

## PRESS RELEASE

THE GO-AHEAD GROUP PLC  
("GO-AHEAD" OR "THE GROUP")  
FULL YEAR RESULTS FOR THE YEAR ENDED 30 JUNE 2018

### Business overview

- Good progress made in all three strategic pillars: protect and grow the core; win new bus and rail contracts; prepare for the future of transport
- Overall results ahead of expectations
- Bus operating profit pre-exceptional items at £91.4m (2017: £90.7m); regional bus achieved highest ever passenger satisfaction score (91%)
- Rail operating profit at £44.5m (2017: £59.9m), due in part to the expiry of the London Midland franchise in December 2017
- GTR impacted by industry implementation of May timetable change; reliability significantly improved since subsequent July timetable amendment
- Southeastern rail franchise extended to 1 April 2019; shortlisted for the replacement franchise
- Further progress towards our international target; won second bus contract in Ireland and fourth rail contract in Germany
- Successfully launched UK's largest demand responsive bus transport service
- Maintained full year dividend of 102.08p (2017: 102.08p)

### Financial summary

	FY'18	FY'17	Increase/ (decrease) %
Revenue (£m)	3,461.5	3,481.1	(0.6)
Operating profit pre-exceptional items (£m)	135.9	150.6	(9.8)
Profit before tax (£m)	145.7	136.8	6.5
Basic earnings per share pre-exceptional items (p)	181.6	207.7	(12.6)
Basic earnings per share after exceptional items (p)	207.2	207.7	(0.2)
Proposed full year dividend per share (p)	102.08	102.08	-

	FY'18	FY'17	Increase/ (decrease) £m
Cashflow generated from operations (excluding restricted cash) (£m)	232.8	224.4	8.4
Free cashflow (£m)	57.7	11.6	46.1
Adjusted net debt (£m)*	289.0	285.8	3.2
Adjusted net debt/EBITDA*	1.30x	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 that are ahead of our expectations. Our bus operations performed resiliently with profits slightly up on last year despite a challenging market environment. Rail profits fell partly due to the expiry of the London Midland franchise in December, but one-off disposal gains at the end of the franchise and some cost improvement benefits at Southeastern led to a better performance than originally expected.

“Our regional bus business received customer satisfaction levels of 91%, the highest ever recorded in the sector. Our London bus business also improved its operational performance with punctuality levels 12.5% better than last year. In rail, the timetable change in May was the largest in decades and will deliver substantial customer benefits. In Southern, the timetable change supported continuing improvement, with services now operating at the highest level of reliability since before the start of the current franchise.

“In Thameslink and Great Northern, collective industry failures over the timetable change resulted in a period of service performance which was severely below our expectations and those of our customers. We are sorry for the significant disruption that the change caused to our passengers and are working very hard with the rest of the industry to improve the service. The interim timetable that has been in place since mid-July is providing a much improved train service in terms of both reliability and punctuality. More services will be introduced over the coming months.

“Our international strategy has progressed well with two further contract successes – a second bus contract in Ireland and a fourth rail contract in Germany. Annualised revenue from the seven international contracts secured to date is now around £250m, and there is a good pipeline of upcoming opportunities in our target markets. We remain on track to meet our target of generating 15% to 20% of Group operating profit from international operations by 2022.

“As we look ahead, we recognise that future transport needs of customers and society are changing, and we are actively pursuing initiatives to further benefit our customers. Projects include the launch of the UK’s largest demand responsive bus transport trial of high-quality minibuses in Oxford, working with logistics partners on utilising our spare depot capacity, environmentally friendly car sharing schemes, developing Mobility as a Service apps for end-to-end journeys, and launching a business accelerator programme for start-up and scale-up businesses looking to shape the future of transport.

“Go-Ahead is one of the UK’s largest providers of public transport and we have a crucial role in building a thriving economy, connecting people and communities, reducing congestion and improving air quality. We are focused on doing business in the right way and strive to deliver value for all our stakeholders – great services for our customers; an attractive workplace for our people; sustainable returns for our shareholders; effective partnerships with government and suppliers; and connecting communities.

**Outlook**

“For the Group overall, we expect to deliver a robust performance in 2018/19, taking into account the expiry of the London Midland franchise last year which contributed positively for the first six months of 2017/18. We expect free cash flow generation to be strong, resulting in a further reduction in net debt excluding restricted rail cash.

“Looking forward, we remain confident that we are in a good position to deliver long term value for all our stakeholders and deliver our vision of a world where every journey is taken care of.”

ENDS

## Notes to editors

The annualised revenue figure of c£250m relates to annual revenues that we estimate we will derive from the international contracts that we have won. This includes expected annual revenues on a bus contract in Singapore, two bus contracts in Ireland and four rail contracts in Germany.

## For further information, please contact:

### The Go-Ahead Group

David Brown, Group Chief Executive	020 7799 8971
Patrick Butcher, Group Chief Financial Officer	020 7799 8973
Mitesh Kotecha, Interim Head of Investor Relations	07973 698 187

### Citigate Dewe Rogerson

Michael Berkeley/Chris Barrie/Angharad Couch/Toby Moore	020 7638 9571
---	---------------

David Brown, Group Chief Executive, and Patrick Butcher, Group Chief Financial Officer, will be hosting a presentation for investors and analysts at 9.00am today at The London Stock Exchange, 10 Paternoster Square, London EC4M 7LS.

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

## CHAIRMAN'S LETTER

### Dear Shareholder,

The provision of an effective, safe and efficient public transport system is crucial to the lives of the people and communities we serve. As a leading provider of public transport services, we play a vital role in getting people to their work, leisure, shopping and other destinations, and in connecting communities.

As well as being focused on delivering good shareholder returns, including an attractive dividend, we believe in delivering value to a wide range of stakeholders. It is our strong belief that the delivery of shareholder value is totally consistent with, and dependent upon, delivering for our customers, our colleagues and our partners in an environmentally responsible and sustainable way.

Shifts in the socio-economic and technological landscapes are changing the way in which we all go about our lives. This includes changes in the way we work, the way we shop, and the consequent impact on our transportation needs and preferences. These changes create both challenges and opportunities. At Go-Ahead, we have adopted a forward thinking approach, by adapting our business to these changes to deliver improvements that will create long term benefits for all our stakeholders.

### Our strategy

We have a clear and defined strategy with three core pillars: to protect and grow our core businesses; to win new bus and rail contracts; and to develop for the future of transport. We have been embedding these strategic priorities into everything we do and measuring our performance on the progress we have made.

The purpose of our strategy is to deliver value to our stakeholders and is supported by financial discipline, a rigorous approach to cost efficiency and capital allocation, a strong balance sheet and resilient profits in our bus division, which lay the foundation to our ability to pay an attractive dividend for our shareholders.

### Our customers

Go-Ahead takes care of over a billion passenger journeys a year. We are the largest bus operator in London, have a well established, high quality regional bus business, and are the UK's busiest train operator. Our vision is a world where every journey is taken care of.

As customer habits change and we strive to be at the forefront of using technology to make transport ever easier, our innovation continues at pace. Contactless has been further rolled out with increasing customer adoption, and we are trialling and developing various other initiatives to benefit our customers.

### GTR

In partnership with the industry, we embarked upon the introduction of the largest timetable change in decades for rail customers in May. This was a complex and ambitious project which will deliver new routes, greater connectivity and increased peak frequency through central London with the new automatic train operation technology. However, the implementation of these changes let down some of our customers and, alongside our industry partners, we take collective responsibility for the shortfall against expected service levels. We deeply regret and are sorry for the inconvenience caused to our customers. We are working hard in collaboration with our industry partners to improve the situation for our customers and are co-operating fully with the Office of Rail and Road (ORR) in its independent inquiry.

We also remain committed to working with the Department for Transport (DfT) to resolve the long outstanding contract variations which support the delivery of new services and will address remaining contractual performance issues, as explained in more detail on page 41 of the Annual Report.

### Our people

The Board would like to thank all of our 28,000 colleagues who work diligently every day in pursuit of our vision. Without the commitment, professionalism and dedication of our people, we would not be able to provide the services we do. Our vision and strategy are supported by a set of beliefs and attitudes which we live and breathe.

At Go-Ahead, we are committed to taking care of our people, providing good working conditions and fair pay, and supporting them in their development. We are proud to be the first provider of bus and rail services to become an Employer Provider of Apprenticeships, gaining certification from the Education and Skills Funding Agency (ESFA) which operates under the Department for Education. We are also pleased to have been awarded two Investors in People Gold accreditations during the year, an internationally recognised standard which defines what it takes to lead, support and manage people effectively to promote a culture of high performance.

As an organisation dedicated to equality, inclusion and diversity, we have fairness enshrined in our pay practices and are determined to address the pay gap between men and women working across our businesses. The industry in which Go-Ahead operates has historically had a high proportion of male employees but, as reported in our Gender Pay Gap Report, the number of women in leadership and management roles in our UK bus workforce has increased from 13% to 15.4% over the past three years. The number of women in our UK rail workforce has increased to 17.3%, which is higher than the industry wide average. The Group is implementing an action plan to improve gender balance at all levels, including a pledge to attract 40% of train driver applications from females by 2021.

### The environment

We have a commitment to help cities tackle key issues around congestion, air pollution and transport accessibility. Our business model is built on sustainability as we take cars off the road. A Euro 6 bus, for example, produces less nitrogen dioxide emissions than a Euro 6 car and can carry many more passengers to reduce pollution. We have been reducing our carbon footprint significantly, with a reduction in emissions per vehicle mile by over 30% over the past three years.

Traffic congestion in the UK is 11% worse than it was three years ago and a recent analysis by INRIX put the cost of congestion in the UK at over £37.7 billion in 2017 alone. A fully loaded double decker bus can take 75 cars off the road and we continue to promote solutions to reduce congestion. We also support the London Mayor's Transport Strategy which seeks to increase the proportion of journeys made on foot, by cycling or by public transport where travel by bus and rail has a crucial role to play.

Go-Ahead is the largest operator of electric buses in the UK, and the operator of the UK's only all-electric bus garage. We are working on further environmental initiatives including how we can make a positive impact in actioning the United Nations Sustainable Development Goals and incorporating the financial implications of climate change in our reporting going forward, in compliance with the Taskforce on Climate-Related Financial Disclosures (TCFD).

### Our investors

Despite the challenging market backdrop that we have seen in our bus businesses this year, operational challenges in our GTR franchise, and the expiry of the London Midland franchise mid-way through the year, we have delivered results ahead of our expectations at the beginning of the year. As a result, the Board has recommended a final dividend of 71.91p which brings the full year dividend to 102.08p. Subject to shareholder approval, this will be paid on 23 November 2018 to shareholders on the register on 9 November 2018.

The Board continues to recognise the importance of dividends to shareholders and accordingly has updated its dividend policy. The Group will target a dividend payout ratio of 50% to 75% of net income. This better reflects the historic and expected future payout ratio and provides shareholders with more clarity and the Group with the appropriate flexibility to continue to pay an attractive dividend.

### Your Board

The Board's focus this year has been on ensuring that good governance supports the delivery of our strategic objectives, particularly in respect of ensuring that we address the needs of all our stakeholders. The way in which we develop and monitor strategy has improved through the Board's Strategy Day, routine reporting to the Board and a clear forward looking agenda which enables us to discuss key priorities. An increased focus on innovation and building resilience has also enabled the Board to remain forward thinking with the Group's culture, reputation and stakeholder engagement now all an integral part of Board deliberations.

We have continued to build upon last year's Board development programme to improve the effectiveness of the Board. During the year, we were delighted to welcome Harry Holt and Leanne Wood as independent non-executive directors in October 2017. Together they have brought with them a diversity of experience and perspective which is already enhancing Board debate.

Patrick Butcher will be leaving the Group towards the end of the year. On behalf of the Board, I would like to thank Patrick for the valuable contribution he has made to the Group and the strong financial position that he has safeguarded. The Board has begun a process to appoint a successor.

### The future

Our business has a clear strategy which I am confident positions us to address the industry challenges and opportunities we face and for the Group's future development. With the continued dedication of our colleagues and our ongoing focus on our customers, I believe that we are taking the necessary actions to deliver value to all our stakeholders whilst appropriately balancing short, medium and long term considerations.

## CHIEF EXECUTIVE'S REVIEW

In a challenging market environment, our businesses have demonstrated a resilient financial performance and delivered an operating profit which is higher than our initial expectations. We are firmly of the view that this is a result of our clear and simple strategy, supported by our devolved business model and an ethos which seeks to deliver for all of our stakeholders.

### Protect and grow the core

Go-Ahead has been a leading provider of bus and rail services to passengers across the UK for over 30 years. Our core bus operations in London and the UK regions provide us with stable profits and cash flows, and our UK rail operations generate additional cashflows and high returns on capital. The first pillar of our strategy is to protect and grow these activities through a strong, local customer focus, efficient operations and with appropriate investment in the future.

### Bus

Operating profit, pre-exceptional items, in our bus division at £91.4m (2017: £90.7m) was slightly higher than last year, with a lower result in our regional bus business offset by an increased performance in London.

In regional bus, the industry backdrop for passenger volumes remains challenging with journeys across regional markets in England reducing by over 2%, driven largely by local authority cuts, congestion and changes in consumer behaviour. Our regional business, with its weighting towards urban areas in the south of the country, and with devolved management teams that have the flexibility and agility to respond effectively to local market conditions, saw a slightly better performance with a decline in like for like passenger volumes of 1.6%. Within this overall performance, trends remained mixed across our various markets with growth in some areas offset by declines in others. Our like for like passenger revenues grew by 0.4% and with a continued focus on cost efficiencies, our pre-exceptional operating profit of £45.8m (2017: £47.1m) was only slightly below last year's level with an operating margin of 11.9% remaining close to industry leading levels.

Air quality and congestion are high on the agenda and we remain resolute in our efforts to demonstrate that buses are the solution to these issues. The potential impact of the Bus Services Act remains unclear and we continue to monitor developments in Manchester, the first area where there could be changes to the current model. We believe that working with local authorities in a collaborative, mutually beneficial way is the best solution to deliver desired outcomes for passengers and taxpayers alike.

Our approach in regional bus is to focus on urban areas with growth potential. We retain our strong customer focus and are proud to have achieved the highest ever passenger satisfaction score of 91% from Transport Focus, including the highest scores for punctuality and journey time. We continue to use technology to promote bus use by making services simpler and more comfortable to use. The roll out of contactless continues across our regional bus business, accounting for up to 30% of transactions at some of our operators. Over 2,000 buses have been enabled, with Brighton and Go East Anglia also on track to provide contactless by the end of the year.

The market environment is presenting us with further consolidation and bolt-on acquisition opportunities. We remain very selective about those which we pursue and are pleased to have acquired Tom Tappin Limited, a small sightseeing operation in Oxford, and East Yorkshire Motor Services (EYMS), a larger, well established operator of over 300 buses and coaches. We are confident that these businesses will contribute positively to our results in the future.

In London, buses are still the most popular means of public transport, carrying 200 million more passenger journeys than all other Transport for London (TfL) services combined. We are the largest bus operator in the UK capital with just under a quarter of the market. Passenger demand in London is decreasing as it is in the rest of the country, with more people working from home and increasing online shopping. Budgetary pressure at TfL is resulting in a reduction in mileage for operators in London, with TfL's business plan suggesting a reduction of around 7.5% in mileage over the coming three years.

As anticipated, our mileage in London for the year was down by 1% reflecting contract tenders. In this environment, we have focused our efforts on quality, which has helped us to achieve strong Quality Incentive Contract income (QICs), and on tight cost control with the development of lean engineering. This has enabled our London bus division to deliver an increased operating profit of £45.6m (2017: £43.6m) with a stable operating margin of 8.3%.

Looking forward, we support the Mayor of London's aspiration to increase the number of trips made on foot, by cycle and by public transport and believe that buses have a key role to play in delivering that vision. London is still an attractive place to run buses, and we believe that as London heads towards a population of nine million people, population growth in the suburbs will continue to stimulate demand.

### Rail

Operating profit in our rail division at £44.5m (2017: £59.9m) declined by 25.7% compared to last year.

London Midland performed very well during the first six months of the year prior to the expiry of the franchise and we were very disappointed that we were unsuccessful in our bid to retain the routes under the new West Midlands franchise.

Southeastern experienced a year on year reduction in passengers during the first half of the year, impacted by a shift in working patterns. This led us to accelerate our efforts to deliver business efficiencies which have borne fruit and supported profitability. During the second half of the year, passenger journeys and revenue growth showed an improvement, boosted by the resumption of full services through London Bridge station.

At GTR, prior to the introduction of the May timetable changes, operational performance was steadily improving with higher passenger satisfaction levels on our Thameslink service than at any point since 1999 according to the Spring 2018 National Rail Passenger Satisfaction (NRPS) survey. This showed an 86% overall satisfaction rate, an increase of 11 percentage points over the previous year.

In May, in partnership with the industry, we began the introduction of the largest timetable change in decades to provide new routes, greater connectivity and increased peak frequency through central London. Due mainly to the sheer number of changes required, approvals for service alterations being delayed and some timetable requests being amended, there was much less time than originally planned to prepare adequately for

the new timetable. We are very sorry for the severe disruption this caused some of our passengers and we are working very hard with our industry partners to restore service to levels that we expect to deliver and our customers rightfully expect from us.

In July, we implemented a new timetable which focuses on running as many peak services as possible. I am pleased that this has stabilised the service and is now providing a schedule on which passengers can better rely and plan around. We continue to work hard to progressively implement the full benefits of the changes that had been planned for May by the next timetable change.

### **Win new bus and rail contracts**

Our international expansion is a significant part of the second pillar of our strategy. Our extensive experience in the UK positions us well in international markets. Our bus contract in Singapore, which began operating in September 2016, has continued to perform well.

In Ireland, mobilisation of our first contract to operate bus services in the outer Dublin area is progressing apace and operations will commence in September 2018. Similar to the structure of bus contracts in London and Singapore, this contract will run for five years with a possible extension of two years. During the financial year, we were pleased to have been awarded a second bus contract in Ireland for services linking Dublin to commuter towns in Offaly, Laois, Kildare and Meath. These routes will begin operating in early 2019, also on a five-year contract with a possible two-year extension, and will bring the total number of routes in Ireland up to 30.

Mobilisation in Germany for the start of three rail contracts in 2019 is progressing according to plan and we were pleased to have been awarded a fourth contract to operate the E-Netz Allgäu routes. This new contract will provide regional services and important links between Munich and Lindau, within the German federal states of Bavaria and Baden-Württemberg, on a 12 year franchise which is due to start in 2021.

In total, we have now secured seven contract wins outside the UK which are expected to have an annualised turnover of around £250m once they are all operating. We are actively pursuing other opportunities in our existing and other targeted markets within a clear framework. International work enriches our market knowledge and expertise, and provides further opportunities for sharing of experiences and best practices across the Group. The goal of generating 15% to 20% of Group profit from international operations by 2022 remains unchanged and we are on a good trajectory to achieve this.

### **Develop for the future of transport**

The third pillar of our strategy revolves around adapting to changes in the way people live their lives and how this impacts their mobility needs. We constantly strive to be more relevant to customers tomorrow than we are today so that we can continue to fulfil their evolving travel preferences. A forward thinking approach is key to future proofing the business as we seek new ways to apply skills, knowledge and assets to enable sustainable performance over the long term. We are focused on ensuring that we invest sufficiently to understand changing trends and are able to capture opportunities through a process of researching, testing and trialling.

In June, we launched the UK's largest on-demand bus service in Oxford, called PickMeUp. Passengers can summon buses via a mobile app to virtual bus stops nearby. There has been a positive initial response and we look forward to seeing how this develops with a possible roll out to other areas in the future.

During the financial year, we began working with logistics partners including the commencement of a pilot at our Crawley depot to manage deliveries in the area. Elsewhere, our Hammock IT consulting business uses existing retail and IT knowledge to provide technology solutions to local authorities and other customers and has been making good progress, winning two contracts this year. We also invested in a 12% stake in Mobileeee, a Frankfurt based, award winning start up to forge environmentally friendly car sharing schemes.

We are developing Mobility as a Service (MaaS) in Brighton to make public transport and not owning a car an easy, clear and transparent choice for end-to-end journeys. We also piloted the UK's first bus ticket system using iBeacons in Southampton earlier in the year.

In July, we launched the Billion Journey Project, a business accelerator programme to partner with scale-up businesses looking to innovate and improve the experience of travel. The programme, which will initially nurture 10 companies, offers technical assistance and mentorship from our team of transport experts and aims to support new businesses looking to change and shape the future of transport by focusing on improving passenger experiences.

## Outlook

Whilst these are challenging times, we are convinced that such an environment can provide opportunities for agile, forward looking businesses. The provision of customer focused and efficient public transport services has an important role to play in local communities as an enabler of social and economic activity and it is also an answer to congestion and air quality issues. We are confident that our clear and focused strategy positions us well to address the challenges and capture the opportunities over the long term.

The business ethics and values which have always been important to us are becoming increasingly relevant. The people we have in our businesses, with our commitment to help them develop, along with our devolved management structure and forward thinking ethos, help us to keep one step ahead and our strong balance sheet provides us with the financial resources to capture opportunities and weather short term turbulence.

Looking to 2018/19, in our regional bus business, we remain focused on maintaining our leading passenger satisfaction scores, on the continued adoption of smart technology, and on capturing more benefits from the roll out of our Lean framework. Market conditions are expected to remain challenging, but we expect operating profit to show a slight improvement on the level achieved in 2017/18.

Our London bus business will see a reduction in mileage for 2018/19 resulting from TfL budget pressures and some contract losses towards the end of 2017/18. The value of our own contracts available for tender in 2018/19 is markedly lower than has been the case in the preceding two years and there are good opportunities to win work from competitors during the year.

In rail, our focus is on working with our industry partners to deliver an improved service for passengers, particularly for those travelling on services operated by our GTR franchise who experienced severe disruption after the timetable change in May. We remain hopeful of winning the new South Eastern franchise and have submitted a deliverable and economically sensible bid.

We will continue to execute our international strategy with the start of operations in Dublin and continued mobilisation in Germany, and we also expect to submit bids for additional international contracts in our targeted markets. Further progress will also be made on our various initiatives around developing for the future of transport.

For the Group overall, we expect to deliver a robust performance in 2018/19, taking into account the expiry of the London Midland franchise last year which contributed positively to the first six months of 2017/18. We expect free cashflow generation to be strong, resulting in a further reduction in net debt excluding restricted rail cash.

Looking forward, we remain confident that we are in a good position to deliver long term value for all our stakeholders and deliver our vision of a world where every journey is taken care of.



## BUSINESS AND FINANCE REVIEW

All references to operating profit 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 £3,461.5m, down £19.6m, or 0.6%, on last year (2017: £3,481.1m). This small decrease was attributable to the rail division, following the ending of the London Midland franchise in December 2017, partially offset by inflationary increases in revenue.

Profit attributable to shareholders for the year decreased by £0.1m, or 0.1%, to £89.0m (2017: £89.1m) and earnings per share fell by 0.2% to 207.2p (2017: 207.7p) with exceptional gains offsetting declining rail profit.

Excluding exceptional items, profits attributable to shareholders decreased by £11.1m or 12.5% to £78.0m and earnings per share by 12.6% to 181.6p (2017: 207.7p).

The adjusted net debt (excluding restricted cash) at the year end was £289.0m (2017: £285.8m). The higher net debt largely reflects the expiry of the London Midland franchise, working capital movements relating to the timing of franchise payments and increased capital expenditure in London bus, reflecting contract renewal commitments. The adjusted net debt (excluding restricted cash) to EBITDA ratio of 1.30x (2017: 1.30x) remains below our target range of 1.5x to 2.5x.

### Group overview

	2018 £m	2017 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Group revenue	3,461.5	3,481.1	(19.6)	(0.6)
Regional bus operating profit	45.8	47.1	(1.3)	(2.8)
London bus operating profit	45.6	43.6	2.0	4.6
Total bus operating profit	91.4	90.7	0.7	0.8
Rail operating profit	44.5	59.9	(15.4)	(25.7)
Group operating profit (pre-exceptional items)	135.9	150.6	(14.7)	(9.8)
Exceptional operating items	25.1	–	25.1	n/a
Group operating profit (post-exceptional items)	161.0	150.6	10.4	6.9
Share of result of joint venture	(1.1)	(0.4)	(0.7)	(175)
Net finance costs*	(14.2)	(13.4)	(0.8)	(6.0)
Profit before tax	145.7	136.8	8.9	6.5
Total tax expense*	(36.4)	(25.3)	(11.1)	(43.8)
Profit for the period	109.3	111.5	(2.2)	(2.0)
Non-controlling interests	(20.3)	(22.4)	2.1	9.4
Profit attributable to shareholders	89.0	89.1	(0.1)	(0.1)
Profit attributable to shareholders (pre-exceptional items)	78.0	89.1	(11.1)	(12.5)
Weighted average number of shares (m)	43.0	42.9	0.1	0.2
Proposed dividend per share (p)	102.08	102.08	–	–

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

\* Including exceptional items

## Bus

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

### Bus overview

	2018	2017	Increase/ (decrease) £m	Increase/ (decrease) %
Total bus operations				
Revenue (£m)	934.2	902.0	32.2	3.6
Operating profit (£m)	91.4	90.7	0.7	0.8
Operating profit margin	9.8%	10.1%	n/a	(0.3ppt)
Regional bus				
Revenue (£m)	383.7	376.6	7.1	1.9
Operating profit (£m)	45.8	47.1	(1.3)	(2.8)
Operating profit margin	11.9%	12.5%	n/a	(0.6ppt)
London bus				
Revenue (£m)	550.5	525.4	25.1	4.8
Operating profit (£m)	45.6	43.6	2.0	4.6
Operating profit margin	8.3%	8.3%	n/a	–
Like for like revenue growth				
Regional bus	0.4%	1.0%	n/a	(0.6ppt)
London bus	3.1%	1.5%	n/a	1.6pts
Like for like volume growth				
Regional bus passenger journeys	(1.6%)	(0.2%)	n/a	(1.4ppt)
London bus miles operated	(1.0%)	(1.7%)	n/a	0.7ppt

### Overall bus performance

Total bus revenue increased by 3.6%, or £32.2m, to £934.2m (2017: £902.0m) including the contribution of acquisitions and the full year impact of the Singapore business. While operating profit was slightly ahead of the prior year at £91.4m (2017: £90.7m), the operating profit margin decreased slightly by 0.3ppt to 9.8%. This performance, which was in line with our expectations for the year, reflected a good performance in London, offset by continued challenges in the regional bus business.

### Regional bus

Regional bus revenue was £383.7m (2017: £376.6m), up £7.1m, or 1.9%, including the contribution of acquisitions. Like for like revenue growth of 0.4% was broadly in line with our expectations and slightly ahead of wider industry trends. Growth in passenger journeys in some regions was offset by softer performance in other operating areas including some contract losses, resulting in an overall decline in like for like passenger volumes of 1.6%. Growth in revenue and passenger numbers was also impacted by the restructuring of selected route networks to match passenger demand and reduce costs, and the impact of the extreme weather during early 2018.

Operating profit in the regional bus division fell £1.3m, or 2.8%, to £45.8m (2017: £47.1m), with operating profit margin down 0.6ppt to 11.9% (2017: 12.5%). Depreciation costs increased in the year, reflecting continued investment in buses. While the division benefited from a reduction in fuel costs due to lower hedge prices, inflationary increases impacted costs during the year.

	£m
2017 operating profit	47.1
Changes:	
Net impact of acquisitions	0.3
Prior year one offs	2.8
Passenger volume (including weather impact)	(4.6)
Contract volumes	(4.1)
Yield, route restructures and pricing	8.8
Net cost inflation	(4.5)
2018 operating profit	45.8

### London bus

Reported results for the London bus division include our bus operation in Singapore. London bus revenue grew by 4.8%, to £550.5m in the year (2017: £525.4m).

Quality Incentive Contract bonuses (QICs) were £13.2m (2017: £6.9m) as a result of improved performance against TfL quality targets. This has been achieved in partnership with TfL, which has implemented additional bus prioritisation measures and fewer roadworks on our routes, while we have further strengthened our service control capabilities. As anticipated, like for like mileage decreased by 1.0% due to the timing of contract renewals and TfL's route restructuring. Operating profit in the London bus division was £45.6m (2017: £43.6m), up £2.0m, or 4.6%, with operating profit margin stable at 8.3% (2017: 8.3%). As with regional bus, our London operations saw a reduction in fuel costs reflecting the lower hedge price, and higher depreciation as a result of significant capital expenditure.

	£m
2017 operating profit	43.6
Changes:	
Singapore	1.4
QIC bonuses	6.3
Volume	(0.4)
Margin	(1.1)
Net inflation	0.1
One offs	(2.7)
Other	(1.6)
2018 operating profit	45.6

### Capital expenditure and depreciation

	2018 £m	2017 £m
Regional bus fleet (inc. vehicle refurbishment)	41.1	37.1
London bus fleet (inc. vehicle refurbishment)	46.2	60.0
Technology and other	8.4	8.8
Depots	3.9	6.8
Total capital expenditure	99.6	112.7

In London, the purchase of 135 new buses (2017: 261 buses) reflects the timing of contract renewals. In regional bus, demonstrating our commitment to maintaining a young and greener bus fleet, 173 new buses (2017: 102 buses) were bought. The average age of our buses is now 6.5 years (2017: 7.0 years).

Depreciation for the division was £61.8m (2017: £56.1m), reflecting the increased capital spend in recent years.

In 2018/19, we expect total capital expenditure for the bus division to be around £65m with a significantly lower level in London due to the timing of contract renewals and continued investment in our regional bus services.

## Fuel

In the year, the bus division required around 137 million litres of fuel, with a net cost of £98.2m.

### 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 at least 50% of the following year and 25% of the year after that. This hedging profile is then maintained on a month by month basis.

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

	2019	2020	2021
% hedged	Fully	55%	30%
Price (pence per litre)	32.5	33.2	33.9

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

### Bus financial outlook

Regional bus trading in the early part of the current year has been consistent with the fourth quarter of 2017/18. We expect a slight improvement in regional bus operating profit for 2018/19 despite market conditions remaining challenging.

The London bus business has already secured almost all of its revenue for the current year. While competitive pressure and TfL funding constraints continue to result in market contraction in bus miles operated, we have the opportunity to bid for around £95m of additional work in 2018/19.

## Rail

Go-Ahead's rail operations are the busiest in the UK, responsible for around 30% of all train passenger journeys.

### Rail performance

The rail division has delivered a financial result slightly ahead of the Board's expectations, supported by a better performance and one-off disposal gains at the end of the London Midland franchise in the first half, and some cost improvement benefits at Southeastern. Overall margins have remained at historically low levels, impacted in particular by GTR.

### Rail overview

	2018	2017	Increase/ (decrease) £m	Increase/ (decrease) %
Total rail operations				
Total revenue (£m)	2,527.3	2,579.1	(51.8)	(2.0)
Operating profit (£m)	44.5	59.9	(15.4)	(25.7)
Operating profit margin	1.8%	2.3%	n/a	(0.5ppt)
Like for like passenger revenue growth				
Southeastern	3.8%	3.2%		0.6ppt
GTR	7.7%	(4.1)%		11.8ppt
Like for like passenger growth				
Southeastern	1.4%	(0.9)%		2.3ppt
GTR	2.1%	(3.9)%		6.0ppt

### Revenue

Total revenue decreased by 2.0%, or £51.8m, to £2,527.3m (2017: £2,579.1m), consisting of:

	2018 £m	2017 £m	Increase/(decrease) £m	Increase/(decrease) %
Passenger revenue				
Southeastern	786.3	755.6	30.7	4.1
London Midland	156.2	339.6	(183.4)	(54.0)
GTR	1,271.3	1,148.2	123.1	10.7
Total passenger revenue	2,213.8	2,243.4	(29.6)	(1.3)
Other revenue				
Southeastern	34.1	43.2	(9.1)	(21.1)
London Midland	35.1	55.1	(20.0)	(36.3)
GTR	139.5	105.1	34.4	32.7
Germany	0.3	–	0.3	n/a
Total other revenue	209.0	203.4	5.6	2.8
Subsidy and revenue support				
Southeastern subsidy	67.3	45.2	22.1	48.9
London Midland subsidy	36.6	87.0	(50.4)	(57.9)
Southern revenue support*	0.6	(0.4)	1.0	n/a
London Midland revenue support	–	0.5	(0.5)	n/a
Total subsidy and revenue support	104.5	132.3	(27.8)	(21.0)
Total revenue	2,527.3	2,579.1	(51.8)	(2.0)

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

## Premium payments, profit share payments and revenue share payments

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

	2018 £m	2017 £m	Increase/(decrease) £m	Increase/(decrease) %
Southern core premium	–	(1.4)	1.4	n/a
Southeastern profit share	16.2	22.9	(6.7)	(29.3)
London Midland profit share	4.4	8.7	(4.3)	(49.4)

## Operating profit

Operating profit in the rail division was down £15.4m at £44.5m (2017: £59.9m), with the operating profit margin decreasing to 1.8% (2017: 2.3%). This was mainly driven by the expiry of the London Midland franchise in December 2017.

	£m
2017 operating profit	59.9
Changes:	
Southeastern	10.4
London Midland	(13.0)
GTR / Southern	(10.0)
Bid and mobilisation costs	(2.8)
2018 operating profit	44.5

## Individual franchise performance

### GTR

The business reported a 2.1% rise (2017: 3.9% decline) in passenger journeys and a 7.7% rise (2017: 4.1% decline) in passenger revenue. Prior to the timetable change in May 2018, train performance had consistently improved, especially when compared to the period of intense industrial action in the prior year. This led to increased passenger journeys and revenue, particularly on longer distance Southern services, which generate higher income. All passenger income is payable to the government.

In May, the rail industry began the introduction of the largest and most complex timetable change in decades to provide new routes, greater connectivity and increased peak frequency through central London. Unfortunately delays in finalising the timetable by the rail industry resulted in insufficient time to implement it smoothly and effectively, resulting in significant disruption across the rail network.

We continue to work hard to progressively implement the full benefits of the changes which had been planned for May.

### Southeastern

Southeastern recorded a good trading performance. On a like for like basis, passenger revenue rose by 3.8% (2017: 3.2%) while passenger numbers increased by 1.4% (2017: 0.9% decrease). Underlying passenger journeys and revenue growth improved, following the resumption of full services through London Bridge station, after three years of partial closure. Continued good progress in the delivery of our efficiency programme also led to an increase in profit for the year.

Southeastern's strong financial performance enabled a contribution of £16.2m to be made to the DfT during the year through the profit sharing mechanism included in the directly awarded contract that it has operated under since October 2014.

### London Midland

The London Midland franchise ceased operations on 10 December 2017. Assets with a net book value of £6.1m were sold to the incoming operator for £12.5m, resulting in a £6.4m profit on disposal.

### Rail bid costs and international

Rail bid and contract mobilisation costs in the year were £13.9m (2017: £11.1m), primarily relating to the bids for, and mobilisation of German rail contracts, the South Eastern franchise bid and international bidding in the Nordic countries.

### Capital expenditure and depreciation

Capital expenditure for the rail division was £27.1m (2017: £29.2m), predominantly relating to GTR, including expenditure on station improvements and ticket machines. Depreciation was £20.9m (2017: £9.3m), reflecting the high level of capex which is being depreciated over the life of the franchises.

In 2018/19, capital expenditure for the rail division is expected to be around £20m, reflecting continued investment in GTR and mobilisation of our German operations.

## Rail financial outlook

The existing Southeastern franchise has now been extended until 31 March 2019. Passenger journeys and revenue growth for Southeastern are expected to continue the improvement shown in the second half of 2017/18, boosted by the resumption of full services through London Bridge station. However the 2018/19 financial performance of our rail division will be impacted by the expiry of the London Midland franchise and by the scheduled end of the Southeastern franchise.

We have submitted a deliverable and economically sensible bid for the South Eastern franchise which is currently scheduled to commence on 1 April 2019.

As previously announced, discussions between GTR and the DfT about a number of contractual variations remain ongoing, in particular regarding payment for operating more and longer trains as part of the Thameslink train service increases. The outcome of these discussions, relating to events up to 30 June 2018, is that the impact on rail profitability is likely to remain within a range of plus or minus £5m.

Following the implementation of a revised timetable in May, the performance of GTR services has been below certain contractual thresholds. These shortfalls are in large measure attributable to failings across the industry and are not the sole responsibility of GTR. Discussions are continuing with the DfT to apportion accountability for these shortfalls. It is possible that the DfT will determine that a sufficient part of these failings are down to GTR and that it is in breach of its contractual obligations. At that point, the DfT may choose, as is usual, to require the production of a Remedial Plan and/or seek to impose penalties or may seek to terminate the contract.

In the event of a termination, it is possible that there will be costs that the DfT will seek to recover from GTR. These are not possible to estimate at this stage and in any event would be contested. GTR continues to work hard to further stabilise and improve services for customers and remains committed to working with the DfT to resolve the long outstanding contract variations which support the delivery of new services and will address remaining contractual performance issues described above.

As previously announced, the margin over the life of the GTR contract is expected to be in the range of between 0.75% and 1.5%.

## Financial review

### Earnings per share

Earnings were £89.0m (2017: £89.1m), resulting in a decrease in earnings per share from 207.7p to 207.2p. Excluding exceptional items, earnings were £78.0m, resulting in decrease of earnings per share from 207.7p to 181.6p. 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.

	2018*	2017	2016	2015	2014
Earnings per share	181.6p	207.7p	218.2p	147.9p	174.3p

\* Pre-exceptional

### Dividend

The Board is proposing a total dividend for the year of 102.08p per share (2017: 102.08p), consistent with the prior year. This includes a proposed final payment of 71.91p per share (2017: 71.91p) payable on 23 November 2018 to shareholders registered at the close of business on 9 November 2018. Dividends of £43.8m (2017: £41.8m) paid in the period represent the payment of the prior year's final dividend of 71.91p per share (2017: 67.52p) and the interim dividend in respect of this year of 30.17p per share (2017: 30.17p). Dividends paid to non-controlling interests were £13.9m (2017: £21.3m), and dividend payout was 56% (2017: 49%) on a pre-exceptional earnings basis.

### Summary cashflow

	2018 £m	2017 £m	Increase/ (decrease) £m
EBITDA	221.9	219.1	2.8
Working capital/other items (excluding restricted cash movements)	10.9	5.3	5.6
Cashflow generated from operations	232.8	224.4	8.4
Tax paid	(28.7)	(34.1)	5.4
Net interest paid	(13.3)	(12.7)	(0.6)
Net capital investment	(119.2)	(144.7)	25.5
Dividends paid – minority partner	(13.9)	(21.3)	7.4
Free cashflow	57.7	11.6	46.1
Net acquisitions	(7.5)	(11.2)	3.7
Other	(9.1)	(4.2)	(4.9)
Net cash on issue/purchase of shares	(0.5)	(0.9)	0.4
Dividends paid	(43.8)	(41.8)	(2.0)
Increase in adjusted net debt*	(3.2)	(46.5)	43.3
Opening adjusted net debt*	(285.8)	(239.3)	n/a
Closing adjusted net debt*	(289.0)	(285.8)	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 £232.8m (2017: £224.4m). This increase of £8.4m is largely due to movements in working capital, primarily reflecting structural changes in rail franchises. Tax paid of £28.7m (2017: £34.1m) comprised payments on account in respect of the current and prior years' liabilities. Net interest paid of £13.3m (2017: £12.7m) was lower than the net charge for the period of £14.2m (2017: £13.4m) after excluding the impact of non-cash interest on pensions and the unwinding of discounting on provisions. Capital expenditure, net of sale proceeds, was £25.5m lower in the year at £119.2m (2017: £144.7m), predominantly due to lower investment in our London bus fleet from the prior year's elevated level, and the proceeds received from the sale of the London Midland assets. Net group capital investment is expected to be around £85.0m in 2018/19.

During the year, as part of a planned programme of monthly share purchases to satisfy future share awards, the Group purchased 64,012 ordinary shares for a total consideration of £1.1m (2017: 121,084 ordinary shares for a total consideration of £2.4m).

At the year end, significant medium term finance was secured through a revolving credit facility (RCF) and a £250m sterling bond. The £280m five year RCF had an initial maturity of July 2019 with two one-year extension options, the second of which was agreed on 20 June 2016, extending the maturity of the facility to July 2021. On 20 July 2018 an additional extension of two years was agreed, extending the maturity of the facility to July 2023. A further two one-year extensions are available which if exercised would extend the maturity to July 2025.



## Capital expenditure

Expenditure on capital during the year can be summarised as:

	2018 £m	2017 £m
Regional bus	47.9	49.6
London bus	51.7	63.1
Total bus	99.6	112.7
Rail	27.1	29.2
Group total	126.7	141.9

## Net cash/debt

Net cash of £149.9m (2017: £230.3m) comprised debt arising from the £250m sterling bond (2017: £200m sterling bond), amounts drawn down against the £280m five year RCF of £136.0m (2017: £156.0m), amounts drawn down against the €8m revolving credit facility and €10.6m financial facility of £11.2m (2017: £0.9), and hire purchase and lease agreements of £9.4m (2017: £3.0m), offset by cash and short term deposits of £556.5m (2017: £590.2m) including £438.9m of restricted cash in rail (2017: £516.1m). There were no overdrafts in use at the year end (2017: £nil).

Our primary financial covenant under the 2018 RCF is an adjusted net debt to EBITDA ratio of not more than 3.5x. Adjusted net debt (excluding restricted cash) to EBITDA of 1.30x (2017: 1.30x) remains below the target range of 1.5x to 2.5x.

## Capital structure

	2018 £m	2017 £m
Syndicated facility 2023	280.0	280.0
7 year £250m 2.5% sterling bond 2024	250.0	–
7.5 year £200m 5.375% sterling bond 2017	–	200.0
Euro financing facilities	16.5	17.5
Total core facilities	546.5	497.5
Amount drawn down at 1 July 2017	397.2	356.9
Balance available	149.3	140.6
Restricted cash	438.9	516.1
Net cash	(149.9)	(230.3)
Adjusted net debt	289.0	285.8
EBITDA	221.9	219.1
Adjusted net debt/EBITDA	1.30x	1.30x

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

### Exceptional items

On 28 March the Group and the Trustee of The Go-Ahead Group Pension Plan agreed to change the reference inflation index for the purpose of annual increases to the majority of pensions payable by the Bus Plan. From 1 April 2018 onwards, the Consumer Prices Index is used to increase pensions in payment rather than the Retail Prices Index. This change reduces the financial risks of the Plan and enhances the long term sustainability of the scheme, providing an improvement in the security of Plan members' benefit.

As a result of this change, the IFRS balance sheet valuation of the Group's pension liabilities has reduced by £35.2m and the Group has recognised a pre-tax, non-cash exceptional credit of this value in the income statement.

The Group has also reviewed the carrying value of goodwill and associated tangible assets on its regional bus businesses. This has led to an exceptional impairment charge of £10.1m.

Included within net finance costs and taxation are exceptional items relating to an ongoing HMRC enquiry as explained below. There were no exceptional operating items in the prior year

### Amortisation

The amortisation charge for the year was £3.3m (2017: £3.1m), 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 ahead of the prior year at £14.2m (2017: £13.4m) including finance costs of £16.7m (2017: £15.8m) less finance revenue of £2.5m (2017: £2.4m). Finance costs include an exceptional cost of £2.6m (2017: £nil) in respect of the estimated settlement of the HMRC capital allowances enquiry. The average net interest rate for the period was 4.1% (2017: 4.2%).

### Taxation

Net tax for the year was £36.4m (2017: £25.3m), equivalent to an effective rate of 25.0% (2017: 18.5%). A provision has been made in the tax charge in relation to a current HMRC enquiry and is shown as exceptional. Excluding the impact of this one-off provision and the impact of exceptional items, the tax rate would have been 21.0%, as a result of non-deductible items such as bid costs in Germany and other international areas.

The statutory rate will reduce to 17% in 2020. We expect our effective tax rate to be 2% to 3% above the statutory rate in future years.

### Non-controlling interest

The non-controlling interest in the income statement of £20.3m (2017: £22.4m) arises from our 65% holding in Govia Limited, which owns 100% of our current rail operations and therefore represents 35% of the profit after taxation of these operations.

### Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the year of £35.4m (2017: £37.4m) consisting of bus costs of £1.8m (2017: £0.4m) and rail costs of £33.7m (2017: £37.0m). Group contributions to the schemes totalled £40.3m (2017: £42.9m).

An exceptional gain of £35.2m (2017: £nil) 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 £30.3m (2017: a deficit of £17.3m), consisting of pre-tax assets of £36.8m (2017: liabilities of £20.9m) less a deferred tax liability of £6.5m (2017: deferred tax asset of £3.6m). The pre-tax asset consisted of assets of £829.3m (2017: £784.6m) less estimated liabilities of £792.5m (2017: £805.5m). The percentage of assets held in higher risk, return seeking assets was 48.5% (2017: 53.4%).

### 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 (2017: £nil).

## KEY RISKS

The key risks described in the Group's Annual Report for the year ended 30 June 2018 can be summarised as below. More detail can be found in the 2018 Group Annual Report and Accounts, available on our website at [www.go-ahead.com](http://www.go-ahead.com)

### External risks

#### Economic environment and society

Lower economic growth or reduction in economic activity.

#### Mitigating actions

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

#### 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

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

### Strategic risks

#### Sustainability of rail profits or loss of franchise

Failure to retain Southeastern franchise on acceptable terms and failure to stabilise GTR's business performance, and comply with franchise terms.

#### 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
- Significant resource and financial investment in bidding for new franchises
- Regular Board review of rail performance, and Board approval of overall rail bidding strategy
- Compliance with franchise conditions closely monitored
- Recovery plan for GTR
- Reduce head office costs across the Group
- Preparation for German rail contract ahead of its start date in 2019

## **Inappropriate strategy or investment**

Failure to make appropriate strategic or 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

## **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**

### **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
- Appropriate and regularly reviewed and tested contingency and disaster recovery plans
- Thorough and regular staff training
- Work closely with our industry partners, such as rail infrastructure provider, Network Rail, and government agencies
- We have maintained high levels of safety performance, demonstrating our continuing efforts to minimise this risk

### **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

### **Labour costs, employee relations and resource planning**

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

#### **Mitigating actions**

- Work to maintain good relationships with employees 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
- Employee engagement surveys across all businesses to identify issues
- Engaging all our people in the vision, beliefs and attitudes
- Proactive management of pension risks

### **Information technology failure or interruption or security breach**

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

#### **Mitigating actions**

- Implementation of the Group-wide GDPR project, to ensure compliance
- Appointment of a Group Data Protection Officer
- 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, including 'light sites' and 'load bearing' servers
- Clear and tested business continuity plans
- Proactive approach to cyber security issues
- Cyber Essentials, a government backed cyber security certification scheme, was achieved
- Continued investment in and maintenance of IT systems across the Group
- Test scenarios conducted across the Group

## CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2018

	Notes	Pre-exceptional 2018 £m	Exceptional items 2018 £m	Post-exceptional 2018 £m	2017 £m
Group revenue	4	3,461.5	–	3,461.5	3,481.1
Operating costs	5, 7	(3,325.6)	25.1	(3,300.5)	(3,330.5)
Group operating profit		135.9	25.1	161.0	150.6
Share of result of joint venture		(1.1)	–	(1.1)	(0.4)
Finance revenue	4, 8	2.5	–	2.5	2.4
Finance costs	8	(14.1)	(2.6)	(16.7)	(15.8)
Profit before taxation		123.2	22.5	145.7	136.8
Tax expense	9	(24.9)	(11.5)	(36.4)	(25.3)
Profit for the year from continuing operations		98.3	11.0	109.3	111.5
Attributable to:					
Equity holders of the parent		78.0	11.0	89.0	89.1
Non-controlling interests		20.3	–	20.3	22.4
		98.3	11.0	109.3	111.5
Earnings per share					
– basic	10	181.6p	25.6p	207.2p	207.7p
– diluted	10	181.2p	25.5p	206.7p	207.1p
Dividends paid (pence per share)	11			102.08p	97.69p
Final dividend proposed (pence per share)	11			71.91p	71.91p

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2018

	Notes	2018 £m	2017 £m
Profit for the year		109.3	111.5
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement gains/(losses) on defined benefit pension plans	27	18.9	(24.2)
Tax relating to items that will not be reclassified	9	(3.3)	4.1
		15.6	(20.1)
Items that may subsequently be reclassified to profit or loss:			
Unrealised gains/(losses) on cashflow hedges		30.5	(3.2)
(Gains)/losses on cashflow hedges taken to income statement – operating costs		(2.3)	6.7
Tax relating to items that may be reclassified	9	(5.2)	(0.9)
Foreign exchange gain/ (loss)		0.8	(0.3)
		23.8	2.3
Other comprehensive gains/(losses) for the year, net of tax		39.4	(17.8)
Total comprehensive income for the year		148.7	93.7
Attributable to:			
Equity holders of the parent		128.4	71.3
Non-controlling interests		20.3	22.4
		148.7	93.7

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	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 2 July 2016	72.1	(70.9)	(10.8)	1.6	0.7	178.4	171.1	24.0	195.1
Profit for the year	–	–	–	–	–	89.1	89.1	22.4	111.5
Net movement on hedges (net of tax)	–	–	2.6	–	–	–	2.6	–	2.6
Remeasurement on defined benefit retirement plans (net of tax) (note 27)	–	–	–	–	–	(20.1)	(20.1)	–	(20.1)
Foreign exchange loss	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Total comprehensive income	–	–	2.6	–	–	68.7	71.3	22.4	93.7
Exercise of share options	–	1.4	–	–	–	(1.4)	–	–	–
Share based payment charge (and associated tax) (note 6)	–	–	–	–	–	2.4	2.4	–	2.4
Acquisition of own shares	–	(2.4)	–	–	–	–	(2.4)	–	(2.4)
Share issue	1.5	–	–	–	–	–	1.5	–	1.5
Dividends (note 11)	–	–	–	–	–	(41.8)	(41.8)	(21.3)	(63.1)
At 1 July 2017	73.6	(71.9)	(8.2)	1.6	0.7	206.3	202.1	25.1	227.2
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 6)	–	–	–	–	–	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 11)	–	–	–	–	–	(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



## CONSOLIDATED BALANCE SHEET

as at 30 June 2018

	Notes	2018 £m	2017 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	628.7	575.2
Intangible assets	13	91.5	91.5
Deferred tax assets	9	0.1	6.1
Investments	28	0.3	–
Interests in joint ventures		–	0.8
Other financial assets	23	8.1	–
Retirement benefit obligations	27	41.4	–
		<b>770.1</b>	<b>673.6</b>
<b>Current assets</b>			
Inventories	16	15.2	18.9
Trade and other receivables	17	342.9	332.5
Other financial assets	23	10.0	0.2
Assets classified as held for sale	15	13.1	1.7
Cash and cash equivalents	18	556.5	590.2
		<b>937.7</b>	<b>943.5</b>
<b>Total assets</b>		<b>1,707.8</b>	<b>1,617.1</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	(804.8)	(836.6)
Other financial liabilities	23	–	(7.3)
Interest-bearing loans and borrowings	20	(8.4)	(201.5)
Current tax liabilities	9	(20.5)	(12.0)
Provisions	24	(29.6)	(40.3)
		<b>(863.3)</b>	<b>(1,097.7)</b>
<b>Non-current liabilities</b>			
Trade and other payables	19	(1.0)	(1.0)
Other financial liabilities	23	–	(3.0)
Interest-bearing loans and borrowings	20	(394.8)	(157.6)
Retirement benefit obligations	27	(4.6)	(20.9)
Deferred tax liabilities	9	(51.0)	(47.8)
Provisions	24	(73.7)	(61.9)
		<b>(525.1)</b>	<b>(292.2)</b>
<b>Total liabilities</b>		<b>(1,388.4)</b>	<b>(1,389.9)</b>
<b>Net assets</b>		<b>319.4</b>	<b>227.2</b>
<b>Capital &amp; reserves</b>			
Share capital	25	74.2	73.6
Reserve for own shares	25	(71.3)	(71.9)
Hedging reserve	25	14.8	(8.2)
Share premium reserve	25	1.6	1.6
Capital redemption reserve	25	0.7	0.7
Retained earnings	25	267.9	206.3
<b>Total shareholders' equity</b>		<b>287.9</b>	<b>202.1</b>
<b>Non-controlling interests</b>		<b>31.5</b>	<b>25.1</b>
<b>Total equity</b>		<b>319.4</b>	<b>227.2</b>

## CONSOLIDATED CASHFLOW STATEMENT

for the year ended 30 June 2018

	Notes	2018 £m	2017 £m
Profit after tax for the year		109.3	111.5
Net finance costs	8	14.2	13.4
Tax expense	9	36.4	25.3
Depreciation of property, plant and equipment	12	82.7	65.4
Amortisation of intangible assets	13	3.3	3.1
Goodwill/asset impairment	7	10.1	–
Share of result of joint venture		1.1	0.4
Profit on sale of assets held for sale		(0.9)	–
Profit on sale of property, plant and equipment		(7.3)	(0.3)
Share based payment charges	6	2.2	2.7
Difference between pension contributions paid and amounts recognised in the income statement		(6.3)	(6.0)
Pension scheme exceptional items	7	(35.2)	–
Decrease/(increase) in inventories		1.5	(0.3)
(Increase)/decrease in trade and other receivables		(1.9)	8.0
Decrease in trade and other payables		(18.9)	(40.7)
Movement in provisions		0.7	(4.3)
Cashflow generated from operations		191.0	178.2
Taxation paid	9	(28.7)	(34.1)
Net cashflows from operating activities		162.3	144.1
Cashflows from investing activities			
Interest received		2.5	2.4
Proceeds from sale of property, plant and equipment		15.4	2.2
Proceeds from sale of assets held for sale		1.7	–
Purchase of property, plant and equipment		(126.7)	(141.9)
Purchase of property, plant and equipment held for sale		(11.4)	–
Purchase of intangible assets		(10.1)	(5.0)
Purchase of businesses	14	(9.2)	(11.7)
Cash acquired with subsidiary		2.0	0.5
Transferred with franchise		(23.5)	–
Acquisition of investments		(0.3)	–
Net cashflows used in investing activities		(159.6)	(153.5)
Cashflows from financing activities			
Interest paid		(15.8)	(15.1)
Dividends paid to members of the parent	11	(43.8)	(41.8)
Dividends paid to non-controlling interests		(13.9)	(21.3)
Payment to acquire own shares		(1.1)	(2.4)
Foreign exchange gain/(loss)		0.8	(0.3)
Repayments of borrowings		(222.5)	–
Proceeds from borrowings		260.2	43.8
Proceeds from issue of shares		0.6	1.5
Payment of finance lease and hire purchase liabilities		(0.9)	(1.1)
Net cash outflows on financing activities		(36.4)	(36.7)
Net decrease in cash and cash equivalents		(33.7)	(46.1)
Cash and cash equivalents at 1 July 2017	18	590.2	636.3
Cash and cash equivalents at 30 June 2018	18	556.5	590.2

Cash balances of £438.9m (2017: £516.1m) were restricted at 30 June 2018, further details are shown in note 18.

## 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 30 June 2018 or 2017 but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered in due course. The auditor's reports on the 2018 and 2017 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 2018 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 30 June 2018. 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 5 September 2018 and is signed on its behalf by:

**David Brown Group, Chief Executive**

**Patrick Butcher 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.

#### Critical accounting judgements

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

#### Exceptional operating items

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

During the year, the following items have been classified as exceptional and further details are given in note 7, a gain on the change in pension plan assumptions from RPI to CPI, certain goodwill and asset impairments and provisions in respect of an ongoing HMRC capital allowances taxation enquiry.

There were no exceptional items in the comparative year.

#### Accounting for the rail pension schemes

The train operating companies participate in the RPS, a defined benefit pension scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses the RPS is a shared cost scheme which means that costs are formally shared 60% employer 40% employee. The Group only recognises its share of costs in the income statement.

#### Uninsured claims

The measurement of uninsured liabilities is based on an assessment of both the expected settlement of known claims and of the cost of claims not yet reported to the Group, as detailed in note 24. In order to assess the appropriate level of provisions the Group engages with its brokers and claims handlers to ensure external expertise is adequately factored in to the provision for known claims.

#### Key sources of estimation uncertainty

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

#### Contract and franchise accounting

The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them 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. The GTR franchise is complex and there are a number of contractual discussions underway with the DfT that have a range of reasonably possible outcomes. Management's judgements are that, relating to events up to 30 June 2018, the impact on rail profitability of these outcomes is likely to be within a range of plus or minus £5m.

Following the implementation of a revised timetable in May, the performance of GTR services has been below certain contractual thresholds. These shortfalls are in large measure attributable to failings across the industry and are not the sole responsibility of GTR. Discussions are continuing with the DfT to apportion accountability for these shortfalls. It is possible that the DfT will determine that a sufficient part of these failings are down to GTR and that it is in breach of its contractual obligations. At that point, the DfT may choose, as is usual, to require the production of a Remedial Plan and/or seek to impose penalties or may seek to terminate the contract.

In the event of a termination, it is possible that there will be costs that the DfT will seek to recover from GTR. These are not possible to estimate at this stage and in any event would be contested. GTR continues to work hard to further stabilise and improve services for customers and remains committed to working with the DfT to resolve both the long outstanding contract variations which support the delivery of new services and will address remaining contractual performance issues described above.

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 24. Significant elements of the provisions required are subject to interpretation of franchise agreements and rolling stock agreements. The Group has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the most probable outcomes. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from professional external advisors to support provision levels.

#### Retirement benefit obligations – Bus schemes

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

### 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 bus and rail. Operating segments within those reportable divisions are combined on the basis of their long term characteristics and similar nature of their products and services, as follows:

The regional bus division comprises UK bus operations outside London.

The London bus division comprises bus operations in London under control of Transport for London (TfL), rail replacement and other contracted services in London, bus operations in Singapore under 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. The Irish operations are currently being mobilised. These are aggregated as a segment given the similar contractual nature of the business.

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 are currently being mobilised in Germany and are 100% owned by Go-Ahead. The German rail franchises are included with the UK rail operations for reporting purposes and will be considered in further detail when operational in June 2019.

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities and accordingly IFRS 8 does not require this information to be presented.

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

The following tables present information regarding the Group's reportable segments for the year ended 30 June 2018 and the year ended 1 July 2017.

**Year ended 30 June 2018**

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
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

Within exceptional items, a charge of £10.1m, relating to goodwill and asset impairment, is within the regional bus segment. The other exceptional items relate to central activities and therefore cannot be allocated between the operating segments.

	Regional bus £m	London 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

At 30 June 2018, there were non-current assets included within London bus of £7.2m (2017: £2.1m) relating to operations in Singapore and Ireland. The operations in Singapore commenced trading on 4 September 2016 and the revenue generated during the year to 30 June 2018 was £52.1m (2017: £39.7m). Operations in Ireland are currently being mobilised and trading is due to commence in September 2018. Non-current assets included within rail of £11.0m (2017: £3.0m) relate to operations being mobilised in Germany.

We have two major customers which individually contribute more than 10% of Group revenue, one of which contributed £1,278.5m (2017: £1,148.6m), and the other contributed £491.8m (2017: £479.1m).

## Year ended 1 July 2017

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	406.8	545.3	952.1	2,594.6	3,546.7
Inter-segment revenue	(30.2)	(19.9)	(50.1)	(15.5)	(65.6)
Group revenue	376.6	525.4	902.0	2,579.1	3,481.1
Operating costs	(329.5)	(481.8)	(811.3)	(2,519.2)	(3,330.5)
Group operating profit	47.1	43.6	90.7	59.9	150.6
Share of result of joint venture					(0.4)
Net finance costs					(13.4)
Profit before tax and non-controlling interests					136.8
Tax expense					(25.3)
Profit for the year					111.5

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Other segment information					
Capital expenditure:					
– Additions	49.6	63.1	112.7	29.2	141.9
– Acquisitions	8.7	–	8.7	–	8.7
– Intangible assets	8.4	–	8.4	3.3	11.7
Depreciation	31.5	24.6	56.1	9.3	65.4

## 4. Group revenue

This note provides an analysis of Group revenue. For accounting policies see 'Revenue recognition', 'Rendering of services', 'Rental income' and 'Profit and revenue sharing/support agreements' in notes to the accounts.

	2018 £m	2017 £m
Rendering of services	3,319.5	3,322.9
Rental income	37.5	25.9
Franchise subsidy receipts and revenue support	104.5	132.3
Group revenue	3,461.5	3,481.1
Finance revenue	2.5	2.4
Total Group revenue	3,464.0	3,483.5

## 5. Operating costs

Detailed below are the key amounts recognised in arriving at our operating costs. For accounting policies see 'Profit and revenue sharing/support agreements', 'Property, plant and equipment', 'Government grants' and 'Franchise bid costs' in notes to the accounts.

	2018 £m	2017 £m
Employee costs (note 6)	1,224.4	1,237.6
Operating lease payments		
– bus vehicles	14.5	14.0
– non-rail properties	2.0	2.6
– other non-rail	0.1	0.1
– rail rolling stock	478.1	465.9
– other rail	188.1	165.5
Total lease and sublease payments recognised as an expense (excluding rail access charges) <sup>1</sup>	682.8	648.1
– rail access charges	482.4	489.4
Total lease and sublease payments recognised as an expense <sup>2</sup>	1,165.2	1,137.5
DfT franchise agreement receipts	(24.6)	(35.2)
Other operating income	(24.0)	(17.9)
Depreciation of property, plant and equipment		
– owned assets	82.1	64.9
– leased assets	0.6	0.5
Total depreciation expense	82.7	65.4
Intangible amortisation	3.3	3.1
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	0.7	0.6
Total audit fees for the audit of the financial statements	0.8	0.7
– other non-audit <sup>3</sup>	0.1	0.4
Total non-audit fees	0.1	0.4
Total auditor's remuneration	0.9	1.1
Trade receivables not recovered	0.2	0.7
Energy costs		
– bus fuel	98.2	102.7
– rail diesel fuel	7.0	10.8
– rail electricity	128.1	120.6
– cost of site energy	16.2	15.4
Total energy costs	249.5	249.5
Government grants	(4.7)	(2.1)
Profit on disposal of property, plant and equipment	(7.3)	(0.9)
Profit on sale of assets held for sale	(0.9)	–
Costs expensed relating to franchise bidding activities	13.9	11.1
DfT profit share	20.6	33.5
Other operating costs	626.5	647.1
Total operating costs (pre-exceptional operating items)	3,325.6	3,330.5

- The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £696.4m (2017: £661.9m), net of sublease payments of £13.6m (2017: £13.8m) relating to other rail leases.
- The total lease and sublease payments recognised as an expense (including rail access charges) are made up of minimum lease payments of £1,178.8m (2017: £1,151.3m), net of sublease payments of £13.6m (2017: £13.8m) relating to other rail leases.
- Other non-audit services of £0.1m (2017: £0.4m) are detailed in the section on how we have complied with the 2016 UK Corporate Governance Code in the Annual Report.

Government grant income of £4.7m (2017: £2.1m) is mainly attributable to service improvements including smart ticketing, deliverable over a period of up to five years.



## 6. Employee costs

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

	2018 £m	2017 £m
Wages and salaries	1,067.5	1,077.8
Social security costs	105.1	107.2
Other pension costs	49.6	49.9
Share based payments charge	2.2	2.7
	1,224.4	1,237.6

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

	2018	2017
Administration and supervision	3,263	3,189
Maintenance and engineering	2,583	2,698
Operations	22,308	23,187
	28,154	29,074

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

### Sharesave scheme

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

The Sharesave scheme is open to all full time and part-time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. At the end of the savings period, employees can buy shares at a 20% discount of the market price set at the date of invitation or take their full savings back. Sharesave 2016 will mature 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 30 June 2018 as follows:

Scheme maturity	1 May 2019	1 May 2017
Option price (£)	19.11	17.34
No. of options unexercised at 30 June 2018	249,242	–
No. of options exercised during the year	400	33,954
No. of options exercisable at 30 June 2018	–	–

The expense recognised for the scheme during the year to 30 June 2018 was £0.6m (2017: £0.8m).

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

	2018 No.	2018 WAEP £	2017 No.	2017 WAEP £
Outstanding at the beginning of the year	589,744	18.32	764,904	18.19
Granted during the year	–	–	–	–
Forfeited during the year	(306,148)	17.79	(89,693)	18.14
Exercised during the year	(34,354)	17.36	(85,467)	17.34
Outstanding at the end of the year	249,242	19.11	589,744	18.32

The weighted average exercise price at the date of exercise for the options exercised in the period was £17.36 (2017: £17.34).

At the year end no options (2017: 262,816) were exercisable and the weighted average exercise price of the options was £nil (2017: £18.32).

The options outstanding at the end of the year have a weighted average remaining contracted life of 0.83 years (2017: 1.01 years).

### Long Term Incentive Plans

The executive directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 and 2015 (LTIP). The LTIP provides for executive directors to be awarded nil cost shares in the Group conditional on specified performance conditions being met over a period of three years. Refer to the directors' remuneration report for further details of the LTIP.

The expense recognised for the LTIP during the year to 30 June 2018 was £0.8m (2017: £0.6m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 30 June 2018 and 1 July 2017 were:

	2018 % per annum	2017 % per annum
The Go-Ahead Group plc:		
Future share price volatility	29.0	28.0
FTSE Mid-250 index comparator:		
Future share price volatility	25.0	25.0
Correlation between companies	30.0	30.0

The weighted average fair value of options granted during the year was £12.92 (2017: £14.90).

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

	2018	2017
Outstanding at the beginning of the year	111,724	84,415
Granted during the year	72,755	57,771
Forfeited during the year	(9,815)	(3,047)
Exercised during the year	(11,520)	(27,415)
Outstanding at the end of the year	163,144	111,724

The LTIP award granted to the Group Chief Executive in November 2015 will lapse in full from November 2018 as none of the performance measures were achieved following the three year performance period ending 30 June 2018. The weighted average share price of the options at the year end was £15.88 (2017: £17.77).

All of the LTIP awards granted to the Group Chief Financial Officer will lapse on his cessation of employment in 2018/19.

The weighted average remaining contractual life of the options was 1.25 years (2017: 1.33 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £16.23 (2017: £20.33).

### Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for executive directors and certain other senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three year period. Refer to the directors' remuneration report for further details of the DSBP.

The expense recognised for the DSBP during the year to 30 June 2018 was £0.8m (2017: £1.3m).

The DSBP options are not subject to any market based performance conditions. Therefore the fair value of the options is equal to the share price at the date of grant.

The weighted average fair value of options granted during the year was £16.30 (2017: £20.08).

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

	2018	2017
Outstanding at the beginning of the year	176,258	165,646
Granted during the year	34,804	44,490
Forfeited during the year	(7,654)	(7,711)
Exercised during the year	(56,175)	(26,167)
Outstanding at the end of the year	147,233	176,258

At the year end, 20,752 options related to DSBP awards, which vested before the year-end, which have not yet been exercised by participants. Of these 20,752 options, 5,165 options related to the award granted in November 2013 and 15,587 related to the award granted in November 2014. 50,924 options, relating to the DSBP award granted in November 2015, will be eligible to vest from November 2018 following the end of a three year deferral period. The weighted average share price of the options at the year-end was £15.88 (2017: £17.77).

All of the DSBP awards granted to the Group Chief Financial Officer will lapse on his cessation of employment in 2018/19.

The weighted average remaining contractual life of the options was 0.67 years (2017: 0.81 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £16.01 (2017: £20.10).

### Share incentive plans

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

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

## 7. Exceptional 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 notes to the accounts.

	2018 £m	2017 £m
Gain on change in RPI/CPI assumptions	35.2	–
Goodwill and asset impairment	(10.1)	–
Exceptional operating items	25.1	–

### Year ended 30 June 2018

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

During the year 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 Prices Index (CPI) is used to increase pensions in payment rather than the Retail Prices Index (RPI). The change reduces 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 has been recognised in respect of this change in line with IAS 19 and the Group's accounting policies set out on page 135 of the Annual Report.

During the year, goodwill of £8.4m has been impaired relating to Konectbus, Thames Travel and Carousel bus operations, following a period of underperformance in all three individual cash-generating units. More details of the impairment reviews are given in note 13. 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 ongoing HMRC capital allowances enquiry is £11.5m (2017: £nil). In addition, an accrued amount of £2.6m has been provided for within finance costs in relation to the interest payable of this enquiry.

### Year ended 1 July 2017

There were no exceptional items in the year ended 1 July 2017.

## 8. Finance revenue and costs

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

	2018 £m	2017 £m
Bank interest receivable on bank deposits	2.5	2.4
Finance revenue	2.5	2.4
Interest payable on bank loans and overdrafts	(2.5)	(2.7)
Interest payable on £200m sterling 7.5 year bond	(2.6)	(11.0)
Interest payable on £250m sterling 7 year bond	(6.3)	–
Other interest payable	(4.3)	(1.7)
Unwinding of discounting on provisions	(0.4)	(0.2)
Interest payable under finance leases and hire purchase contracts	(0.2)	(0.2)
Interest on net pension liability	(0.4)	–
Finance costs	(16.7)	(15.8)

Other interest payable includes an exceptional accrued interest charge of £2.6m (2017: £nil) in relation to the ongoing HMRC capital allowances taxation enquiry.

## 9. Taxation

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

The Group tax policy can be found at [www.go-ahead.com](http://www.go-ahead.com).

### a. Tax recognised in the income statement and in equity

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

	2018 £m	2017 £m
Current year tax charge	23.9	27.2
Adjustments in respect of current tax of previous years	13.3	–
<b>Total current tax</b>	<b>37.2</b>	<b>27.2</b>
Deferred tax relating to origination and reversal of temporary differences at 19.0% (2017: 19.75%)	6.6	1.9
Adjustments in respect of deferred tax of previous years	(7.4)	0.3
Impact of opening deferred tax rate reduction	–	(4.1)
<b>Total deferred tax</b>	<b>(0.8)</b>	<b>(1.9)</b>
<b>Tax reported in consolidated income statement</b>	<b>36.4</b>	<b>25.3</b>

The tax reported in consolidated income statement includes 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, as discussed in note 7.

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

	2018 £m	2017 £m
Tax on remeasurement gains/(losses) on defined benefit pension plans	3.3	(4.1)
Deferred tax on cashflow hedges	5.2	0.9
Deferred tax on share based payments (taken directly to equity)	0.5	0.3
<b>Tax reported outside of profit or loss</b>	<b>9.0</b>	<b>(2.9)</b>

### 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 30 June 2018 and 1 July 2017 is as follows:

	2018 £m	2017 £m
Accounting profit before taxation	145.7	136.8
At United Kingdom tax rate of 19.0% (2017: 19.75%)	27.7	27.0
Bid costs not allowable for tax purposes	0.6	0.6
Share scheme costs not allowable for tax purposes	0.7	0.3
Non-qualifying depreciation	1.1	0.6
Expenditure not allowable for tax purposes	1.4	0.4
Adjustments in respect of deferred tax of previous years	(7.4)	0.3
Movement on unrecognised deferred tax on losses carried forward	(0.2)	0.6
Effect of the difference between current year corporation tax and deferred tax rates	(0.8)	(0.4)
Impact of opening deferred tax rate reduction	–	(4.1)
Adjustments in respect of current tax of previous years	13.3	–
<b>Tax reported in consolidated income statement</b>	<b>36.4</b>	<b>25.3</b>
<b>Effective tax rate</b>	<b>25.0%</b>	<b>18.5%</b>

The Group had subsidiary companies in Germany, Ireland, Scandinavia and Singapore during the year.

Singapore profits have been taxed at the appropriate local taxation rates and have been included in the total statutory tax charge. Germany and Ireland are currently in mobilisation and so have not made a profit in the financial year.

Costs incurred by the Scandinavia companies were either expensed in the UK without tax relief being claimed or were carried forward as prepayments without tax relief being claimed during the year.

The Group has not recognised a deferred tax asset of £1.1m (2017: £0.9m) based on a rate of 30% (2017: 29%) in respect of losses incurred in Germany carried forward.

### c. Reconciliation of current tax liabilities

A reconciliation of the current tax liability is provided below:

	2018 £m	2017 £m
Current tax liability at start of year	12.0	18.9
Corporation tax reported in consolidated income statement	37.2	27.2
Paid in the year	(28.7)	(34.1)
Current tax liability at end of year	20.5	12.0

### d. Deferred tax

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

	2018 £m	2017 £m
Deferred tax liability		
Accelerated capital allowances	(20.2)	(25.0)
Other temporary differences	(9.6)	(10.8)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(11.4)	(12.0)
Cashflow hedges	(3.3)	–
Retirement benefit obligations	(6.5)	–
Deferred tax liability included in balance sheet	(51.0)	(47.8)
Deferred tax asset		
Retirement benefit obligations	–	3.6
Cashflow hedges	–	1.9
Share based payments	0.1	0.6
Deferred tax asset included in balance sheet	0.1	6.1

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 30 June 2018 and 1 July 2017 are as follows:

### 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)

## Year ended 1 July 2017

	At 2 July 2016 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Acquisitions £m	At 1 July 2017 £m
Accelerated capital allowances	(28.4)	3.2	–	–	0.2	(25.0)
Asset backed funding pension arrangement	(8.3)	(1.8)	–	–	–	(10.1)
Other temporary differences	(0.1)	0.2	–	–	(0.8)	(0.7)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(13.3)	1.3	–	–	–	(12.0)
Retirement benefit obligations	0.5	(1.0)	4.1	–	–	3.6
Cashflow hedges	2.8	–	(0.9)	–	–	1.9
Share based payments	0.9	–	–	(0.3)	–	0.6
	(45.9)	1.9	3.2	(0.3)	(0.6)	(41.7)

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

	2018 £m	2017 £m
Accelerated capital allowances	0.5	(0.4)
Revaluation	(0.6)	(0.6)
Retirement benefit obligations	6.7	1.0
Temporary differences arising on pension spreading	–	2.3
Other temporary differences	–	(0.4)
	6.6	1.9
Adjustments in respect of prior years	(7.4)	0.3
Adjustments in respect of opening deferred tax rate reduction	–	(4.1)
Deferred tax expense	(0.8)	(1.9)

### 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 30 June 2018.

In addition to the change in rate of corporation tax identified above, further reductions in the rate to 17% from 1 April 2020 were substantively enacted prior to the balance sheet date and have been applied where applicable to the Group's deferred tax balance at the balance sheet date.

The current tax charge, reported in the consolidated income statement, of £37.2m includes amounts provided for in relation to an ongoing HMRC capital allowances taxation enquiry. In addition, the deferred tax relating to origination and reversal of temporary differences includes a movement which relates to the exceptional gain of £35.2m arising on the change in RPI/CPI assumptions on The Go-Ahead Group Pension Plan and the adjustments in respect of deferred tax of previous years include amounts in relation to the HMRC enquiry.

## 10. Earnings per share

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

### Basic and diluted earnings per share

	Pre-exceptional 2018 £m	Exceptional items 2018 £m	Post-exceptional 2018 £m	2017 £m
Net profit attributable to equity holders of the parent	78.0	11.0	89.0	89.1
	Pre-exceptional 2018	Exceptional items 2018	Post-exceptional 2018	2017
Basic weighted average number of shares in issue ('000)	42,958	–	42,958	42,902
Dilutive potential share options ('000)	101	–	101	122
Diluted weighted average number of shares in issue ('000)	43,059	–	43,059	43,024
Earnings per share:				
Basic earnings per share (pence per share)	181.6	25.6	207.2	207.7
Diluted earnings per share (pence per share)	181.2	25.5	206.7	207.1

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 30 June 2018 to 5 September 2018.

## 11. Dividends paid and proposed

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

	2018 £m	2017 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2017: 71.91p per share (2016: 67.52p)	30.9	28.9
Interim dividend for 2018: 30.17p per share (2017: 30.17p)	12.9	12.9
	43.8	41.8
	2018 £m	2017 £m
Proposed for approval at the AGM (not recognised as a liability as at 30 June 2018)		
Equity dividends on ordinary shares:		
Final dividend for 2018: 71.91p per share (2017: 71.91p)	31.0	31.0

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

## 12. Property, plant and equipment

The Group holds significant investments in land and buildings, bus vehicles and plant and equipment, which form our tangible assets. All assets (excluding freehold land) are depreciated over their useful economic lives. For accounting policies see 'Property, plant and equipment' in notes to the 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 2 July 2016	198.9	0.4	14.7	572.8	211.3	998.1
Additions	8.2	–	1.0	97.1	35.6	141.9
Acquisitions	4.0	–	–	4.5	0.2	8.7
Disposals	–	–	(0.1)	(28.6)	(8.3)	(37.0)
Transfer categories	–	–	–	1.7	(1.7)	–
Transfer of assets held for sale	(1.7)	–	–	–	–	(1.7)
Transfer of intangible assets	–	–	–	–	(1.8)	(1.8)
At 1 July 2017	209.4	0.4	15.6	647.5	235.3	1,108.2
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
Depreciation and impairment:						
At 2 July 2016	32.1	–	8.8	295.0	167.9	503.8
Charge for the year	1.1	–	1.4	50.0	12.9	65.4
Disposals	–	–	(0.1)	(27.8)	(8.1)	(36.0)
Impairment of assets	0.7	–	–	–	0.2	0.9
Transfer assets held for sale	(0.8)	–	–	–	–	(0.8)
Transfer of intangible assets	–	–	–	–	(0.3)	(0.3)
At 1 July 2017	33.1	–	10.1	317.2	172.6	533.0
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
Net book value:						
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
At 2 July 2016	166.8	0.4	5.9	277.8	43.4	494.3

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

	2018 £m	2017 £m
Bus vehicles	14.7	0.7



### 13. 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 Group acquires a business and pays a higher amount than the fair value of the net assets primarily due to the synergies the Group expect to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise 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 notes to the accounts.

	Goodwill £m	Software costs £m	Franchise set-up costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
<b>Cost:</b>						
At 2 July 2016	80.8	21.3	11.5	16.7	12.3	142.6
Additions	–	1.9	3.1	–	–	5.0
Acquisitions	5.6	–	–	–	1.1	6.7
Transfer from tangible fixed assets	–	1.8	–	–	–	1.8
Disposals	–	(1.9)	–	–	–	(1.9)
At 1 July 2017	86.4	23.1	14.6	16.7	13.4	154.2
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
<b>Amortisation and impairment:</b>						
At 2 July 2016	4.9	17.3	9.3	16.7	11.6	59.8
Charge for the year	–	1.8	0.8	–	0.5	3.1
Transfer from tangible fixed assets	–	0.3	–	–	–	0.3
Disposals	–	(0.5)	–	–	–	(0.5)
At 1 July 2017	4.9	18.9	10.1	16.7	12.1	62.7
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
<b>Net book value:</b>						
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
At 2 July 2016	75.9	4.0	2.2	–	0.7	82.8

#### 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 or entering into a franchise extension are capitalised as an intangible asset and amortised over the life of the franchise/franchise extension.

#### Rail franchise asset

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

#### Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period.

## Goodwill

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

	2018 £m	2017 £m
Go South Coast	34.6	34.2
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	–
Konectbus	–	3.6
Thames Travel	–	2.7
Carousel	–	2.1
	74.1	81.5

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

The Group's weighted average cost of capital has been initially calculated as 5.2% (2017: 4.6%). 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.

Following this impairment review, the goodwill of Konectbus (a division of the East Anglian business), Thames Travel and Carousel (both separate divisions of the Oxford bus business) have been fully impaired reflecting their continued underperformance and this being reflected in budgets and forecasts going forward. Goodwill totalling £8.4m has been impaired in respect of the three businesses. In respect of the East Anglian tangible assets of £1.7m have also been impaired but in the case of Thames Travel and Carousel the tangible assets represent buses which can be utilised or sold without further impairment being applicable.

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 impairments noted above the remaining 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.

## 14. Business combinations

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

### Year ended 30 June 2018

During the year the following acquisitions were made:

- On 7 December 2017, The City of Oxford Motor Services Limited, a wholly owned subsidiary of the Group, acquired 100% of Tom Tappin Limited. The company operates the Guide Friday and City Sightseeing Oxford city bus tours.
- On 16 June 2018, Go North East Limited, a wholly owned subsidiary of the Group, acquired 100% of The East Yorkshire Motor Services Group Limited (EYMS). The EYMS group operates buses and coaches throughout Hull, East Riding and the North Yorkshire coast.

### Aggregate net assets at date of acquisition:

	Total acquisitions – Provisional fair value to Group £m
Property, plant and equipment	20.7
Intangible assets	1.3
Inventories	0.3
Cash and cash equivalents	2.0
Deferred tax liabilities	(1.0)
Trade and other receivables	2.9
Trade and other payables	(5.3)
Current taxation liabilities	(0.1)
Interest-bearing loans and borrowings	(7.3)
Retirement benefit obligations	(3.0)
Provisions	(1.2)
Net assets	9.3
Negative goodwill arising on acquisition	(0.7)
Goodwill arising on acquisition	0.6
Cash	9.2
Total consideration	9.2

Acquisition costs of £0.2m have been expensed through operating costs.

Negative goodwill of £0.7m (2017: £nil) has been included as an exceptional item.

From the dates of acquisition in the period, the acquisitions recorded an operating profit of less than £0.1m and revenue of £0.7m. Had the acquisitions been completed on the first day of the financial period, the impact on the Group's operating profit would have been an increase of £0.6m and the impact on revenue would have been an increase of £31.5m.

### Year ended 1 July 2017

As disclosed in the 2017 Annual Report, Go South Coast Limited, a wholly owned subsidiary of the Group, acquired the Excelsior group of companies on 4 October 2016 and Thamesdown Transport Limited on 3 February 2017. The total consideration paid was £11.7m and no significant changes to the fair values previously reported were subsequently identified. Given the size and prior year disclosures further detail is not replicated in the annual report.

## 15. Assets classified as held for sale

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

At 30 June 2018, assets held for sale, with a carrying value of £1.7m, related to property, plant and equipment available for sale, and were included in the regional bus segment (2017: £1.7m). Assets held for sale with a carrying value of £11.4m related to bus rolling stock available for sale and were included in the London bus segment (2017: £nil).

The Group expects to sell £13.1m 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 £1.7m relate to land and buildings, within property, plant and equipment, whereby offers have been made which management are currently assessing. The value at each balance sheet date represents management's best estimate of their resale value less disposal costs.

During the year ended 30 June 2018, assets held for sale were sold for a profit of £0.9m (2017: £nil), which is included within operating costs in the income statement.

At 1 July 2017, assets held for sale, with a carrying value of £1.7m, related to property, plant and equipment available for sale, and were included in the regional bus segment.

## 16. Inventories

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

	2018 £m	2017 £m
Raw materials and consumables	15.2	18.9

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

## 17. Trade and other receivables

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

	2018 £m	2017 £m
Current		
Trade receivables	168.1	147.5
Less: Provision for impairment of receivables	(1.7)	(2.1)
Trade receivables – net	166.4	145.4
Other receivables	10.8	37.2
Prepayments	76.7	68.2
Accrued income	29.2	42.4
Receivable from central government	59.8	39.3
	342.9	332.5

As at 30 June 2018 and 1 July 2017, the ageing analysis of trade receivables was as follows:

	Total £m	Neither past due nor impaired £m	Less than 30 days £m	30-60 days £m	60-90 days £m	90-120 days £m	Past due but not impaired – more than 120 days £m
2018	166.4	152.5	9.5	1.6	1.0	1.1	0.7
2017	145.4	130.8	4.9	1.9	3.3	1.2	3.3

Trade receivables at nominal value of £1.7m (2017: £2.1m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Total £m
At 1 July 2017	2.1
Charge for the year	0.2
Utilised	(0.4)
Unused amounts reversed	(0.3)
On acquisitions	0.1
At 30 June 2018	1.7

As at 30 June 2018, the ageing analysis of impaired and fully provided for trade receivables is as follows:

	2018 £m	2017 £m
60-90 days	0.1	0.1
90-120 days	–	–
More than 120 days	1.6	2.0
	1.7	2.1

## 18. Cash and cash equivalents

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

	2018 £m	2017 £m
Cash at bank and in hand	89.9	87.0
Cash and cash equivalents	466.6	503.2
	556.5	590.2

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

Amounts held by rail companies included in cash at bank and on short term deposit can be distributed only with the agreement of the DfT, normally up to the value of distributable reserves or based on a working capital formula. As at 30 June 2018, balances amounting to £438.9m (2017: £516.1m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £162.8m at 30 June 2018 (2017: £178.0m).

## 19. Trade and other payables

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

	2018 £m	2017 £m
Current		
Trade payables	240.9	266.0
Other taxes and social security costs	31.8	32.4
Other payables	53.0	77.3
Deferred season ticket income	165.9	178.0
Accruals	133.5	114.6
Deferred income	45.0	54.2
Payable to central government	130.9	108.9
Government grants	3.8	5.2
	804.8	836.6
Non-current		
Government grants	1.0	1.0
	1.0	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

## 20. Interest-bearing loans and borrowings

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. For accounting policies see 'Interest-bearing loans and borrowings' and 'Cash and cash equivalents' in notes to the 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 30 June 2018

	Effective interest rate %	Maturity	Current	Non-current		Total £m
			Within one year £m	After one year but not more than five years £m	After more than five years £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 7 year bond	2.50	Over 5 years	–	–	250.0	250.0
Debt issue costs on £250m sterling 7 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 21)	7.74	0–5 years	2.8	5.9	0.7	9.4
<b>Total interest-bearing loans and borrowings</b>			<b>8.4</b>	<b>5.0</b>	<b>389.8</b>	<b>403.2</b>
Debt issue costs			0.9	2.5	–	3.4
<b>Total interest-bearing loans and borrowings (gross of debt issue costs)</b>			<b>9.3</b>	<b>7.5</b>	<b>389.8</b>	<b>406.6</b>
Cash and short term deposits (note 18)			(556.5)	–	–	(556.5)
<b>Net cash</b>			<b>(547.2)</b>	<b>7.5</b>	<b>389.8</b>	<b>(149.9)</b>
Restricted cash*						438.9
<b>Adjusted net debt</b>						<b>289.0</b>

#### Year ended 1 July 2017

	Effective interest rate %	Maturity	Current	Non-current		Total £m
			Within one year £m	After one year but not more than five years £m	After more than five years £m	
Syndicated loans	1.00	0–4 years	–	156.0	–	156.0
Debt issue costs on syndicated loans			(0.3)	(0.5)	–	(0.8)
£200m sterling 7.5 year bond	5.38	0–1 years	200.0	–	–	200.0
€20m revolving credit facility	1.30	0–1 years	0.9	–	–	0.9
Finance leases and HP commitments (note 21)	4.96	0–5 years	0.9	2.0	0.1	3.0
<b>Total interest-bearing loans and borrowings</b>			<b>201.5</b>	<b>157.5</b>	<b>0.1</b>	<b>359.1</b>
Debt issue costs			0.3	0.5	–	0.8
<b>Total interest-bearing loans and borrowings (gross of debt issue costs)</b>			<b>201.8</b>	<b>158.0</b>	<b>0.1</b>	<b>359.9</b>
Cash and short term deposits (note 18)			(590.2)	–	–	(590.2)
<b>Net cash</b>			<b>(388.4)</b>	<b>158.0</b>	<b>0.1</b>	<b>(230.3)</b>
Restricted cash*						516.1
<b>Adjusted net debt</b>						<b>285.8</b>

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

## Analysis of Group net cash

	Cash and cash equivalents £m	Syndicated loan facility £m	Hire purchase/ finance leases £m	£200m sterling bond £m	£250m sterling bond £m	€RCF £m	€10.6m loan £m	Total £m
2 July 2016	636.3	(113.0)	(0.3)	(200.0)	–	–	–	323.0
Cashflow	(46.6)	(43.0)	1.1	–	–	(0.9)	–	(89.4)
On acquisition	0.5	–	(3.8)	–	–	–	–	(3.3)
1 July 2017	590.2	(156.0)	(3.0)	(200.0)	–	(0.9)	–	230.3
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)
30 June 2018	556.5	(136.0)	(9.4)	–	(250.0)	(6.5)	(4.7)	149.9

## 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
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)
30 June 2018	(136.0)	(9.4)	–	(250.0)	(6.5)	(4.7)	(406.6)

### Syndicated loan facility

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

As at 30 June 2018, £136.0m (2017: £156.0m) 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 7 years maturing on 6 July 2024, with a coupon rate of 2.5%. This replaced the £200.0m sterling bond which was repaid on 29 September 2017.

### €8m revolving credit facility (RCF)

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

As at 30 June 2018, €7.4m or £6.5m (2017: €1.0 or £0.9m) 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 30 June 2018, €5.2m or £4.7m (2017: €nil) 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 is charged at 1.5% plus EURIBOR until 1 June 2019 when interest will be charged at a fixed rate of 2.79%.

### Debt issue costs

There are debt issue costs of £0.6m (2017: £0.8m) on the syndicated loan facility.

The £250m sterling 7 year bond has debt issue costs of £2.8m (2017: £nil).

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



## 21. Finance lease and hire purchase commitments

This note details finance lease and hire purchase commitments. For accounting policies see 'Interest bearing loans and borrowings' in notes to the 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:

	2018		2017	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
Within one year	2.9	2.8	0.9	0.9
After one year but not more than five years	6.3	5.9	2.3	2.0
Over five years	0.7	0.7	0.1	0.1
Total minimum lease payments	9.9	9.4	3.3	3.0
Less amounts representing finance charges	(0.5)	–	(0.3)	–
Present value of minimum lease payments	9.4	9.4	3.0	3.0

## 22. Financial risk management objectives and policies

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

### Financial risk factors and management

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

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

It is, and has been throughout 2016/17 and 2017/18, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk and credit risk. Commodity price risk is managed via fuel derivatives. Risks arising from these are explained in note 23.

## Interest rate risk

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

The Group manages interest rate risk through a combination of fixed rate instruments and/or interest rate derivatives. During the years ended 30 June 2018 and 1 July 2017 the Group had no interest rate swaps in place. The Group has net cash and hence the present adverse risk is a decrease in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group (excluding unamortised debt issue costs) as at 30 June 2018 and 1 July 2017 is as follows:

	Average rate %	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Year ended 30 June 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 7 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
Year ended 1 July 2017								
Floating rate (assets)/liabilities								
Syndicated loans	1.00	–	–	–	156.0	–	–	156.0
Euro revolving credit facility	1.30	0.9	–	–	–	–	–	0.9
Gross floating rate liabilities		0.9	–	–	156.0	–	–	156.9
Cash assets	0.31	(590.2)	–	–	–	–	–	(590.2)
Net floating rate (assets)/liabilities		(589.3)	–	–	156.0	–	–	(433.3)
Fixed rate liabilities								
£200m sterling 7.5 year bond	5.38	200.0	–	–	–	–	–	200.0
Obligations under finance lease and hire purchase contracts	4.96	0.9	0.6	0.5	0.4	0.5	0.1	3.0
Net fixed rate liabilities		200.9	0.6	0.5	0.4	0.5	0.1	203.0

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

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

## Interest rate risk table

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

	Increase/ decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2018			
GBP	50.0	(0.6)	(0.6)
GBP	(50.0)	0.6	0.6
2017			
GBP	50.0	(0.8)	(0.8)
GBP	(50.0)	0.8	0.8

### Liquidity risk

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

On 16 July 2014, the Group re-financed and entered into a £280.0m five year syndicated loan facility, with two one-year extensions replacing the previous £275.0m five year syndicated loan facility. The second of the one-year extensions was agreed on 20 June 2016, extending the maturity of the current facility to July 2021. On 20 July 2018, an additional extension of two years was agreed, extending the maturity of the facility to July 2023. A further two one-year extensions are 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 7 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 Verkehrsgesellschaft Deutschland GmbH, entered into a €20m one year revolving credit facility. On 24 October 2017, €12.0 m of this facility was replaced with a €10.6m 10.5 years loan facility with the Group's subsidiary, Go-Ahead Facility GmbH.

The level of drawdowns and prevailing interest rates are detailed in note 20.

Available liquidity as at 30 June 2018 and 1 July 2017 was as follows:

	2018 £m	2017 £m
Syndicated loans	280.0	280.0
£200m 7.5 year 5.375% sterling bond 2017	–	200.0
£250m 7 year 2.5% sterling bond 2024	250.0	–
Euro revolving credit facility	7.1	17.5
€10.6m financing facility	9.4	–
Total core facilities	546.5	497.5
Amount drawn down at year-end	397.2	356.9
Headroom	149.3	140.6

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

### Foreign currency risk

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

### Credit risk

The Group's credit risk is primarily attributable to its trade receivables (see note 17) and cash deposits (see note 18). The maximum credit risk exposure of the Group comprises the amounts presented in the balance sheet, which are stated net of provisions for doubtful debt. A provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of future cashflows.

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

## Contractual payments

The tables below summarise the maturity profile of the Group's financial liabilities at 30 June 2018 and 1 July 2017 based on contractual undiscounted payments.

### 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 7 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

### Year ended 1 July 2017

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	–	0.3	3.7	162.4	0.1	166.5
£200m sterling 7.5 year bond	–	210.7	–	–	–	210.7
Other financial liabilities	–	2.0	5.5	3.0	–	10.5
Trade and other payables	18.2	458.5	84.3	–	–	561.0
	18.2	671.5	93.5	165.4	0.1	948.7

## Managing capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Details of the issued capital and reserves are shown in note 25. Details of interest-bearing loans and borrowings are shown in note 20.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2018 and 1 July 2017.

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 30 June 2018 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 20 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. During the year no specific actions were required to be taken by the Group with regard to this ratio or to ensure the investment grade debt rating.

Our primary financial covenant under the 2023 syndicated loan facility is an adjusted net debt to EBITDA ratio of not more than 3.5x and at 30 June 2018 it was 1.30x (2017: 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. This results in £1.8m (2017: £1.5m) of cost within operating charges which would otherwise have been charged to interest. The Group holds operating leases for its bus fleet with an asset capital value of £45.9m (2017: £30.2m).

The majority of assets in the rail division are financed by operating leases, in particular rolling stock.

## 23. Derivatives and financial instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations. Financial instruments held by the Group include fuel hedge derivatives and finance lease/hire purchase contracts. For accounting policies see 'Financial assets and derivatives', 'Fair value measurement' and 'Interest bearing loans and borrowings' in notes to the accounts.

### a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 30 June 2018 and 1 July 2017 and are as follows:

	2018 £m	2017 £m
Non-current assets	8.1	–
Current assets	10.0	0.2
	18.1	0.2
Current liabilities	–	(7.3)
Non-current liabilities	–	(3.0)
	–	(10.3)
Net financial derivatives	18.1	(10.1)

### Year ended 30 June 2018

	Amortised cost £m	Held for trading – Fair value through income statement £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	18.1	18.1	18.1
Net financial derivatives	–	18.1	18.1	18.1
Obligations under finance lease and hire purchase contracts	(9.4)	–	(9.4)	(9.4)
	(9.4)	18.1	8.7	8.7

### Year ended 1 July 2017

	Amortised cost £m	Held for trading – Fair value through income statement £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(10.1)	(10.1)	(10.1)
Net financial derivatives	–	(10.1)	(10.1)	(10.1)
Obligations under finance lease and hire purchase contracts	(3.0)	–	(3.0)	(3.0)
	(3.0)	(10.1)	(13.1)	(13.1)

The fair values of all other assets and liabilities in notes 17, 19 and 20 are not significantly different from their carrying amount, with the exception of the £250m sterling 7 year bond which has a fair value of £245.4m (2017: £200m sterling bond with a fair value of £202.1m) but is carried at its amortised cost of £250.0m (2017: £200m). The fair value of the £250m sterling 7.5 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 30 June 2018 and 1 July 2017, 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.

During the year ended 30 June 2018, there were no transfers between valuation levels.

## b. Hedging activities

### Fuel derivatives

The Group is exposed to commodity price risk as a result of fuel usage. The Group closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate.

The movement during the year on the hedging reserve was £23.0m credit (net of tax) (2017: £2.6m credit (net of tax)) taken through other comprehensive income.

### Bus

As at 30 June 2018, the Group had derivatives against bus fuel of 182 million litres for the three years ending June 2021. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 30 June 2018 the amounts hedged are as follows:

	2019	2020*	2021*
Actual percentage hedged	100%	55%	30%
Litres hedged (million)	97	55	30
Price (pence per litre)	32.5	33.2	33.9

\* Assuming consistent usage and that hedging is completed at June 2018 market price.

### Rail

As at 30 June 2018 the Group had no derivatives against rail fuel for the 2019 financial year (2017: 4 million litres).

## 24. Provisions

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

	Franchise commitments £m	Uninsured claims £m	Other £m	Total £m
At 2 July 2016	60.1	42.1	3.5	105.7
Provided (after discounting)	8.8	22.3	1.7	32.8
Utilised	(6.3)	(15.7)	–	(22.0)
Released	(9.7)	(4.5)	(0.3)	(14.5)
Unwinding of discounting	0.1	0.1	–	0.2
At 1 July 2017	53.0	44.3	4.9	102.2
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

	2018 £m	2017 £m
Current	29.6	40.3
Non-current	73.7	61.9
	103.3	102.2

### Franchise commitments

Franchise commitments comprise £51.5m (2017: £50.5m) dilapidation provisions on vehicles, depots and stations across our two (2017: three) active rail franchises, and £0.4m (2017: £2.5m) provisions relating to other franchise commitments. Of the dilapidations provisions, £15.1m (2017: £21.2m) are classified as current. All of the £0.4m (2017: £2.5m) provision relating to other franchise commitments is classified as current. During the year £9.0m (2017: £9.7m) 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, £13.4m (2017: £13.2m) are classified as current and £31.9m (2017: £31.1m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years. Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historic trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

## Other

The other provisions of £6.1m (2017: £4.6m) relate to dilapidations in the bus division of which £0.7m (2017: £3.1m) are classified as current, and £5.4m (2017: £1.5m) are classified as non-current. It is expected that the dilapidations will be incurred within two to five years. Reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year. In the prior year, the remaining other current provision of £0.3m related to completion claims regarding the sale of our aviation business.

## 25. Issued capital and reserves

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

	Allotted, called up and fully paid			2017 £m
	Millions	2018 £m	Millions	
As at 30 June 2018 and 1 July 2017	47.0	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 4,060,479 ordinary shares (8.6% of share capital), of which 158,249 are held for LTIP and DSBP arrangements.

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 30 June 2018 the Group has repurchased 64,012 shares for LTIP and DSBP arrangements (2017: 121,084 shares purchased). The Group has not cancelled any shares during the year (2017: 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.

## 26. Commitments

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

### Capital commitments

	2018 £m	2017 £m
Contracted for but not provided – acquisition of property, plant and equipment	34.8	45.7

### Operating lease commitments – Group as lessee

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

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

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 and 1 July 2017 were as follows:

#### 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

#### As at 1 July 2017

	Bus vehicles and other £m	Bus property £m	Rail rolling stock £m	Rail access charges £m	Rail other £m	Total £m
Within one year	12.7	1.5	584.0	387.4	156.6	1,142.2
In the second to fifth years inclusive	28.3	5.4	1,389.2	183.0	334.2	1,940.1
Over five years	–	5.0	163.9	–	–	168.9
	41.0	11.9	2,137.1	570.4	490.8	3,251.2

### 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 30 June 2018 and 1 July 2017 were as follows:

	2018		2017	
	Land and buildings £m	Other rail agreements £m	Land and buildings £m	Other rail agreements £m
Within one year	2.3	11.1	2.9	9.3
In the second to fifth years inclusive	0.4	62.7	0.2	51.2
Over five years	–	–	–	–
	2.7	73.8	3.1	60.5

### Performance bonds and other guarantees

The Group has provided bank guaranteed performance bonds of £76.9m (2017: £76.9m), a loan guarantee bond of £36.3m (2017: £36.3m), and season ticket bonds of £154.1m (2017: £226.2m) 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 (2017: £136.0m) to the DfT in respect of the Govia Thameslink Railway franchise, of which Group has a 65% share equating to £88.4m. At the year end £nil (2017: £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 30 June 2018 is £58.0m (2017: £72.0m).

The Group has a bond of \$4.2m SGD (2017: \$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 £2.4m (2017: £2.4m).

The Group has a bond of €5.0m (2017: €4.6m) in favour of the Ministry of Transport of BW and bonds of €1.1m (2017: €1.1m) in favour of the Ministry of Transport of BW and the Bavarian Rail Authority. Both are in support of the Group's German rail operations, currently being mobilised. At the year end exchange rate these equate to £5.4m (2017: £4.9m).

The Group has provided a parental company guarantee to provide funds of €35.0m (2017: €35.0m) in respect of the Germany operations, of which £nil (2017: £nil) has been provided for at year end. At the year end exchange rate this equates to £31.0m (2017: £30.1m).

The Group has bonds of €8.0m (2017: £nil) in favour of the National Transport Authority in Ireland in support of the Group's Irish bus operations which will commence trading in September 2018. At the year end exchange rate this equates to £7.1m (2017: £nil).



## 27. Retirement benefit obligations

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

Retirement benefit obligations consist of the following:

	2018			2017		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Pre-tax pension scheme asset/(liabilities)	36.8	–	36.8	(20.9)	–	(20.9)
	2018			2017		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Remeasurement gains/(losses) due to:						
Experience on benefit obligations	(4.7)	(23.8)	(28.5)	8.0	9.7	17.7
Changes in demographic assumptions	–	38.3	38.3	(0.1)	–	(0.1)
Changes in financial assumptions	16.4	58.5	74.9	(52.8)	(193.5)	(246.3)
Return on assets greater than discount rate	7.2	62.6	69.8	20.7	128.8	149.5
Franchise adjustment movement	–	(135.6)	(135.6)	–	55.0	55.0
Remeasurement gains /(losses) on defined benefit pension plans	18.9	–	18.9	(24.2)	–	(24.2)

### 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 defined contribution. The expense recognised for the Money Purchase Sections of the Go-Ahead Plan is £9.9m (2017: £9.6m), being the contributions paid and payable. The expense recognised for the Workplace Saving Scheme is £4.0m (2017: £2.9m), 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 accounts on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company 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 2015, and the next will have an effective date of 31 March 2018.

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 EYMS Group Limited, which was acquired during the year, 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 2014 valuation.

The actuarial assumptions disclosed are in respect of the Go-Ahead Plan given the respective sizes of the three bus pension schemes.

## Summary of bus schemes year end assumptions

	2018 %	2017 %
Retail price index inflation	3.1	3.3
Consumer price index inflation	2.1	2.3
Discount rate	2.7	2.6
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment and deferred pension	1.8	2.0

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

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.

	2018 Years	2017 Years
Pensioner	21	21
Non-pensioner	22	22

## Sensitivity analysis

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

	2018 Pension deficit %	2017 Pension deficit %
Discount rate – increase of 0.1%	(1.7)	(1.7)
Price inflation – increase of 0.1%	1.5	1.5
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment – increase of 0.1%	0.9	0.9
Increase in life expectancy of pensioners or non-pensioners by 1 year	3.6	3.6

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

## Maturity profile of bus schemes defined benefit obligation

The following tables shows the expected future benefit payments of the plan at 30 June 2018.

	2018 £m
June 2019	31.1
June 2020	31.7
June 2021	32.5
June 2022	33.1
June 2023	33.7
June 2024 to June 2028	179.8

## Category of assets at the year end

	2018		2017	
	£m	%	£m	%
Equities	95.3	11.5	306.3	39.1
Bonds	109.3	13.2	15.4	2.0
Property	53.9	6.5	43.5	5.5
Liability driven investing portfolio	246.9	29.8	341.4	43.5
Cash/other	323.9	39.0	78.0	9.9
	829.3	100.0	784.6	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

	2018 £m	2017 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	(792.5)	(805.5)
Assets at fair value	829.3	784.6
Pension scheme asset/(liability)	36.8	(20.9)

## Pension cost for the financial year

	2018 £m	2017 £m
Service cost	–	–
Administration costs	1.7	1.6
Settlement gain	(35.2)	(1.2)
Interest cost on net liabilities	0.4	–
Total pension costs	(33.1)	0.4

On 28 March 2018 the Group and the Trustee of the Go-Ahead Plan agreed to change the reference inflation index for the purpose of annual increases to the majority of pensions payable by the Bus Plan. From 1 April 2018 onwards, the Consumer Prices Index (CPI) is used to increase pensions in payment rather than the Retail Prices Index (RPI). The change reduces 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' benefit.

As a result of this change, a pre-tax, non-cash exceptional settlement gain of £35.2 million has been recognised in the income statement.

In the prior year, the £1.2m settlement gain represents a gain made by the pension scheme in respect of the pension increase exchange exercise undertaken in the prior year.

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

	2018 £m	2017 £m
Pension scheme liabilities – at start of year	805.5	765.8
Interest cost	20.5	20.7
Settlement gain	(35.2)	(1.2)
Remeasurement (gains)/losses due to:		
Experience on benefit obligations	4.7	(8.0)
Changes in demographic assumptions	–	(0.1)
Changes in financial assumptions	(16.4)	52.8
Benefits paid	(28.5)	(24.5)
On acquisition	41.9	–
Pension scheme liabilities – at end of year	792.5	805.5

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

	2018 £m	2017 £m
Fair value of assets – at start of year	784.6	763.1
Interest income of plan assets	20.1	20.7
Remeasurement gains due to return on assets greater than discount rate	7.2	20.7
Actuarial gain on assets	–	(0.3)
Administration costs	(1.7)	(1.6)
Group contributions	6.6	6.5
Benefits paid	(28.5)	(24.5)
On acquisition	41.0	–
Fair value of plan assets – at end of year	829.3	784.6

## Estimated contributions for future

	£m
Estimated Group contributions in financial year 2019	7.3
Estimated employee contributions in financial year 2019	–
Estimated total contributions in financial year 2019	7.3

## 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 treatment for such pensions scheme is not explicitly considered by IAS 19 Employee Benefits (Revised). However, since the contributions currently committed to being paid to each train operating company section are lower than the share of the service cost (for current and future service) that would normally be calculated under IAS 19 (Revised), the Group does not account for uncommitted contributions towards the sections' current or expected future deficits. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current franchise. As a result, the Group consequently reduces any section deficit balance that would otherwise remain after reflecting the cost sharing with the members and reduces any service costs that would give rise to an increase in such deficit through the use of a franchise adjustment with movements in that franchise adjustment meaning that the service costs appropriately reflect contracted contributions resulting over the term of the franchise, as occurred on the transfer of the London Midland franchise during the year.

British Railways Additional Superannuation Scheme (BRASS) matching AVC Group contributions of £0.6m (2017: £0.6m) were paid in the year.

### Summary of year end assumptions

	2018 %	2017 %
Retail price index inflation	3.1	3.3
Consumer price index inflation	2.1	2.3
Discount rate	2.7	2.6
Rate of increase in salaries	3.4	3.5
Rate of increase of pensions in payment and deferred pension	2.1	2.3

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

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

	2018 Years	2017 Years
Pensioner	21	22
Non-pensioner	23	24

The mortality assumptions adopted as at 30 June 2018 and 1 July 2017 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

	2018		2017	
	£m	%	£m	%
Equities	1,859.3	98.0	2,154.2	96.8
Property	34.1	1.8	69.0	3.1
Cash	3.8	0.2	2.2	0.1
	1,897.2	100.0	2,225.4	100.0

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

## Funding position of the Group's pension arrangements

	2018 £m	2017 £m
Employer's 60% share of pension scheme:		
Liabilities at the end of the year	(2,474.1)	(3,010.9)
Assets at fair value	1,897.2	2,225.4
Gross deficit	(576.9)	(785.5)
Franchise adjustment	576.9	785.5
Pension scheme liability	–	–

## Pension cost for the financial year

	2018 £m	2017 £m
Service cost	95.4	92.6
Administration costs	3.5	7.2
Franchise adjustment to current period costs	(65.2)	(62.8)
Interest cost on net liabilities	18.9	18.7
Interest on franchise adjustments	(18.9)	(18.7)
Pension cost	33.7	37.0

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

	2018 £m	2017 £m
Pension scheme liabilities less members' share (40%) of the deficit – at start of year	3,010.9	2,625.8
Franchise adjustment (100%)	(785.5)	(649.0)
	2,225.4	1,976.8
Liability movement for members' share of assets (40%)	80.9	126.4
Service cost (60%)	95.4	92.6
Interest cost (60%)	49.6	51.1
Interest on franchise adjustment (100%)	(18.9)	(18.7)
Franchise adjustment to current period costs (100%)	(65.2)	(62.8)
Remeasurement losses/(gains) due to:		
Experience on benefit obligations (60%)	23.8	(9.7)
Changes in demographical assumptions (60%)	(38.3)	–
Changes in financial assumptions (60%)	(58.5)	193.6
Benefits paid (100%)	(61.3)	(68.9)
Transfer of franchise	(628.4)	–
Franchise adjustment on transfer of franchise	157.1	–
Franchise adjustment movement (100%)	135.6	(55.0)
	1,897.2	2,225.4
Franchise adjustment (100%)	576.9	785.5
Pension scheme liabilities less members share (40%) of the deficit – at end of year	2,474.1	3,010.9

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

	2018 £m	2017 £m
Fair value of assets – at start of year (100%)	2,225.4	1,976.8
Interest income of plan assets (60%)	30.7	32.5
Remeasurement gains due to return on assets greater than discount rate (60%)	62.5	128.8
Administration costs (100%)	(5.9)	(12.0)
Group contributions (100%)	33.1	36.4
Benefits paid (100%)	(61.3)	(68.9)
Transfer of franchise	(471.3)	–
Members' share of movement of assets (40%)	84.0	131.8
Fair value of plan assets – at end of year (100%)	1,897.2	2,225.4

### Estimated contributions for future

	£m
Estimated Group contributions in financial year 2019	28.4
Estimated employee contributions in financial year 2019	19.0
Estimated total contributions in financial year 2019	47.4

### Franchise adjustment

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

	2018 £m	2017 £m
Balance sheet		
Defined benefit pension plan	(576.9)	(785.5)
Deferred tax asset	98.1	133.5
	(478.8)	(652.0)
Other comprehensive income		
Remeasurement gains	(135.6)	55.0
Tax on remeasurement gains	23.1	(9.4)
	(112.5)	45.6
Income statement		
Franchise adjustment to current period costs	(65.2)	(62.8)
Interest on franchise adjustments	(18.9)	(18.7)
Deferred tax charge	14.3	13.9
	(69.8)	(67.6)

## 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.

### 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 year, changes in assumptions were made from RPI to CPI when looking at future pension payments, which will help 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. Further legislation could result in an increase in the value of Guaranteed Minimum Pension. If this legislation is implemented, this would increase the defined benefit obligation of the arrangements.	The Group final salary scheme has closed to future accrual, reducing risk to legislative change. The Group takes professional advice to keep abreast of legislative changes.

## DISCLOSURE GUIDANCE AND TRANSPARENCY RULE 6.3.5

In accordance with FCA's Disclosure Guidance and Transparency Rule 6.3.5, the information set out below, together with the condensed set of the Group's financial statements, information on important events that have occurred during the year ended 30 June 2018 and their impact on the financial statements, and the Group's principal risk, uncertainties and mitigating actions as detailed above, 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 2017/18 Annual Report and Accounts. Page references in the text below refer to page numbers in the 2017/18 Annual Report and Accounts.

## RELATED PARTY DISCLOSURES AND GROUP UNDERTAKINGS

The information below is extracted from pages 176 to 180 of the 2017/18 Group's Annual Report and Accounts and is repeated here for the purposes of DTR 6.3.5:

## 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 notes to the 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	
		2018	2017
Trading subsidiaries			
Go-Ahead Holding Limited	United Kingdom <sup>2</sup>	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
Heddingham & 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 <sup>1</sup>	65	65
London & South Eastern Railway Limited	United Kingdom <sup>1</sup>	65	65
London & Birmingham Railway Limited	United Kingdom <sup>1</sup>	65	65
Southern Railway Limited	United Kingdom <sup>1</sup>	65	65
Govia Thameslink Railway Limited	United Kingdom <sup>1</sup>	65	65
Govia Limited	United Kingdom <sup>1</sup>	65	65
Go-Ahead Scotland Limited	United Kingdom	100	100
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Germany	100	100
Go-Ahead Baden Württemberg GmbH	Germany	100	100
Go-Ahead Facility GmbH	Germany	100	100
Go-Ahead Seletar PTE. Ltd	Singapore	100	100
Go-Ahead Singapore PTE. Ltd	Singapore	100	100
Go-Ahead Sverige AB	Sweden	100	100
Go-Ahead Norge AS	Norway	100	100
Go-Ahead Transport Services (Dublin) Limited	Ireland	100	–
Tom Tappin, Limited	United Kingdom	100	–
EYMS Group Limited	United Kingdom	100	–
East Yorkshire Motor Services Limited	United Kingdom	100	–
Jointly controlled entities			
On Track Retail Limited	United Kingdom <sup>3</sup>	50	50
Investments			
Mobileeee GmbH	Germany <sup>4</sup>	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: 3<sup>rd</sup> Floor, 41-51 Grey Street, Newcastle upon Tyne, NE1 6EE.

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 Sverige AB	Mäster Samuelsgatan 20, SE 101 39, Stockholm, Sweden
Go-Ahead Norge AS	Filipstad Brygge 1, NO 0125, Oslo, Norway
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	
			2018	2017
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
Go-Ahead XX Limited	8205871	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 <sup>1</sup>	65	65
London and South East Passenger Rail Services Limited	6537238	United Kingdom <sup>1</sup>	65	65
London & East Midlands Railway Limited	5814586	United Kingdom <sup>1</sup>	65	65
London and West Midlands Railway Limited	5537947	United Kingdom <sup>1</sup>	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

Name	Company number	Country of incorporation	% equity interest	
			2018	2017
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
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	–
East Yorkshire Coach Holidays Limited	0243051	United Kingdom	100	–
Bus UK Limited	2232813	United Kingdom	100	–
Buscall Limited	3887602	United Kingdom	100	–
Connor and Graham Limited	0546796	United Kingdom	100	–
East Yorkshire Buses Limited	0254844	United Kingdom	100	–
East Yorkshire Coaches Limited	0331077	United Kingdom	100	–
East Yorkshire Properties Limited	2256485	United Kingdom	100	–
East Yorkshire Tours Limited	0172326	United Kingdom	100	–
East Yorkshire Travel Limited	3225828	United Kingdom	100	–
East Yorkshire Holiday Tours Limited	2140988	United Kingdom	100	–
Frodingham Coaches Limited	2135501	United Kingdom	100	–
Hull and District Motor Services Limited	2183936	United Kingdom	100	–
Hull Park and Ride Limited	3886603	United Kingdom	100	–
Kingstonian Travel Services Limited	3561955	United Kingdom	100	–
EYMS Bus & Coach Training Limited	2123369	United Kingdom	100	–
Scarborough and District Motor Services Limited	2133854	United Kingdom	100	–
Go-Ahead Mobility UG	–	Germany	100	–

Name	Company number	Country of incorporation	% equity interest	
			2018	2017
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

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: 3<sup>rd</sup> Floor, 41-51 Grey Street, Newcastle upon Tyne, NE1 6EE.

The registered office of all dormant subsidiaries incorporated in Germany is: Jean-Monnaie-Straße 2, D-10557, Berlin, Germany.

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.

### 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 (2017: £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.

### Investments

The Group's subsidiary, Go-Ahead Verkehrsgesellschaft 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.

	2018 £m	2017 £m
Short term employee benefits	2.0	1.4
Long term employee benefits*	0.4	0.3
Post employment benefits	0.1	0.1
	2.5	1.8

\* 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	2018	2017
Govia Limited	United Kingdom	35%	35%
London and South Eastern Railway Limited*	United Kingdom	35%	35%
Southern Railway Limited*	United Kingdom	35%	35%
London and Birmingham Railway Limited*	United Kingdom	35%	35%
Govia Thameslink Railway Limited*	United Kingdom	35%	35%
Thameslink Rail Limited*	United Kingdom	35%	35%
New Southern Railway Limited*	United Kingdom	35%	35%

\* Subsidiary of Govia Limited.

	2018 £m	2017 £m
Accumulated balances of material non-controlling interest:		
Govia Limited	31.1	23.7
Total comprehensive income allocated to material non-controlling interest:		
Govia Limited	20.3	22.4

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

**Summarised income statement of Govia Limited and its subsidiary companies for the year ended 30 June 2018 and 1 July 2017:**

	2018 £m	2017 £m
Revenue	2,527.0	2,579.1
Operating costs	(2,457.7)	(2,499.8)
Finance revenue	2.4	2.3
Finance costs	(1.8)	(1.9)
Profit before taxation	69.9	79.7
Tax expense	(11.9)	(16.4)
Profit for the year from controlling operations	58.0	63.3
Total comprehensive income	58.0	63.3
Attributable to non-controlling interests	20.3	22.4
Dividends paid to non-controlling interests	13.9	21.3

**Summarised balance sheet of Govia Limited and its subsidiary companies as at 30 June 2018 and 1 July 2017:**

	2018 £m	2017 £m
Current assets – inventories, trade and other receivables, cash	807.1	850.7
Non-current assets – property, plant and equipment, intangible assets, deferred tax	46.5	51.9
Current liabilities – trade and other payables, provisions	(704.4)	(776.0)
Non-current liabilities – provisions	(60.2)	(58.9)
Total equity	89.0	67.7
Attributable to:		
Equity holders of the parent	57.8	44.0
Non-controlling interest	31.1	23.7

These balance sheet amounts are shown before intercompany eliminations.

**Summarised cashflow information of Govia Limited and its subsidiary companies for the year ended 30 June 2018 and 1 July 2017:**

	2018 £m	2017 £m
Operating	12.9	(18.4)
Investing	(9.4)	30.0
Financing	(41.4)	(62.9)
Net decrease in cash and cash equivalents	(37.9)	(51.3)

**DIRECTORS' RESPONSIBILITY STATEMENT**

This statement is repeated here solely for the purposes of complying with Disclosure Guidance and Transparency Rule 6.3.5. This statement relates to and is extracted from page 108 of the 2017/18 Annual Report and Accounts. Responsibility is for the full 2017/18 Annual Report and Accounts and not for the condensed statements required to be set out in this full year results announcement.

Each of the current directors, whose names and functions are listed on pages 54 and 55 of the 2017/18 Annual Report and Accounts, confirms that, to the best of their knowledge:

- The Group financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole
- The strategic report includes a fair 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
- The Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy

## **CORPORATE INFORMATION**

[www.go-ahead.com](http://www.go-ahead.com)

### **Secretary and Registered Office**

Carolyn Ferguson  
The Go-Ahead Group plc  
3rd Floor, 41-51 Grey Street  
Newcastle upon Tyne, NE1 6EE

Tel: 0191 232 3123

### **Head Office**

The Go-Ahead Group plc  
4 Matthew Parker Street,  
London, SW1H 9NP

Tel: 020 7799 8999

### **Registrar**

Equiniti Ltd  
Aspect House, Spencer Road  
Lancing  
West Sussex, BN99 6DA

Tel: 0371 384 2193\*

### **Auditor**

Deloitte LLP  
1 New Street Square  
London, EC4A 3HQ

### **Joint Corporate Broker**

Investec Bank plc  
2 Gresham Street  
London, EC2V 7QP

### **Joint Corporate Broker**

Jefferies Hoare Govett Ltd  
Vintners Place  
Upper Thames Street  
London, EC4V 3BJ

### **Principal Banker**

The Royal Bank of Scotland plc  
Corporate Banking  
9th Floor, 280 Bishopsgate  
London, EC2M 4RB

### **Financial PR Advisors**

Citigate Dewe Rogerson  
3 London Wall Buildings  
London, EC2M 5SY

\* Lines are open 8:30am to 5:30pm Monday to Friday (excluding public holidays in England and Wales)