The Go-Ahead Group plc 4 Matthew Parker Street, London, SW1H 9NP
Telephone 020 7799 8999

Go-Ahead

PRESS RELEASE

22 February 2018

THE GO-AHEAD GROUP PLC
("GO-AHEAD" OR "THE GROUP")

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 DECEMBER 2017

Good first half performance; full year expectations increase, due to one-off rail benefits

Business overview

- Good first half performance; full year expectations increase, due to one-off rail benefits
- Bus division results stable and in line with expectations – operating profit of £46.6m (H1'17: £46.4m)
- Rail division results ahead of expectations for the half year – reported operating profit of £40.3m (H1'17: £26.6m), including one-off rail benefits
  - GTR/Southeastern – no change to full year expectations, first half outperformance due to phasing of contractual settlements
  - London Midland – strong trading performance until franchise end in December 2017 and £6.4m one-off profit on sale of assets
- Mobilisation of Dublin bus contract and three German rail contracts is progressing well ahead of respective 2018 and 2019 start dates
- Strong bid pipeline in our target international markets over next few years
- Interim dividend maintained at 30.17p
- Continued focus on making travel simpler by introducing new payment options and channels including flat fares, fare capping, and contactless payments
- Applying our 30-years of experience to influence stakeholders and Government on the importance of bus in reducing congestion and improving air-quality, and the value private companies bring through the delivery of customer-focused public-sector transport services
- Progress in all three Group strategic objectives: protect and grow the core, win new bus and rail contracts and develop for future transport needs

Financial summary

Trading

	H1'18 £m	H1'17 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue	**1,829.4**	1,715.6	113.8	6.6
Operating profit	**86.9**	73.0	13.9	19.0
Operating profit margin	**4.8%**	4.3%		
Profit before tax	**79.7**	67.0	12.7	19.0
Basic earnings per share (p)	**115.5**	107.6	7.9	7.3
Interim dividend per share (p)	**30.17**	30.17	–	–

Cashflow*

	H1'18 £m	H1'17 £m	Increase/ (decrease) £m
Cashflow generated from operations	**167.1**	114.9	52.2
Capital investment	**56.8**	93.8	(37.0)
Free cashflow	**94.6**	(13.0)	(107.6)
Adjusted net debt+	**254.0**	286.7	(32.7)
Adjusted net debt/EBITDA+	**1.03x**	1.35x	

* Analysis of these figures is provided in the business and finance review

\+ Adjusted net debt is net cash less restricted cash

David Brown, Group Chief Executive, commented:

"I'm pleased to report a good set of half year results. Our bus operations have performed as anticipated and our full year expectations for the division remain unchanged. In rail, GTR and Southeastern are trading in line with our expectations, while a better than expected trading performance towards the end of the London Midland franchise, combined with gains realised on the sale of the franchise's assets, have resulted in an increase in our full year expectations for the rail division.

"During the period we have delivered improvements to support our strategy and deliver benefits to passengers. In bus, we've introduced new technology, such as implementing contactless payments and piloting iBeacon apps, making it quicker and easier to pay for travel. Our regional bus customer satisfaction score of 90% remains the highest in the UK. In rail, while we acknowledge there is more to do, we've delivered improved reliability in GTR, leading to increased customer satisfaction, with the Thameslink route achieving 83% satisfaction – the highest in the network's history. On Southern services, 36% fewer cancellations occurred in the four weeks to 6 January 2018 than in the same period last year.

"Our international strategy has continued with the mobilisation of new contracts in German rail and Dublin bus and bidding for work in our target markets. We have also made progress in line with our strategy to prepare for the future of transport with some new initiatives, such as commercialising our retail and ticketing expertise and making a small investment in a German car-sharing business.

"Our established bus and rail businesses continue to demonstrate the value private companies bring through the delivery of customer-focused public-sector transport services. By innovating and adapting our operations, we believe we can protect and grow our core business and by building on our skills and experience in the UK we are able to develop new international businesses and prepare for the future of transport by creating new product offerings for a new set of customers. We are confident that our strategy will continue to deliver value to customers, colleagues, society and shareholders over the long-term."

ENDS

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
Holly Gillis, Head of Investor Relations	07837 612 661

Citigate Dewe Rogerson 020 7638 9571

Michael Berkeley/Chris Barrie/Angharad Couch/Toby Moore

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 Investec, 2 Gresham Street, London EC2V 7QP.

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

Chief Executive's Review

I'm pleased to report a good set of half year results. In the first half of the year, operating profit was £86.9m (H1'17: £73.0m), including a better than expected trading performance towards the end of the London Midland franchise, which ended in December 2017, and a one-off profit of £6.4m from the sale of assets to the incoming operator. In rail, Southeastern has performed in line with our expectations and GTR has delivered an improvement in results, aided by the phasing of contractual settlements. Overall, our full year expectations for the rail division have increased driven by the one-off benefits in the first half. Our bus operations have performed as anticipated and our full year expectations for the division remain unchanged.

Reflecting the Board's continued confidence in the Group's performance and prospects, we have maintained the interim dividend at 30.17p.

Our role as a public transport provider is to provide the best possible service for our customers today, while preparing for the transport needs of the future. Our strategy supports this role and we are progressing in all three of our strategic objectives: protect and grow the core, win new bus and rail contracts and develop for future transport needs.

Central to our strategy is investment in customer experience. In the past six months, we have spent £30m on new buses and a further £9m making improvements to our bus services, including refurbishing existing fleet and investing in ticket machines. Over 50% of our buses now offer free WiFi and the roll out of contactless technology continues; over the last year this has been introduced on 75% of our services. We have invested in a new bus app enabling passengers to plan and pay for their journeys more quickly and easily and track the exact location of their bus. In rail, we have introduced a new smartcard, keyGo, onto GTR services enabling fare capping and Pay As You Go, giving passengers more simple, better value ticketing options.

Our latest customer satisfaction scores demonstrate improvements in all areas of our business, most markedly in GTR which has seen an increase in satisfaction from 72% to 76%. Thameslink has seen the best level of satisfaction in the network's history, up to 83%. Our regional bus business has again delivered the highest level of passenger satisfaction in the UK, at 90%.

Our culture change programme is becoming increasingly embedded throughout Go-Ahead. We know change doesn't happen overnight, but we're encouraged by the evidence of increased engagement and satisfaction amongst our colleagues, and the results of our recent engagement surveys which show improvements across both our bus and rail businesses. Our rail division has seen an increase in engagement of 11%, while colleagues in our bus businesses are also more engaged.

Not only do we strive to be a good transport operator with satisfied customers, we also aim to be a responsible company; supporting the UK economy, embracing local and national environmental initiatives, being a fair employer and being open and transparent about our business activities and finances. I'm proud that our values and behaviours have once again been recognised; Go-Ahead has been awarded the Fair Tax Mark for the fourth consecutive year, recertified with the FTSE4Good accreditation held since 2012, and recognised at PWC's Building Public Trust awards; the only company outside the FTSE 100 to be acknowledged.

Bus

Regional bus

In the first half of the year, like for like revenue growth was 0.4% while underlying passenger volumes dipped slightly year on year, as expected. Reported growth in revenue and passenger journeys was 2.4% and 1.6%, respectively. We continue to see growth in our urban centres in the south of England and work closely with other transport providers to provide joined up networks, maximising these growth opportunities. In a challenging market, it's important that we focus on both driving revenue and controlling costs.

Across our business, our local management teams continually review their networks, quickly responding to changes in demand and performance levels and allocating most resource to routes where demand is highest. For example, in Go South Coast, we have introduced new services in Southampton, in response to demand.

Our customer offering is continually being developed, aiming to simplify the travel experience and increasingly switching to payment and communications channels favoured by our passengers. In addition to introducing contactless payments and continuing to roll out smartcards and mobile tickets, we have developed and are piloting an iBeacon app which allows customers to pay for their journey by simply having their enabled device with them when they board one of our buses.

We understand that value for money is one of the most important factors in people's travel choices, and believe that simple, good value fares will encourage long-term growth. Our companies are always looking to develop ticketing options and run campaigns that offer great value. For example, Go North East offers a £10 family ticket, providing unlimited daily travel on our network for a family of five. The company has also partnered with local facilities and attractions to offer discounted entry for families with one of our tickets. Elsewhere, Plymouth Citybus launched a £5 'Weekend Wonder' ticket, enabling unlimited travel from Friday evening through to Sunday night, proving popular with weekend workers and leisure travellers.

Through our devolved structure, our local management teams can respond appropriately to the needs of their customers while benefitting from support and expertise at a group level. In recent years, our engineering teams have started to implement a lean methodology with results already being delivered. For example, in Go North East, a 40% reduction in lost mileage has been achieved over a two-year period as a result of these changes.

While the regional bus market is well established, we continually assess the market for attractive acquisition opportunities, looking for ways to enhance our business. During the period, we bought a small sightseeing company in Oxford which presents a new revenue channel, opportunities for cross-selling and creates additional depot synergies.

London bus
London bus performed in line with our expectations, with stronger than expected Quality Incentive Contract bonuses offsetting a slight decline in mileage.

Transport for London (TfL) is facing the challenge of reduced funding. While this has implications for the London bus market, we believe that we are well placed to adapt to resulting changes to the structure of the network. We have run buses in the London market for 25 years, in which time we have operated through numerous competitive cycles, seeing new entrants join the market and existing operators leave. We understand the London bus market well and recognise the needs of our client, TfL.

The majority of our expected revenue for the 2018/19 financial year has already been secured through the bidding cycle, lowering our exposure to mileage reductions in future tenders. As we see a shift in bus resource from central London to more suburban areas, our well-positioned depots enable us to bid efficiently for this work in a range of areas. We are also well-placed to bid for new work in forthcoming contract tenders at a time when retenders for our existing work are at low point in the cycle.

We continue to engage with TfL on key issues impacting the capital, such as congestion and air quality. We firmly believe that buses are the solution to these problems, not just in London but in our towns and cities across the UK. Our Waterloo bus garage – the largest all-electric depot in Europe – has reduced CO2 emissions by 700 tonnes per annum since transitioning from diesel to fully electric vehicles.

Our bus operations in Singapore continue to deliver a good performance on behalf of the Land Transport Authority.

Rail
London Midland came to an end in December 2017. I am proud of what we achieved in our 10 years of operating the franchise; passenger satisfaction rose, employee engagement increased and financial performance significantly improved. The experience we have gained from operating this franchise is invaluable to existing and future operations.

Our rail bid team is focused on producing a strong bid for the South Eastern franchise that will deliver value for passengers, taxpayers and shareholders alike. We have operated UK rail franchises since the industry was privatised over 20 years ago, and only bid in a way that supports the long-term sustainability of Britain's railway.

Southeastern
The new South Eastern franchise is scheduled to start in April 2019. Consequently, we are in discussions with the DfT to negotiate a short extension to the existing Southeastern franchise agreement, which was previously expected to end in December 2018.

As previously reported, Southeastern continued to see a reduction in passenger numbers in the half year, resulting in slowing revenue growth compared with levels previously seen in this franchise, which has impacted profit margins. Our research suggests that this changing trend is largely linked to a shift in working patterns, leading to customers making different travel choices; trading down from season tickets and taking fewer journeys.

GTR
We are pleased that operational and financial performance has improved since the period of intense industrial action ended in January 2017. On Southern services, 36% fewer cancellations occurred in the four weeks to 6 January 2018 than the same period last year, while punctuality improved by 7%. Despite these encouraging improvements, there is still work to be done and our primary aim continues to be the improvement in service for passengers.

We play a key role in the Government's Thameslink Programme and in partnership with Network Rail, Siemens and the DfT we will deliver a rail network that is more reliable, has greater capacity and more resilience, benefitting daily commuters, occasional travellers and the economy which relies on the success of our railway. In the second half of the financial year, significant scheduled timetable changes will take place delivering improvements to passengers, including new trains, extra connections and increased capacity.

International development
Looking further afield, our teams in German rail and Dublin bus are preparing for the introduction of contracts over the coming 18 months. Meanwhile, our development team continues to pursue value adding opportunities in current and new international markets, where there is a strong pipeline of bid opportunities in both bus and rail.

We have a clear international strategy and a robust framework through which this strategy will be delivered as we progress towards our five-year target of delivering 15-20% of Group operating profit through our international businesses.

Preparing for the future
Through years of experience developing and introducing smart ticketing and payment solutions, we have acquired valuable knowledge and skills which can be used outside of Go-Ahead and the public transport market. Following the half year end, we were pleased to win our first small contract, advising a large UK combined authority on ticketing solutions. This marks the start of an exciting opportunity for the Group to expand on this success.

We have also recently entered into an exciting new partnership in Germany, having acquired a 12 per cent stake in Mobileeee, an all-electric car-sharing service. This gives us the opportunity to gain valuable experience in a low risk way in providing end-to-end journeys.

Outlook
In our bus business, our full year expectations remain unchanged. Both regional and London bus markets present challenges for all operators, however, we believe that our resilient business model, the emphasis we place on understanding our customers and our considerable experience and expertise leave us well placed to address these challenges and protect our bus business.

Looking to rail, our expectations for GTR and Southeastern are unchanged. Our previous guidance relating to the expected profitability of the GTR franchise remain the same, with an anticipated operating profit margin of between 0.75% and 1.5% over the contract life. Overall, our full year expectations for the rail division have increased driven by the one-off rail benefits in the first half relating to London Midland.

Our established bus and rail businesses continue to demonstrate the value private companies bring through the delivery of customer-focused public-sector services. By innovating and adapting our operations, we believe we can protect and grow our core business and by building on our skills and experience in the UK we are able to develop new international businesses and prepare for the future of transport by creating new product offerings for a new set of customers. We are confident that our strategy will continue to deliver value to customers, colleagues, society and shareholders over the long-term.

Business and finance review

Financial overview

Group revenue has increased as a result of continued revenue growth in both the rail and bus divisions. Bus operating profit is flat year on year despite challenging trading conditions in regional bus and a competitive market in London. Rail operating profit is higher than the prior year, as a result of good trading and asset sales in London Midland and improved performance in GTR, offset by lower revenue growth in Southeastern. A one-off profit of £6.4m has been recognised on the transfer of the London Midland franchise, which took place on the 9 December 2017. The adjusted net debt (net cash less restricted cash in the rail division) to EBITDA (earnings before interest, tax, depreciation and amortisation) ratio remains below the target range of 1.5x to 2.5x at 1.03x.

Bus and rail division results are now reported on a statutory basis. Previously we reported adjusted operating profit excluding amortisation, goodwill impairment and exceptional operating items.

Group overview

	H1'18 £m	H1'17 £m
Regional bus operating profit	24.5	25.3
London bus operation profit	22.1	21.1
Total bus operating profit	46.6	46.4
Rail operating profit	40.3	26.6
Group operating profit	86.9	73.0
Share of result of joint venture	(0.3)	(0.2)
Net finance costs	(6.9)	(5.8)
Profit before tax	79.7	67.0
Total tax expense	(16.1)	(10.8)
Profit for the period	63.6	56.2
Non-controlling interests	(14.0)	(10.1)
Profit attributable to shareholders	49.6	46.1
Weighted average number of shares (m)	42.9	42.9
Proposed dividend per share (p)	30.17	30.17

BUS

Bus overview

	H1'18	H1'17
Revenue		
Regional bus	£192.1m	£187.6m
London bus	£272.1m	£259.2m
Total bus	£464.2m	£446.8m
Operating profit		
Regional bus	£24.5m	£25.3m
London bus	£22.1m	£21.1m
Total bus	£46.6m	£46.4m
Operating profit margin		
Regional bus	12.8%	13.5%
London bus	8.1%	8.1%
Total bus	10.0%	10.4%
Revenue growth		
Regional bus[1]	0.4%	0.8%
London bus[2]	1.5%	2.8%
Volume growth		
Regional bus – passenger journeys[1]	(1.2%)	(0.7%)
London bus – miles operated[2]	(0.5%)	(0.2%)
London bus – peak vehicle requirement (PVR)3	(0.9%)	1.8%
Customer satisfaction[4]		
Regional bus	90%	89%

1 On a like for like basis, excluding acquisitions and route restructuring

2 On a like for like basis, excluding the impact of Singapore bus operations before 4 September 2017 when the contract lapped its first year of operation

3 PVR is the number of vehicles required to operate the highest service frequency on a route. This measure provides a useful indication of the volume of contract work being operated from one year to the next

4 Based on the Transport Focus annual independent passenger survey – Autumn 2016, published in March 2017

Overall bus performance
Overall bus operations delivered stable year on year half year operating profit, in line with our expectations. Steady revenue and reduced fuel costs helped to offset increased depreciation resulting from the investment in upgrading of our fleet. Operating profit rose 0.4%, or £0.2m, to £46.6m (H1'17: £46.4m) and operating profit margin decreased by 0.4ppts to 10.0% (H1'17: 10.4%).

Regional bus
Like for like revenue growth of 0.4% and a dip in passenger numbers of 1.2% reflect the challenging market conditions being experienced across the industry. Reported growth in revenue and passenger journeys was 2.4% and 1.6%, respectively. A programme of route restructuring has resulted in a reduction in mileage of 2.8%. While this restructuring has impacted both revenue and passenger numbers, we have seen an improvement in revenue per mile and journey per mile of 2.1% and 0.9% respectively.

Regional bus operating profit was £24.5m (H1'17: £25.3m), down 3.2%, or £0.8m, compared with the corresponding period last year. Increased depreciation costs were more than offset by lower fuel costs. Operating profit margin decreased 0.7ppts to 12.8% (H1'17: 13.5%).

Operating profit in the second half of the year is expected to benefit from the reversal of one-off costs of £2.8m incurred in the prior year.

	£m
H1'17 operating profit	25.3
Change in:	
Like for like revenue	0.8
Route restructures	(1.9)
Cost base	(0.4)
Fuel costs	1.7
Depreciation	(1.0)
H1'18 operating profit	24.5

London bus
In line with our expectations, London bus revenue grew by 1.5% on a like for like basis, including the revenue generated by our bus operation in Singapore following 4 September 2017, when the contract lapped its first year of operation. Like for like mileage fell by 0.5% whilst peak vehicle requirement increased by 0.8%, reflecting the timing of small contract losses. The impact of these losses on revenue and the increases in cost base were more than offset by Quality Incentive Contract (QIC) bonus payments of £4.6m (H1'17: £2.8m) in the first half and lower fuel costs.

Operating profit for the London bus division was £22.1m (H1'17: £21.1m), up 4.7%, or £1.0m. The operating profit margin remained at 8.1% (H1'17: 8.1%). Second half operating profit is expected to be slightly lower than the first due to the timing of previously highlighted small contract losses.

	£m
H1'17 operating profit	21.1
Change in:	
Like for like revenue	1.7
Cost base	(4.7)
QIC bonuses	1.8
Fuel costs	2.7
Depreciation	(0.4)
Bid costs	(0.1)
H1'18 operating profit	22.1

Capital expenditure
Capital expenditure for the bus division was £39.3m (H1'17: £81.3m), including £30.8m on 139 new buses (H1'17: £71.3m on 254 new buses). We expect full year capital expenditure of around £100m for the division, with the majority of expenditure in London, reflecting the timing of contract renewals. London bus capital requirements will reduce significantly in 2018/19, reducing overall bus division capital expenditure to less than £50m.

Fuel hedging
The fuel spot price on 31 December 2017 was 35.5 pence per litre (ppl) (30 June 2017: 27ppl). The increase in the spot price resulted in a significant movement in the value of the fuel derivative during the period from a liability of £10.1m at 1 July 2017 to an asset of £6.0m at 30 December 2017. The movement in the value of the fuel derivative does not impact the income statement, as it is taken through the statement of other comprehensive income.

Fuel is hedged in sterling and therefore the hedges are not subject to foreign exchange risk.

RAIL

Rail overview

	H1'18	H1'17
Total revenue	**£1,365.2m**	£1,268.8m
Operating profit	**£40.3m**	£26.6m
Operating profit margin	**3.0%**	2.1%
Passenger revenue growth[1]		
Southeastern	**2.3%**	2.5%
Passenger journey growth[1]		
Southeastern	**(0.7%)**	0.1%
Punctuality[2]		
Southeastern	**83%**	86%
GTR	**76%**	71%
Customer satisfaction[3]		
Southeastern	**80%**	77%
GTR	**76%**	72%

1 On a like for like basis adjusted for one off factors

2 DfT Public Performance Measure on a moving annual average basis

3 Based on the Transport Focus National Rail Passenger Survey – Autumn 2017

Rail performance

The rail division operates the Southeastern and GTR franchises through a 65% owned subsidiary, Govia. The London Midland franchise ceased operation during the period. The half year results reflect London Midland's contribution until the franchise end date of 9 December 2017.

Revenue

Total rail revenue increased by 7.6%, or £96.4m, to £1,365.2m. This consisted of:

	H1'18 £m	H1'17 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Passenger revenue				
Gross passenger revenue[1]	**1,242.2**	1,200.0	42.2	3.5%
GTR revenue adjustment[2]	**(90.4)**	(97.1)	6.7	(6.9%)
Total passenger revenue	**1,151.8**	1,102.9	48.9	4.4%
Other revenue	**144.9**	101.1	43.8	43.3%
Subsidy and revenue support				
Southeastern subsidy	**31.9**	21.9	10.0	45.7%
London Midland subsidy	**36.6**	42.2	(5.6)	(13.3%)
London Midland revenue support	**–**	0.7	(0.7)	–
Total subsidy and revenue support	**68.5**	64.8	3.7	5.7%
Total revenue	**1,365.2**	1,268.8	96.4	7.6%

1 Includes passenger revenue of £702.2m (H1'17: £658.8m) collected by GTR on behalf of the DfT

2 Represents passenger revenue generated and payable to the DfT in excess of the management fee payable to GTR for operating the franchise, which is remitted to the DfT

Operating profit

Half year operating profit from our rail businesses was £40.3m (H1'17: £26.6m) reflecting an improvement in GTR, the phasing of contractual settlements and strong trading in London Midland prior to the franchise end, together with one-off profit on sale of assets. The division's operating profit margin increased by 0.9ppts to 3.0% (H1'17: 2.1%).

	£m
H1'17 operating profit	26.6
Change in:	
Southeastern	(6.4)
London Midland	0.9
GTR	13.9
London Midland profit on sale of plant, property and equipment	6.4
Bid and other costs	(1.1)
H1'18 operating profit	40.3

Capital expenditure

Capital expenditure in rail was £17.5m (H1'17: £12.5m), of which £0.3m related to Southeastern, £3.3m was in London Midland, £13.0m reflected investment in GTR, including the introduction of new ticket machines, and £0.9m was in relation to set up costs in Germany. Full year rail capital expenditure is expected to be around £40m.

Bid costs

Rail bid costs in the half year were £6.9m (H1'17: £7.1m), primarily relating to international bids and the South Eastern franchise. We expect full year bid costs of around £11m, with ongoing bidding activity in target markets.

Individual franchise performance

Southeastern

In the first half of the year, the rate of revenue and passenger growth for Southeastern continued to slow, as expected. Passenger revenue growth was 2.3% while journeys fell by 0.7% on a like for like basis, resulting in reduced profitability. In line with historic trends, the Direct Award Contract reflected reducing subsidy levels as revenue was forecast to grow. However, revenue growth is lower than expected, which drives a reduction in operating profit. There is a continued focus on costs to offset the impact of the slowdown in passenger revenue.

GTR

In GTR, on a moving annual average basis train performance has consistently improved since the period of intense industrial action ended in January 2017. On Southern services, 36% fewer cancellations occurred in the four weeks to 6 January 2018 than the same period last year, while punctuality improved by 7%. During the period, we were pleased that ASLEF members ended their industrial dispute. GTR's management team remain focused on improving performance levels for our customers.

Discussions with the DfT regarding a number of contractual variations are ongoing; management's judgement around these discussions and the potential impact on current year rail profitability remains consistent with previous guidance of plus or minus £5m.

London Midland

Go-Ahead's operation of the London Midland franchise ceased on 9 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.

FINANCIAL REVIEW

Earnings per share

Profit attributable to members was £49.6m in the period (H1'17: £46.1m) resulting in basic earnings per share of 115.5p (H1'17: 107.6p). The increase in basic earnings per share is due to the increase in operating profit.

The weighted average number of shares remained at 42.9 million (H1'17: 42.9 million). The closing number of shares in issue, net of treasury shares was also 42.9 million (H1'17: 42.9 million).

Dividend

The Board proposes an interim dividend of 30.17p (H1'17: 30.17p). This is payable on 20 April 2018 to shareholders registered at the close of business on 6 April 2018.

Dividends paid in the period represent the payment of last year's final dividend of 71.91p (H1'17: 67.52p), giving a total dividend in respect of the full year ended 1 July 2017 of 102.08p (2 July 2016: 95.85p).

Summary cashflow

	H1'18 £m	H1'17 £m	Increase/ (decrease) £m
EBITDA	**132.9**	104.9	28.0
Working capital/other items (excluding restricted cash movements)	**34.2**	10.0	24.2
Cashflow generated from operations	**167.1**	114.9	52.2
Tax paid	**(12.6)**	(18.7)	6.1
Net interest paid	**(13.9)**	(13.1)	(0.8)
Net capital investment	**(46.0)**	(96.1)	50.1
Free cashflow	**94.6**	(13.0)	107.6
Net acquisitions	**(3.9)**	(1.1)	(2.8)
Transferred with franchise	**(23.5)**	–	(23.5)
Proceeds from issue of shares	**0.6**	–	0.6
Payment to acquire treasury shares	**(0.6)**	(1.9)	1.3
Dividends paid	**(31.8)**	(29.3)	(2.5)
Other	**(3.6)**	(2.1)	(1.5)
Movement in adjusted net debt *	**31.8**	(47.4)	79.2
Opening adjusted net debt *	**(285.8)**	(239.3)	n/a
Closing adjusted net debt *	**(254.0)**	(286.7)	n/a

* Adjusted net debt is net cash less restricted cash.

Cashflow

Cashflow generated from operations before taxation increased by £52.2m to £167.1m (H1'17: £114.9m) reflecting increased EBITDA and a movement in working capital and other items of £34.2m (H1'17: working capital movement of £10.0m). This includes the cessation of the London Midland franchise, which has reduced restricted cash.

Tax paid of £12.6m (H1'17: £18.7m) related to the final instalments of the 2016/17 tax year. Net interest paid of £13.9m (H1'17: £13.1m) was higher than the net charge for the period of £6.9m (H1'17: £5.8m) due to amounts in respect of interest on the £200m sterling bond and its replacement £250m sterling bond which is paid annually in September each year. Capital expenditure, net of sale proceeds in the period, was £46.0m (H1'17: £96.1m). Capital expenditure for the full year is expected to be around £140m.

Capital expenditure

Expenditure on capital during the period can be summarised as:

	H1'18 £m	H1'17 £m	Increase/ (decrease) £m
Regional Bus	**27.0**	21.7	5.3
London Bus	**12.3**	59.6	(47.3)
Total Bus	**39.3**	81.3	(42.0)
Rail	**17.5**	12.5	5.0
Total	**56.8**	93.8	(37.0)

Net cash / (debt)

Net cash was £164.8m at the half year end (1 July 2017: net cash £230.3m; H1'17: net cash £227.7m). This largely reflects the working capital movement in the rail division and capital expenditure in the bus division in the period. As the rail division working capital movement is included within restricted cash, adjusted net debt is primarily impacted by bus capital expenditure.

Adjusted net debt, consisting of net cash less restricted cash in our rail division of £418.8m (H1'17: £514.4m), was £254.0m (H1'17: £286.7m), equivalent to 1.03x EBITDA (1 July 2017: 1.30x; H1'17: 1.35x), below our target range of 1.5x to 2.5x, as expected.

Net cash comprised the £250m sterling bond (H1'17: £200m), amounts drawn down against the £280.0m five-year revolving credit facility of £134.0m (H1'17: £195.0m), hire purchase and lease agreements of £2.6m (H1'17: £2.0m) less cash and short-term deposits of £556.6m (H1'17: £624.7m).

Capital structure

	H1'18 £m	H1'17 £m	FY'17 £m
5 year syndicated facility 2021	**280.0**	280.0	280.0
7½ year £200m 5.375% sterling bond 2017	**–**	200.0	200.0
7 year £250m 2.5% sterling bond 2024	**250.0**	–	–
€8m (FY'17: €20m) revolving credit facility	**7.1**	–	17.5
€10.6m financing facility	**9.4**	–	–
Total core facilities	**546.5**	480.0	497.5
Amount drawn down at half year end	**389.2**	395.0	356.9
Balance available	**157.3**	85.0	140.6
Restricted cash	**418.8**	514.4	516.1
Net (cash)/debt	**(164.8)**	(227.7)	(230.3)
Adjusted net debt	**254.0**	286.7	285.8
EBITDA	**132.9**	104.9	219.1
Adjusted net debt/EBITDA (12month rolling basis)	**1.03x**	1.35x	1.30x

On 6 July 2017, the Group raised a £250.0m seven-year bond with a coupon rate of 2.5%. This replaced the £200.0m seven and a half year bond which was repaid on 29 September 2017.

Significant medium-term finance is secured through our revolving credit facility (RCF) and £250m sterling bond. The RCF has a maturity of July 2021.

Net finance costs

Net finance costs for the period were £6.9m (H1'17: £5.8m), comprising finance costs of £7.8m (H1'17: £7.2m) less finance revenue of £0.9m (H1'17: £1.4m). The average net interest rate for the period was 3.8% (H1'17: 4.0%), lower than prior year due to the lower interest rate payable on the £250.0m sterling bond.

Amortisation

The amortisation charge for the period was £1.5m (H1'17: £1.1m) which relates to the non-cash cost of amortising software costs, franchise bid costs and customer contracts. This is higher than the previous year due to increased investment in software.

Exceptional operating items

There were no exceptional operating items in the period (H1'17: £nil).

Taxation

Net tax for the period of £16.1m (H1'17: £10.8m) reflects an effective tax rate of 20.2% (H1'17: 21.0% excluding the impact of the opening deferred tax rate reduction which was a £3.3m credit). This is above the statutory rate for the period of 19.0% as a result of international bid costs and other disallowable expenditure. The effective tax rate for the full year is expected to be around 21.0%.

Non-controlling interests

Non-controlling interests in the income statement of £14.0m (H1'17: £10.1m) are a result of our holding of 65% of 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 period of £20.0m (H1'17: £19.7m), comprising bus costs of £0.8m (H1'17: £0.9m) and rail costs of £19.2m (H1'17: £18.8m). Group contributions to the schemes totalled £22.7m (H1'17: £22.0m).

The net surplus after taxation on the bus defined benefit schemes was £1.3m (1 July 2017: deficit of £17.3m), consisting of pre tax asset of £1.5m (1 July 2017: liability of £20.9m) less a deferred tax liability of £0.2m (1 July 2017: asset of £3.6m). The pre-tax deficit consisted of estimated liabilities of £812.7m (1 July 2017: £805.5m) less assets of £814.2m (1 July 2017: £784.6m). The percentage of assets held in higher risk, return seeking assets was 58.8% (1 July 2017: 53.4%).

An asset backed funding arrangement is in place which gives the bus pension scheme trustees a right to the income generated from some Group properties. This reduces the actuarial deficit in the scheme at triennial scheme valuations which are used to determine future contribution levels. For the purposes of IAS 19 (revised) this interest has nil value within scheme assets as the properties involved are included in property, plant and equipment in the Group financial statements.

As the long-term responsibility for the rail pension schemes rests with the DfT only the share of surplus or deficit expected to be realised over the life of each franchise is recognised. At the half year end the rail pension scheme deficit was £nil (1 July 2017: £nil).

Risk management

During the period, the Board reviewed the risks and uncertainties described in the Group's Annual report and Accounts for the year ended 1 July 2017 and identified principal risks and uncertainties affecting the Group's business for the second six months of the financial year ending 30 June 2018.

These key risks and uncertainties include external, strategic and operational factors as outlined in note 3 in the notes to the interim consolidated financial statements.

More details about these risks can be found on pages 40 – 45 of the 'Managing Risk' section of the Group Annual Report and Accounts for the year ended 1 July 2017, available on our website at www.go-ahead.com.

Responsibility and cautionary statements

Responsibility statements

We confirm that to the best of our knowledge:

- the interim financial statements have been prepared in accordance with IAS34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by the Financial Conduct Authority's Disclosure and Transparency Rules ('DTR') 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Patrick Butcher
Group Chief Financial Officer

21 February 2018

Cautionary statement

This report is addressed to shareholders of The Go-Ahead Group plc and has been prepared solely to provide information to them.

This half yearly report is intended to inform the shareholders of the Group's performance during the six months to 30 December 2017 and this report and the announcement under which it was released do not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Go-Ahead Group shares or other securities. This report contains forward looking statements based on knowledge and information available to the Directors at the date the report was prepared. These statements should be treated with caution due to the inherent uncertainties underlying any such forward looking information and any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Interim consolidated income statement
for the six months ended 30 December 2017

	Notes	**Six months to 30 Dec 17 £m Unaudited**	Six months to 31 Dec 16 £m Unaudited	Year to 1 Jul 17 £m Audited
Group revenue	4	**1,829.4**	1,715.6	3,481.1
Operating costs		**(1,742.5)**	(1,642.6)	(3,330.5)
Group operating profit		**86.9**	73.0	150.6
Share of result of joint venture		**(0.3)**	(0.2)	(0.4)
Finance revenue		**0.9**	1.4	2.4
Finance costs		**(7.8)**	(7.2)	(15.8)
Profit before taxation		**79.7**	67.0	136.8
Tax expense	5	**(16.1)**	(10.8)	(25.3)
Profit for the period from continuing operations		**63.6**	56.2	111.5
Attributable to:				
Equity holders of the parent		**49.6**	46.1	89.1
Non-controlling interests		**14.0**	10.1	22.4
		63.6	56.2	111.5
Earnings per share				
– basic	6	**115.5p**	107.6p	207.7p
– diluted	6	**115.3p**	106.9p	207.1p
Dividend paid (pence per share)	9	**71.91p**	67.52p	97.69p
Dividend proposed (pence per share)	9	**30.17p**	30.17p	71.91p

Interim consolidated statement of comprehensive income

for the six months ended 30 December 2017

	Notes	**Six months to 30 Dec 17 £m Unaudited**	Six months to 31 Dec 16 £m Unaudited	Year to 1 Jul 17 £m Audited
Profit for the period		**63.6**	56.2	111.5
Other comprehensive income/(losses)				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit retirement plans		**20.0**	(32.5)	(24.2)
Tax relating to items that will not be reclassified	5	**(3.4)**	5.5	4.1
		16.6	(27.0)	(20.1)
Items that may subsequently be reclassified to profit or loss				
Unrealised gains/(losses) on cashflow hedges		**15.7**	15.5	(3.2)
Losses on cashflow hedges taken to income statement – operating costs		**0.5**	4.3	6.7
Tax relating to items that may be reclassified	5	**(3.1)**	(4.0)	(0.9)
Foreign exchange loss		**(0.4)**	–	(0.3)
		12.7	15.8	2.3
Other comprehensive income/(losses) for the period, net of tax		**29.3**	(11.2)	(17.8)
Total comprehensive income for the period		**92.9**	45.0	93.7
Attributable to:				
Equity holders of the parent		**78.9**	34.9	71.3
Non-controlling interests		**14.0**	10.1	22.4
		92.9	45.0	93.7

Interim consolidated statement of changes in equity

for the six months ended 30 December 2017

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total £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 restated	–	–	–	–	–	89.1	89.1	22.4	111.5
Net movement on hedges (net of tax) (note 11)	–	–	2.6	–	–	–	2.6	–	2.6
Remeasurements on defined benefit retirement plans (net of tax) restated	–	–	–	–	–	(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)	–	–	–
Acquisition of own shares	–	(2.4)	–	–	–	–	(2.4)	–	(2.4)
Share based payment charge (and associated tax)	–	–	–	–	–	2.4	2.4	–	2.4
Share issue	1.5	–	–	–	–	–	1.5	–	1.5
Dividends (note 9)	–	–	–	–	–	(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 period	–	–	–	–	–	49.6	49.6	14.0	63.6
Net movement on hedges (net of tax) (note 11)	–	–	13.1	–	–	–	13.1	–	13.1
Remeasurements on defined benefit retirement plans (net of tax)	–	–	–	–	–	16.6	16.6	–	16.6
Foreign exchange loss	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Total comprehensive income	–	–	13.1	–	–	65.8	78.9	14.0	92.9
Exercise of share options	–	1.7	–	–	–	(1.7)	–	–	–
Acquisition of own shares	–	(0.6)	–	–	–	–	(0.6)	–	(0.6)
Share based payment charge and associated tax	–	–	–	–	–	0.9	0.9	–	0.9
Share issue	0.6	–	–	–	–	–	0.6	–	0.6
Dividends (note 9)	–	–	–	–	–	(30.9)	(30.9)	(0.9)	(31.8)
At 30 December 2017	74.2	(70.8)	4.9	1.6	0.7	240.4	251.0	38.2	289.2

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total £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 period restated	–	–	–	–	–	46.1	46.1	10.1	56.2
Net movement on hedges (net of tax) (note 11)	–	–	15.8	–	–	–	15.8	–	15.8
Remeasurements of defined benefit retirement plans (net of tax) restated	–	–	–	–	–	(27.0)	(27.0)	–	(27.0)
Total comprehensive income	–	–	15.8	–	–	19.1	34.9	10.1	45.0
Exercise of share options	–	1.3	–	–	–	(1.3)	–	–	–
Acquisition of own shares	–	(1.9)	–	–	–	–	(1.9)	–	(1.9)
Share based payment charge and associated tax	–	–	–	–	–	1.3	1.3	–	1.3
Dividends (note 9)	–	–	–	–	–	(28.9)	(28.9)	(0.4)	(29.3)
At 31 December 2016	72.1	(71.5)	5.0	1.6	0.7	168.6	176.5	33.7	210.2

Interim consolidated balance sheet
as at 30 December 2017

	Notes	30 Dec 17 £m Unaudited	31 Dec 16 £m Unaudited	1 Jul 17 £m Audited
Assets				
Non-current assets				
Property, plant and equipment		**582.4**	559.1	575.2
Intangible assets		**94.6**	84.1	91.5
Trade and other receivables		**0.2**	0.3	–
Other financial assets	11	**2.8**	5.5	–
Deferred tax assets		**0.6**	6.5	6.1
Interests in joint ventures		**0.5**	0.9	0.8
Retirement benefit asset	7	**1.5**	–	–
		682.6	656.4	673.6
Current assets				
Inventories		**14.6**	18.4	18.9
Trade and other receivables		**365.4**	352.0	332.5
Other financial assets	11	**3.8**	3.7	0.2
Cash and cash equivalents		**556.6**	624.7	590.2
		940.4	998.8	941.8
Assets classified as held for sale	10	**2.1**	1.1	1.7
Total assets		**1,625.1**	1,656.3	1,617.1
Liabilities				
Current liabilities				
Trade and other payables		**(782.7)**	(843.9)	(836.6)
Other financial liabilities	11	**(0.4)**	(2.6)	(7.3)
Interest-bearing loans and borrowings		**(5.1)**	(200.0)	(201.5)
Current tax liabilities		**(15.6)**	(13.9)	(12.0)
Provisions	12	**(33.3)**	(25.7)	(40.3)
		(837.1)	(1,086.1)	(1,097.7)
Non-current liabilities				
Interest-bearing loans and borrowings		**(382.8)**	(196.0)	(157.6)
Retirement benefit obligations	7	**–**	(32.9)	(20.9)
Other financial liabilities	11	**(0.2)**	(0.4)	(3.0)
Deferred tax liabilities		**(48.9)**	(48.0)	(47.8)
Other liabilities		**(1.2)**	(2.1)	(1.0)
Provisions	12	**(65.7)**	(80.6)	(61.9)
		(498.8)	(360.0)	(292.2)
Total liabilities		**(1,335.9)**	(1,446.1)	(1,389.9)
Net assets		**289.2**	210.2	227.2
Capital & reserves				
Share capital		**74.2**	72.1	73.6
Reserve for own shares		**(70.8)**	(71.5)	(71.9)
Hedging reserve		**4.9**	5.0	(8.2)
Other reserve		**1.6**	1.6	1.6
Capital redemption reserve		**0.7**	0.7	0.7
Retained earnings		**240.4**	168.6	206.3
Total shareholders' equity		**251.0**	176.5	202.1
Non-controlling interests		**38.2**	33.7	25.1
Total equity		**289.2**	210.2	227.2

Interim consolidated cashflow statement

for the six months ended 30 December 2017

	Notes	**Six months to 30 Dec 17 £m Unaudited**	Six months to 31 Dec 16 £m Unaudited	Year to 1 Jul 17 £m Audited
Profit after tax		**63.6**	56.2	111.5
Net finance costs		**6.9**	5.8	13.4
Tax expense	5	**16.1**	10.8	25.3
Share of result of joint venture		**0.3**	0.2	0.4
Depreciation of property, plant and equipment		**44.3**	30.8	65.4
Amortisation of intangible assets		**1.5**	1.1	3.1
Profit on sale of property, plant and equipment		**(6.5)**	(0.5)	(0.3)
Share based payment charges		**0.9**	1.3	2.7
Difference between pension contributions paid and amounts recognised in the income statement		**(2.3)**	(2.3)	(6.0)
Decrease/(increase) in inventories		**1.9**	–	(0.3)
(Increase)/ decrease in trade and other receivables		**(33.3)**	(13.0)	8.0
Decrease in trade and other payables		**(21.3)**	(23.9)	(40.7)
Movement in provisions		**(2.5)**	0.5	(4.3)
Cashflow generated from operations		**69.6**	67.0	178.2
Taxation paid		**(12.6)**	(18.7)	(34.1)
Net cashflows from operating activities		**57.0**	48.3	144.1
Interest received		**0.9**	1.3	2.4
Proceeds from sale of property, plant and equipment		**13.5**	0.7	2.2
Purchase of property, plant and equipment		**(56.8)**	(93.8)	(141.9)
Purchase of intangible assets		**(2.7)**	(3.0)	(5.0)
Purchase of businesses		**(5.4)**	(1.1)	(11.7)
Cash acquired with subsidiary		**1.5**	–	0.5
Transferred with franchise		**(23.5)**	–	–
Net cashflows used in investing activities		**(72.5)**	(95.9)	(153.5)
Interest paid		**(14.8)**	(14.4)	(15.1)
Dividends paid to members of the parent	9	**(30.9)**	(28.9)	(41.8)
Dividends paid to non-controlling interests		**(0.9)**	(0.4)	(21.3)
Payment to acquire own shares		**(0.6)**	(1.9)	(2.4)
Foreign exchange loss		**(0.4)**	–	(0.3)
Repayment of borrowings		**(221.2)**	–	–
Proceeds from borrowings		**250.5**	82.0	43.8
Proceeds from issue of shares		**0.6**	–	1.5
Payment of finance lease and hire purchase liabilities		**(0.4)**	(0.4)	(1.1)
Net cash (outflows)/inflows on financing activities		**(18.1)**	36.0	(36.7)
Net decrease in cash and cash equivalents		**(33.6)**	(11.6)	(46.1)
Cash and cash equivalents at start of period	8	**590.2**	636.3	636.3
Cash and cash equivalents at end of period	8	**556.6**	624.7	590.2

Notes to the interim consolidated financial statements

for the six months ended 30 December 2017

1. Corporate information

The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. Its ordinary shares are publicly traded and it is not under the control of any single shareholder.

2. Basis of preparation

The condensed financial statements for the six months ended 30 December 2017 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and IAS 34, 'Interim Financial Reporting', as adopted by the European Union. The condensed financial statements have been prepared using the same accounting policies and methods of computation used to prepare the Group's 2017 Annual Report and Accounts as described on pages 117 to 122 of that report which can be found on the Group's website at www.go-ahead.com and the adoption of new standards and interpretations, noted below. The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union.

The following new standards or interpretations are mandatory for the first time for the financial year ending 30 June 2018:

Annual Improvements to IFRSs 2014 – 2016 Cycle;

IAS 7 Statement of cashflows – Disclosure Initiative (amendment); and

IAS 12 Income taxes – Recognition of Deferred Tax Assets for Unrealised Losses (amendment).

Adoption of these standards and interpretations had no material impact on the Group's financial position or reported performance.

The financial statements for the six months ended 30 December 2017 and the comparative financial statements for the six months ended 31 December 2016 have not been audited, but have been reviewed by the auditor, Deloitte LLP. The comparative financial statements for the year ended 1 July 2017 have been extracted from the 2017 Annual Report and Accounts. The financial statements contained in this interim report do not constitute statutory accounts as defined in section 435 of the Companies Act 2006 and do not reflect all of the information contained in the Group's 2017 Annual Report and Accounts. The statutory accounts for the year ended 1 July 2017, which were approved by the Board of Directors on 6 September 2017 and have been filed with the Registrar of Companies, received an unqualified audit report which 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 preparation of the financial statements requires the use of estimates and assumptions. Although these estimates are based on management's best knowledge, actual results ultimately may differ from these estimates. The key sources of estimation uncertainty are consistent with those disclosed in the Group's 2017 Annual Report and Accounts.

The Group's operations do not suffer from significant seasonal demand fluctuations.

New standards standards and interpretations not applied

The International Accounting Standards Board ('IASB') has issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. It is expected that IFRS 16 will have a material impact on the Group's balance sheet liabilities and the Group will continue to assess the impact of the standard, and will provide further quantitative data as we approach implementation in the year ended June 2020.

The directors do not anticipate adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements.

Going concern

Our medium term funding is provided through a £250m sterling bond due July 2024 and a £280m syndicated loan facility with an anticipated repayment date of July 2021. The syndicated loan facility was £134.0m drawn down at the period end. The Board have also reviewed the risks and uncertainties facing the business, as outlined in note 3. After making enquiries and reviewing the outlook for 2018 and medium term plans of the business to 2020/2021, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing this half yearly report.

3. Risks and uncertainties

During the period, the Board reviewed the risks and uncertainties described in the Group's Annual Report and Accounts for the year ended 1 July 2017 and identified the following principal risks and uncertainties affecting the Group's business for the second six months of the financial year ended 30 June 2018.

The key risks and uncertainties include:

External:

Economic environment Lower economic growth or reduction in economic activity.

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

Strategic:

Sustainability of rail profits or loss of franchise Failure to retain two key franchises on acceptable terms and failure to stabilise GTR's business performance.

Inappropriate strategy or investment Failure to make appropriate strategic or investment decisions.

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

Operational:

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.

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

Labour costs, employee relations and resource planning Failure to effectively engage with our people and trade unions in making change and managing costs.

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

More details about these risks can be found on pages 43 – 45 of the 'Managing Risk' section of the Group Annual Report and Accounts for the year ended 1 July 2017, available on our website at www.go-ahead.com.

In addition the critical accounting judgements and key sources of estimation uncertainty disclosed on page 116 of the Group Annual Report and Accounts for the year ended 1 July 2017 continue to apply, and in particular the key sources of estimation uncertainty associated with contract and franchise accounting. Contract and franchise accounting is specific to the rail business disclosed in the segmental analysis in note 4. Judgements are made on a continuing basis, with the GTR franchise being the most complex. As previously disclosed, there are a number of contractual discussions underway with the DfT that have a range of reasonably possible outcomes. Management's judgement is that, relating to events up to 30 December 2017, the impact on rail profitability of these outcomes is likely to be within a range of plus or minus £5.0m. Given the continuing uncertainty, our expectation for the full year is that this range will remain at plus or minus £5.0m.

4. 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 of London.

The London bus division comprises bus operations in London under control of Transport for London (TfL), rail replacement, other contracted services in London, and bus operations in Singapore under control of the Land Transport Authority (LTA) of Singapore. These are aggregated as a segment given the similar contractual nature of the businesses. In August 2017, a contract with the National Transport Authority (NTA) in Ireland was awarded to the Group. This operation is expected to commence trading in September 2018.

The rail operation, through an intermediate holding company, Govia Limited, is 65% owned by Go-Ahead and 35% by Keolis (UK) Limited and comprises three rail franchises: Southeastern, London Midland and GTR. On the 9 December 2017, the London Midland franchise ceased and was replaced by West Midland Trains franchise. The franchise was transferred to the incoming operator on this date. The division is aggregated for the purpose of segmental reporting under IFRS 8 as each operating company has similar objectives, to provide passenger rail services and achieve a modest profit margin through its franchise arrangements with DfT. Each company targets similar margins, has similar economic risks and is viewed and reacted to as one segment by the chief operating decision maker, considered to be the Group Chief Executive. The registered office of Keolis is in England and Wales.

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

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 six months ended 30 December 2017, the six months ended 31 December 2016 and the year ended 1 July 2017.

4. Segmental analysis continued

Six months ended 30 December 2017 (unaudited)

	Regional bus £m	**London bus £m**	**Total bus £m**	**Rail £m**	**Total operations £m**
Segment revenue	**207.0**	**279.6**	**486.6**	**1,374.8**	**1,861.4**
Inter-segment revenue	**(14.9)**	**(7.5)**	**(22.4)**	**(9.6)**	**(32.0)**
Group revenue	**192.1**	**272.1**	**464.2**	**1,365.2**	**1,829.4**
Operating costs	**(167.6)**	**(250.0)**	**(417.6)**	**(1,324.9)**	**(1,742.5)**
Group operating profit	**24.5**	**22.1**	**46.6**	**40.3**	**86.9**
Share of result of joint venture					**(0.3)**
Net finance costs					**(6.9)**
Profit before tax and non-controlling interests					**79.7**
Tax expense					**(16.1)**
Profit for the period					**63.6**

During the six months ended 30 December 2017, segment revenue of £24.6m (H1'17: £15.2m; 2017: £39.7m) from external customers outside the United Kingdom related to the Singapore bus operations.

We have two major customers which individually contribute more than 10% of the group revenue, one of which contributes £611.8m (H1'17: £561.7m; 2017: £1,148.6m) and the other contributes £244.1 (H1'17: £240.6m; 2017: £479.1m).

Six months ended 31 December 2016 (unaudited)

	Regional bus £m	London bus £m	Total bus £m	Rail £m	Total operations £m
Segment revenue	202.5	269.0	471.5	1,276.0	1,747.5
Inter-segment revenue	(14.9)	(9.8)	(24.7)	(7.2)	(31.9)
Group revenue	187.6	259.2	446.8	1,268.8	1,715.6
Operating costs	(162.3)	(238.1)	(400.4)	(1,242.2)	(1,642.6)
Group operating profit	25.3	21.1	46.4	26.6	73.0
Share of result of joint venture					(0.2)
Net finance costs					(5.8)
Profit before tax and non-controlling interests					67.0
Tax expense					(10.8)
Profit for the period					56.2

Year ended 1 July 2017 (audited)

	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

During the six months to 30 December 2017 the Group incurred capital expenditure of £56.8m (H1'17: £93.8m; 2017: £141.9m) on tangible fixed assets of which £27.0m (H1'17: £21.7m; 2017: £49.6m) related to the regional bus division, £12.3m (H1'17: £59.6m; 2017: £63.1m) related to the London bus division and £17.5m (H1'17: £12.5m; 2017: £29.2m) related to the rail division.

During the six months to 30 December 2017 the depreciation charge for the Group was £44.3m (H1'17: £30.8m; 2017: £65.4m) of which £16.7m (H1'17: £15.3m; 2017: £31.5m) related to the regional bus division, £12.4m (H1'17: £11.9m; 2017: £24.6m) related to the London bus division and £15.2m (H1'17: £3.6m; 2017: £9.3m) related to the rail division.

5. Taxation

The total taxation charge recognised in the income statement is made up as follows:

	Six months to 30 Dec 17 £m Unaudited	Six months to 31 Dec 16 £m Unaudited	Year to 1 Jul 17 £m Audited
Current tax charge	**16.1**	13.6	27.2
Adjustments in respect of current tax of previous years	**–**	–	–
	16.1	13.6	27.2
Deferred tax relating to origination and reversal of temporary differences in the period at 19% (1 July 2017: 19.75%; 31 December 2016: 20%)	**–**	0.5	1.9
Adjustments in respect of deferred tax of a prior period	**–**	–	0.3
Impact of opening deferred tax rate reduction	**–**	(3.3)	(4.1)
Total tax	**16.1**	10.8	25.3

The taxation charge has been calculated by applying the directors' best estimate of the annual effective tax rate to the profit for the period. Excluding the impact of deferred rate tax reductions our tax rate is 20.2% (H1'17: 21%; 2017: 21.5%), higher than the statutory rate. Including the impact of the opening deferred tax rate reduction of £nil (H1'17 £3.3m credit; 2017: £4.1m credit), the effective tax rate is 20.2% (H1'17: 16.1%; 2017: 18.5%).

	Six months to 30 Dec 17 £m Unaudited	Six months to 31 Dec 16 £m Unaudited	Year to 1 Jul 17 £m Audited
Tax charges	**16.1**	14.1	29.4
Impact of opening deferred tax rate reduction	**–**	(3.3)	(4.1)
	16.1	10.8	25.3

The interim tax rate is based on the full year expected tax rate.

The tax relating to items charged or credited to the statement of comprehensive income or directly to equity is made up as follows:

	Six months to 30 Dec 17 £m Unaudited	Six months to 31 Dec 16 £m Unaudited	Year to 1 Jul 17 £m Audited
Tax on remeasurements on defined benefit retirement plans	**3.4**	(5.5)	(4.1)
Deferred tax on cashflow hedges	**3.1**	4.0	0.9
Deferred tax on share based payments (direct to equity)	**–**	–	0.3
Tax reported outside of profit or loss	**6.5**	(1.5)	(2.9)

The standard rate of UK corporation tax is currently 19%. A rate reduction to 17% comes into effect from 1 April 2020. This reduction in rate was substantively enacted prior to the balance sheet date and has been applied to the Group's deferred tax balance at the balance sheet date.

6. Earnings per share

Basic and diluted earnings per share

	Six months to 30 Dec 17 Unaudited	Six months to 31 Dec 16 Unaudited	Year to 1 Jul 17 Audited
Net profit on total operations attributable to equity holders of the parent (£m)	**49.6**	46.1	89.1
Basic weighted average shares in issue ('000)	**42,938**	42,856	42,902
Dilutive potential share options ('000)	**73**	275	122
Diluted weighted average number of shares in issue ('000)	**43,011**	43,131	43,024
Earnings per share:			
Basic earnings per share (pence per share)	**115.5**	107.6	207.7
Diluted earnings per share (pence per share)	**115.3**	106.9	207.1

The weighted average number of shares in issue excludes treasury shares held by the company, and shares held in trust for the Directors' Long Term Incentive Plan and Deferred Share Bonus Plan arrangements.

No shares were bought back and cancelled by the Group in the period from 31 December 2017 to 21 February 2018.

7. Pensions

Retirement benefit obligations consist of the following:

	Bus £m Unaudited	Rail £m Unaudited	30 Dec 17 Total £m Unaudited	Bus £m Audited	Rail £m Audited	1 Jul 17 Total £m Audited
Pre-tax pension scheme assets/(liabilities)	**1.5**	**–**	**1.5**	(20.9)	–	(20.9)
Deferred tax (liability)/asset	**(0.2)**	**–**	**(0.2)**	3.6	–	3.6
Post-tax pension scheme assets/(liabilities)	**1.3**	**–**	**1.3**	(17.3)	–	(17.3)

The net surplus before taxation on the bus defined benefit scheme was £1.5m (1 July 2017: deficit of £20.9m), consisting of estimated liabilities of £812.7m (1 July 2017: £805.5m) less assets of £814.2m (1 July 2017: £784.6m).

The net deficit before taxation on the rail schemes was £nil (1 July 2017: £nil). The nature of these schemes means that only the share of surplus or deficit to be benefited from or to be funded during the franchise period is recognised.

The net surplus/deficit on the pension schemes was calculated based on the following assumptions.

	Six months to 30 Dec 17 % Unaudited	Year to 1 Jul 17 % Audited
Retail price index inflation	**3.2**	3.3
Consumer price index inflation	**2.2**	2.3
Discount rate	**2.5**	2.6
Rate of increase in salaries *	**3.5**	3.5
Rate of increase of pensions in payment and deferred pension	**2.0**	2.0

* for rail pension schemes only (the defined benefit section of the bus scheme is closed to future accrual for all members)

7. Pensions continued

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

	30 Dec 17 Bus Years Unaudited	30 Dec 17 Rail Years Unaudited	1 Jul 17 Bus Years Audited	1 Jul 17 Rail Years Audited
Pensioner	**21**	**22**	21	22
Non Pensioner	**22**	**24**	22	24

Sensitivity analysis

The following is an approximate sensitivity analysis of the impact of the change in the key assumptions for the bus scheme calculated as at 1 July 2017. In isolation the following adjustments would adjust the pension surplus/(deficit) as shown.

	Bus 2017 Pension surplus/(deficit) %
Discount factor – increase of 0.1%	(1.7)
Price inflation – increase of 0.1%	1.5
Rate of increase of pension in payment – increase of 0.1%	0.9
Increase in life expectancy of pensioners or non pensioners by 1 year	3.6

8. Notes to the cashflow statement

Analysis of Group net cash/(debt) (unaudited)

	Cash and cash equivalents £m Unaudited	Syndicated loan facility £m Unaudited	Hire purchase/ finance leases £m Unaudited	£200m Sterling Bond £m Unaudited	£250m Sterling Bond £m Unaudited	€8m RCF £m Unaudited	Total £m Unaudited
1 July 2017	590.2	(156.0)	(3.0)	(200.0)	–	(0.9)	230.3
Cashflow	**(35.1)**	**22.0**	**0.4**	**200.0**	**(250.0)**	**(4.3)**	**(67.0)**
On acquisition	**1.5**	**–**	**–**	**–**	**–**	**–**	**1.5**
30 December 2017	**556.6**	**(134.0)**	**(2.6)**	**–**	**(250.0)**	**(5.2)**	**164.8**

Cash and cash equivalents include overdrafts amounting to £nil (1 July 2017: £nil).

On 16 July 2014, the Group entered into a £280.0m five year loan facility. 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 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 £250.0m bond of 7 years maturing on 6 July 2024 with a coupon rate of 2.5%.

On 27 April 2017, the Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH, entered into a €20.0m 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.

Group net cash/(debt) excludes unamortised issue costs of £3.9m (1 July 2017: £0.8m).

As at 30 December 2017 balances amounting to £418.8m (H1'17: £514.4m; 1 July 2017: £516.1m) were restricted, including amounts to cover deferred income for season tickets sold in advance of £204.5m (H1'17: £233.1m; 1 July 2017: £178.0m) and amounts held by rail companies which can only be distributed up to the value of distributable reserves, subject to DfT dispensation. The reduction in restricted cash is driven by the transfer of the London Midland franchise.

9. Dividends paid and proposed

	Six months to 30 Dec 17 £m Unaudited	Six months to 31 Dec 16 £m Unaudited	Year to 1 Jul 17 £m Audited
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2017: 71.91p per share (2016: 67.52p)	**30.9**	28.9	28.9
Interim dividend for 2017: 30.17p per share	**–**	–	12.9
	30.9	28.9	41.8

	Six months to 30 Dec 17 £m Unaudited	Six months to 31 Dec 16 £m Unaudited	Year to 1 Jul 17 £m Audited
Dividend proposed (not recognised as a liability)			
Equity dividends on ordinary shares:			
Interim dividend for 2018: 30.17p per share (2017: 30.17p)	**12.9**	12.9	31.0

10. Assets classified as held for sale

At 30 December 2017, assets held for sale, with a carrying value of £2.1m (1 July 2017: £1.7m) related to property, plant and equipment available for sale and are included in the regional bus division.

11. Derivatives and financial instruments

a. Fair values

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

	30 Dec 17 £m	1 Jul 17 £m
Non-current assets	**2.8**	–
Current assets	**3.8**	0.2
	6.6	0.2
Current liabilities	**(0.4)**	(7.3)
Non-current liabilities	**(0.2)**	(3.0)
	(0.6)	(10.3)
Net financial derivatives	**6.0**	(10.1)

At 30 December 2017

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	**–**	**6.0**	**6.0**	**6.0**
Net financial derivatives	**–**	**6.0**	**6.0**	**6.0**
Obligations under finance lease and hire purchase contracts	**(2.6)**	**–**	**(2.6)**	**(2.6)**
	(2.6)	**6.0**	**3.4**	**3.4**

At 1 July 2017

	Amortised cost £m	Held for trading – Fair value through profit and loss £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)

11. Derivatives and financial instruments continued

The fair value of all other financial assets and liabilities is not significantly different from their carrying amount, with the exception of the £250.0m sterling 7 year bond which has a fair value of £249.8m (1 July 2017: £200m sterling 7.5 year bond £202.1m) but is carried at its amortised cost of £250.0m (1 July 2017: £200.0m). The fair value of the £250.0m sterling 7 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 cash flows at prevailing interest rates.

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

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

Level 2: other techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at 30 December 2017, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments. During the six months ended 30 December 2017, 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.

Bus

As at 30 December 2017 the Group had derivatives against bus fuel of 244 million litres for the four 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 acquisition of the instruments due to the movement in market fuel prices.

As at 30 December 2017 the amounts hedged are as follows:

	2018	2019	2020*	2021*
Actual percentage of forecast usage hedged	**100%**	**80%**	**45%**	**25%**
Litres hedged (million)	**62**	**97**	**55**	**30**
Price (pence per litre)	**34.6**	**32.5**	**33.1**	**33.9**

* Assuming consistent usage and that hedging is completed at 30 December 2017 market price

The movement during the six months ended 30 December 2017 on the hedging reserve was £13.1m credit (net of tax) (2017: £2.6m credit (net of tax)) taken through other comprehensive income.

12. Provisions

	Franchise commitments £m Unaudited	Uninsured claims £m Unaudited	Other £m Unaudited	Total £m Unaudited
At 1 July 2017	53.0	44.3	4.9	102.2
Provided	**6.1**	**10.6**	**0.9**	**17.6**
Utilised	**(8.5)**	**(6.9)**	**–**	**(15.4)**
Released	**(2.8)**	**(2.0)**	**(0.6)**	**(5.4)**
At 30 December 2017	**47.8**	**46.0**	**5.2**	**99.0**

	30 Dec 17 £m Unaudited	1 Jul 17 £m Audited
Current	**33.3**	40.3
Non-current	**65.7**	61.9
	99.0	102.2

Franchise commitments comprise £46.2m (1 July 2017: £50.5m) dilapidation provisions on vehicles, depots and stations mainly across our two active rail franchises (1 July 2017: three active franchises) and £1.6m (1 July 2017: £2.5m) provisions relating to other franchise commitments. Of the dilapidations provisions, £15.2m (1 July 2017: £21.2m) are classified as current. All of the £1.6m (1 July 2017: £2.5m) provision relating to other franchise commitments is classified as current. During the six months ended 30 December 2017, £2.8m 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 four years. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date, 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, £15.3m (1 July 2017: £13.2m) are classified as current and £30.7m (1 July 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.

Within other provisions, £4.9m (1 July 2017: £4.6m) relates to dilapidation provisions on vehicles and depots, of which £0.9m (1 July 2017: £3.1m) are classified as current, and £4.0m (1 July 2017: £1.5m) are classified as non-current. These provisions relate to the bus division. It is expected that the dilapidations will be incurred within two to five years. A further £0.3m (1 July 2017: £0.3m) of other current provisions relate to transition-out costs in Singapore. The other current provision at 1 July 2017 of £0.3m relating to completion claims regarding the sale of our aviation business was released during the period.

13. Commitments and contingencies

Capital commitments

Capital commitments contracted but not provided at 30 December 2017 were £64.6m (1 July 2017: £45.7m).

Performance bonds

The Group has provided bank guaranteed performance bonds of £76.9m (1 July 2017: £76.9m), a loan guarantee bond of £36.3m (1 July 2017: £36.3m) and season ticket bonds of £212.1m (1 July 2017: £226.2m) in favour of the DfT in support of the Group's rail franchise operations.

To support subsidiary companies in their normal course of business, the Group has indemnified certain banks and insurance companies who have issued certain performance bonds and a letter of credit. The letter of credit at 30 December 2017 is £72.0m (1 July 2017: £72.0m).

The Group has a bond of $4.2m SGD (1 July 2017: $4.2m SGD) in favour of the Land Transport Authority of Singapore in support of the Group's Singapore bus operations. At the period end exchange rate this equates to £2.3m (1 July 2017: £2.4m).

The Group has a bond of €2.4m in favour of the Ministry of Transport of Baden-Wurttemberg and bonds of €3.2m in favour of the Ministry of Transport of Baden-Wurttemberg and Bavarian Rail Authority. All are in support of the Group's German rail operations, currently being mobilised. At the period end exchange rate these bonds equate to £5.0m.

The Group has a bond of €8.0m in favour of the National Transport Authority in Ireland in support of the Group's Dublin bus operations which will commence trading in September 2018. At the period end exchange rate this equates to £7.1m.

14. Statement of changes in equity

The reserve for own shares is in respect of 4,034,147 (1 July 2017: 4,077,487) ordinary shares (8.6% of share capital), of which 131,907 (1 July 2017: 175,247) 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 six months ended 30 December 2017 the company has repurchased 37,680 shares (year ended 1 July 2017: 121,084). No shares were cancelled in the period (year ended 1 July 2017: no shares cancelled).

At 30 December 2017 there were 47,027,295 ordinary shares in issue (1 July 2017: 46,993,276).

15. Related party transactions

There are no related party transactions or changes since the last year end that could have a material effect on the Group's financial position or performance for the period.

16. Business combinations

On 8 December 2017, The City of Oxford Motor Services Limited, a wholly owned subsidiary of the Group, acquired Tom Tappin Limited for a cash consideration of £5.4m. The company operates the Guide Friday and City Sightseeing Oxford city bus tours.

Net assets at date of acquisition:

	Total acquisitions – Provisional fair value to Group £m
Property, plant and equipment	**2.1**
Cash	**1.5**
Net assets	**3.6**
Intangibles and goodwill arising on acquisition	**1.8**
Cash	**5.4**
Total consideration	**5.4**

Acquisition costs of less than £0.1m have been expensed through operating costs.

From the date of acquisition in the period, the acquisition recorded an operating profit of less than £0.1m and revenue of less than £0.1m. Had the acquisition been completed on the first day of the financial period, the impact on the Group's operating profit would have been £0.2m and the impact on revenue would have been £0.9m.

16. Business combinations continued

Year ended 1 July 2017

On 3 February 2017, Go South Coast Limited, a wholly owned subsidiary of the Group, took control of Thamesdown Transport Limited from Swindon Borough Council. Thamesdown services operate across Swindon and north Wiltshire with a fleet of 85 buses.

Net assets at date of acquisition:

	Total acquisitions – Fair value to Group £m
Property, plant and equipment	6.5
Inventories	0.3
Cash	0.5
Deferred tax	(0.5)
Trade and other receivables	1.5
Trade and other payables	(1.5)
Interest-bearing loans and borrowings	(1.7)
Net assets	5.1
Intangibles and goodwill arising on acquisition	5.6
Cash	10.7
Total consideration	10.7

Interest-bearing loans and borrowings comprise finance leases and hire purchase commitments.

Acquisition costs of £0.1m have been expensed through operating costs.

From the date of acquisition in the period, the acquisition recorded an operating profit of less than £0.1m and revenue of £4.1m. Had the acquisition been completed on the first day of the financial period, the impact on the Group's operating profit would have been an increase of £0.5m and the impact on revenue would have been an increase of £9.9m.

On 4 October 2016, Go South Coast Limited, a wholly owned subsidiary of the Group, acquired the Excelsior group of companies – Excelsior Coaches Limited, Excelsior Transport Limited and Excelsior Travel Limited – for a cash consideration of £1.0m.

Net assets at date of acquisition:

	Total acquisitions – Fair value to Group £m
Property, plant and equipment	2.2
Intangible assets – customer contracts	1.0
Deferred tax	(0.1)
Interest-bearing loans and borrowings	(2.1)
Net assets	1.0
Cash	1.0
Total consideration	1.0

Interest-bearing loans and borrowings comprise finance leases and hire purchase commitments.

Acquisition costs of less than £0.1m have been expensed through operating costs.

From the date of acquisition in the period, the acquisition recorded an operating loss of £0.1m and revenue of £1.2m. Had the acquisition been completed on the first day of the financial period, the impact on the Group's operating profit would have been an increase of £0.1m and the impact on revenue would have been an increase of £1.6m.

17. Post balance sheet event

On 20 February 2018, the Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH acquired a 11.76% shareholding in Mobileeee Betriebsgesellschaft mbH & Co.KG, an all-electric car-sharing service based in Germany, for consideration of £0.3m.

Directors and Advisors

Directors

Andrew Allner	Chairman (Non-Executive)
David Brown	Group Chief Executive
Patrick Butcher	Group Chief Financial Officer
Katherine Innes Ker	Non-Executive Director / Senior Independent Director
Nick Horler	Non-Executive Director (Resigned 2 November 2017)
Adrian Ewer	Non-Executive Director
Harry Holt	Non-Executive Director (Appointed 23 October 2017)
Leanne Wood	Non-Executive Director (Appointed 23 October 2017)

Company Secretary

Carolyn Ferguson	Group Company Secretary

Joint corporate broker

Investec Bank plc
2 Gresham Street
London
EC2V 7QP

Joint corporate broker

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

Financial PR advisors

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

Registrars

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

Auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London
United Kingdom
EC4A 3BZ

Principal banker

The Royal Bank of Scotland plc
Corporate Banking
8th Floor
135 Bishopsgate
London
EC2M 3UR

Independent review report to The Go-Ahead Group plc

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 December 2017 which comprises the interim consolidated income statement, the interim consolidated balance sheet, the interim consolidated statement of changes in equity, the interim consolidated statement of comprehensive income, the interim consolidated cashflow statement and related notes 1 to 17. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors responsibilities
The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 December 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London
United Kingdom
21 February 2018