	–	–	–	1.2	1.2
Reserves transfer	–	–	–	–	–	1.1	(1.1)	–
At 27 June 2015	4.7	67.4	77.1	1.6	0.7	(68.8)	488.6	571.3
Profit for the year	–	–	–	–	–	–	23.4	23.4
Remeasurement on defined benefit retirement plans (net of tax)	–	–	–	–	–	–	45.4	45.4
Total comprehensive income	–	–	–	–	–	–	68.8	68.8
Dividend income (note 2)	–	–	–	–	–	–	(39.4)	(39.4)
Movement on revaluation reserve (note 13)	–	–	(3.2)	–	–	–	3.2	–
Acquisition of own shares	–	–	–	–	–	(4.4)	–	(4.4)
Share based payment charge (and associated tax)	–	–	–	–	–	–	0.8	0.8
Reserves transfer	–	–	–	–	–	2.3	(2.3)	–
At 2 July 2016	**4.7**	**67.4**	**73.9**	**1.6**	**0.7**	**(70.9)**	**519.7**	**597.1**

Company balance sheet
as at 2 July 2016

Registered No: 02100855

	Notes	2016 £m	2015 (restated – see note 9) £m
Fixed assets			
Intangible assets	3	1.5	1.8
Tangible assets	4	172.7	162.9
Investments	5	215.1	215.1
Financial assets	9	0.2	–
		389.5	379.8
Current assets			
Debtors: amounts falling due within one year	6	574.2	660.7
Debtors: amounts falling due after more than one year	6	14.9	16.3
Cash on deposit		0.4	1.2
Financial assets	9	0.6	–
		590.1	678.2
Creditors: amounts falling due within one year	7	(67.6)	(115.1)
Financial liabilities	9	(10.3)	(19.1)
Net current assets		512.2	544.0
Total assets less current liabilities		901.7	923.8
Creditors: amounts falling due after more than one year	7	(269.2)	(269.4)
Retirement benefit obligations	12	1.5	(56.7)
Provisions	10	(32.8)	(20.9)
Financial liabilities	9	(4.1)	(5.5)
Net assets		597.1	571.3
Capital and reserves			
Share capital	13	4.7	4.7
Share premium		67.4	67.4
Revaluation reserve	13	73.9	77.1
Share premium reserve	13	1.6	1.6
Capital redemption reserve		0.7	0.7
Reserve for own shares		(70.9)	(68.8)
Retained earnings		519.7	488.6
Total equity		597.1	571.3

Patrick Butcher,
Group Chief Financial Officer

8 September 2016

Directors’ responsibilities in relation to the company financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 “Reduced Disclosure Framework”. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

1. Company accounting policies

Authorisation of financial statements and statement of compliance with FRS101

The Company financial statements of The Go-Ahead Group plc for the year ended 2 July 2016 were authorised for issue by the Board of directors on 8 September 2016 and the balance sheet was signed on the Board's behalf by Patrick Butcher. The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in line with the recognition and measurement criteria of IFRS.

The financial statements have been prepared on a going concern basis as disclosed in detail on page 106.

No profit or loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Basis of preparation

The Company transitioned to FRS101from the UK Generally Accepted Accounting Practice during the year ended 28 June 2014. The Company adopted FRS101 early, which is permitted under the standard.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 2 July 2016.

The financial statements are prepared under the historical cost convention.

The financial statements are prepared in pounds sterling and are rounded to the nearest one hundred thousand (£0.1m).

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- the requirements of paragraph 45(b) and 46-52 of IFRS2 Share Based Payment;
- the requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), b64(n)(ii), B64(o)(ii), B64(p), B64(Q)(ii), B66 and B67 of IFRS3 Business Combinations;
- the requirement of IFRS7 Financial Instruments: Disclosures;
- the requirement of paragraphs 91-99 of IFRS13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS1 Presentation of Financial Statements to present comparative information in respect of:
- paragraph 79(a)(iv) of IAS1;
- paragraph 73(e) of IAS16 Property, Plant and Equipment;
- paragraph 118(e) of IAS38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 39(c), 40A, 40B, 40C, 40D, 111 and 134-136 of IAS1 Presentation of Financial Statements;
- the requirements of IAS7 Statement of Cashflows;
- the requirements of paragraphs 30 and 31 of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS24 Related Party Disclosures;
- the requirements in IAS24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS36 Impairment of Assets.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

Retirement benefit obligations

The measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 12. The Company engages with Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to our particular circumstances.

Uninsured claims

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 Company, as detailed in note 10. In order to assess the appropriate level of provisions the Company engages with its brokers and claims handlers to ensure external expertise of our claims development history is adequately built in to the provision.

Accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the income will flow to the Company and the value can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and comprises intercompany management charges and property rental.

Tangible assets

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

Depreciation is charged to the income statement based on deemed cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:

Leasehold land and buildings	The life of the lease
Freehold buildings	Over 50 to 100 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Notes to the Company financial statements

1. Company accounting policies continued

Pension benefits

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which obligations are to be settled directly for The Go-Ahead Group Pension Plan. Fair value is based on market price information and in the case of quoted securities is the published bid price.

For the defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share based payments

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performances or service (non-vesting condition); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Uninsured liabilities

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. A provision is recognised for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company.

Treasury shares

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

Interest bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition, the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other derecognition of debt are recognised directly in the income statement.

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet, with a corresponding liability being recognised, and are depreciated over the shorter of their useful lives and the lease terms.

The capital elements of future obligations under leases are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the periods of the leases and represents a constant proportion of the balance of capital repayments outstanding.

Leases where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the income statement on a straight-line basis over the lease term.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefit will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, provisions are discounted. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain.

Financial instruments

The Company uses interest derivatives to hedge its risks associated with interest rate fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Financial instruments are accounted for in accordance with IAS 39. Financial instruments are initially recognised at fair value, being the transaction price plus, in the case of financial instruments not recorded at fair value through profit or loss, directly attributable transaction costs.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period in which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

Software

Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

2. Dividends

Dividends are one type of shareholder return, historically paid to our shareholders in April and November.

	2016 £m	2015 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2015: 63.4p per share (2014: 59.0p)	27.2	25.3
Interim dividend for 2016: 28.33p per share (2015: 26.6p)	12.2	11.4
	39.4	36.7

	2016 £m	2015 £m
Proposed for approval at the AGM (not recognised as a liability as at 2 July 2016)		
Equity dividends on ordinary shares:		
Final dividend for 2016: 67.52p per share (2015: 63.4p)	29.0	27.2

3. Intangible assets

	Software £m
Cost or valuation:	
At 27 June 2015	10.1
Additions	0.8
At 2 July 2016	**10.9**
Amortisation:	
At 27 June 2015	8.3
Charge for the year	1.1
At 2 July 2016	**9.4**
Net book value:	
At 2 July 2016	**1.5**
At 27 June 2015	1.8

4. Tangible assets

	Freehold land and buildings £m	Long term leasehold land and buildings £m	Short term leasehold land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation:					
At 27 June 2015	169.4	0.4	4.4	9.9	184.1
Additions	12.9	–	–	0.4	13.3
Disposals	(1.7)	–	–	–	(1.7)
At 2 July 2016	**180.6**	**0.4**	**4.4**	**10.3**	**195.7**
Depreciation:					
At 27 June 2015	11.9	–	1.3	8.0	21.2
Charge for the year	0.6	–	0.3	0.9	1.8
At 2 July 2016	**12.5**	**–**	**1.6**	**8.9**	**23.0**
Net book value:					
At 2 July 2016	**168.1**	**0.4**	**2.8**	**1.4**	**172.7**
At 27 June 2015	157.5	0.4	3.1	1.9	162.9

Freehold land and buildings include non-depreciable land amounting to £117.0m (2015: £111.3m).

5. Investments

	Loans to Group £m	Shares in Group companies £m	Total £m
Cost:			
At 2 July 2016 and 27 June 2015	63.2	151.9	215.1
Provisions:			
At 2 July 2016 and 27 June 2015	–	–	–
Net carrying amount:			
At 2 July 2016 and 27 June 2015	**63.2**	**151.9**	**215.1**

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a transaction involving certain properties used by the Group. This has been accounted for as a sale and leaseback and results in a long term investment of £63.2m in an intermediate Group company.

For details of the subsidiary undertakings as at 2 July 2016, refer to note 28 of the Group financial statements.

6. Debtors

Amounts falling due within one year

	2016 £m	2015 (restated – see note 9) £m
Amounts owed by Group companies	552.9	640.0
Corporation tax	8.7	11.1
Other debtors	12.6	9.6
	574.2	660.7

Amounts falling due after more than one year

	2016 £m	2015 (restated – see note 9) £m
Amounts owed by Group companies	14.9	16.3
	14.9	16.3

7. Creditors

Amounts falling due within one year

	2016 £m	2015 (restated – see note 9) £m
Amounts owed to Group undertakings	50.8	95.1
Other creditors	15.5	18.9
Finance leases (note 8)	1.3	1.1
	67.6	115.1

Amounts falling due after more than one year

	2016 £m	2015 (restated – see note 9) £m
Interest-bearing loans and borrowings repayable:		
In more than one year but not more than five years	199.1	198.2
Finance leases (note 8)	69.9	71.2
Amounts owed to Group undertakings	0.2	–
	269.2	269.4

Included in finance leases is an amount of £71.2m (2015: £72.3m) owing to Group undertakings.

The Company has no security over its liabilities.

8. Finance leases

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a sale and leaseback of certain properties used by the Group. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, for the sale and leaseback of these properties are as follows:

	2016		2015	
	Minimum value of payments £m	Present value of payments £m	Minimum value of payments £m	Present value of payments £m
Within one year	**4.4**	**1.3**	4.2	1.1
After one year but not more than five years	**18.8**	**7.1**	18.2	6.2
After five years	**86.4**	**62.8**	91.3	65.0
Total minimum lease payments	**109.6**	**71.2**	113.7	72.3
Less amounts representing finance charges	**(38.4)**	**–**	(41.4)	–
Present value of minimum lease payments	**71.2**	**71.2**	72.3	72.3

9. Financial instruments

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 2 July 2016 and 27 June 2015 and are as follows:

	2016 £m	2015 (restated) £m
Financial assets due after more than one year	**0.2**	–
Financial assets due within one year	**0.6**	–
	0.8	–
Financial liabilities due within one year	**(10.3)**	(19.1)
Financial liabilities due after more than one year	**(4.1)**	(5.5)
	(14.4)	(24.6)
Net financial instruments	**(13.6)**	(24.6)

Following the adoption of IFRS as the reporting framework across the Group's bus subsidiaries for the year ended 2 July 2016 the Directors have reviewed the treatment under IFRS of all the Group's intercompany trading arrangements. As part of this process they have considered the associated balance sheet treatment of the fuel hedge contracts which are transacted by the plc company and then contracted 'back to back' through the bus and rail trading subsidiaries. These were previously treated as if they were passed through to the subsidiaries involved. Following the review it has been determined that the accounting treatment should be corrected to show the positions contracted with external parties and the corresponding financial asset or liability due from or to the subsidiary involved. This has had no impact on profit or loss for the period with the offsetting assets and liabilities now recognised in the balance sheet with the comparatives restated. There has been no change to the accounting policies or practices in the consolidated accounts as a result of this change.

10. Provisions

	Deferred taxation (note 11) £m	Uninsured claims £m	Other £m	Total £m
As at 27 June 2015	13.3	7.3	0.3	20.9
Provided (after discounting)	–	1.7	–	1.7
Released	–	(3.4)	–	(3.4)
Utilised	–	0.9	–	0.9
Deferred tax debited to profit and loss	0.6	–	–	0.6
Deferred tax on LTIP debited outside of profit and loss	0.5	–	–	0.5
Deferred tax on defined benefit pension plans debited outside of profit and loss	11.3	–	–	11.3
Unwinding of discounting	–	0.3	–	0.3
As at 2 July 2016	**25.7**	**6.8**	**0.3**	**32.8**

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within six years.

The other provision relates to dilapidation costs. It is expected that the dilapidations will be incurred within two to three years.

11. Deferred taxation

Deferred taxation provided at the enacted rate is as follows:

	2016 £m	2015 £m
Capital allowances in advance of depreciation	3.5	3.0
Other timing differences	8.6	6.2
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	13.3	15.4
Retirement benefit obligations	0.3	(11.3)
Deferred taxation (note 10)	25.7	13.3

12. Pension commitments

Defined contribution

During the year ended 2 July 2016, the Company participated in the defined contribution scheme of The Go-Ahead Group Pension Plan (the Go-Ahead Plan). This scheme is not contracted-out of the State Second Pension Scheme. It is now closed to new entrants and has been replaced by a workplace saving scheme, which is also a defined contribution pension scheme. The expense recognised in these accounts for the year in respect of the defined contribution scheme of the Go-Ahead Plan was £0.4m (2015: £0.4m), being the contributions paid and payable. The expense recognised for the workplace saving scheme was less than £0.1m (2015: less than £0.1m), being the contributions paid and payable.

Defined benefit

During the year ended 2 July 2016, the Company participated in a scheme which is part of the Go-Ahead Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The defined benefit section of The Go-Ahead Group Pension Plan has been closed to new entrants and closed to future accrual.

The most recent actuarial valuation of the scheme was at 31 March 2015 and was updated by Willis Towers Watson to take account of the requirements of IAS 19 (revised) in order to assess the liabilities of the scheme at 2 July 2016.

The total net assets and liabilities of the scheme are recognised on the Company balance sheet.

The following disclosures provide details of the entire defined benefit scheme.

The main assumptions are:

	2016 %	2015 %
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment and deferred pensions	1.9	2.0
Discount rate	2.8	3.8
Retail price index inflation	2.9	3.3
Consumer price index inflation	1.9	2.3

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male member of the pension scheme at age 65.

	2016 Years	2015 Years
Pensioner	21	20
Non-pensioner	22	21

Sensitivity analysis

In making the valuation, the above assumptions have been used. For The Go-Ahead Group Pension Plan, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation, the following adjustments would adjust the pension deficit as shown.

	2016 Pension deficit %	2015 Pension deficit %
Discount rate – increase of 0.1%	(1.7)	(1.7)
Price inflation – increase of 0.1%	1.5	1.5
Rate of increase in salaries – increase of 0.1%	n/a	n/a
Rate of increase of pensions in payment – increase of 0.1%	0.9	0.9
Increase in life expectancy of pensioners or non-pensioners by 1 year	3.6	3.6

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.1% and 1 year in the sensitivity analysis is considered to be a reasonable approximation of possible changes, as these variations can regulary arise.

12. Pension commitments continued

Maturity profile of defined benefit obligation

The following table shows the expected future benefit payments of the plan.

	2016 £m
June 2017	**22.5**
June 2018	**23.0**
June 2019	**23.5**
June 2020	**24.1**
June 2021	**24.6**
June 2022 to June 2026	**131.5**

Category of assets at the year end

	2016		2015	
	£m	**%**	£m	%
Equities	**266.8**	**35.5**	245.3	37.9
Bonds	**15.8**	**2.1**	14.9	2.3
Property	**68.4**	**9.1**	60.2	9.3
Liability driven investing portfolio	**392.3**	**52.2**	306.1	47.3
Cash/other	**8.2**	**1.1**	20.7	3.2
	751.5	**100.0**	647.2	100.0

All of the asset categories above are held within pooled funds and are therefore quoted in active markets.

Funding position of the Group's pension arrangements

	2016 £m	2015 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	**(750.0)**	(703.9)
Assets at fair value	**751.5**	647.2
Pension scheme assets / (liabilities)	**1.5**	(56.7)
Deferred tax (liability) / asset	**(0.3)**	11.3
Post-tax pension scheme assets / (liabilities)	**1.2**	(45.4)

Pension cost for the financial year

	2016 £m	2015 £m
Administration costs	**1.8**	2.2
Settlement (gain) / loss	**(0.5)**	0.5
Interest cost on net liabilities	**2.0**	2.3
Total pension costs	**3.3**	5.0

Analysis of the change in the pension scheme liabilities over the financial year

	2016 £m	2015 £m
Pension scheme liabilities – at start of year	**703.9**	648.8
Interest cost	**25.9**	26.6
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	**(68.8)**	(21.9)
Changes in demographic assumptions	**10.6**	–
Changes in financial assumptions	**101.0**	93.1
Settlement gain	**(0.5)**	–
Transfer payments (bulk)	**–**	(17.9)
Benefits paid	**(22.1)**	(24.8)
Pension scheme liabilities – at end of year	**750.0**	703.9

Analysis of the change in the pension scheme assets over the financial year

	2016 £m	2015 £m
Fair value of assets – at start of year	**647.2**	591.7
Interest income on plan assets	**23.9**	24.3
Remeasurement gains due to return on assets greater than discount rate	**99.5**	71.9
Administration costs	**(1.8)**	(2.2)
Group contributions	**4.8**	4.7
Transfer payments (bulk)	**–**	(18.4)
Benefits paid	**(22.1)**	(24.8)
Fair value of plan assets – at end of year	**751.5**	647.2

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2017	6.5
Estimated employee contributions in financial year 2017	–
Estimated total contributions in financial year 2017	6.5

Risks associated with defined benefit plans

Risks associated with the defined benefit plan are outlined in note 27 to the Group financial statements.

13. Issued capital and reserves

	Allotted, called up and fully paid			
	2016 Millions	**2016 £m**	2015 Millions	2015 £m
As 2 July 2016 and 27 June 2015	**46.9**	**4.7**	46.9	4.7

The Company has one class of ordinary shares which carry no right to fixed income and have a par value of 10p per share.

The reserve for own shares is in respect of 4,017,412 ordinary shares (8.6% of total share capital), of which 115,182 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 2 July 2016 the Company has repurchased 172,964 shares (2015: no shares purchased). The Company has not cancelled any shares during the year (2015: no shares cancelled).

The revaluation reserve represents the value of properties involved in an asset backed funding transaction with the Go-Ahead Pension Plan, adjusted for amortisation, together with historic revaluation balances. The movement on the revaluation reserve represents the write down of the revaluation reserve over the expected useful life of the properties, offsetting the depreciation charges being taken to the profit or loss account.

The share premium reserve represents the premium on shares that have been issued to fund or part fund acquisitions made by the Group. This treatment is in line with Section 612 of the Companies Act 2006.

The information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the directors' report.

The audit fee payable in respect of the Company was £0.1m (2015: £0.1m). Other fees payable to the auditor in respect of the Company were less than £0.1m (2015: less than £0.1m). Please refer to note 5 of the Group consolidated financial statements.

14. Operating lease commitments

The Company's future minimum rentals payable under non-cancellable operating leases as at 2 July 2016 and 27 June 2015 are as follows:

	Bus property	
	2016 £m	2015 £m
Within one year	**0.2**	0.6
In second to fifth years	**1.1**	0.8
More than five years	**1.3**	1.0
	2.6	2.4

15. Capital commitments

There were capital commitments of £nil at 2 July 2016 (2015: £nil).

16. Contingent liabilities

The Company provides guarantees in respect of bank and equipment finance borrowings of the subsidiaries of The Go-Ahead Group plc.

The Company has issued guarantees dated 30 March 2006 to participating subsidiaries of The Go-Ahead Group Pension Plan in respect of scheme liabilities arising. Total assets in respect of this guaranteed scheme were £1.2m as at 2 July 2016 (2015: liablity of £45.4m).

At 2 July 2016 letters of credit amounting to £45.0m (2015: £45.0m) were provided by a Company banker, guaranteed by the Company, in favour of one of the Group's insurers, to cover liabilities of the Company and its subsidiaries.

17. Share based payments

Full disclosures of the Group's Sharesave scheme, SIP, LTIP and DSBP are given in note 6 to the Group financial statements.

18. Related party transactions

The Company has taken advantage of the exemption under FRS101, and transactions with 100% subsidiaries of The Go-Ahead Group plc have not been disclosed.

The Company owns 65% of the ordinary shares in Govia Limited. London and Southeastern Railway Limited (Southeastern), London and Birmingham Railway Limited (London Midland), Thameslink Rail Limited (Thameslink), New Southern Railway Limited (New Southern), Southern Railway Limited (Southern) and Govia Thameslink Railway Limited (GTR) are 100% owned by Govia Limited and hence the Company owns a 65% interest.

	Govia		Southeastern		London Midland		Thameslink		New Southern		Southern		GTR	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Interest paid to related party	**0.3**	0.3	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Loans to related party	**–**	(90.0)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Repayment of loan from related party	**–**	28.0	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Management charges	**–**	–	**2.3**	1.3	**1.5**	1.1	**–**	–	**–**	–	**0.1**	1.3	**2.5**	2.2
Amounts owed from related party	**30.2**	30.4	**1.8**	–	**0.7**	1.8	**–**	–	**–**	–	**–**	–	**7.1**	16.9
Amounts owed to related party	**–**	–	**–**	1.8	**–**	–	**0.6**	0.6	**11.0**	11.0	**–**	8.7	**–**	–

During the year Southeastern, London Midland, Southern and GTR have traded with wholly owned subsidiaries of the Company; £13.1m (2015: £16.6m) of costs were incurred by Southeastern, London Midland, Southern and GTR on an arm's length basis.

Shareholder information

Financial calendar

Final dividend record date	11 November 2016
AGM	3 November 2016
Final dividend payment date	25 November 2016
Half year end	31 December 2016
Half year results announcement	23 February 2017
Half year dividend payment	April 2017
Next financial year end	1 July 2017
Full year results announcement	7 September 2017

Annual general meeting

The 29th AGM of the Group will be held at the Hilton Newcastle Gateshead, Bottle Bank, Gateshead, NE8 2AR on Thursday 3 November 2016 at 11.00am. Details of the business to be considered can be found in the Notice of Meeting which will be available on the Group's corporate website (www.go-ahead.com) from 30 September 2016.

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 directly using the details on page 176.

Managing your shares

The Group's Registrar, Equiniti, is responsible for maintaining our register of members. Shareholders with queries relating to their shareholding should contact Equiniti directly.

Shareholders can sign up for a Shareview portfolio which enables you to:

- View information regarding your holding
- Change your address and bank details online
- Sell or purchase shares in the Group online

Go to www.shareview.co.uk and click on 'Shareview Portfolio: find out more & register' to sign up for these services. When completing your details you will need your shareholder reference number which is the 11 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.

Electronic communications

As far as possible, the Group provides shareholder documents via the corporate website. If you wish to receive future shareholder communications electronically, please sign up via Shareview (see 'Managing your shares' section). By electing to receive shareholder communications electronically you will be allowing us to communicate with you securely in a more environmentally friendly and cost effective way.

Warning to shareholders

Shareholders are advised to be extremely cautious of any unsolicited advice from third parties; offers to buy shares at a discount; or offers of free reports about the Group. By law, the Group's register of members is open to public inspection however, we do not endorse any specific share dealing facilities; will not pass on shareholder information to any third party; and any requests for access to the register are subject to 'proper purpose' requirements which ensure that personal data is not used unlawfully.

Shareholder information continued

Shareholder profile by size of holding as at 2 July 2016

	No. of holdings	%	Total shares held	% Issued share capital
1-10,000	2,875	92.32	2,093,532	4.46
10,001-100,000	166	5.33	5,818,143	12.40
100,001-500,000	51	1.64	10,717,220	22.85
500,001-1,000,000	13	0.42	9,461,990	20.17
Over 1,000,001	9	0.29	18,816,924	40.12
Total	3,114	100	46,907,809*	100

* This total includes 3,902,230 shares held in treasury.

Shareholder profile by category as at 2 July 2016

	No. of holdings	Number of shares	% of holdings	% of shares
Treasury shares	1	3,902,230	0.03	8.32
Directors	6	49,939	0.19	0.11
Other individuals	2,437	3,934,199	78.26	8.39
Institutional investors	670	39,021,441	21.52	83.18
Total	3,114	46,907,809*	100	100

* This total includes 3,902,230 shares held in treasury.

It should be noted that many private investors hold their shares through nominee companies, therefore, the percentage of shares held by private holders is likely to be higher than that shown.

Major shareholders

In accordance with Rule 5.1.2R of the UK Listing Authority's Disclosure and Transparency Rules, the Group had received the following notifications of 3% or more over the Group's total voting rights and capital in issue as at 2 July 2016 and 8 September 2016 (being the latest practical date prior to the date of this report):

	Number of shares held as at 2 July 2016[1]	% of voting rights held	Nature of holding	Number of shares held as at 8 September 2016[1]	% of voting rights held	Nature of holding
JPMorgan Asset Management (UK) Limited	2,129,423	4.95	Direct	2,129,423	4.95	Direct
Ameriprise Financial, Inc. and its group	2,714,875	6.31	Direct (0.02%) & indirect (6.29%)	2,714,875	6.31	Direct (0.02%) & indirect (6.29%)
Old Mutual plc	2,666,116	6.20	Indirect (6.18) & CFD[2] (0.02%)	121,050	0.28	Indirect (0.28%) & CFD[2] (0.00%)
Henderson Group plc	–	–	–	2,101,238	4.88	Indirect

1. These holdings include, where applicable, the aggregate of investment management clients' interests within the respective asset management companies. No further notifications have been received; however, the above holdings may have changed without triggering a further notification.
2. Contract for Difference.

Shareholder and control structure

As at 2 July 2016, the Group's issued share capital comprised a single class of shares referred to as ordinary shares, with a nominal value of 10p each. As at this date, there were 46,907,809 ordinary shares in issue, of which 3,902,230 were held in treasury.

The Group did not purchase any of its own shares during the year either for cancellation or to hold as treasury shares, and no such shares were purchased between the period end and the date of this report. However, Computershare Trustees (Jersey) Limited, the Trustees of The Go-Ahead Group Employee Trust (the Trust), purchased 172,964 ordinary shares of 10p each in the Group as part of a planned program of share purchases (2015: nil) to satisfy awards made under the Group's Long Term Incentive Plan and Deferred Share Bonus Plan awards. Since the period end and the date of this report, the Trust purchased 32,704 ordinary shares of 10p each in the Group.

The Group is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights other than:

- Certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws)
- Restrictions pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Group to deal in the Group's securities

All shareholders have the same voting rights for each share, regardless of the total number of shares held. On a show of hands at a general meeting of the Group, every holder of shares present in person or by proxy and entitled to vote shall have one vote (except in the circumstance where a proxy has been appointed by more than one member, in which case he or she will have one vote for and one vote against if he or she has been instructed by one or more members to vote for the resolution and by one or more members to vote against). On a poll, every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. The Notice of Meeting specifies deadlines for exercising voting rights either in person or by proxy in relation to resolutions to be passed at the 2016 AGM. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced as soon as practicable following the AGM and published on the Group's corporate website (www.go-ahead.com) after the meeting.

The authorities for the Group to allot relevant securities (up to an aggregate nominal amount of £1,433,471, and for the disapplication of pre-emption rights on the allotment of equity securities (for cash up to an aggregate nominal amount of £215,021), as passed by ordinary and special resolutions at the 2015 AGM, were not utilised in the financial year or up to the date of this report.

These authorities will expire at the 2016 AGM and approval for new authorities will be sought. In the last three years no shares have been issued on a non-preemptive basis, other than those issued under all-employee share schemes which are not included for the purposes of this authority.

The authority for the Group to make market purchases of its own ordinary shares, as passed by special resolution at the 2015 AGM, was still in effect at the end of the financial year and will expire at the 2016 AGM when approval for a new authority will be sought.

Under the existing authority the maximum aggregate number of shares that can be purchased is 4,300,412. The authority also limits the maximum number of shares held in treasury to 10% of the issued share capital of the Group and states minimum and maximum prices payable for shares purchased under the authority. During the financial year this authority was not utilised.

Each of the Group's rail franchise agreements is subject to change of control criteria that would mean, on a change of control, there would be deemed to be an 'event of default' that could potentially terminate the rail franchise. This is, however, subject to the discretion of the Secretary of State. Additionally, the Group's sterling bond issue dated 24 March 2010, the revolving credit facility dated 16 July 2014 and the term loan dated 26 August 2016 are subject to change of control clauses that contain certain specified conditions which could lead to a compulsory prepayment of the bond and loan respectively. Transport for London also has powers to prevent the operation of London Bus contracts by an existing operator which is the subject of a change of control.

Corporate website

Our corporate website www.go-ahead.com provides a wealth of information on the Group and its activities. Information available on the site includes half year results and interim management statements, which are not sent to shareholders, as well as share price data, dividend information and the financial calendar. You can register to receive email alerts when the website has been updated with announcements, press releases and other publications.

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Summary verification statement from Bureau Veritas UK Ltd

Bureau Veritas UK Ltd has provided verification for The Go-Ahead Group plc over selected sustainability Key Performance Indicators (KPI) data contained within the Group's annual report covering the period 28 June 2015 to 2 July 2016.

The full verification statement including the verification scope and Bureau Veritas' verification opinion, methodology, areas of good practice, recommendations and a statement of independence and impartiality can be found on The Go-Ahead Group website:

www.go-ahead.com/sustainability

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