

Building a sustainable business

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.

[Read more on page 8-18.](#)

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.

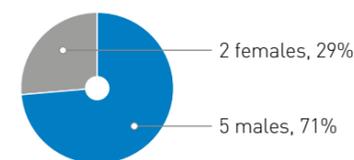
Our people

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.

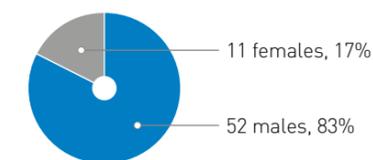
[Read more on page 23.](#)

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.

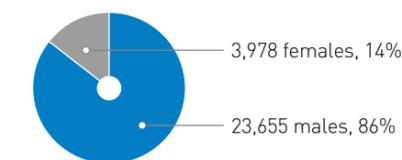
Board gender diversity



Senior management gender diversity



Overall Group gender diversity



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).

[Read more on page 27.](#)

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.

[Read more on page 58.](#)

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.

Andrew Allner,
Chairman

5 September 2018

