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THE GO-AHEAD GROUP PLC
(“GO-AHEAD” OR “THE GROUP”)

Full year results for the year ended 29 June 2019

Business overview

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

Financial summary

	2019	2018	Increase/ (decrease) %
Revenue (£m)	**3,807.1**	3,461.5	10.0
Operating profit pre-exceptional items (£m)	**121.1**	135.9	(10.9)
Profit before tax pre-exceptional items (£m)	**113.8**	123.2	(7.6)
Profit before tax (£m)	**97.0**	145.7	(33.4)
Basic earnings per share pre-exceptional items (p)	**169.4**	181.6	(6.7)
Basic earnings per share post-exceptional items (p)	**136.8**	207.2	(34.0)
Proposed full dividend per share (p)	**102.08**	102.08	—

	2019	2018	Increase/ (decrease) %
Cashflow generated from operations (excluding restricted cash) (£m)	**209.9**	232.8	(22.9)
Free cashflow (£m)	**74.1**	57.7	16.4
Adjusted net debt (£m)*	**270.3**	289.0	(18.7)
Adjusted net debt/EBITDA*	**1.32x**	1.30x	—

* Adjusted net debt is net cash less restricted cash

David Brown, Group Chief Executive, commented:

"I'm pleased to report full year results slightly ahead of our expectations in both bus and rail divisions. Strong performance in our London & International bus division more than offset a lower result in our regional bus business. Rail operating profit was slightly ahead of expectations, driven by strong performance at Southeastern, but was lower than the prior year which included a part year of operating the London Midland franchise.

"Our commitment to provide better services for our customers has delivered improvements in reliability and satisfaction in our bus and rail businesses, many of which reached record levels during the year. In rail, Southern's customer satisfaction increased by 12 percentage points to 81 per cent while our regional bus business, once again, topped the league tables with an industry record of 92 per cent satisfaction. Also in regional bus, we were pleased to drive up our passenger journey growth of 3.3 per cent in a challenging UK market. Bus travel brings great benefits to the economy, society and the environment and we are calling for a national bus strategy to maximise these benefits.

"During the year, we began contracts in three new countries and won four more international contracts. Our continual focus on innovation resulted in the introduction of the UK's first air-filtering bus and passenger benefits being developed through our Billion Journey Project incubator. Our balance sheet remains strong and we have maintained our dividend.

"We are disappointed that the DfT took the decision to terminate the new South Eastern franchise competition. We submitted a strong bid designed to provide value for passengers and taxpayers and to build on the significant improvements we have delivered in our 13 years of operating the franchise. We will continue to focus on delivering excellent service for our customers as we operate the contract under an extension up until 1 April 2020, and we are engaging with the DfT regarding the future of the franchise beyond this point.

"Overall for 2020, we are confident that the Group will deliver another robust performance in line with our expectations as we continue to execute our clear and well-defined strategy; strengthening our core business, diversifying into international markets and developing new ways of responding to a changing world."

For further information, please contact:

The Go-Ahead Group	
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David Brown, Group Chief Executive, and Elodie Brian, Group Chief Financial Officer, will be hosting a presentation for investors and analysts at 8.30am today at Investec, 30 Gresham Street, London EC2V 7QP.

A live audio webcast of the presentation will be available on Go-Ahead's website; www.go-ahead.com. The presentation slides will be added to Go-Ahead's website www.go-ahead.com at around 7:30am today.

Chairman's letter

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

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

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

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

A changing world

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

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

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

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

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

Looking after the interests of our stakeholders and creating sustainable value

Looking after the interests of all our stakeholders is inextricably linked to creating long term value for our shareholders. When we talk about operating in a sustainable way, we mean that in the broadest sense of the word; our actions and approaches today determine the success of our business into the future. In my experience, doing the right thing for one stakeholder group results in better outcomes for all. Our business model (set out on pages 20 to 21 of the 2019 Annual Report and Accounts) illustrates how we deliver financial and non-financial value to all our stakeholders through our strategy and by doing business in the right way. It is a model that gives me great confidence that Go-Ahead will continue to provide excellent transport solutions for the long term.

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

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

Board changes

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

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

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

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

Inclusion and diversity

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

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

Effective corporate governance

The importance of strong and effective corporate governance both at Board level and throughout the Group is not underestimated by the Board and we pride ourselves on clear and transparent reporting. Our corporate governance report on pages 56 to 119 of the 2019 Annual Report and Accounts sets out our robust governance framework and describes the excellent progress we have made in adopting early many provisions of the new UK Corporate Governance Code 2018. Additionally, it sets out the results of the internal Board evaluation led by the Group Company Secretary and our progress against outputs from last year's review such as the development of a new Board Mandate.

Looking to the future

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

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

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

Chief Executive's review

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

Operating responsibly

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

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

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

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

Customer and community focus

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

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

Our people

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

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

Protect and grow the core

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

Bus

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

Regional bus

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

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

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

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

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

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

London & International bus

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

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

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

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

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

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

Rail

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

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

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

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

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

Win new bus and rail contracts

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

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

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

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

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

Develop for the future of transport

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

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

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

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

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

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

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

Outlook

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

Amidst these changes, climate change and air quality are moving up the public and political agenda and the volume of traffic on the roads is having a detrimental effect on the environment. Public transport has an important role to play in tackling these challenges, providing a solution by carrying more people in fewer vehicles.

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

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

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

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

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

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

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

Business and finance review

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

Financial overview

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

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

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

Group overview

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

Bus

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

Bus overview

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

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

Overall bus performance

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

Regional bus

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

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

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

London & International bus

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

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

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

Capital expenditure and depreciation

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

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

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

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

Fuel

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

Bus fuel hedging prices

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

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

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

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

Bus financial outlook

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

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

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

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

Rail

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

Rail performance

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

Rail overview

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

Revenue

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

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

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

Premium, profit share and revenue share payments

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

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

Operating profit

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

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

Individual franchise performance

GTR

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

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

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

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

Southeastern

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

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

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

Bidding and international developments

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

Capital expenditure and depreciation

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

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

Rail financial outlook

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

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

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

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

Financial review

Earnings per share

Excluding exceptional items, earnings were £72.8m, resulting in decrease of pre-exceptional earnings per share from 181.6p in 2018 to 169.4p. Earnings were £58.8m (2018: £89.0m), resulting in a decrease in earnings per share from 207.2p to 136.8p. The weighted average number of shares was 43.0 million and the number of shares in issue, net of treasury shares, was 43.1 million.

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

* Pre-exceptional items.

Dividend

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

Summary cashflow

	2019	2018	Increase/ (decrease) £m
EBITDA	**205.5**	221.9	(16.4)
Working capital/other items (excluding restricted cash movements)	**4.4**	10.9	(6.5)
Cashflow generated from operations	**209.9**	232.8	(22.9)
Tax paid	**(32.5)**	(28.7)	(3.8)
Net interest paid	**(9.5)**	(13.3)	3.8
Net capital investment	**(81.1)**	(119.2)	38.1
Dividends paid – minority partner	**(12.7)**	(13.9)	1.2
Free cashflow	**74.1**	57.7	16.4
Net acquisitions	**(11.5)**	(7.5)	(4.0)
Other	**0.4**	(9.1)	9.5
Net cash on issue/purchase of shares	**(0.5)**	(0.5)	—
Dividends paid	**(43.8)**	(43.8)	—
Increase/decrease in adjusted net debt*	**18.7**	(3.2)	21.9
Opening adjusted net debt*	**(289.0)**	(285.8)	n/a
Closing adjusted net debt*	**(270.3)**	(289.0)	n/a

* Adjusted net debt is net cash less restricted cash.

Cashflow

Cash generated from operations before tax and excluding movements in restricted cash was £209.9m (2018: £232.8m). This decrease of £22.9m is largely due to reduction in EBITDA due to the London Midland franchise ending. Tax paid of £32.5m (2018: £28.7m) comprised payments on account in respect of the current and prior years' liabilities. Net interest paid of £9.5m (2018: £13.3m) was higher than the net charge for the period of £6.8m (2018: £14.2m) including the impact of non-cash interest on pensions, the unwinding of discounting on provisions and the payment of the interest accrued on the HMRC Capital Allowances settlement. Capital expenditure, net of sale proceeds, was £38.1m lower in the year at £81.1m (2018: £119.2m), predominantly due to lower investment in our London bus fleet from the prior year's elevated level, and timing of vehicle purchases in regional bus. Net Group capital investment is expected to be around £110m in 2020.

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

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

Capital expenditure

Expenditure on capital during the year can be summarised as:

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

Net cash

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

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

Capital structure

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

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

Exceptional items

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

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

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

Amortisation

The amortisation charge for the year was £4.8m (2018: £3.3m), which relates to the non-cash cost of amortising software costs, franchise mobilisation costs and customer contracts.

Net finance costs

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

Taxation

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

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

Non-controlling interest

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

Pensions

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

An exceptional charge of £16.8m (2018: £35.2m gain) was recognised in the year as explained above.

Bus pensions

Under accounting valuations, the net surplus after taxation on the bus defined benefit schemes was £40.2m (2018: a surplus of £30.3m), consisting of pre-tax assets of £48.7m (2018: assets of £36.8m) less a deferred tax liability of £8.5m (2018: deferred tax liability of £6.5m). The pre-tax asset consisted of assets of £858.8m (2018: £829.3m) less estimated liabilities of £810.1m (2018: £792.5m). The percentage of assets held in higher risk, return seeking assets was 35.3% (2018: 48.5%).

Rail pensions

As the long term responsibility for the rail pension schemes rests with the DfT, the Group only recognises the share of surplus or deficit expected to be realised over the life of each franchise. As a result, our pre-tax liability continues to be £nil (2018: £nil).

IFRS 16

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

The new standard will come into effect for the Group for the accounting year ending 27 June 2020. On the date of implementation, right-of-use assets and lease liabilities of around £0.8bn were recognised. Based on the current lease portfolio, this is expected to be closer to £0.4bn at 27 June 2020, and the impact on EBITDA is expected to be an increase of around £350m and operating profit to be higher by less than £10m. Further details are provided in note 2 in the 2019 Annual Report and Accounts.

Principal risks and uncertainties

The principal risks described in the Group's Annual Report for the year ended 29 June 2019 (2019 Annual Report and Accounts) have been summarised below. Further information on these risks, including their potential impact and changes to the risks during the year, can be found within the 2019 Annual Report and Accounts on pages 51 to 55, available on our website.

External risks

1. Economic environment and society

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

Mitigating actions

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

2. Political and regulatory framework

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

Mitigating actions

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

Strategic risks

3. Sustainability of rail profits or loss of franchise

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

Mitigating actions

- Flexible and experienced management team which responds quickly and expertly to changing circumstances
- Shared risk through the Govia joint venture, which is 65% owned by Go-Ahead and 35% by Keolis
- Invest in performance improvements
- Work constructively with industry partners, such as Network Rail and the DfT, to deliver long term economic and infrastructure benefits
- Regular Board review of rail performance, and Board approval of overall rail bidding strategy
- Compliance with franchise conditions closely monitored
- Reduce head office costs
- Develop international rail profit stream

4. Inappropriate investment

Failure to deliver strategy or make appropriate investment decisions.

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

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

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

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.

Mitigating actions
- Rigorous, high profile health and safety programme throughout the Group
- Promotion of safety culture and Go-Ahead Safety Conference held in December 2018
- Crisis management policy updated and rolled out across the operating companies
- Appropriate and regularly reviewed and tested contingency and disaster recovery plans
- Thorough and regular training of colleagues
- Work closely with our industry partners, such as rail infrastructure provider Network Rail and government agencies
- We have maintained high levels of safety performance, demonstrating our continuing efforts to minimise this risk

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

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

8. Employee relations, resource planning and talent management
Failure to effectively engage with our people and trade unions in managing costs and driving change. Failure to attract, retain and develop talent.

Mitigating actions
- Work to maintain good relationships with colleagues and trade unions
- Robust workforce planning with skill requirements identified
- Robust and regularly reviewed recruitment and retention policies, training schemes, resource planning and working practices
- Experienced approach to wage negotiations
- Proactive management of pension risks
- Employee engagement surveys across all businesses to identify and address issues
- Engaging all our people in the Group's vision, beliefs and attitudes
- Apprenticeship, graduate and leadership development programmes
- Widening the recruitment pool through initiatives aimed at attracting diverse talent, for example the launch of the Women in Bus network and active recruitment of female drivers

9. Information technology failure/interruption/security breach

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

Mitigating actions

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

10. Mobilisation of international rail contracts

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

Mitigating actions

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

Consolidated income statement

for the year ended 29 June 2019

	Notes	**Pre-exceptional 2019 £m**	**Exceptional items 2019 £m**	**Post-exceptional 2019 £m**	Pre-exceptional 2018 £m	Exceptional items 2018 £m	Post-exceptional 2018 £m
Group revenue	3	**3,807.1**	**—**	**3,807.1**	3,461.5	—	3,461.5
Operating costs	4, 6	**(3,686.0)**	**(16.8)**	**(3,702.8)**	(3,325.6)	25.1	(3,300.5)
Group operating profit		**121.1**	**(16.8)**	**104.3**	135.9	25.1	161.0
Share of result of joint venture		**(0.5)**	**—**	**(0.5)**	(1.1)	—	(1.1)
Finance revenue	7	**5.1**	**—**	**5.1**	2.5	—	2.5
Finance costs	7	**(11.9)**	**—**	**(11.9)**	(14.1)	(2.6)	(16.7)
Profit before taxation		**113.8**	**(16.8)**	**97.0**	123.2	22.5	145.7
Tax expense	8	**(24.7)**	**2.8**	**(21.9)**	(24.9)	(11.5)	(36.4)
Profit for the year from continuing operations		**89.1**	**(14.0)**	**75.1**	98.3	11.0	109.3
Attributable to:							
Equity holders of the parent		**72.8**	**(14.0)**	**58.8**	78.0	11.0	89.0
Non-controlling interests		**16.3**	**—**	**16.3**	20.3	—	20.3
		89.1	**(14.0)**	**75.1**	98.3	11.0	109.3
Earnings per share							
– basic	9	**169.4p**	**(32.6)p**	**136.8p**	181.6p	25.6p	207.2p
– diluted	9	**169.0p**	**(32.5)p**	**136.5p**	181.2p	25.5p	206.7p
Dividends paid (pence per share)	10			**102.08p**			102.08p
Final dividend proposed (pence per share)	10			**71.91p**			71.91p

Consolidated statement of comprehensive income

for the year ended 29 June 2019

	Notes	2019 £m	2018 £m
Profit for the year		**75.1**	109.3
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement gains on defined benefit pension plans	27	**21.6**	18.9
Tax relating to items that will not be reclassified	8	**(3.7)**	(3.3)
		17.9	15.6
Items that may subsequently be reclassified to profit or loss:			
Unrealised (losses)/gains on cashflow hedges	22	**(4.9)**	30.5
Gains on cashflow hedges taken to income statement – operating costs	22	**(8.8)**	(2.3)
Tax relating to items that may be reclassified	8, 22	**2.4**	(5.2)
Foreign exchange gain		**—**	0.8
		(11.3)	23.8
Other comprehensive gains for the year, net of tax		**6.6**	39.4
Total comprehensive income for the year		**81.7**	148.7
Attributable to:			
Equity holders of the parent		**65.4**	128.4
Non-controlling interests		**16.3**	20.3
		81.7	148.7

Consolidated statement of changes in equity

for the year ended 29 June 2019

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Share premium reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 1 July 2017	73.6	(71.9)	(8.2)	1.6	0.7	206.3	202.1	25.1	227.2
Profit for the year	—	—	—	—	—	89.0	89.0	20.3	109.3
Net movement on hedges (net of tax)	—	—	23.0	—	—	—	23.0	—	23.0
Remeasurement on defined benefit retirement plans (net of tax) (note 27)	—	—	—	—	—	15.6	15.6	—	15.6
Foreign exchange gain	—	—	—	—	—	0.8	0.8	—	0.8
Total comprehensive income	—	—	23.0	—	—	105.4	128.4	20.3	148.7
Exercise of share options	—	1.7	—	—	—	(1.7)	—	—	—
Share based payment charge (and associated tax) (note 5)	—	—	—	—	—	1.7	1.7	—	1.7
Acquisition of own shares	—	(1.1)	—	—	—	—	(1.1)	—	(1.1)
Share issue	0.6	—	—	—	—	—	0.6	—	0.6
Dividends (note 10)	—	—	—	—	—	(43.8)	(43.8)	(13.9)	(57.7)
At 30 June 2018	74.2	(71.3)	14.8	1.6	0.7	267.9	287.9	31.5	319.4
Profit for the year	**—**	**—**	**—**	**—**	**—**	**58.8**	**58.8**	**16.3**	**75.1**
Net movement on hedges (net of tax)	**—**	**—**	**(11.3)**	**—**	**—**	**—**	**(11.3)**	**—**	**(11.3)**
Remeasurement on defined benefit retirement plans (net of tax) (note 27)	**—**	**—**	**—**	**—**	**—**	**17.9**	**17.9**	**—**	**17.9**
Total comprehensive income	**—**	**—**	**(11.3)**	**—**	**—**	**76.7**	**65.4**	**16.3**	**81.7**
Exercise of share options	**—**	**1.0**	**—**	**—**	**—**	**(1.0)**	**—**	**—**	**—**
Share based payment charge (and associated tax) (note 5)	**—**	**—**	**—**	**—**	**—**	**1.1**	**1.1**	**—**	**1.1**
Acquisition of own shares	**—**	**(1.0)**	**—**	**—**	**—**	**—**	**(1.0)**	**—**	**(1.0)**
Share issue	**0.5**	**—**	**—**	**—**	**—**	**—**	**0.5**	**—**	**0.5**
Dividends (note 10)	**—**	**—**	**—**	**—**	**—**	**(43.8)**	**(43.8)**	**(12.7)**	**(56.5)**
At 29 June 2019	**74.7**	**(71.3)**	**3.5**	**1.6**	**0.7**	**300.9**	**310.1**	**35.1**	**345.2**

Consolidated balance sheet

as at 29 June 2019

	Notes	2019 £m	2018 £m
Assets			
Non-current assets			
Property, plant and equipment	11	**631.9**	628.7
Intangible assets	12	**108.8**	91.5
Deferred tax assets	8	**0.2**	0.1
Investments	28	**—**	0.3
Other financial assets	22	**1.5**	8.1
Retirement benefit obligations	27	**53.8**	41.4
		796.2	770.1
Current assets			
Inventories	15	**16.8**	15.2
Trade and other receivables	16	**350.3**	342.9
Other financial assets	22	**4.4**	10.0
Assets classified as held for sale	14	**2.7**	13.1
Cash and cash equivalents	17	**630.8**	556.5
		1,005.0	937.7
Total assets		**1,801.2**	1,707.8
Liabilities			
Current liabilities			
Trade and other payables	18	**(847.7)**	(804.8)
Other financial liabilities	22	**(0.8)**	—
Interest-bearing loans and borrowings	19	**(7.3)**	(8.4)
Current tax liabilities	8	**(13.1)**	(20.5)
Provisions	23	**(34.8)**	(29.6)
		(903.7)	(863.3)
Non-current liabilities			
Trade and other payables	18	**(9.0)**	(1.0)
Other financial liabilities	22	**(0.8)**	—
Interest-bearing loans and borrowings	19	**(405.9)**	(394.8)
Retirement benefit obligations	27	**(5.1)**	(4.6)
Deferred tax liabilities	8	**(49.5)**	(51.0)
Provisions	23	**(82.0)**	(73.7)
		(552.3)	(525.1)
Total liabilities		**(1,456.0)**	(1,388.4)
Net assets		**345.2**	319.4
Capital and reserves			
Share capital	24	**74.7**	74.2
Reserve for own shares	24	**(71.3)**	(71.3)
Hedging reserve	24	**3.5**	14.8
Share premium reserve	24	**1.6**	1.6
Capital redemption reserve	24	**0.7**	0.7
Retained earnings	24	**300.9**	267.9
Total shareholders' equity		**310.1**	287.9
Non-controlling interests		**35.1**	31.5
Total equity		**345.2**	319.4

Consolidated cashflow statement

for the year ended 29 June 2019

	Notes	2019 £m	2018 £m
Profit after tax for the year		**75.1**	109.3
Net finance costs	7	**6.8**	14.2
Tax expense	8	**21.9**	36.4
Depreciation of property, plant and equipment	11	**79.3**	82.7
Amortisation of intangible assets	12	**4.8**	3.3
Investment/asset/goodwill impairment		**0.3**	10.1
Share of result of joint venture		**0.5**	1.1
Loss/(profit) on sale of assets held for sale		**0.1**	(0.9)
Profit on sale of property, plant and equipment		**(0.2)**	(7.3)
Share based payment charges	5	**1.0**	2.2
Difference between pension contributions paid and amounts recognised in the income statement		**(7.1)**	(6.3)
Pension scheme exceptional items	6	**16.8**	(35.2)
(Increase)/decrease in inventories		**(1.6)**	1.5
Increase in trade and other receivables		**(10.6)**	(1.9)
Increase/(decrease) in trade and other payables		**55.6**	(18.9)
Movement in provisions		**13.5**	0.7
Cashflows generated from operations		**256.2**	191.0
Taxation paid	8	**(32.5)**	(28.7)
Net cashflows from operating activities		**223.7**	162.3
Cashflows from investing activities			
Interest received		**5.0**	2.5
Proceeds from sale of property, plant and equipment		**3.4**	15.4
Proceeds from sale of assets held for sale		**12.4**	1.7
Purchase of property, plant and equipment		**(72.6)**	(126.7)
Purchase of property, plant and equipment held for sale		**(2.1)**	(11.4)
Purchase of intangible assets		**(22.2)**	(10.1)
Purchase of businesses	13	**(11.5)**	(9.2)
Cash acquired with subsidiary		**—**	2.0
Transferred with franchise		**—**	(23.5)
Acquisition of investments		**—**	(0.3)
Net cashflows used in investing activities		**(87.6)**	(159.6)
Cashflows from financing activities			
Interest paid		**(14.5)**	(15.8)
Dividends paid to members of the parent	10	**(43.8)**	(43.8)
Dividends paid to non-controlling interests		**(12.7)**	(13.9)
Payment to acquire own shares		**(1.0)**	(1.1)
Foreign exchange gain		**—**	0.8
Repayments of borrowings		**(0.7)**	(222.5)
Proceeds from borrowings		**13.7**	260.2
Proceeds from issue of shares		**0.5**	0.6
Payment of finance lease and hire purchase liabilities		**(3.3)**	(0.9)
Net cash outflows used in financing activities		**(61.8)**	(36.4)
Net increase/(decrease) in cash and cash equivalents		**74.3**	(33.7)
Cash and cash equivalents at 30 June 2018	17	**556.5**	590.2
Cash and cash equivalents at 29 June 2019	17	**630.8**	556.5

Cash balance of £484.9m (2018: £438.9m) were restricted at 29 June 2019; further details are shown in note 17.

Notes to the consolidated financial statements

1. Basis of preparation and directors' responsibility statement

Basis of preparation

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 29 June 2019 or 30 June 2018 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered in due course. The auditor's reports on the 2019 and 2018 accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The 2019 Annual Report has been authorised for issue and signed by the Board of directors at the time of this announcement.

Directors' responsibility statement

The responsibility statement has been prepared in connection with the preparation of the company's full annual report for the 52 week period ended 29 June 2019. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

1. 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 Company and the undertakings included in the consolidation taken as a whole; and
2. the Chairman's Statement, Group Chief Executive's Review, and the Finance Review will form part of the Strategic Report and will be incorporated into the directors' report. They include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole.

The announcement was approved by the Board of directors on 4 September 2019 and is signed on its behalf by:

David Brown, Group Chief Executive

Elodie Brian, Group Chief Financial Officer

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

No areas of critical accounting judgements or key sources of estimation uncertainty have been identified in relation to Brexit.

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Exceptional operating items

In certain years the Group presents as exceptional operating items on the face of the income statement material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance. The determination of whether items merit treatment as exceptional in a particular year is therefore a matter of judgement.

During the year, a charge in relation to the impact of the Guaranteed Minimum Pensions (GMP) ruling on the Group defined benefit schemes has been classified as exceptional and further details are given in note 6. In the comparative year, a gain on the change in pension plan assumptions from RPI to CPI, certain goodwill and asset impairments and provisions in respect of an HMRC capital allowances taxation enquiry were classified as exceptional.

Accounting for the rail pension schemes

The UK train operating companies participate in the Railways Pension Scheme (RPS), a defined benefit pension scheme which covers the whole of the UK rail industry. In contrast to the pension schemes operated by most businesses the RPS is a shared cost scheme which means that costs are formally shared 60% employer 40% employee. The Group only recognises amounts in relation to its share of costs in the income statement. The RPS is partitioned into sections and the Group is responsible for the funding of these sections whilst it operates the relevant franchise. At the end of the franchise term, responsibility for the funding, and consequently any deficit or surplus existing at that date, is passed to the next franchisee. At each balance sheet date a franchise adjustment is recognised to the IAS 19 net pension asset or liability to reflect that portion expected to pass to the next franchisee.

The directors view this arrangement as synonymous to the circumstances described in paragraphs 92–94 of IAS19 Employee Benefits (Revised), with a third party taking on the obligation for future contributions. As there is no requirement to make contributions to fund the current deficit, then it is assumed that all of the current deficit will be funded by another party and hence none of the deficit is attributable to the current franchisee. In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in the future, which is recognised as an adjustment to service cost in the income statement. As a result, any portion of service cost not expected to be covered by contributions paid during the franchise but expected to transfer at the end of the franchise is treated as an adjustment to the income statement. Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

2. Critical accounting judgements and key sources of estimation uncertainty continued

The directors deem this to be the most appropriate interpretation of IAS19 to reflect the specific circumstances of the RPS where the franchise commitment is only to pay contributions during the period in which we run the franchise. An alternative approach would involve not limiting the measurement of the service cost through the recognition of an income statement franchise adjustment, but recognising all movements on the franchise adjustment as a movement in a reimbursement right in other comprehensive income. For the year ended 29 June 2019 the impact of this alternative treatment, on a post tax basis, would be an increase in costs of £59.5m (2018: £69.8m)to the income statement and a debit to other comprehensive income of £74.5m (2018: credit of £112.5m). Since the franchise contract only refers to the contribution requirements during the franchise term, and not any reimbursement rights, the directors consider that viewing the treatment as contribution sharing with the next franchisee is most appropriate.

Uninsured claims

The measurement of uninsured liabilities is based on an assessment of both the expected settlement of known claims and of the cost of claims not yet reported to the Group, as detailed in note 23. In order to assess the appropriate level of provisions the Group engages with its brokers and claims handlers to ensure external expertise is adequately factored into the provision for known claims.

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

Contract and franchise accounting

The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them are governed by a number of contracts between the major participants, the DfT, Network Rail and train operating companies. These contracts include detailed performance regimes which determine the allocation of financial responsibility relating to the attribution of delays. The processes for attribution, whilst well understood, require detailed assessment and can take significant time to resolve, particularly in unusual circumstances.

The Group makes provision for income and costs relating to performance regimes and contractual obligations relating to operating delays caused by Network Rail, or caused by our own operating companies. This process can be based primarily on previous experience of settling such claims, or, in certain circumstances, based on management's view of the most likely outcome of individual claims. The Group has significant internal expertise to assess and manage these aspects of the agreements and the issues relating to delay attribution to enable management to assess the most probable outcomes; nonetheless significant judgements are required, which can have material impacts on the financial statements.

Accordingly judgements in these and other areas are made on a continuing basis with regard to amounts due and the recoverable carrying value of related assets and liabilities arising from franchises and other contracts. Regular reviews are performed on the expected outcome of these arrangements, which require assessments and judgements relating to the expected level of revenues and costs.

As previously announced, an agreement was reached with the DfT during the year regarding contractual matters in relation to the GTR franchise. This agreement resolved matters relating to the industry-wide failures concerning the introduction of the May 2018 timetable, as well as bringing to a close the discussions around other outstanding contractual variations. As part of the agreement, a plan for the remainder of the franchise term to 2021 was agreed, aimed at building on recent performance improvement and improving customer journeys. GTR has provided £15m of funding this year for passenger enhancements and separately accounted for the impact of the fine from the Office of Rail and Road (ORR). The agreement reduces uncertainty around the future of the GTR franchise and its financial performance. A profit-sharing mechanism with the DfT has been introduced for the remainder of the franchise. The margin over the franchise term is now expected to be between 0.75 to 1 per cent (previously 0.75 to 1.5 per cent), with no profit expected in the current financial year.

Contract and franchise accounting specific to the rail business is disclosed in the segmental analysis in note 3.

Measurement of franchise commitments

The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations and also income claims from other rail franchise operators, is set out in note 23. Significant elements of the provisions required are subject to interpretation of franchise agreements and rolling stock agreements. The Group has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the most probable outcomes. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from professional external advisors to support provision levels. If the estimations were to change by 10% the impact would be c£6.4m.

Retirement benefit obligations – bus schemes

The measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 27. The Group engages Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to the Group's particular circumstances. Management also benchmark these assumptions on a periodic basis with other professional advisors. Sensitivity analysis on the bus retirement defined benefit schemes are detailed in note 27.

3. Segmental analysis

The Group's businesses are managed on a divisional basis. Selected financial data is presented on this basis below.

For management purposes, the Group is organised into three reportable segments: regional bus, London & International bus and rail. Operating segments within those reportable divisions are combined on the basis of their long term characteristics and similar nature of their products and services, as follows:

The regional bus division comprises UK bus operations outside London.

The London & International bus division comprises bus operations in London under the control of Transport for London (TfL), rail replacement and other contracted services in London, bus operations in Singapore under the control of the Land Transport Authority (LTA) of Singapore and bus operations in Ireland under the control of the National Transport Authority (NTA) of Ireland. These are aggregated as a segment for internal management purposes given the similar contractual nature of the businesses.

The rail division comprises UK and overseas rail operations. The UK rail operation, through an intermediate holding company, Govia Limited, is 65% owned by Go-Ahead and 35% by Keolis and comprises two rail franchises: Southeastern and GTR. The division is aggregated for the purpose of segmental reporting under IFRS 8 as each operating company has similar objectives, to provide passenger rail services and achieve a modest profit margin through its franchise arrangements with the Department for Transport (DfT). Each company targets similar margins, has similar economic risks and is viewed and reacted to as one segment by the chief operating decision maker, considered to be the Group Chief Executive. The registered office of Keolis (UK) Limited is in England and Wales.

Overseas rail operations commenced on 9 June 2019 in Germany. A further three contracts in Germany and contracts in the Nordics are currently being mobilised. These operations are 100% owned by Go-Ahead. The international rail franchises are included with the UK rail operations for reporting purposes and will be considered in further detail during the next financial year.

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities and accordingly IFRS 8 does not require this information to be presented. Segment performance is evaluated based on operating profit or loss, on a pre and post exceptional basis below.

Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

The following tables present information regarding the Group's reportable segments for the year ended 29 June 2019 and the year ended 30 June 2018.

Year ended 29 June 2019

	Regional bus £m	London & International bus £m	Total bus £m	Rail £m	Total operations £m
Passenger revenue	**384.1**	**—**	**384.1**	**2,472.7**	**2,856.8**
Contract revenue	**69.1**	**592.4**	**661.5**	**—**	**661.5**
Other revenue	**14.4**	**4.5**	**18.9**	**242.8**	**261.7**
Franchise subsidy	**—**	**—**	**—**	**132.5**	**132.5**
Segment revenue	**467.6**	**596.9**	**1,064.5**	**2,848.0**	**3,912.5**
Inter-segment revenue	**(34.6)**	**(27.7)**	**(62.3)**	**(43.1)**	**(105.4)**
Group revenue	**433.0**	**569.2**	**1,002.2**	**2,804.9**	**3,807.1**
Operating costs	**(388.5)**	**(518.0)**	**(906.5)**	**(2,779.5)**	**(3,686.0)**
Group operating profit (pre-exceptional items)	**44.5**	**51.2**	**95.7**	**25.4**	**121.1**
Exceptional operating items					**(16.8)**
Group operating profit (post-exceptional items)					**104.3**
Share of result of joint venture					**(0.5)**
Net finance costs					**(6.8)**
Profit before tax and non-controlling interests					**97.0**
Tax expense					**(21.9)**
Profit for the year					**75.1**

The exceptional operating items relate to central activities and therefore cannot be allocated between the operating segments.

3. Segmental analysis continued

	Regional bus £m	London & International bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
– Additions	**40.4**	**9.6**	**50.0**	**22.6**	**72.6**
– Acquisitions	**11.9**	**—**	**11.9**	**—**	**11.9**
– Intangible assets	**3.1**	**4.8**	**7.9**	**14.3**	**22.2**
Depreciation	**36.9**	**28.2**	**65.1**	**14.2**	**79.3**

At 29 June 2019, there were non-current assets included within the London & International bus segment of £12.1m (2018: £7.2m) relating to operations in Singapore and Ireland. Operations in Singapore generated a revenue of £59.6m (2018: £52.1m) during the year. Operations in Ireland commenced in September 2018 and were fully operational by the end of the year. The revenue generated during the period of operation was £16.5m.

Non-current assets included within rail of £37.7m (2018: £11.0m) relate to operations being mobilised in Germany and the Nordics. Operations in Germany commenced on 9 June 2019 and the revenue generated in the period to 29 June 2019 was £2.6m

We have two major customers which individually contribute more than 10% of Group revenue, one of which contributed £1,643.6m (2018: £1,278.5m), and the other contributed £486.2m (2018: £491.8m).

Year ended 30 June 2018

	Regional bus £m	London & International bus £m	Total bus £m	Rail £m	Total operations £m
Passenger revenue	348.6	—	348.6	2,213.8	2,562.4
Contract revenue	56.5	566.2	622.7	—	622.7
Other revenue	13.7	5.0	18.7	236.4	255.1
Franchise subsidy	—	—	—	104.5	104.5
Segment revenue	418.8	571.2	990.0	2,554.7	3,544.7
Inter-segment revenue	(35.1)	(20.7)	(55.8)	(27.4)	(83.2)
Group revenue	383.7	550.5	934.2	2,527.3	3,461.5
Operating costs	(337.9)	(504.9)	(842.8)	(2,482.8)	(3,325.6)
Group operating profit (pre-exceptional items)	45.8	45.6	91.4	44.5	135.9
Exceptional operating items					25.1
Group operating profit (post-exceptional items)					161.0
Share of result of joint venture					(1.1)
Net finance costs					(14.2)
Profit before tax and non-controlling interests					145.7
Tax expense					(36.4)
Profit for the year					109.3

	Regional bus £m	London & International bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
– Additions	47.9	51.7	99.6	27.1	126.7
– Acquisitions	20.7	—	20.7	—	20.7
– Intangible assets	4.6	2.0	6.6	5.4	12.0
Depreciation	34.1	27.7	61.8	20.9	82.7

4. Operating costs

Detailed below are the key amounts recognised in arriving at our operating costs. For accounting policies see 'Profit and revenue sharing/support agreements', 'Property, plant and equipment', 'Government grants' and 'Franchise set-up costs' in the notes to the 2019 Annual Report and Accounts.

	2019 £m	2018 £m
Employee costs (note 5)	**1,272.7**	1,224.4
Operating lease payments (see below)	**1,247.2**	1,165.2
Energy costs (see below)	**262.7**	249.5
DfT franchise agreement payments/(receipts)	**89.9**	(24.6)
Depreciation of property, plant and equipment (see below)	**79.3**	82.7
DfT profit share	**19.7**	20.6
Intangible amortisation	**4.8**	3.3
Auditor's remuneration (see below)	**1.0**	0.9
Trade receivables not recovered	**0.9**	0.2
Loss on sale of assets held for sale	**0.1**	(0.9)
Other operating income	**(28.7)**	(24.0)
Government grants	**(2.7)**	(4.7)
Profit on disposal of property, plant and equipment	**(0.2)**	(7.3)
Other operating costs	**739.3**	640.4
Total operating costs (pre-exceptional operating items)	**3,686.0**	3,325.6

Further analysis of the above operating costs is as follows:

	2019 £m	2018 £m
Operating lease payments		
– bus vehicles	**16.1**	14.5
– non-rail properties	**2.1**	2.0
– other non-rail	**0.1**	0.1
– rail rolling stock	**522.7**	478.1
– other rail	**173.9**	188.1
Total lease and sublease payments recognised as an expense (excluding rail access charges)[1]	**714.9**	682.8
– rail access charges	**532.3**	482.4
Total lease and sublease payments recognised as an expense[2]	**1,247.2**	1,165.2
Depreciation of property, plant and equipment		
– owned assets	**78.0**	82.1
– leased assets	**1.3**	0.6
Total depreciation expense	**79.3**	82.7
Auditor's remuneration		
– audit fee for the audit of the parent financial statements	**0.1**	0.1
– audit fee for the audit of the subsidiary financial statements	**0.8**	0.7
Total audit fees for the audit of the financial statements	**0.9**	0.8
– other non-audit[3]	**0.1**	0.1
Total non-audit fees	**0.1**	0.1
Total auditor's remuneration	**1.0**	0.9
Energy costs		
– bus fuel	**103.2**	98.2
– rail diesel fuel	**3.1**	7.0
– rail electricity	**140.9**	128.1
– cost of site energy	**15.5**	16.2
Total energy costs	**262.7**	249.5

1. The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £727.3m (2018: £696.4m), net of sublease payments of £12.4m (2018: £13.6m) relating to other rail leases.
2. The total lease and sublease payments recognised as an expense (including rail access charges) are made up of minimum lease payments of £1,259.6m (2018: £1,178.8m), net of sublease payments of £12.4m (2018: £13.6m) relating to other rail leases.
3. Other non-audit services of £0.1m (2018: £0.1m) are detailed on page 89 in the 2019 Annual Report and Accounts.

Government grant income of £2.7m (2018: £4.7m) is mainly attributable to the release of grants received to support the mobilisation of international business operations and service improvements including smart ticketing, deliverable over a period of up to five years.

5. Employee costs

This note shows total employment costs, inclusive of share based payment charges. We have a number of share plans used to award shares to directors and employees. A charge is recognised over the vesting period in the consolidated income statement, based on the fair value of the award at the date of grant. The note also shows the average number of people employed by the Group during the year. For accounting policies see 'Share based payment transactions' in the notes to the 2019 Annual Report and Accounts.

	2019 £m	2018 £m
Wages and salaries	**1,109.7**	1,067.5
Social security costs	**111.2**	105.1
Other pension costs	**50.8**	49.6
Share based payments charge	**1.0**	2.2
	1,272.7	1,224.4

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

	2019	2018
Administration and supervision	**3,489**	3,263
Maintenance and engineering	**2,581**	2,583
Operations	**22,125**	22,308
	28,195	28,154

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the directors' remuneration report.

Sharesave scheme

Shareholder approval was obtained at the 2013 AGM for Savings-Related Share Option Scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (the Sharesave scheme) for employees of the Group and its operating companies.

The Sharesave scheme is open to all full time and part time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. Participants were given the choice of taking their money back, or to purchase Go-Ahead Group Shares at a 20% discount of the market price set at the date of invitation. Sharesave 2016 participants have six months from the maturity date to exercise their options. Sharesave 2016 matured on 1 May 2019.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk-free interest rate, forfeiture rate and option life.

There are savings-related options at 29 June 2019 as follows:

Scheme maturity	1 May 2019
Option price (£)	**19.11**
No. of options unexercised at 29 June 2019	**174,606**
No. of options exercised during the year	**21,938**
No. of options exercisable at 29 June 2019	**174,606**

The expense recognised for the scheme during the year to 29 June 2019 was £nil (2018: £0.6m).

5. Employee costs continued

The following table illustrates the number and weighted average exercise price (WAEP) of share options for the Sharesave scheme:

	2019 No.	2019 WAEP £	2018 No.	2018 WAEP £
Outstanding at the beginning of the year	**249,242**	**19.11**	589,744	18.32
Granted during the year	**—**	**—**	—	—
Forfeited during the year	**(52,698)**	**19.11**	(306,148)	17.79
Exercised during the year	**(21,938)**	**19.11**	(34,354)	17.36
Outstanding at the end of the year	**174,606**	**19.11**	249,242	19.11

The weighted average exercise price at the date of exercise for the options exercised in the period was £19.11 (2018: £17.36).

At the year end 174,606 (2018: no options) were exercisable and the weighted average exercise price of the options was £19.11 (2018: £nil).

The options outstanding at the end of the year have a weighted average remaining contracted life of nil years (2018: 0.83 years).

Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2015 (LTIP). The LTIP provides for executive directors to be awarded nil cost shares in the Group conditional on specified performance conditions being met over a period of three years. Refer to the directors' remuneration report for further details of the LTIP.

The expense recognised for the LTIP during the year to 29 June 2019 was £0.4m (2018: £0.8m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 29 June 2019 and 30 June 2018 were:

	2019 % per annum	2018 % per annum
The Go-Ahead Group plc:		
Future share price volatility	**33.0**	29.0
FTSE Mid-250 index comparator:		
Future share price volatility	**25.0**	25.0
Correlation between companies	**30.0**	30.0

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

	2019	2018
Outstanding at the beginning of the year	**163,144**	111,724
Granted during the year	**53,912**	72,755
Forfeited during the year	**(73,453)**	(9,815)
Exercised during the year	**—**	(11,520)
Outstanding at the end of the year	**143,603**	163,144

The LTIP award granted to the Group Chief Executive in November 2016 will lapse in full from November 2019 as none of the performance measures were achieved following the three-year performance period ending 29 June 2019. The weighted average share price of the options at the year end was £19.72 (2018: £15.88).

The weighted average fair value of options granted during the year was £15.74 (2018: £12.92). The weighted average remaining contractual life of the options was 1.10 years (2018: 1.25 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2018: £16.23).

The estimated amounts due to the relevant tax authorities in relation to the above transactions are detailed in the Directors' remuneration report in the accounts.

5. Employee costs continued

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for executive directors and certain other senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three-year period. Refer to the directors' remuneration report for further details of the DSBP. The DSBP options are not subject to any market based performance conditions. Therefore the fair value of the options is equal to the share price at the date of grant.

The expense recognised for the DSBP during the year to 29 June 2019 was £0.6m (2018: £0.8m).

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

	2019	2018
Outstanding at the beginning of the year	**147,233**	176,258
Granted during the year	**59,677**	34,804
Forfeited during the year	**(6,770)**	(7,654)
Exercised during the year	**(49,720)**	(56,175)
Outstanding at the end of the year	**150,420**	147,233

The weighted average fair value of options granted during the year was £15.74 (2018: £16.30). At the year end, 21,956 options related to DSBP awards, which vested before the year end, which have not yet been exercised by participants. Of these 21,956 options, 942 options related to the award granted in November 2013, 4,941 related to the award granted in November 2014 and 16,073 related to the award granted in November 2015. 34,254 options, relating to the DSBP award granted in November 2016, will be eligible to vest from November 2019 following the end of a three-year deferral period. The weighted average share price of the options at the year end was £19.72 (2018: £15.88).

The weighted average remaining contractual life of the options was 1.02 years (2018: 0.67 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £17.72 (2018: £16.01).

Share incentive plans

The Group operates a share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (SIP). The SIP is open to all Group employees (including executive directors) who have completed at least six months' continuous service with a Group company at the date they are invited to participate in the plan.

The SIP permits the Group to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Group has, so far, made awards of partnership shares only. Under these awards, the Group invites qualifying employees to apply between £10 and £150 per month in acquiring shares in the Group at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Group and employees.

6. Exceptional items

This note identifies items of an exceptional nature that have a significant impact on the results of the Group in the period. For accounting policies see 'Exceptional items' in the notes to the 2019 Annual Report and Accounts.

	2019 £m	2018 £m
Charge in relation to GMP equalisation	**(16.8)**	—
Gain on change in RPI/CPI assumptions	**—**	35.2
Goodwill and asset impairment	**—**	(10.1)
Exceptional operating items	**(16.8)**	25.1

Year ended 29 June 2019

Total exceptional operating items in the year comprised a charge of £16.8m to the income statement.

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

We have worked with our actuarial advisors to understand the implications of the judgement and the £16.8m pre-tax exceptional expense in the year (2018: £nil) reflects our best estimate of the effect on our reported pension liabilities.

6. Exceptional items continued

Year ended 30 June 2018

Total exceptional operating items in the year were £25.1m.

During the year ended 30 June 2018, The Go-Ahead Group Pension Plan (the Go-Ahead Plan) changed the reference inflation index used to estimate the annual increases to the majority of pensions payable. From 1 April 2018, the Consumer Price Index (CPI) has been used to increase pensions in payment rather than the Retail Price Index (RPI). The change reduced the financial risks of the Go-Ahead Plan and enhances the long term sustainability of the scheme, providing an improvement in the security of Plan members' benefits. A one-off gain of £35.2m was recognised in respect of this change.

During the year ended 30 June 2018, goodwill of £8.4m was impaired relating to Konectbus, Thames Travel and Carousel bus operations, following a period of underperformance in all three individual cash-generating units. The carrying value of the goodwill in Konectbus, Thames Travel and Carousel is now £nil. Assets with a carrying value of £2.4m were also deemed to be impaired within the East Anglian and Oxford bus operations.

During the year, negative goodwill of £0.7m arose on the business combinations in the year.

The tax impact of the above exceptional items plus accrued amounts relating to an HMRC taxation enquiry was £11.5m. In addition, an accrued amount of £2.6m was provided for within finance costs in relation to the interest payable on the enquiry. The enquiry was closed and fully settled during the year ended 29 June 2019.

7. Finance revenue and costs

Finance revenue mainly comprises interest received from bank deposits. Finance costs mainly arise from interest due on the bond and bank loans. For accounting policies see 'Finance revenue' and 'Interest-bearings loans and borrowings' in the notes to the 2019 Annual Report and Accounts.

	2019 £m	2018 £m
Bank interest receivable on bank deposits	**4.1**	2.5
Interest on net pension asset	**0.9**	—
Other interest receivable	**0.1**	—
Finance revenue	**5.1**	2.5
Interest payable on bank loans and overdrafts	**(2.7)**	(2.5)
Interest payable on £200m sterling 7.5 year bond	**—**	(2.6)
Interest payable on £250m sterling 7 year bond	**(6.3)**	(6.3)
Other interest payable	**(1.7)**	(4.3)
Unwinding of discounting on provisions	**(0.8)**	(0.4)
Interest payable under finance leases and hire purchase contracts	**(0.3)**	(0.2)
Interest on net pension liability	**(0.1)**	(0.4)
Finance costs	**(11.9)**	(16.7)

In the prior year, other interest payable included an exceptional accrued interest charge of £2.6m in relation to an HMRC taxation enquiry. The enquiry was closed and fully settled in the current year.

8. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note sets out the deferred tax assets and liabilities held across the Group. For accounting policies see 'Taxation' in the notes to the 2019 Annual Report and Accounts.

The Group taxation policy can be found at www.go-ahead.com.

a. Tax recognised in the income statement and in other comprehensive income

Tax relating to items charged or credited in the income statement:

	2019 £m	2018 £m
Current year tax charge	**26.4**	23.9
Adjustments in respect of current tax of previous years	**(1.3)**	13.3
Total current tax	**25.1**	37.2
Deferred tax relating to origination and reversal of temporary differences at 19.0% (2018: 19.0%)	**(3.3)**	6.6
Adjustments in respect of deferred tax of previous years	**0.1**	(7.4)
Impact of opening deferred tax rate reduction	**—**	—
Total deferred tax	**(3.2)**	(0.8)
Tax reported in consolidated income statement	**21.9**	36.4

The tax reported in the consolidated income statement includes exceptional amounts arising on the GMP equalisation charge. In the prior year it included exceptional amounts arising on the change in RPI/CPI assumptions on The Go-Ahead Group Pension Plan (the Go-Ahead Plan) and amounts in relation to the HMRC enquiry. See note 6 for further details.

Tax relating to items charged or credited outside of the income statement:

	2019 £m	2018 £m
Tax on remeasurement gains on defined benefit pension plans	**3.7**	3.3
Deferred tax on cashflow hedges	**(2.4)**	5.2
Deferred tax on share based payments (taken directly to equity)	**(0.1)**	0.5
Tax reported outside of profit or loss	**1.2**	9.0

b. Reconciliation

A reconciliation of income tax applicable to accounting profit before taxation, at the statutory tax rate, to tax at the Group's effective tax rate for the years ended 29 June 2019 and 30 June 2018 is as follows:

	2019 £m	2018 £m
Accounting profit before taxation	**97.0**	145.7
At United Kingdom tax rate of 19.0% (2018: 19.0%)	**18.4**	27.7
Share scheme costs not allowable for tax purposes	**—**	0.7
Non-qualifying depreciation	**0.7**	1.1
Expenditure not allowable for tax purposes	**1.8**	2.0
Adjustments in respect of deferred tax of previous years	**0.1**	(7.4)
Movement on unrecognised deferred tax on losses carried forward	**1.6**	(0.2)
Effect of the difference between current year corporation tax and deferred tax rates	**0.3**	(0.8)
Adjustments in respect of current tax of previous years	**(1.3)**	13.3
Overseas tax rate difference	**0.3**	—
Tax reported in consolidated income statement	**21.9**	36.4
Effective tax rate	**22.6%**	25.0%

The Group had subsidiary companies in Germany, Ireland, the Nordics and Singapore during the year. The tax residencies of these companies are the same as the countries of incorporation, which are disclosed in note 28.

Singapore and Ireland profits are generated through the provision of bus passenger services and have been taxed at the appropriate local taxation rates of 17.0% and 12.5% respectively and have been included in the total statutory tax charge. Germany commenced trading on 9 June 2019 and its trading result for the financial year is immaterial. The Nordics are currently in mobilisation and so have not made a profit in the financial year.

The Group has not recognised a deferred tax asset of £5.1m (2018: £1.1m) based on a taxation rate of 30.0% (2018: 30.0%) in respect of losses incurred in Germany carried forward.

8. Taxation continued

c. Reconciliation of current tax liabilities

A reconciliation of the current tax liability is provided below:

	2019 £m	2018 £m
Current tax liability at the start of year	**20.5**	12.0
Corporation tax reported in consolidated income statement	**25.1**	37.2
Paid in the year	**(32.5)**	(28.7)
Current tax liability at the end of year	**13.1**	20.5

d. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2019 £m	2018 £m
Deferred tax liability		
Accelerated capital allowances	**(20.1)**	(20.2)
Other temporary differences	**(9.1)**	(9.6)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(10.9)**	(11.4)
Cashflow hedges	**(0.9)**	(3.3)
Retirement benefit obligations	**(8.5)**	(6.5)
Deferred tax liability included in balance sheet	**(49.5)**	(51.0)
Deferred tax asset		
Share based payments	**0.2**	0.1
Deferred tax asset included in balance sheet	**0.2**	0.1

The deferred tax asset is recognised as it is considered probable that there will be future taxable profits available.

The deferred tax liabilities and assets included in the balance sheet have been calculated using applicable enacted rates.

The movements in deferred tax in the income statement and other comprehensive income for the years ending 29 June 2019 and 30 June 2018 are as follows:

Year ended 29 June 2019

	At 1 July 2018 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Acquisitions £m	At 29 June 2019 £m
Accelerated capital allowances	**(20.2)**	**0.5**	**—**	**—**	**(0.4)**	**(20.1)**
Asset backed funding pension arrangement	**(9.9)**	**0.2**	**—**	**—**	**—**	**(9.7)**
Other temporary differences	**0.3**	**0.3**	**—**	**—**	**—**	**0.6**
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(11.4)**	**0.5**	**—**	**—**	**—**	**(10.9)**
Retirement benefit obligations	**(6.5)**	**1.7**	**(3.7)**	**—**	**—**	**(8.5)**
Cashflow hedges	**(3.3)**	**—**	**2.4**	**—**	**—**	**(0.9)**
Share based payments	**0.1**	**—**	**—**	**0.1**	**—**	**0.2**
	(50.9)	**3.2**	**(1.3)**	**0.1**	**(0.4)**	**(49.3)**

8. Taxation continued

Year ended 30 June 2018

	At 1 July 2017 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Acquisitions £m	At 30 June 2018 £m
Accelerated capital allowances	(25.0)	5.8	—	—	(1.0)	(20.2)
Asset backed funding pension arrangement	(10.1)	0.2	—	—	—	(9.9)
Other temporary differences	(0.7)	1.0	—	—	—	0.3
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(12.0)	0.6	—	—	—	(11.4)
Retirement benefit obligations	3.6	(6.8)	(3.3)	—	—	(6.5)
Cashflow hedges	1.9	—	(5.2)	—	—	(3.3)
Share based payments	0.6	—	—	(0.5)	—	0.1
	(41.7)	0.8	(8.5)	(0.5)	(1.0)	(50.9)

The deferred tax included in the Group income statement is as follows:

	2019 £m	2018 £m
Accelerated capital allowances	**(0.5)**	0.5
Revaluation	**(0.5)**	(0.6)
Retirement benefit obligations	**(1.7)**	6.7
Other temporary differences	**(0.6)**	—
	(3.3)	6.6
Adjustments in respect of prior years	**0.1**	(7.4)
Deferred tax expense	**(3.2)**	(0.8)

e. Factors affecting tax charges

The standard rate of UK corporation tax reduced from 20% to 19% from 1 April 2017. A rate of 19% therefore applies to the current tax charge arising during the year ended 29 June 2019.

Further reductions in the rate to 17% from 1 April 2020 were substantively enacted prior to the balance sheet date and have been applied where applicable to the Group's deferred tax balance at the balance sheet date.

The deferred tax relating to origination and reversal of temporary differences includes a movement of £2.8m which relates to the exceptional charge arising on the impact of the GMP equalisation ruling on the Group's bus pension schemes. The prior year included movements in relation to an exceptional gain arising on the change in RPI/CPI assumptions on The Go-Ahead Group Pension Plan and adjustments in respect of deferred tax of previous years in relation to an HMRC taxation enquiry.

In addition, in the prior year, the current tax charge reported in the consolidated income statement of £37.2m included amounts provided for in relation to this HMRC enquiry. The HMRC enquiry was closed and fully settled during the current year.

9. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

Basic and diluted earnings per share

	Pre-exceptional 2019 £m	**Exceptional items 2019 £m**	**Post-exceptional 2019 £m**	Pre-exceptional 2018 £m	Exceptional items 2018 £m	Post-exceptional 2018 £m
Net profit attributable to equity holders of the parent	**72.8**	**(14.0)**	**58.8**	78.0	11.0	89.0

	Pre-exceptional 2019 £m	**Exceptional items 2019 £m**	**Post-exceptional 2019 £m**	Pre-exceptional 2018 £m	Exceptional items 2018 £m	Post-exceptional 2018 £m
Basic weighted average number of shares in issue ('000)	**42,985**	**—**	**42,985**	42,958	—	42,958
Dilutive potential share options ('000)	**97**	**—**	**97**	101	—	101
Diluted weighted average number of shares in issue ('000)	**43,082**	**—**	**43,082**	43,059	—	43,059
Earnings per share:						
Basic earnings per share (pence per share)	**169.4**	**(32.6)**	**136.8**	181.6	25.6	207.2
Diluted earnings per share (pence per share)	**169.0**	**(32.5)**	**136.5**	181.2	25.5	206.7

The weighted average number of shares in issue excludes treasury shares held by the Group, and shares held in trust for the LTIP and DSBP arrangements.

No shares were bought back and cancelled by the Group in the period from 29 June 2019 to 4 September 2019.

10. Dividends paid and proposed

Dividends are one type of shareholder return, historically paid to our shareholders in April and November.

	2019 £m	2018 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2018: 71.91p per share (2017: 71.91p)	**30.9**	30.9
Interim dividend for 2019: 30.17p per share (2018: 30.17p)	**12.9**	12.9
	43.8	43.8

	2019 £m	2018 £m
Proposed for approval at the AGM (not recognised as a liability as at 29 June 2019)		
Equity dividends on ordinary shares:		
Final dividend for 2019: 71.91p per share (2018: 71.91p)	**31.0**	31.0

Payment of proposed dividends will not have any tax consequences for the Group.

11. Property, plant and equipment

The Group holds significant investments in land and buildings, bus vehicles and plant and equipment, which form our tangible assets. All assets (excluding freehold land) are depreciated over their useful economic lives. For accounting policies see 'Property, plant and equipment' in the notes to the 2019 Annual Report and Accounts.

	Freehold land and buildings £m	Long term leasehold land and properties £m	Short term leasehold land and properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost						
At 1 July 2017	209.4	0.4	15.6	647.5	235.3	1,108.2
Additions	4.8	2.0	1.7	87.3	30.9	126.7
Acquisitions	3.5	1.2	—	15.7	0.3	20.7
Disposals	(24.1)	—	—	(45.8)	(47.4)	(117.3)
Transfer categories	—	(0.4)	0.4	(0.6)	0.6	—
Transfer of assets held for sale	0.5	—	—	—	—	0.5
Transfer of intangible assets	—	—	—	—	0.3	0.3
At 30 June 2018	194.1	3.2	17.7	704.1	220.0	1,139.1
Additions	**17.6**	**1.1**	**1.5**	**32.5**	**19.9**	**72.6**
Acquisitions	**4.6**	**—**	**—**	**7.3**	**—**	**11.9**
Disposals	**—**	**—**	**—**	**(37.2)**	**(5.0)**	**(42.2)**
Transfer categories	**1.2**	**(1.2)**	**—**	**0.5**	**(0.5)**	**—**
At 29 June 2019	**217.5**	**3.1**	**19.2**	**707.2**	**234.4**	**1,181.4**
Depreciation and impairment						
At 1 July 2017	33.1	—	10.1	317.2	172.6	533.0
Charge for the year	2.1	—	1.2	54.6	24.8	82.7
Disposals	(22.9)	—	—	(44.3)	(40.9)	(108.1)
Impairment of assets	—	—	—	1.9	0.5	2.4
Transfer assets held for sale	0.4	—	—	—	—	0.4
At 30 June 2018	12.7	—	11.3	329.4	157.0	510.4
Charge for the year	**1.2**	**0.5**	**0.9**	**56.7**	**20.0**	**79.3**
Disposals	**—**	**—**	**—**	**(35.3)**	**(4.9)**	**(40.2)**
At 29 June 2019	**13.9**	**0.5**	**12.2**	**350.8**	**172.1**	**549.5**
Net book value						
At 29 June 2019	**203.6**	**2.6**	**7.0**	**356.4**	**62.3**	**631.9**
At 30 June 2018	181.4	3.2	6.4	374.7	63.0	628.7
At 1 July 2017	176.3	0.4	5.5	330.3	62.7	575.2

The net book value of leased assets and assets acquired under hire purchase contracts is:

	2019 £m	2018 £m
Bus vehicles	**8.9**	14.7

12. Intangible assets

The consolidated balance sheet contains significant intangible assets mainly in relation to goodwill, software, franchise set-up costs and customer contracts. Goodwill, which arises when the Group acquires a business and pays a higher amount than the fair value of the net assets primarily due to the synergies the Group expects to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise set-up costs are amortised over the life of the franchise/franchise extension. Customer contracts are amortised over the life of the contract. For further details see 'Software', 'Franchise set-up costs', 'Business combinations and goodwill', 'Impairment of assets' and 'Customer contracts' in the notes to the 2019 Annual Report and Accounts.

	Goodwill £m	Software costs £m	Franchise set-up costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost						
At 1 July 2017	86.4	23.1	14.6	16.7	13.4	154.2
Additions	0.4	3.3	6.4	—	—	10.1
Acquisitions	0.6	—	—	—	1.3	1.9
Transfer from tangible fixed assets	—	(0.3)	—	—	—	(0.3)
At 30 June 2018	87.4	26.1	21.0	16.7	14.7	165.9
Additions	**—**	**6.1**	**16.1**	**—**	**—**	**22.2**
Disposals	**—**	**(5.4)**	**—**	**—**	**—**	**(5.4)**
At 29 June 2019	**87.4**	**26.8**	**37.1**	**16.7**	**14.7**	**182.7**
Amortisation and impairment						
At 1 July 2017	4.9	18.9	10.1	16.7	12.1	62.7
Charge for the year	—	2.3	0.8	—	0.2	3.3
Impairment	8.4	—	—	—	—	8.4
At 30 June 2018	13.3	21.2	10.9	16.7	12.3	74.4
Charge for the year	**—**	**2.8**	**1.7**	**—**	**0.3**	**4.8**
On disposal	**—**	**(5.3)**	**—**	**—**	**—**	**(5.3)**
At 29 June 2019	**13.3**	**18.7**	**12.6**	**16.7**	**12.6**	**73.9**
Net book value						
At 29 June 2019	**74.1**	**8.1**	**24.5**	**—**	**2.1**	**108.8**
At 30 June 2018	74.1	4.9	10.1	—	2.4	91.5
At 1 July 2017	81.5	4.2	4.5	—	1.3	91.5

Software costs

Software costs capitalised exclude software that is integral to the related hardware. Software is amortised on a straight-line basis over its expected useful life of three to five years.

Franchise set-up costs

A part of the Group's activities is the process of bidding for and securing franchises to operate rail and bus services in the UK and overseas. Directly attributable, incremental costs incurred after achieving preferred bidder status, entering into a franchise extension or winning an international bid are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise/franchise extension, currently between 5 and 13 years.

Rail franchise asset

This reflects the cost of the right to operate a rail franchise, and relates to the cost of the intangible asset acquired on the handover of the franchise assets relating to the Southeastern rail franchise. The intangible asset was being amortised on a straight-line basis over the original life of the franchise.

Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions on a straight-line basis. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period. The unexpired terms range between 8 and 11 years.

12. Intangible assets continued

Goodwill

Goodwill acquired through acquisitions has been allocated to individual cash-generating units for impairment testing on the basis of the Group's business operations. The carrying value of goodwill is tested annually for impairment by cash-generating unit and is as follows:

	2019 £m	2018 £m
Go South Coast	**34.6**	34.6
Brighton & Hove	**12.7**	12.7
Plymouth Citybus	**13.0**	13.0
Go-Ahead London	**10.5**	10.5
Go North East	**2.7**	2.7
Oxford	**0.6**	0.6
	74.1	74.1

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three-year period which have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long term stability of the relevant income streams. Growth has been extrapolated forward, using a growth rate of 2.0%, from the end of the three-year forecasts over a total period of ten years plus a terminal value using a growth rate of 2.0% which reflects the directors' view of long term growth rates in each business, and the long term recurrent nature of the businesses.

The Group's weighted average cost of capital has been initially calculated as 5.5% (2018: 5.2%). Given the current low weighted average cost of capital the calculation of value in use has been initially derived based on the internal rate of return that the Group uses to appraise investments, currently 8.0%, to identify any goodwill balances requiring further consideration and review. The economic conditions that the cash-generating units operate in are considered similar enough, primarily being UK based, to use the same discount rate.

The calculation of value in use for each cash-generating unit is most sensitive to the forecast operating cashflows, the discount rate and the growth rate used to extrapolate cashflows beyond the budget period. The operating cashflows are based on assumptions of revenue, employee costs and general overheads. These assumptions are influenced by several internal and external factors. The directors consider the assumptions used to be consistent with the historical performance of each unit and to be realistically achievable in light of economic and industry measures and forecasts.

A 0.5% increase in the internal rate of return or revenue growth falling by 1.0% are considered the most likely sensitivities that could impact recoverable amounts. Following the impairment reviews the cash-generating units have significant headroom when the impairment testing has been completed and accordingly these sensitivities would not cause the carrying value to exceed their recoverable amount.

13. Business combinations

This note details acquisition transactions carried out in the current and prior periods. For accounting policies see 'Business combinations and goodwill' and 'Customer contracts' in the notes to the 2019 Annual Report and Accounts.

Year ended 29 June 2019

On 2 June 2019, the Group acquired the Queen's Road bus depot in Manchester along with the associated trade and assets, from FirstGroup plc, in line with the Group's strategic vision and its objective to win new bus and rail contracts.

Aggregate net assets at date of acquisition:

	Total acquisitions – provisional fair value to Group £m
Property, plant and equipment	11.9
Inventories	0.2
Trade and other receivables	0.2
Deferred tax liabilities	(0.4)
Net assets	11.9
Negative goodwill arising on acquisition	(0.4)
Cash	11.5
Total consideration	11.5

13. Business combinations continued

Acquisition costs of £0.3m have been expensed through operating costs.

Negative goodwill of £0.4m has been included within operating costs.

From the date of acquisition in the period, the acquisition recorded an operating profit of less than £0.1m and revenue of £1.9m. The trade and assets acquired were an integral part of First's overall Manchester operation and therefore included within its wider results. As a result, it cannot be assessed as to what the impact on operating profits and revenues would have been, had the acquisitions been completed on the first day of the financial period.

Year ended 30 June 2018

As disclosed in the 2018 Annual Report, Go-North East Limited, a wholly owned subsidiary of the Group, acquired 100% of the East Yorkshire Motor Services Group of companies on 16 June 2018 and The City of Oxford Motor Services Limited, a wholly owned subsidiary of the Group, acquired 100% of Tom Tappin Limited on 7 December 2017. The total consideration paid was £9.2m and no significant changes to the fair value previously reported were subsequently identified. Given the size and prior year disclosures further detail is not replicated in this Annual Report.

14. Assets classified as held for sale

This note identifies any non-current assets or disposal groups that are held for sale. The carrying amounts of these assets will be recovered principally through a sale rather than through continuing use. For accounting policies see 'Non-current assets held for sale' in the notes to the 2019 Annual Report and Accounts.

At 29 June 2019, assets held for sale, with a carrying value of £0.6m, related to property, plant and equipment available for sale, and were included in the regional bus segment (2018: £1.7m). Assets held for sale with a carrying value of £2.1m related to bus rolling stock available for sale and were included in the London & International bus segment (2018: £11.4m).

The Group expects to sell £2.7m within 12 months of them going onto the "for sale" list and being actively marketed or reflecting contracts already in place for certain bus assets. Assets held for sale of £0.6m relate to land and buildings, within property, plant and equipment, whereby offers have been made which management is currently assessing. The value at each balance sheet date represents management's best estimate of their resale value less disposal costs.

During the year ended 29 June 2019, assets held for sale were sold for a loss of £0.1m (2018: profit of £0.9m), which is included within operating costs in the income statement.

15. Inventories

Inventory primarily consists of vehicle spares and fuel and is presented net of allowances for obsolete products. For accounting policies see 'Inventories' in the notes to the 2019 Annual Report and Accounts.

	2019 £m	2018 £m
Raw materials and consumables	**16.8**	15.2

The amount of any write down of inventories recognised as an expense during the year is immaterial.

16. Trade and other receivables

Trade and other receivables mainly consist of amounts owed by principal contracting authorities and other customers, amounts paid to suppliers in advance, amounts receivable from central government and taxes receivable. Trade receivables are shown net of an allowance for bad or doubtful debts.

	2019 £m	2018 £m
Current		
Trade receivables	**163.0**	168.1
Less: provision for impairment of receivables	**(2.1)**	(1.7)
Trade receivables – net	**160.9**	166.4
Other receivables	**18.9**	10.8
Prepayments	**27.8**	76.7
Accrued income	**42.0**	29.2
Receivable from central government	**100.7**	59.8
	350.3	342.9

Accrued income and amounts receivable from central government principally comprises amounts relating to contracts with customers.

As at 29 June 2019 and 30 June 2018, the ageing analysis of trade receivables and the provision for impairment of receivables based on expected credit losses, was as follows:

16. Trade and other receivables continued

Year ended 29 June 2019

	Total £m	Neither past due nor impaired £m	Less than 30 days £m	30–60 days £m	60–90 days £m	90–120 days £m	Past due but not impaired – more than 120 days £m
Expected rate of credit losses	**1.3%**	**—**	**—**	**—**	**7.4%**	**—**	**82.6%**
Trade receivables	**163.0**	**149.3**	**4.7**	**3.3**	**2.7**	**0.7**	**2.3**
Provision for impairment of receivables	**2.1**	**—**	**—**	**—**	**0.2**	**—**	**1.9**

Year ended 30 June 2018

	Total £m	Neither past due nor impaired £m	Less than 30 days £m	30–60 days £m	60–90 days £m	90–120 days £m	Past due but not impaired – more than 120 days £m
Expected rate of credit losses	1.0%	—	—	—	9.1%	—	69.6%
Trade receivables	168.1	152.5	9.5	1.6	1.1	1.1	2.3
Provision for impairment of receivables	1.7	—	—	—	0.1	—	1.6

Trade receivables at nominal value of £2.1m (2018: £1.7m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2019 £m	2018 £m
At 1 July 2018	**1.7**	2.1
Charge for the year	**0.9**	0.2
Utilised	**(0.6)**	(0.4)
Unused amounts reversed	**0.1**	(0.3)
On acquisitions	**—**	0.1
At 29 June 2019	**2.1**	1.7

The credit risk associated with the Group's trade and other receivables and the impact of the adoption of IFRS 9 is explained in note 21.

17. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements. For accounting policies see 'Cash and cash equivalents' in the notes to the 2019 Annual Report and Accounts.

	2019 £m	2018 £m
Cash at bank and in hand	**86.8**	89.9
Cash and cash equivalents	**544.0**	466.6
	630.8	556.5

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The fair value of cash and cash equivalents is not materially different from book value.

Amounts held by rail companies included in cash at bank and on short term deposit can be distributed only with the agreement of the DfT, normally up to the value of distributable reserves or based on a working capital formula. As at 29 June 2019, balances amounting to £484.9m (2018: £438.9m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £167.8m at 29 June 2019 (2018: £162.8m).

18. Trade and other payables

Trade and other payables mainly consist of amounts owed to suppliers that have been invoiced or accrued, deferred income and deferred season ticket income. They also include taxes and social security amounts due in relation to our role as an employer and amounts owed to central government.

	2019 £m	2018 £m
Current		
Trade payables	**152.8**	240.9
Other taxes and social security costs	**31.3**	31.8
Other payables	**61.8**	53.0
Deferred season ticket income	**167.8**	165.9
Accruals	**224.2**	133.5
Deferred income	**50.3**	45.0
Payable to central government	**156.6**	130.9
Government grants	**2.9**	3.8
	847.7	804.8

Deferred season ticket income and deferred income principally comprise amounts relating to contracts with customers.

	2019 £m	2018 £m
Non-current		
Government grants	**9.0**	1.0
	9.0	1.0

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Other payables are non-interest bearing and have varying terms of up to 12 months

Movements in trade payables and accruals reflect the impact of the timing of year-end to certain settlements and invoicing within the UK rail division as well as other changes in the classification of certain items between the balances.

19. Interest-bearing loans and borrowings

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. For accounting policies see 'Interest-bearing loans and borrowings' and 'Cash and cash equivalents' in the notes to the 2019 Annual Report and Accounts.

Net cash/debt and interest-bearing loans and borrowings

The net cash/debt position comprises cash, short term deposits, interest-bearing loans and borrowings, and can be summarised as:

Year ended 29 June 2019

	Current			Non-current		
	Effective interest rate %	Maturity	Within one year £m	After one year but not more than five years £m	After more than five years £m	Total £m
Syndicated loans	1.0	Over 5 years	—	—	144.7	144.7
Debt issue costs on syndicated loans			(0.4)	(0.4)	—	(0.8)
£250m sterling seven-year bond	2.5	Over 5 years	—	—	250.0	250.0
Debt issue costs on £250m sterling seven-year bond			(0.6)	(1.6)	—	(2.2)
€8m revolving credit facility	1.3	0–1 years	5.7	—	—	5.7
€10.6m financing facility	2.79	Over 5 years	0.8	3.5	5.4	9.7
Finance leases and HP commitments (note 20)	7.6	0–4 years	1.8	4.3	—	6.1
Total interest-bearing loans and borrowings			7.3	5.8	400.1	413.2
Debt issue costs			1.0	2.0	—	3.0
Total interest-bearing loans and borrowings (gross of debt issue costs)			8.3	7.8	400.1	416.2
Cash and short term deposits (note 17)			(630.8)	—	—	(630.8)
Net cash			(622.5)	7.8	400.1	(214.6)
Restricted cash*						484.9
Adjusted net debt						270.3

Year ended 30 June 2018

	Current			Non-current		
	Effective interest rate %	Maturity	Within one year £m	After one year but not more than five years £m	After more than five years £m	Total £m
Syndicated loans	1.00	Over 5 years	—	—	136.0	136.0
Debt issue costs on syndicated loans			(0.3)	(0.3)	—	(0.6)
£250m sterling seven-year bond	2.50	Over 5 years	—	—	250.0	250.0
Debt issue costs on £250m sterling seven-year bond			(0.6)	(2.2)	—	(2.8)
€8m revolving credit facility	1.30	0–1 years	6.5	—	—	6.5
€10.6m financing facility	1.50	Over 5 years	—	1.6	3.1	4.7
Finance leases and HP commitments (note 20)	7.74	0–5 years	2.8	5.9	0.7	9.4
Total interest-bearing loans and borrowings			8.4	5.0	389.8	403.2
Debt issue costs			0.9	2.5	—	3.4
Total interest-bearing loans and borrowings (gross of debt issue costs)			9.3	7.5	389.8	406.6
Cash and short term deposits (note 17)			(556.5)	—	—	(556.5)
Net cash			(547.2)	7.5	389.8	(149.9)
Restricted cash*						438.9
Adjusted net debt						289.0

* Restricted cash balances are amounts held by rail companies which are included in cash and cash equivalents. The restricted cash can only be distributed with the agreement of the DfT, normally up to the value of revenue reserves or based on the working capital formula.

19. Interest-bearing loans and borrowings continued

Analysis of Group net cash

	Cash and cash equivalents £m	Syndicated loan facility £m	Hire purchase/ finance leases £m	£200m sterling bond £m	£250m sterling bond £m	€RCF £m	€10.6m loan £m	Total £m
At 1 July 2017	590.2	(156.0)	(3.0)	(200.0)	—	(0.9)	—	230.3
Cashflow	(35.7)	20.0	0.9	200.0	(250.0)	(5.6)	(4.7)	(75.1)
On acquisition	2.0	—	(7.3)	—	—	—	—	(5.3)
At 30 June 2018	556.5	(136.0)	(9.4)	—	(250.0)	(6.5)	(4.7)	149.9
Cashflow	**74.3**	**(8.7)**	**3.3**	**—**	**—**	**0.8**	**(5.0)**	**64.7**
At 29 June 2019	**630.8**	**(144.7)**	**(6.1)**	**—**	**(250.0)**	**(5.7)**	**(9.7)**	**214.6**

Reconciliation of liabilities arising from financing activities

	Syndicated loan facility £m	Hire purchase/ finance leases £m	£200m sterling bond £m	£250m sterling bond £m	€RCF £m	€10.6m loan £m	Total liabilities from financing activities £m
At 1 July 2017	(156.0)	(3.0)	(200.0)	—	(0.9)	—	(359.9)
Cashflow	20.0	0.9	200.0	(250.0)	(5.6)	(4.7)	(39.4)
On acquisition	—	(7.3)	—	—	—	—	(7.3)
At 30 June 2018	(136.0)	(9.4)	—	(250.0)	(6.5)	(4.7)	(406.6)
Cashflow	**(8.7)**	**3.3**	**—**	**—**	**0.8**	**(5.0)**	**(9.6)**
At 29 June 2019	**(144.7)**	**(6.1)**	**—**	**(250.0)**	**(5.7)**	**(9.7)**	**(416.2)**

Syndicated loan facility

On 16 July 2014, the Group refinanced and entered into a £280.0m five-year syndicated loan facility. The loan facility is unsecured and interest is charged at LIBOR + margin, where the margin is dependent upon the gearing of the Group. The facility had an initial maturity of July 2019, with two one-year extensions, the second of which was agreed on 20 June 2016, extending the maturity of the facility to July 2021 from that date. On 20 July 2018, an additional extension of two years was agreed, extending the maturity of the facility to July 2023. On 9 July 2019 a further one-year extension was agreed extending the maturity to July 2024. A further one-year extension is available which, if exercised, would extend the maturity to July 2025.

As at 29 June 2019, £144.7m (2018: £136.0m) of the facility was drawn down.

£200m sterling bond

On 24 March 2010, the Group raised a £200.0m bond of 7.5 years which matured, and was repaid, on 29 September 2017. The bond had a coupon rate of 5.375%.

£250m sterling bond

On 6 July 2017, the Group raised a £250.0m bond of seven years maturing on 6 July 2024, with a coupon rate of 2.5%.

€8m revolving credit facility (RCF)

On 27 April 2017, the Group's subsidiary, Go-Ahead Verkehrgesellschaft Deutschland GmbH, entered into a €20m one-year RCF. On 24 October 2017, €12.0m of this facility was replaced with a €10.6m 10.5 year loan facility with the Group's subsidiary, Go-Ahead Facility GmbH, leaving an €8.0m RCF.

As at 29 June 2019, €6.4m or £5.7m (2018: €7.4m or £6.5m) was drawn down. The facility is unsecured and interest is charged at 1.3% plus EURIBOR.

€10.6m loan facility

On 24 October 2017, the Group's subsidiary, Go-Ahead Facility GmbH, entered into a €10.6m loan facility.

As at 29 June 2019, €10.8m or £9.7m (2018: €5.2m or £4.7m) was drawn down and is repayable over the 10.5 year term. The facility is secured against the German land and buildings included within plant, property and equipment. Interest was charged at 1.5% plus EURIBOR until 1 June 2019 from when interest is charged at a fixed rate of 2.79%.

Debt issue costs

There are debt issue costs of £0.8m (2018: £0.6m) on the syndicated loan facility.

The £250m sterling seven-year bond has debt issue costs of £2.2m (2018: £2.8m).

The Group is subject to two covenants in relation to its borrowing facilities. The covenants specify a maximum adjusted net debt to EBITDA and a minimum net interest cover. At the year end and throughout the year, the Group has not been in breach of any bank covenants.

20. Finance lease and hire purchase commitments

This note details finance lease and hire purchase commitments. For accounting policies see 'Interest-bearing loans and borrowings' in the notes to the 2019 Annual Report and Accounts.

The Group has finance leases and hire purchase contracts for bus vehicles and various items of plant and equipment. These contracts have no terms of renewal or purchase option escalation clauses. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments, are as follows:

	2019		2018	
	Minimum payments £m	**Present value of payments £m**	Minimum payments £m	Present value of payments £m
Within one year	**1.9**	**1.8**	2.9	2.8
After one year but not more than five years	**4.5**	**4.3**	6.3	5.9
Over five years	**—**	**—**	0.7	0.7
Total minimum lease payments	**6.4**	**6.1**	9.9	9.4
Less amounts representing finance charges	**(0.3)**	**—**	(0.5)	—
Present value of minimum lease payments	**6.1**	**6.1**	9.4	9.4

21. Financial risk management objectives and policies

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to interest rate, liquidity, foreign exchange and credit risk, and the policies in place to monitor and manage these risks.

Financial risk factors and management

The Group's principal financial instruments comprise bank loans, a sterling bond, hire purchase and finance lease contracts, and cash and short term deposits. The main purpose of these financial instruments is to provide an appropriate level of net debt to fund the Group's activities, namely working capital, fixed asset expenditure, acquisitions and dividends. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

It is Group policy to enter into derivative transactions, primarily fuel swaps and interest rate swaps. The purpose of these is to manage the fuel price and interest rate risks arising from the Group's operations and its sources of finance. At the year end, the Group did not hold any interest rate swaps.

It is, and has been throughout 2017/18 and 2018/19, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk, credit risk and commodity price risk, managed via fuel derivatives.

Brexit

In light of the uncertainty around the terms of the UK's departure from the EU, the Group has conducted a risk review process and has put practical mitigation measures in place against identified risks related to supply chain, people and Southeastern operations. Read about these risks and our mitigating actions on 48 of the 2019 Annual Report and Accounts.

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Group's policy toward cash deposits is to deposit cash short term on UK money markets.

The Group manages interest rate risk through a combination of fixed rate instruments and/or interest rate derivatives. During the years ended 29 June 2019 and 30 June 2018 the Group had no interest rate swaps in place. The Group has net cash and hence the present adverse risk is a decrease in interest rates.

21. Financial risk management objectives and policies continued

The maturity and interest rate profile of the financial assets and liabilities of the Group (excluding unamortised debt issue costs) as at 29 June 2019 and 30 June 2018 is as follows:

	Average rate %	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Year ended 29 June 2019								
Floating rate (assets)/liabilities								
Syndicated loans	**1.00**	**—**	**—**	**—**	**—**	**—**	**144.7**	**144.7**
Euro revolving credit facility	**1.30**	**5.7**	**—**	**—**	**—**	**—**	**—**	**5.7**
Gross floating rate liabilities		**5.7**	**—**	**—**	**—**	**—**	**144.7**	**150.4**
Cash assets		**(630.8)**	**—**	**—**	**—**	**—**	**—**	**(630.8)**
Net floating rate (assets)/liabilities		**(625.1)**	**—**	**—**	**—**	**—**	**144.7**	**(480.4)**
Fixed rate liabilities								
£250m sterling seven-year bond	**2.50**	**—**	**—**	**—**	**—**	**—**	**250.0**	**250.0**
€10.6m financing facility	**2.79**	**0.8**	**0.8**	**0.9**	**0.9**	**0.9**	**5.4**	**9.7**
Obligations under finance lease and hire purchase contracts	**7.60**	**1.8**	**1.4**	**1.4**	**1.0**	**0.5**	**—**	**6.1**
Net fixed rate liabilities		**2.6**	**2.2**	**2.3**	**1.9**	**1.4**	**255.4**	**265.8**

	Average rate %	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Year ended 30 June 2018								
Floating rate (assets)/liabilities								
Syndicated loans	1.00	—	—	—	—	—	136.0	136.0
Euro revolving credit facility	1.30	6.5	—	—	—	—	—	6.5
€10.6m financing facility	1.50	—	0.4	0.4	0.4	0.4	3.1	4.7
Gross floating rate liabilities		6.5	0.4	0.4	0.4	0.4	139.1	147.2
Cash assets		(556.5)	—	—	—	—	—	(556.5)
Net floating rate (assets)/liabilities		(550.0)	0.4	0.4	0.4	0.4	139.1	(409.3)
Fixed rate liabilities								
£250m sterling seven-year bond	2.50	—	—	—	—	—	250.0	250.0
Obligations under finance lease and hire purchase contracts	7.74	2.8	2.0	1.5	1.4	1.0	0.7	9.4
Net fixed rate liabilities		2.8	2.0	1.5	1.4	1.0	250.7	259.4

The expected maturity of the financial assets and liabilities in the table above is the same as the contractual maturity of the financial assets and liabilities.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are non-interest bearing and are therefore not subject to interest rate risk.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) based on recent historic changes.

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2019			
GBP	**50.0**	**(0.6)**	**0.6**
GBP	**(50.0)**	**0.6**	**(0.6)**
2018			
GBP	50.0	(0.6)	(0.6)
GBP	(50.0)	0.6	0.6

21. Financial risk management objectives and policies continued

Liquidity risk

The Group has in place a £280.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range.

On 16 July 2014, the Group refinanced and entered into a £280.0m five-year syndicated loan facility, with two one-year extensions replacing the previous £275.0m five-year syndicated loan facility. The second of the one-year extensions was agreed on 20 June 2016, extending the maturity of the current facility to July 2021. On 20 July 2018, an additional extension of two years was agreed, extending the maturity of the facility to July 2023. On 9 July 2019 a further one-year extension was agreed extending the maturity to July 2024. A further one-year extension is available which, if exercised, would extend the maturity to July 2025.

On 24 March 2010, the Group raised a £200.0m bond of 7.5 years which matured, and was repaid, on 29 September 2017. The bond had a coupon rate of 5.375%.

On 6 July 2017, the Group raised a £250m bond of seven years maturing on 6 July 2024 with a coupon rate of 2.5% which replaced the £200m sterling bond.

On 27 April 2017, the Group's subsidiary, Go-Ahead Verkehrgesellschaft Deutschland GmbH, entered into a €20m one-year revolving credit facility. On 24 October 2017, €12.0m of this facility was replaced with a €10.6m 10.5 year loan facility with the Group's subsidiary, Go-Ahead Facility GmbH.

The level of drawdowns and prevailing interest rates are detailed in note 19.

Available liquidity as at 29 June 2019 and 30 June 2018 was as follows:

	2019 £m	2018 £m
Syndicated loans	**280.0**	280.0
£250m seven year 2.5% sterling bond 2024	**250.0**	250.0
Euro revolving credit facility	**7.2**	7.1
€10.6m financing facility	**9.5**	9.4
Total core facilities	**546.7**	546.5
Amount drawn down at year end	**410.1**	397.2
Headroom	**136.6**	149.3

The Group's bus vehicles can be financed by hire purchase or finance lease arrangements, or term loans at fixed rates of interest over two to five year primary borrowing periods. This provides a regular inflow of funding to cover expenditure as it arises.

Currency risk

The Group has foreign exchange exposure in respect of cashflow commitments to its operations in Germany, Singapore, the Nordics and Ireland. These are currently not material to the Group.

Credit risk

The Group's credit risk is primarily attributable to its financial assets, comprising trade and other receivables (see note 16), cash and cash equivalents (see note 17) and fuel hedge derivatives (see note 22). The maximum credit risk exposure of the Group as at the year end was £959.2m (2018: £840.8m) and comprises amounts from a number of unconnected parties.

The majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT). The Group does not consider these counterparties to be a significant credit risk. Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A- or A3 or above by at least one of the credit rating agencies. The treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

In relation to provisions for impairments of trade receivables, the Group applies the IFRS 9 simplified approach and provisions are made based on the expected credit losses at each reporting date. Expected credit losses are assessed based on the number of days past due, the customer type, customer rating and past experience. Provisions for the impairment of trade receivables are recorded within operating costs within the income statement, with any subsequent recoveries being offset against these.

Commodity price risk

The Group is exposed to commodity price risk as a result of fuel usage. The Group closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate. The Group operates a bus fuel hedging policy which uses fuel hedges to fix the price of diesel fuel in advance. The core policy is to be fully hedged for the next financial year before the start of that year, with at least 50% of the following year fixed and 25% of the year thereafter. This hedging profile is then maintained on a month by month basis. Additional purchases can be made to lock in future costs, subject to Board approval. Risk component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased fuel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the risk component and there is a strong correlation between the movements in the price of the derivative and the fuel price purchased. Variances in pricing between the derivative commodity and the purchased price relate to underlying costs such as duty and delivery and are excluded from the hedge relationship. Further details are given in note 22.

21. Financial risk management objectives and policies continued

Contractual payments

The tables below summarise the maturity profile of the Group's financial liabilities at 29 June 2019 and 30 June 2018 based on contractual undiscounted payments.

Year ended 29 June 2019

	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	**—**	**0.3**	**7.9**	**7.8**	**150.2**	**166.2**
£250m sterling seven year bond	**—**	**5.7**	**—**	**—**	**248.3**	**254.0**
Trade and other payables	**49.3**	**455.4**	**90.7**	**—**	**—**	**595.4**
	49.3	**461.4**	**98.6**	**7.8**	**398.5**	**1,015.6**

Year ended 30 June 2018

	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	—	0.3	7.2	6.7	139.2	153.4
£250m sterling seven year bond	—	6.1	—	—	247.4	253.5
Trade and other payables	24.6	424.2	110.3	—	—	559.1
	24.6	430.6	117.5	6.7	386.6	966.0

Managing capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Details of the issued capital and reserves are shown in note 24. Details of interest-bearing loans and borrowings are shown in note 19.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 29 June 2019 and 30 June 2018.

The Group applies the primary objective by managing its capital structure such that net debt (adjusted to exclude restricted cash) to EBITDA* is within a range which retains an investment grade debt rating of at least BBB-.

In the year ended 2 July 2011, the Group obtained investment grade long term credit ratings from Standard & Poor's and Moody's as follows:

Standard & Poor's	BBB- (stable outlook)
Moody's	Baa3 (stable outlook)

Those ratings have been maintained in the year ended 29 June 2019 and recently reconfirmed.

The Group's policy is to maintain an adjusted net debt to EBITDA ratio of 1.5x to 2.5x. The Group's calculation of adjusted net debt is set out in note 19 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. During the year no specific actions were required to be taken by the Group with regard to this ratio or to ensure the investment grade debt rating.

Our primary financial covenant under the 2024 syndicated loan facility is an adjusted net debt to EBITDA ratio of not more than 3.5x and at 29 June 2019 it was 1.32x (2018: 1.30x).

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

Operating leases

The Group uses operating leases for bus and coach purchases across the Group primarily where the vehicles service specific contracts to mitigate the risk of ownership at the end of the contract. The majority of assets in the rail division are financed by operating leases, in particular rolling stock.

IFRS 16 Leases is effective for the Group from 30 June 2019. The impact that this standard will have on the Group is disclosed in the notes to the 2019 Annual Report and Accounts.

22. Derivatives and financial instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations. For accounting policies see 'Financial assets and derivatives', 'Fair value measurement' and 'Interest-bearing loans and borrowings' in the notes to the 2019 Annual Report and Accounts.

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 29 June 2019 and 30 June 2018 and are as follows:

	2019 £m	2018 £m
Non-current financial assets: fuel price derivatives	**1.5**	8.1
Current financial assets: fuel price derivatives	**4.4**	10.0
	5.9	18.1
Current financial liabilities: fuel price derivatives	**(0.8)**	—
Non-current financial liabilities: fuel price derivatives	**(0.8)**	—
	(1.6)	—
Net financial derivatives	**4.3**	18.1

The carrying value of the Group's financial assets and liabilities are as follows:

Year ended 29 June 2019

	Amortised cost £m	**Derivatives used for cash-flow hedging £m**	**Total carrying value £m**	**Fair value £m**
Financial assets and derivatives				
Trade and other receivables	**322.5**	**—**	**322.5**	**322.5**
Cash and cash equivalents	**630.8**	**—**	**630.8**	**630.8**
Fuel price derivatives	**—**	**5.9**	**5.9**	**5.9**
	953.3	**5.9**	**959.2**	**959.2**
Financial liabilities and derivatives				
Interest-bearing loans and borrowings	**(413.2)**	**—**	**(413.2)**	**(411.7)**
Trade and other payables	**(626.7)**	**—**	**(626.7)**	**(626.7)**
Fuel price derivatives	**—**	**(1.6)**	**(1.6)**	**(1.6)**
	(1,039.9)	**(1.6)**	**(1,041.5)**	**(1,040.0)**

Year ended 30 June 2018

	Amortised cost £m	Derivatives used for cash-flow hedging £m	Total carrying value £m	Fair value £m
Financial assets and derivatives				
Trade and other receivables	266.2	—	266.2	266.2
Cash and cash equivalents	556.5	—	556.5	556.5
Fuel price derivatives	—	18.1	18.1	18.1
	822.7	18.1	840.8	840.8
Financial liabilities and derivatives				
Interest bearing loans and borrowings	(403.2)	—	(403.2)	(398.6)
Trade and other payables	(590.1)	—	(590.1)	(590.1)
Fuel price derivatives	—	—	—	—
	(993.3)	—	(993.3)	(988.7)

22. Derivatives and financial instruments continued

The fair values of all other assets and liabilities in notes 16, 18 and 19 are not significantly different from their carrying amount, with the exception of the £250m sterling seven-year bond which has a fair value of £248.5 (2018: £245.4m) but is carried at its amortised cost of £250.0m (2018: £250.0m). The fair value of the £250m sterling seven-year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

All other fair values shown above have been calculated by discounting cashflows at prevailing interest rates.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 29 June 2019 and 30 June 2018, the Group has used a level 2 valuation technique to determine the fair value of the fuel price derivatives. The valuations are based on the external Mark-to-Market (MtM) valuations provided by the derivative providers and are prepared in accordance with the providers own internal models and calculation methods based upon well recognised financial principles, relevant current market conditions and reasonable estimates about relevant future market conditions.

There are a small number of foreign currency hedges in place as at 29 June 2019 (2018: none). The foreign currency hedge valuations are based on the external MtM valuations and are currently not material to the Group.

During the year ended 29 June 2019, there were no transfers between valuation levels.

b. Hedging activities

Fuel derivatives

As discussed in note 21, the Group is exposed to commodity price risk as a result of fuel usage.

Bus

As at 29 June 2019, the Group had derivatives against bus fuel of 188 million litres for the three years ending June 2022. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 29 June 2019 the Group's external hedging profile is as follows:

	< 1 year	1–2 years	2–5 years	Total
Actual percentage hedged	**100%**	**50%**	**25%**	
Litres hedged (million)	**108**	**54**	**26**	**188**
Average hedged rate (pence per litre)	**36.8**	**36.7**	**38.9**	**37.7**

* Assuming consistent usage and that hedging is completed at June 2019 market price.

The changes in the fair values of the fuel derivatives during the year are as follows:

	2019 £m	2018 £m
Changes in fair value of hedged item	**(13.7)**	28.2
Changes in fair value of hedging instrument	**13.7**	(28.2)
Changes in fair value through the hedging reserves (net of tax)	**(11.3)**	23.0

The maturity of the hedge profile is between July 2019 and June 2022.

Rail

As at 29 June 2019 the Group had no derivatives against rail fuel for the 2019 financial year (2018: nil).

23. Provisions

A provision is a liability recorded in the consolidated balance sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to uninsured claims and dilapidation provisions relating to franchise commitments. For accounting policies see 'Provisions' and 'Uninsured liabilities' in the notes to the 2019 Annual Report and Accounts.

	Franchise commitments £m	Uninsured claims £m	Other £m	Total £m
At 1 July 2017	53.0	44.3	4.9	102.2
Provided (after discounting)	24.1	18.3	1.5	43.9
Utilised	(16.1)	(14.8)	—	(30.9)
Released	(9.0)	(3.1)	(0.6)	(12.7)
On acquisition	—	0.9	0.3	1.2
Unwinding of discounting	(0.1)	(0.3)	—	(0.4)
At 30 June 2018	51.9	45.3	6.1	103.3
Provided (after discounting)	**33.7**	**15.1**	**3.6**	**52.4**
Utilised	**(19.6)**	**(11.8)**	**(0.2)**	**(31.6)**
Released	**(2.2)**	**(4.8)**	**(0.1)**	**(7.1)**
Unwinding of discounting	**0.2**	**(0.4)**	**—**	**(0.2)**
At 29 June 2019	**64.0**	**43.4**	**9.4**	**116.8**

	2019 £m	2018 £m
Current	**34.8**	29.6
Non-current	**82.0**	73.7
	116.8	103.3

Franchise commitments

Franchise commitments comprise £64.0m (2018: £51.5m) dilapidation provisions on vehicles, depots and stations across our two (2018: two) active rail franchises, and £nil (2018: £0.4m) provisions relating to other franchise commitments. Of the dilapidations provisions, £21.6m (2018: £15.1m) are classified as current. In the prior year, all of the £0.4m provision relating to other franchise commitments is classified as current. During the year £2.2m (2018: £9.0m) of provisions previously provided were released following the successful renegotiation of certain contract conditions. The dilapidations will be incurred as part of a rolling maintenance contract over the next three years. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

Uninsured claims

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Of the uninsured claims, £12.6m (2018: £13.4m) are classified as current and £30.8m (2018: £31.9m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years. Both the estimate of settlements that will be made in respect of claims received as well as the estimate of settlements made in respect of incidents not yet reported are based on historical trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Other

The other provisions of £9.4m (2018: £6.1m) relate to dilapidations in the bus division of which £0.6m (2018: £0.7m) are classified as current, and £8.8m (2018: £5.4m) are classified as non-current. It is expected that the dilapidations will be incurred within two to six years. Reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year.

24. Issued capital and reserves

Called up share capital is the number of shares in issue at their par value. For accounting policies see 'Treasury shares' in the notes to the 2019 Annual Report and Accounts.

	Allotted, called up and fully paid			
	Millions	**2019 £m**	Millions	2018 £m
As at 29 June 2019 and 30 June 2018	**47.1**	**4.7**	47.0	4.7

The Group has one class of ordinary shares which carry no right to fixed income and have a par value of 10p per share.

Share capital

Share capital represents proceeds on issue of the Group's equity, both nominal value and share premium.

Reserve for own shares

The reserve for own shares is in respect of 4,066,037 ordinary shares (8.6% of share capital), of which 163,807 are held for LTIP and DSBP arrangements.

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 29 June 2019 the Group has repurchased 56,482 shares for LTIP and DSBP arrangements (2018: 64,012 shares repurchased). The Group has not cancelled any shares during the year (2018: no shares cancelled).

Hedging reserve

The hedging reserve records the movement in value of fuel price derivatives, offset by any movements recognised directly in equity.

Share premium reserve

The share premium reserve represents the premium on shares that have been issued to fund or part fund acquisitions made by the Group. This treatment is in line with Section 612 of the Companies Act 2006.

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

Translation reserve

The translation reserve records exchange differences arising from the translation of the balance sheets of foreign currency denominated subsidiaries.

25. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to operating leases and agreements to procure assets. These amounts are not recorded in the consolidated financial statements as we have not yet received the goods or services from the supplier.

Capital commitments

	2019 £m	2018 £m
Contracted for but not provided – acquisition of property, plant and equipment	**69.6**	34.8

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties and other items. Renewals are at the option of the lessee. There are no restrictions placed upon the lessee by entering into these leases.

The Group's train operating companies hold agreements under which they lease rolling stock from rolling stock operating companies, and agreements with Network Rail and DB netz AG for access to the railway infrastructure (track, stations and depots).

Future minimum rentals payable under non-cancellable operating leases as at 29 June 2019 and 30 June 2018 were as follows:

As at 29 June 2019

	Bus vehicles and other £m	**Bus property £m**	**Rail rolling stock £m**	**Rail access charges £m**	**Rail other £m**	**Total £m**
Within one year	**15.7**	**4.4**	**558.1**	**376.3**	**150.8**	**1,105.3**
In the second to fifth years inclusive	**28.2**	**12.8**	**725.7**	**281.1**	**186.4**	**1,234.2**
Over five years	**—**	**7.9**	**267.8**	**6.7**	**22.9**	**305.3**
	43.9	**25.1**	**1,551.6**	**664.1**	**360.1**	**2,644.8**

24. Issued capital and reserves continued

As at 30 June 2018

	Bus vehicles and other £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m	Total £m
Within one year	11.0	1.3	575.8	361.4	134.9	1,084.4
In the second to fifth years inclusive	27.2	5.0	1,060.8	239.1	243.2	1,575.3
Over five years	—	5.2	162.4	—	—	167.6
	38.2	11.5	1,799.0	600.5	378.1	2,827.3

Operating lease commitments – Group as lessor

The Group's rail operating companies sub lease access to stations and depots to other commercial organisations.

Future minimum rentals receivable under non-cancellable operating leases as at 29 June 2019 and 30 June 2018 were as follows:

	2019		2018	
	Land and buildings £m	**Other rail agreements £m**	Land and buildings £m	Other rail agreements £m
Within one year	**1.1**	**23.9**	2.3	11.1
In the second to fifth years inclusive	**1.6**	**39.2**	0.4	62.7
Over five years	**—**	**—**	—	—
	2.7	**63.1**	2.7	73.8

26. Contingencies

Performance bonds and other guarantees

The Group has provided bank guaranteed performance bonds of £67.1m (2018: £76.9m), a loan guarantee bond of £36.3m (2018: £36.3m), and season ticket bonds of £151.9m (2018: £154.1m) to the DfT in support of the Group's UK rail franchise operations. In addition the Group, together with Keolis, has a joint parental company commitment to provide funds of £136.0m (2018: £136.0m) to the DfT in respect of the Govia Thameslink Railway franchise, of which Group has a 65% share equating to £88.4m (2018: £88.4m). At the year end £nil (2018: £nil) has been provided.

To support subsidiary companies in their normal course of business, the Group has provided parental company guarantees and indemnified certain banks and insurance companies who have issued certain performance bonds and a letter of credit. The letter of credit at 29 June 2019 is £58.0m (2018: £58.0m).

The Group has a bond of $4.2m SGD (2018: $4.2m SGD) to the Land Transport Authority (LTA) of Singapore in support of the Group's Singapore bus operations. At the year end exchange rate this equates to £2.5m (2018: £2.4m).

The Group has a bond of €5.0m (2018: €5.0m) in favour of the Ministry of Transport of BW, bonds of €1.1m (2018: €1.1m) in favour of the Ministry of Transport of BW and the Bavarian Rail Authority and €5.0m (2018: €nil) in favour of Bavarian Rail Authority. All are in support of the Group's German rail operations. At the year end exchange rate these equate to £9.9m (2018: £5.4m). The Group has provided a parental company guarantee to provide funds of €35.0m (2018: €35.0m) in respect of the Germany operations, of which €nil (2018: €nil) has been provided for at year end. At the year end exchange rate this equates to £31.3m (2018: £31.0m).

The Group has bonds of €10.0m (2018: €8.0m) in favour of the National Transport Authority in Ireland in support of the Group's Irish bus operations. At the year end exchange rate this equates to £9.0m (2018: £7.1m).

The Group has a bond of 200m NOK (2018: nil NOK) in favour of Jernbanedirectwatet in Norway in support of the Group's Nordic rail operations. At the year end exchange rate this equates to £18.4m (2018: £nil).

26. Contingencies continued

Contingent liabilities

On 27 February 2019 a Collective Proceedings Application was filed at the Competition Appeal Tribunal under section 47B of the Competition Act 1998 against one of the Group's subsidiary companies, London and Southeastern Railway Limited. The Claim alleges that the company failed to make Boundary Zone Fares sufficiently available to those rail passengers who held TfL travelcards across its multiple sales channels and failing to ensure that customers are aware of these. Equivalent applications were made against South West Trains and South Western Railway.

The proceedings are at a very early stage with the next step being if the Competition Appeal Tribunal will initially decide whether this is a claim that meets the legislative criteria for this type of claim. A hearing in relation to this is scheduled for November 2019. If the criteria were met, it would allow the claim to proceed to a full trial.

The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot initially be substantiated. No provision associated with the claim (other than legal costs) has accordingly been made.

There is no legal precedent both in respect of this type of claim or how it would be valued if found to be a valid claim. Finally, determining how such a claim would be allocated amongst the various parties, and other stakeholders including the Department for Transport (DfT), is highly uncertain.

Accordingly the Group cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Annual Report and Accounts.

27. Retirement benefit obligations

The Group operates a defined contribution pension scheme and a workplace saving scheme for our employees. We also administer a defined benefit pension scheme, which is closed to new entrants and future accruals. The train operating companies participate in the Rail Pension Scheme, a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. For accounting policies see 'Retirement benefits' in the notes to the 2019 Annual Report and Accounts.

Retirement benefit obligations consist of the following:

	2019			2018		
	Bus £m	**Rail £m**	**Total £m**	Bus £m	Rail £m	Total £m
Pre-tax pension scheme asset	**48.7**	**—**	**48.7**	36.8	—	36.8
Deferred tax liability	**(8.5)**	**—**	**(8.5)**	(6.5)	—	(6.5)
Post-tax pension scheme asset	**40.2**	**—**	**40.2**	30.3	—	30.3

The net surplus before taxation on the bus defined benefit schemes was £48.7m (2018: surplus of £36.8m), consisting of estimated assets of £858.8m (2018: £829.3m) less liabilities of £810.1m (2018: £792.5m). During the year an exceptional charge of £16.8m has been taken to the income statement as a result of the GMP equalisation ruling which directly impacted the bus pension scheme liabilities (2018: gain of £35.2m as a result of RPI/CPI change).

The net deficit before taxation on the rail schemes was £nil (2018: £nil). The nature of these schemes means at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates under the franchise.

	2019			2018		
	Bus £m	**Rail £m**	**Total £m**	Bus £m	Rail £m	Total £m
Remeasurement gains/(losses) due to:						
Experience on benefit obligations	**24.3**	**—**	**24.3**	(4.7)	(23.8)	(28.5)
Changes in demographic assumptions	**22.5**	**—**	**22.5**	—	38.3	38.3
Changes in financial assumptions	**(54.5)**	**(156.7)**	**(211.2)**	16.4	58.5	74.9
Return on assets greater than discount rate	**29.3**	**67.0**	**96.3**	7.2	62.6	69.8
Franchise adjustment movement	**—**	**89.7**	**89.7**	—	(135.6)	(135.6)
Remeasurement gains on defined benefit pension plans	**21.6**	**—**	**21.6**	18.9	—	18.9

27. Retirement benefit obligations continued

Bus schemes

The Go-Ahead Group Pension Plan

For the majority of bus employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the Go-Ahead Plan), which consists of funded defined benefit sections and defined contribution sections as follows.

The defined contribution sections of the Go-Ahead Plan are not contracted-out of the State Second Pension Scheme. The Money Purchase Section is now closed to new entrants, except by invitation from the Company, and has been replaced by the Workplace Saving Section, which is also a defined contribution plan. The expense recognised for the Money Purchase Section of the Go-Ahead Plan is £9.3m (2018: £9.9m), being the contributions paid and payable. The expense recognised for the Workplace Saving Scheme is £6.4m (2018: £4.0m), being the contributions paid and payable.

The defined benefit sections of the Go-Ahead Plan are contracted-out of the State Second Pension Scheme and provide benefits based on a member's final pensionable salary. The assets of the defined benefit sections are held in a separate trustee-administered fund. Contributions to these sections are assessed in accordance with the advice of an independent qualified actuary. The defined benefit sections of the Go-Ahead Plan have been closed to new entrants and closed to future accrual from 31 March 2014.

The Go-Ahead Plan is a plan for related companies within the Group where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19 (revised). Each of the participating companies account on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2018, and the next will have an effective date of 31 March 2021.

The investment strategy of the Go-Ahead Plan, which aims to meet liabilities as they fall due, is to invest plan assets in a mix of equities, other return seeking assets and liability driven investments to maximise the return on plan assets and minimise risks associated with lower than expected returns on plan assets. Trustees are required to regularly review investment strategy.

Other pension plans

Some employees of Plymouth Citybus Limited are members of a Devon County Council defined benefit scheme. This scheme is externally funded and no further entrants can join. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary.

Some employees of East Yorkshire Motor Services Limited are members of the EYMS Group pension defined benefit scheme. The scheme was closed to future accrual with effect from 6 January 2011 having previously been closed to new entrants with effect from 6 April 2001. Contributions to the scheme are based on advice from an independent qualified actuary. Existing contributions are based on the 5 April 2017 valuation.

The actuarial assumptions disclosed are in respect of both the Go-Ahead Plan and EYMS plan only, given the respective sizes of the three bus pension schemes.

Summary of bus schemes year end assumptions

	2019 %	2018 %
Retail price index inflation	**3.2**	3.1
Consumer price index inflation	**2.2**	2.1
Discount rate	**2.3**	2.7
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment and deferred pension	**2.3**	1.8

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male member of each pension scheme at age 65.

	2019 Years	2018 Years
Pensioner	**21**	21
Non-pensioner	**23**	22

27. Retirement benefit obligations continued

Sensitivity analysis

In making the valuation, the above assumptions have been used. For bus pension schemes, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation, the following adjustments would adjust the pension deficit as shown.

	2019 Pension deficit %	2018 Pension deficit %
Discount rate – increase of 0.1%	**(1.5)**	(1.7)
Price inflation – increase of 0.1%	**1.4**	1.5
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment – increase of 0.1%	**1.0**	0.9
Increase in life expectancy of pensioners or non-pensioners by one year	**4.3**	3.6

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.1% and 1 year in the sensitivity analysis is considered to be a reasonable illustrative approximation of possible changes, as these variations can regularly arise.

Maturity profile of bus schemes defined benefit obligation

The following tables shows the expected future benefit payments of the plan at 29 June 2019.

	2019 £m
June 2020	**27.6**
June 2021	**28.7**
June 2022	**30.0**
June 2023	**31.3**
June 2024	**32.2**
June 2025 to June 2029	**172.8**

Category of assets at the year end

	2019		2018	
	£m	%	£m	%
Equities	**75.8**	**8.8**	95.3	11.5
Bonds	**77.6**	**9.0**	109.3	13.2
Property	**57.0**	**6.6**	53.9	6.5
Liability driven investment portfolio	**399.1**	**46.5**	246.9	29.8
Cash/other	**249.3**	**29.1**	323.9	39.0
	858.8	**100.0**	829.3	100.0

All of the asset categories above are held within pooled funds and are classed as quoted in an active market where the underlying assets are exchanged, traded or can be valued with a reasonable degree of certainty based on market data. Any liquidity funds have been classed as unquoted in active markets.

Funding position of the Group's pension arrangements

	2019 £m	2018 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	**(810.1)**	(792.5)
Assets at fair value	**858.8**	829.3
Pension scheme asset	**48.7**	36.8

27. Retirement benefit obligations continued

Pension cost for the financial year

	2019 £m	2018 £m
Administration costs	**2.0**	1.7
Settlement charge/(gain)	**16.8**	(35.2)
Interest cost on net liabilities	**(0.8)**	0.4
Total pension costs	**18.0**	(33.1)

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

As a result of this change, a pre-tax, non-cash exceptional settlement charge of £16.8m has been recognised in the income statement.

In the prior year, the £35.2m settlement gain is due to the change from the Retail Price Index (RPI) to the Consumer Price Index (CPI) for the purpose of annual increases to the majority of pensions payable by the bus schemes.

Analysis of the change in the pension scheme liabilities over the financial year

	2019 £m	2018 £m
Pension scheme liabilities – at start of year	**792.5**	805.5
Interest cost	**20.9**	20.5
Settlement loss/(gain)	**16.8**	(35.2)
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	**(24.3)**	4.7
Changes in demographic assumptions	**(22.5)**	—
Changes in financial assumptions	**54.5**	(16.4)
Benefits paid	**(27.8)**	(28.5)
On acquisition	**—**	41.9
Pension scheme liabilities – at end of year	**810.1**	792.5

Analysis of the change in the pension scheme assets over the financial year

	2019 £m	2018 £m
Fair value of assets – at start of year	**829.3**	784.6
Interest income of plan assets	**21.7**	20.1
Remeasurement gains due to return on assets greater than discount rate	**29.3**	7.2
Administration costs	**(2.0)**	(1.7)
Group contributions	**8.2**	6.6
Benefits paid	**(27.7)**	(28.5)
On acquisition	**—**	41.0
Fair value of plan assets – at end of year	**858.8**	829.3

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2020	**8.0**
Estimated employee contributions in financial year 2020	**—**
Estimated total contributions in financial year 2020	**8.0**

27. Retirement benefit obligations continued

Rail schemes

The Railways Pension Scheme (RPS)

The majority of employees in our train operating companies are members of sections of the Railways Pensions Scheme (RPS), an industry-wide defined benefit scheme. The Group is obligated to fund the relevant section of the scheme over the period for which the franchise is held.

The RPS is governed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

All the costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. The RPS sections are all open to new entrants and the assets and liabilities of each company's section are separately identifiable and segregated for funding purposes.

In addition, at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates the franchise.

Changes in financial assumptions includes the effect of changes in the salary cap agreed to offset additional national insurance costs as a result of the schemes no longer "opting out".

The accounting policy for the Railways Pension Scheme (RPS) is covered on page 134 and pages 142–3 of the 2019 Annual Report and Accounts.

British Railways Additional Superannuation Scheme (BRASS) matching AVC Group contributions of £0.3m (2018: £0.6m) were paid in the year.

Summary of year end assumptions

	2019 %	2018 %
Retail price index inflation	**3.2**	3.1
Consumer price index inflation	**2.2**	2.1
Discount rate	**2.4**	2.7
Rate of increase in salaries	**3.5**	3.4
Rate of increase of pensions in payment and deferred pension	**2.2**	2.1

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male member of each pension scheme at age 65.

	2019 Years	2018 Years
Pensioner	**21**	21
Non-pensioner	**23**	23

The mortality assumptions adopted as at 29 June 2019 and 30 June 2018 are based on the results of the latest funding valuation as at 31 December 2013.

Sensitivity analysis

Due to the nature of the franchise adjustment, the balance sheet position in respect of the rail pension schemes is not sensitive to small movements in any of the assumptions and therefore we have not included any quantitative sensitivity analysis.

Category of assets at the year end

	2019		2018	
	£m	**%**	£m	%
Equities	**2,023.0**	**98.6**	1,859.3	98.0
Property	**26.7**	**1.3**	34.1	1.8
Cash	**2.0**	**0.1**	3.8	0.2
	2,051.7	**100.0**	1,897.2	100.0

All of the asset categories above are held within pooled funds and therefore quoted in active markets.

27. Retirement benefit obligations continued

Funding position of the Group's pension arrangements

	2019 £m	2018 £m
Employer's 60% share of pension scheme:		
Liabilities at the end of the year	**(2,790.0)**	(2,474.1)
Assets at fair value	**2,051.7**	1,897.2
Gross deficit	**(738.3)**	(576.9)
Franchise adjustment	**738.3**	576.9
Pension scheme liability	**—**	—

Pension cost for the financial year

	2019 £m	2018 £m
Service cost	**85.7**	95.4
Administration costs	**3.4**	3.5
Franchise adjustment to current period costs	**(55.8)**	(65.2)
Interest cost on net liabilities	**15.9**	18.9
Interest on franchise adjustments	**(15.9)**	(18.9)
Pension cost	**33.3**	33.7

Analysis of the change in the employer's 60% share of pension scheme liabilities over the financial year

	2019 £m	2018 £m
Pension scheme liabilities less members' share (40%) of the deficit – at start of year	**2,474.1**	3,010.9
Franchise adjustment (100%)	**(576.9)**	(785.5)
	1,897.2	2,225.4
Liability movement for members' share of assets (40%)	**85.1**	80.9
Service cost (60%)	**85.4**	95.4
Interest cost (60%)	**47.0**	49.6
Interest on franchise adjustment (100%)	**(15.9)**	(18.9)
Franchise adjustment to current period costs (100%)	**(55.8)**	(65.2)
Remeasurement losses/(gains) due to:		
Experience on benefit obligations (60%)	**—**	23.8
Changes in demographical assumptions (60%)	**—**	(38.3)
Changes in financial assumptions (60%)	**156.7**	(58.5)
Benefits paid (100%)	**(58.3)**	(61.3)
Transfer of franchise	**—**	(628.4)
Franchise adjustment on transfer of franchise	**—**	157.1
Franchise adjustment movement (100%)	**(89.7)**	135.6
	2,051.7	1,897.2
Franchise adjustment (100%)	**738.3**	576.9
Pension scheme liabilities less members share (40%) of the deficit – at end of year	**2,790.0**	2,474.1

27. Retirement benefit obligations continued

Analysis of the change in the pension scheme assets over the financial year

	2019 £m	2018 £m
Fair value of assets – at start of year (100%)	**1,897.2**	2,225.4
Interest income of plan assets (60%)	**31.1**	30.7
Remeasurement gains due to return on assets greater than discount rate (60%)	**67.0**	62.5
Administration costs (100%)	**(5.7)**	(5.9)
Group contributions (100%)	**33.0**	33.1
Benefits paid (100%)	**(58.3)**	(61.3)
Transfer of franchise	**—**	(471.3)
Members' share of movement of assets (40%)	**87.4**	84.0
Fair value of plan assets – at end of year (100%)	**2,051.7**	1,897.2

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2020	**26.6**
Estimated employee contributions in financial year 2020	**17.8**
Estimated total contributions in financial year 2020	**44.4**

Franchise adjustment

The effect of the franchise adjustment on the financial statements is provided below:

	2019 £m	2018 £m
Balance sheet		
Defined benefit pension plan	**(738.3)**	(576.9)
Deferred tax asset	**125.5**	98.1
	(612.8)	(478.8)
Other comprehensive income		
Remeasurement losses/(gains)	**89.7**	(135.6)
Tax on remeasurement (losses)/gains	**(15.2)**	23.1
	74.5	(112.5)
Income statement		
Franchise adjustment to current period costs	**(55.8)**	(65.2)
Interest on franchise adjustments	**(15.9)**	(18.9)
Deferred tax charge	**12.2**	14.3
	(59.5)	(69.8)

27. Retirement benefit obligations continued

Risks associated with defined benefit plans

Rail schemes

Despite remaining open to new entrants and future accrual, the risks posed by the RPS are limited as under the franchise arrangements, the train operating companies are not responsible for any residual deficit at the end of a franchise. As such, there is limited short term cashflow risk within this business and, if agreed, it would also be proportionately borne by the employees as well as the Group. Following the conclusion of The Pension Regulator's ongoing investigation into rail pensions, the risks associated with the Group's rail schemes will be reviewed.

Bus schemes

The number of employees in defined benefit plans is reducing, as these plans are closed to new entrants, and, in the case of the Go-Ahead Plan and the EYMS Plan, closed to future accrual.

The key risks relating to the defined benefit pension arrangements and the steps taken by the Group to mitigate them are as follows:

Risk	Description	Mitigation
Asset volatility	The liabilities are calculated using a discount rate set with reference to bond yields with maturity profiles matching pension maturity; if assets underperform this yield, this will create a deficit. Most of the defined benefit arrangements hold a proportion of return-seeking assets (equities, diversified growth funds and global absolute return funds) and, to offset the additional risk, hold a proportion in liability driven investments, which should reduce volatility.	Asset liability modelling has been undertaken recently in all significant plans to ensure that any risks taken are rewarded and that we have a balance of risk seeking and liability driven investments.
Inflation risk	A significant proportion of the UK benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities.	The business has some inflation linking in its revenue streams, which helps to offset this risk. During the 2018 financial year, changes in assumptions were made from RPI to CPI when looking at future pension payments, which have helped to offset the risk.
Life expectancy	The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	The Group final salary scheme has closed to future accrual, reducing exposure to increases in life expectancy risk.
Legislative risk	Future legislative changes are uncertain. In the past these have led to increases in obligations, introducing pension increases, and vesting of deferred pensions, or reduced investment return through the ability to reclaim Advance Corporation Tax. The UK government has legislated to end contracting out in 2016. On 26 October 2018 the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. The judgement has had an impact on the Plan's defined benefit pension liabilities (see note 6 for further details).	The Group final salary scheme has closed to future accrual, reducing risk to legislative change. The Group takes professional advice to keep abreast of legislative changes.

28. Related party disclosures and Group undertakings

Our subsidiaries listed below each contribute to the profits, assets and cashflow of the Group. The Group has a number of related parties including joint ventures, pension schemes and directors. For accounting policies see 'Interests in joint arrangements' in the notes to the 2019 Annual Report and Accounts.

The consolidated financial statements include the financial statements of The Go-Ahead Group plc and the following Group undertakings:

Name	Country of incorporation and principal place of business	% equity interest 2019	% equity interest 2018
Trading subsidiaries			
Go-Ahead Holding Limited	United Kingdom[2]	**100**	100
Go North East Limited	United Kingdom	**100**	100
London General Transport Services Limited	United Kingdom	**100**	100
Go-Ahead London Rail Replacement Services Limited	United Kingdom	**100**	100
Brighton & Hove Bus and Coach Company Limited	United Kingdom	**100**	100
The City of Oxford Motor Services Limited	United Kingdom	**100**	100
Go South Coast Limited	United Kingdom	**100**	100
Plymouth Citybus Limited	United Kingdom	**100**	100
Konectbus Limited	United Kingdom	**100**	100
Thames Travel (Wallingford) Limited	United Kingdom	**100**	100
Carousel Buses Limited	United Kingdom	**100**	100
Hedingham & District Omnibuses Ltd.	United Kingdom	**100**	100
Anglian Bus Limited	United Kingdom	**100**	100
HC Chambers & Son Limited	United Kingdom	**100**	100
Aviance UK Limited	United Kingdom	**100**	100
New Southern Railway Limited	United Kingdom[1]	**65**	65
London & South Eastern Railway Limited	United Kingdom[1]	**65**	65
London & Birmingham Railway Limited	United Kingdom[1]	**65**	65
Southern Railway Limited	United Kingdom[1]	**65**	65
Govia Thameslink Railway Limited	United Kingdom[1]	**65**	65
Govia Limited	United Kingdom[1]	**65**	65
Go-Ahead Scotland Limited	United Kingdom	**100**	100
Tom Tappin, Limited	United Kingdom	**100**	100
EYMS Group Limited	United Kingdom	**100**	100
East Yorkshire Motor Services Limited	United Kingdom	**100**	100
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Germany	**100**	100
Go-Ahead Baden Württemberg GmbH	Germany	**100**	100
Go-Ahead Facility GmbH	Germany	**100**	100
Go-Ahead Bayern GmbH	Germany	**100**	—
Go-Ahead Seletar PTE. Ltd	Singapore	**100**	100
Go-Ahead Singapore PTE. Ltd	Singapore	**100**	100
Go-Ahead Sverige AB	Sweden	**100**	100
Go-Ahead Norge AS	Norway	**100**	100
Go-Ahead Finland Oy	Finland	**100**	—
Go-Ahead Transport Services (Dublin) Limited	Ireland	**100**	100
Go North West Limited	United Kingdom	**100**	100
Jointly controlled entities			
On Track Retail Limited	United Kingdom[3]	**50**	50
Investments			
Mobileeee GmbH	Germany[4]	**12**	12

1. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.
2. Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.
3. On Track Retail Limited is a joint venture with Assertis Limited.
4. Mobileeee GmbH is an investment of Go-Ahead Verkehrsgesellschaft Deutschland GmbH.

The above trading subsidiaries have one class of ordinary shares which carry no right to fixed income, with the exception of On Track Retail Limited, which also has redeemable preference shares.

The registered office of all trading subsidiaries incorporated in the United Kingdom is: 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne, NE1 6EE.

28. Related party disclosures and Group undertakings continued

The registered offices of trading subsidiaries incorporated outside of the United Kingdom are as follows:

Subsidiary	Registered office
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Jean-Monnaie-Straße 2, D-10557, Berlin, Germany
Go-Ahead Baden Württemberg GmbH	Büchsenstraße 20, D-73457, Stuttgart, Germany
Go-Ahead Facility GmbH	Bahnhof 2, D-73457, Essingen, Germany
Go-Ahead Bayern GmbH	Bahnhofstr. 6, 86150 Augsburg
Go-Ahead Sverige AB	Mäster Samuelsgatan 20, SE 101 39, Stockholm, Sweden
Go-Ahead Norge AS	Filipstad Brygge 1, NO 0125, Oslo, Norway
Go-Ahead Finland Oy	Bulevardi 1A, 00100 Helsinki, Finland
Go-Ahead Seletar PTE Ltd and Go-Ahead Singapore PTE Ltd	2 Loyang Way, Singapore 508776
Go-Ahead Dublin Services (Transport) Limited	Holmes O'Malley Sexton Solicitors 2–4 Ely Place Dublin 2

Name	Company number	Country of incorporation	% equity interest 2019	2018
Dormant subsidiaries				
East Midlands Railway Limited	7164882	United Kingdom	**100**	100
Go Wear Buses Limited	2019645	United Kingdom	**100**	100
Go-Reading Limited	3158846	United Kingdom	**100**	100
GA Retail Services Limited	4173713	United Kingdom	**100**	100
The Go-Ahead Group Trustee Company limited	2125799	United Kingdom	**100**	100
Go-Ahead Property Development Limited	7128594	United Kingdom	**100**	100
GHI Ltd	4262016	United Kingdom	**100**	100
Southern Vectis Limited	2005917	United Kingdom	**100**	100
Birmingham Passenger Transport Services Limited	2901263	United Kingdom	**100**	100
Go Coastline Limited	2018469	United Kingdom	**100**	100
Go London Limited	2849983	United Kingdom	**100**	100
Go West Midlands Limited	2490584	United Kingdom	**100**	100
Levers Coaches Limited	2524573	United Kingdom	**100**	100
MetroCity (Newcastle) Limited	4153866	United Kingdom	**100**	100
Thames Trains Limited	3007943	United Kingdom	**100**	100
Victory Railway Holdings Limited	3147927	United Kingdom	**100**	100
Thameslink Rail Limited	3013232	United Kingdom[1]	**65**	65
London and South East Passenger Rail Services Limited	6537238	United Kingdom[1]	**65**	65
London & East Midlands Railway Limited	5814586	United Kingdom[1]	**65**	65
London and West Midlands Railway Limited	5537947	United Kingdom[1]	**65**	65
Abingdon Bus Company Limited	3151270	United Kingdom	**100**	100
Reed Investments Limited	4236536	United Kingdom	**100**	100
Gatwick Handling Limited	2984113	United Kingdom	**100**	100
GH Heathrow Ltd.	2813292	United Kingdom	**100**	100
GH Manchester Ltd	1883900	United Kingdom	**100**	100
GH Stansted Limited	1983429	United Kingdom	**100**	100
Midland Airport Services Limited	1592083	United Kingdom	**100**	100
Oxford Newco Limited	9542008	United Kingdom	**100**	100
London General Trustee Company Limited	6953098	United Kingdom	**100**	100
Go-Ahead Finance Company	4699524	United Kingdom	**100**	100
Hants & Dorset Motor Services Limited	2752603	United Kingdom	**100**	100
Hants & Dorset Trim Limited	2017829	United Kingdom	**100**	100
Solent Blue Line Limited	2103030	United Kingdom	**100**	100
Marchwood Motorways (Services) Limited	2201331	United Kingdom	**100**	100
Marchwood Motorways (Southampton) Limited	1622531	United Kingdom	**100**	100
The Southern Vectis Omnibus Company Limited	0241973	United Kingdom	**100**	100
Tourist Coaches Limited	3006529	United Kingdom	**100**	100
Wilts and Dorset Bus Company Limited	1671355	United Kingdom	**100**	100
Wilts & Dorset Investments Limited	4613075	United Kingdom	**100**	100
Wilts & Dorset Holdings Limited	2091878	United Kingdom	**100**	100
Dockland Buses Limited	3420004	United Kingdom	**100**	100

28. Related party disclosures and Group undertakings continued

Name	Company number	Country of incorporation	% equity interest 2019	% equity interest 2018
Dormant subsidiaries continued				
Blue Triangle Buses Limited	3770568	United Kingdom	**100**	100
Go-Ahead Leasing Limited	5262810	United Kingdom	**100**	100
Go Northern Limited	0132492	United Kingdom	**100**	100
London Central Bus Company Limited	2328565	United Kingdom	**100**	100
Metrobus Limited	1742404	United Kingdom	**100**	100
Hants & Dorset Transport Support Services Limited	8669065	United Kingdom	**100**	100
Thamesdown Transport Limited	1997617	United Kingdom	**100**	100
Excelsior Coaches Limited	4329621	United Kingdom	**100**	100
Excelsior Transport Ltd.	4329645	United Kingdom	**100**	100
Excelsior Travel Limited	4342549	United Kingdom	**100**	100
East Yorkshire Concert Tours Limited	2142740	United Kingdom	**100**	100
East Yorkshire Coach Holidays Limited	0243051	United Kingdom	**100**	100
Bus UK Limited	2232813	United Kingdom	**100**	100
Buscall Limited	3887602	United Kingdom	**100**	100
Connor and Graham Limited	0546796	United Kingdom	**100**	100
East Yorkshire Buses Limited	0254844	United Kingdom	**100**	100
East Yorkshire Coaches Limited	0331077	United Kingdom	**100**	100
East Yorkshire Properties Limited	2256485	United Kingdom	**100**	100
East Yorkshire Tours Limited	0172326	United Kingdom	**100**	100
East Yorkshire Travel Limited	3225828	United Kingdom	**100**	100
East Yorkshire Holiday Tours Limited	2140988	United Kingdom	**100**	100
Frodingham Coaches Limited	2135501	United Kingdom	**100**	100
Hull and District Motor Services Limited	2183936	United Kingdom	**100**	100
Hull Park and Ride Limited	3886603	United Kingdom	**100**	100
Kingstonian Travel Services Limited	3561955	United Kingdom	**100**	100
EYMS Bus & Coach Training Limited	2123369	United Kingdom	**100**	100
Scarborough and District Motor Services Limited	2133854	United Kingdom	**100**	100

Name	Company number	Country of incorporation	% equity interest 2019	% equity interest 2018
Jointly controlled dormant entities				
South Tyneside Smartzone Limited	09907829	United Kingdom	**50**	50
Newcastle Smartzone Limited	09907839	United Kingdom	**33**	33
North Tyneside Smartzone Limited	09907842	United Kingdom	**33**	33
Sunderland Smartzone Limited	09907836	United Kingdom	**33**	33

1. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.

The registered office of all dormant subsidiaries incorporated in the United Kingdom is: 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne, NE1 6EE.

The registered office of all jointly controlled dormant entities is: Kepier House, Belmont Business Park, Durham, DH1 1TH.

All dormant companies listed above, incorporated in the United Kingdom, have taken advantage of the UK Companies Act 2006, S480 exemption from audit.

28. Related party disclosures and Group undertakings continued

Transactions with other related parties

The Group meets certain costs of administering the Group's retirement benefit plans, including the provision of meeting space and office support functions to the trustees. Costs borne on behalf of the retirement benefit plans amounted to £0.2m (2018: £0.2m).

Joint ventures

The Group's joint venture, On Track Retail Limited (OTR), has its principal place of business in the United Kingdom. The principal activity of OTR is the development and provision of web ticketing applications for the rail industry. The activities of the joint venture are strategically important to the business activities of the Group. The Group owns 50% of the ordinary share capital of OTR and the Group's share of OTR's result for the year is disclosed on the face of the income statement.

Investments

The Group's subsidiary, Go-Ahead Verkehrsgellschaft Deutschland GmbH acquired a 12% shareholding in Mobileeee Betriebsgesellschaft mbh & Co KG, an all-electric car-sharing service based in Germany.

Compensation of key management personnel of the Group

The key management are considered to be the directors of the parent company.

	2019 £m	2018 £m
Short term employee benefits	**1.8**	2.0
Long term employee benefits[1]	**0.4**	0.4
Post-employment benefits	**—**	0.1
	2.2	2.5

1. The long term employee benefits relate to LTIP and DSBP.

Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2019	2018
Govia Limited	United Kingdom	**35%**	35%
London and South Eastern Railway Limited[1]	United Kingdom	**35%**	35%
Southern Railway Limited[1]	United Kingdom	**35%**	35%
London and Birmingham Railway Limited[1]	United Kingdom	**35%**	35%
Govia Thameslink Railway Limited[1]	United Kingdom	**35%**	35%
Thameslink Rail Limited[1]	United Kingdom	**35%**	35%
New Southern Railway Limited[1]	United Kingdom	**35%**	35%

1. Subsidiary of Govia Limited.

	2019 £m	2018 £m
Accumulated balances of material non-controlling interest:		
Govia Limited	**33.0**	31.1
Total comprehensive income allocated to material non-controlling interest:		
Govia Limited	**16.3**	20.3

The summarised financial information of these subsidiaries is provided below. The information is based on amounts before inter-company eliminations:

28. Related party disclosures and Group undertakings continued

Summarised income statement of Govia Limited and its subsidiary companies for the year ended 29 June 2019 and 30 June 2018:

	2019 £m	2018 £m
Revenue	**2,802.3**	2,527.0
Operating costs	**(2,745.6)**	(2,457.7)
Finance revenue	**4.1**	2.4
Finance costs	**(1.9)**	(1.8)
Profit before taxation	**58.9**	69.9
Tax expense	**(12.7)**	(11.9)
Profit for the year from controlling operations	**46.2**	58.0
Total comprehensive income	**46.2**	58.0
Attributable to non-controlling interests	**16.3**	20.3
Dividends paid to non-controlling interests	**12.7**	13.9

Summarised balance sheet of Govia Limited and its subsidiary companies as at 29 June 2019 and 30 June 2018:

	2019 £m	2018 £m
Current assets – inventories, trade and other receivables, cash	**873.6**	807.1
Non-current assets – property, plant and equipment, intangible assets, deferred tax	**41.1**	46.5
Current liabilities – trade and other payables, provisions	**(766.9)**	(704.4)
Non-current liabilities – provisions	**(53.4)**	(60.2)
Total equity	**94.4**	89.0
Attributable to:		
Equity holders of the parent	**61.4**	57.8
Non-controlling interest	**33.0**	31.1

These balance sheet amounts are shown before intercompany eliminations.

Summarised cashflow information of Govia Limited and its subsidiary companies for the year ended 29 June 2019 and 30 June 2018:

	2019 £m	2018 £m
Operating	**103.4**	12.9
Investing	**(5.7)**	(9.4)
Financing	**(38.2)**	(41.4)
Net decrease in cash and cash equivalents	**59.5**	(37.9)

29. Post balance sheet events

On 7 August 2019, the Department for Transport (DfT) confirmed a further extension to the current Southeastern franchise which will now run to 1 April 2020 rather than expiring on 10 November 2019.

The commitments in note 25 in relation to future minimum rentals payable and receivable under non-cancellable operating leases as at the balance sheet date do not include amounts for the further 5 period extension. The estimated future contributions payable in relation to the Railways Pension Schemes (RPS) in note 27 also excludes the additional periods.

In addition, there is no impact in relation to the IFRS 16 Leases disclosures in the notes to the 2019 Annual Report and Accounts as all leases are less than 12 months and therefore out of scope.

Disclosure guidance & transparency rule 6.3.5

In accordance with FCA's DTR 6.3.5, this announcement contains the condensed set of the Group's financial statements, related party disclosures, information on important events that have occurred during the year ended 29 June 2019 and their impact on the financial statements, the Group's principal risks, uncertainties and mitigating actions, and related party disclosures and Group undertakings. Together with the directors' responsibility statement below, these constitute the requirements of DTR 6.3.5 which is required to be communicated to the media in full unedited text through a Regulatory Information Service.

This announcement is not a substitute for reading the full 2019 Annual Report and Accounts, which is available on our website. Page references refer to page numbers in the 2019 Annual Report and Accounts.

Statement of directors’ responsibilities

This statement is repeated here solely for the purpose of complying with the Disclosure Guidance and Transparency Rule 6.3.5. This statement relates to and is extracted from page 119 of the 2019 Annual Report and Accounts. Responsibility is for the full 2019 Annual Report and Accounts and not for the condensed statements required to be set out in this full year results announcement.

The directors consider that the Annual Report and Accounts, taken as whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 60 to 61 of the Annual Report and Accounts, confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with the IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group
- The strategic report includes a fair view of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

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