

## THE GO-AHEAD GROUP PLC

(“GO-AHEAD” OR “THE GROUP”)

### Half Year Results for the six months ended 28 December 2019

#### Business overview

##### Financial performance and expectations

- Group operating profit for the half year of £60.0m\* (H1'19: £64.5m); full year expectations have slightly reduced, reflecting cost pressures and adverse weather in regional bus
- While it is unclear how the coronavirus situation will evolve in the coming weeks, travel patterns are likely to be impacted in the second half of the year
- Bus operating profit down 3.4% at £45.3m\* (H1'19: £46.9m); strong performance in London & International division mitigated a weaker regional bus result
- Rail operating profit of £14.7m\* (H1'19: £17.6m) was in line with our expectations; UK rail results offset the impact of a difficult start to our operations in Germany
- IFRS 16 adopted in the period; material impact on net debt
- Maintained interim dividend at 30.17p (H1'19: 30.17p)

##### Operational highlights and milestones

- Record punctuality levels in both GTR and Southeastern supporting and improved customer satisfaction of 82% and 81% respectively; regional bus customer satisfaction remains industry leading at 92%
- In final stages of discussions with the Department for Transport regarding a potential direct award contract for Southeastern beyond its scheduled end date of 31 March 2020
- First rail contract in Norway commenced in December 2019; expansion of our rail services in Germany and bus services in Ireland
- Group Taskforce for Climate Change established to lead our progress towards our 2021 target to reduce carbon emissions by 25%, and our 2035 target to run a zero-carbon bus fleet; announced further roll out of our air filtering bus
- 1,400 apprentices trained since the scheme's launch in late 2018; Women in Bus network supporting target to double female representation in the bus division by 2025

\* H1'20 figures are reported under IFRS 16. H1'19 figures are reported under IAS 17, and include a pre-exceptional charge of £16.8m relating to Guaranteed Minimum Pension equalisation on the bus pension schemes.

#### Financial summary

	H1'20			H1'19
	Under IFRS 16	IFRS 16 effect	Under IAS 17	Under IAS 17
Revenue (£m)	<b>1,972.6</b>	—	1,972.6	1,920.8
Operating profit (£m)	<b>60.0</b>	5.2	54.8	64.5
Profit before tax (£m)	<b>49.0</b>	(2.1)	51.1	61.0
Basic earnings per share (p)	<b>64.6</b>	(4.4)	69.0	93.2
Proposed half dividend per share (p)	<b>30.17</b>	—	30.17	30.17

	H1'20			H1'19
	Under IFRS 16	IFRS 16 effect	Under IAS 17	Under IAS 17
Cashflow generated from operations (excluding restricted cash) (£m)	<b>274.1</b>	175.6	98.5	112.0
Free cashflow (£m)	<b>160.6</b>	168.3	(7.7)	58.7
Adjusted net debt (£m) <sup>1</sup>	<b>931.6</b>	625.2	306.4	261.7
Adjusted net debt/EBITDA <sup>2</sup>	<b>n/a</b>	n/a	1.53X	1.34x

1 Adjusted net debt is net cash less restricted cash.

2. The adjusted net debt/EBITDA ratio is on an IAS 17 basis as the rolling twelve months EBITDA data incorporating IFRS 16 is not available at the half year. H1'19 figures include a pre-exceptional charge of £16.8m relating to Guaranteed Minimum Pension equalisation on the bus pension schemes.

## David Brown, Group Chief Executive, commented:

“Our London & International bus business is performing well and in line with expectations for the full year, while our expectations for our regional bus business have slightly reduced, reflecting cost pressures and adverse weather on passenger travel.

“In rail, while we await the outcome of the Williams review, our current UK operations are performing well and we are in the final stages of discussions with the Department for Transport regarding a potential direct award contract for Southeastern. The stronger than expected UK rail performance has offset the impact of operational challenges in the first six months of running our German rail contracts. We began running rail services in Norway in December and are delivering high levels of operational performance.

“In the second half of the year our focus will be on continued management of our regional bus cost base, integrating new contracts and recent acquisitions, and improving our German rail operations.

“While it is unclear how the coronavirus situation will evolve in the coming weeks, travel patterns are likely to be impacted in the second half of the year.

“I’m pleased with the progress we’re making towards our vision of a world where every journey is taken care of, with industry leading customer satisfaction scores in regional bus of 92% and our improving scores of 82% and 81% in GTR and Southeastern respectively. We’re also helping drive up customer satisfaction and performance in bus markets in Singapore and Ireland where tendering authorities have opened up to commercial operators.

“We have long been campaigning for a national bus strategy to maximise the benefits that buses bring to local communities and society as a whole. I’m pleased with the Government’s decision to move forward with such a strategy and its commitment to invest £5bn in bus and cycle networks in the coming years. This commitment recognises the part public transport can play in protecting our environment, supporting our communities, improving our health and wellbeing, and growing our economy.”

## For further information, please contact:

The Go-Ahead Group	
David Brown, Group Chief Executive	020 7799 8970
Elodie Brian, Group Chief Financial Officer	020 7799 8973
Holly Gillis, Head of Investor Relations	077 6630 5594
Press office	020 7799 8978

David Brown, Group Chief Executive, and Elodie Brian, Group Chief Financial Officer, will be hosting a presentation for investors and analysts at 9am today at Investec, 30 Gresham Street, London EC2V 7QP.

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

## Group Chief Executive's review

Recent commitments from the UK Government on bus investment demonstrate a step change in public transport policy. Go-Ahead's UK rail operations are performing well and we continue to await the outcome of the Williams review to understand what the future of the UK rail market holds. International transport markets continue to open and we have expanded our footprint into new areas. We have seen some great successes through our Billion Journey Project innovation programme which is helping to combine new thinking for the future of transport with the existing benefits of public transport. As we look ahead, we retain our well-established fundamental strengths that have supported over three decades of successful public transport provision; our empowered local leadership, customer-focused culture and strong financial discipline.

We have a clear strategy upon which we are delivering, with robust core operations, contract growth and advancements in technology and innovation driving our development for the future.

### Protect and grow

#### Regional bus

Compared with last year, when we grew passenger numbers and yield declined, this year, we have delivered yield improvements while retaining our customer numbers. This is testament to our approach of local campaigns and initiatives tailored to local customer demand.

While revenue grew 2.3% in the period, reflecting the improved yield, our cost base increased at a greater rate resulting in a year on year reduction in operating profit. We have seen pressure on our operating costs. As well as taking specific local action to target the most challenging areas of the cost base, broader profit improvement plans are in place across the business to mitigate the impact on profitability. Our local teams are embedding different ways of working and are using new technology to deliver operational efficiencies, such as our Go Check app which speeds up and standardises vehicle inspection and maintenance processes.

Although we are encouraged that passenger yields are increasing, operating costs are rising by more than inflation. Operational efficiency has been a particularly challenging area, and we have also seen increases in depreciation and engineering costs, reflecting the introduction of more lower-emission Euro 6 buses. One-off restructuring costs relate mainly to the withdrawal of our X90 coach service between Oxford and London, and work is underway to tackle other underperforming areas with an expectation of further one-off costs. We expect to see the benefits of this action beginning to flow through during the second half of the year.

We are making progress in integrating Go North West, our new operation in Manchester, and have already delivered improvements for customers and colleagues. We have seen growth of over 6% on some corridors through improved scheduling and driver engagement. As previously indicated, the turnaround of this business is expected to take longer than initially anticipated as we work to bring services up to Go-Ahead standards. While this is having a short-term impact on financial performance, we remain confident that this business will prove to be value adding, both financially and strategically.

At Go-Ahead, we have long been campaigning for a national bus strategy to maximise the benefits that buses bring to local communities and society as a whole. We are, therefore, pleased that the UK Government has committed to such a strategy, and plans to invest £5bn in bus and cycle networks in the coming years. This commitment demonstrates the recognition of the benefits public transport can bring to our environment, our communities, our health and wellbeing, and our economy.

In recent weeks, passenger revenue has been impacted by reduced travel due to adverse weather. We also believe coronavirus has affected travel on some of our services, particularly impacting areas most exposed to tourism. While it is unclear how the coronavirus situation will evolve in the coming weeks, travel patterns are likely to be impacted in the second half of the year.

#### London & International bus

In London, our largest business in this division, we continued to perform well, introducing new contracts during the period and increasing mileage by around 4% following a successful bidding period in the prior year. Quality Incentive Contract income remained at the high levels achieved in the last financial year, demonstrating consistent service delivery on behalf of our client, Transport for London. As the operators of the only all-electric bus depot in London, we expanded our electric fleet further during the period and exported our expertise to our operations in Singapore which will soon begin an electric bus pilot.

Our bus business in Singapore continues to perform well operationally and financially. We have high on time performance of 94% and continue to contribute to the strong improvement in bus customer satisfaction in Singapore in recent years.

We have also continued to deliver good performance levels in our bus business in Ireland. In December 2019, we introduced additional routes providing commuter services around Dublin and now operate 30 routes in and around the city.

In both geographies, we have good relationships with our local authority clients with whom we work collaboratively to harness our experience and expertise to deliver improved services and more sustainable solutions for the future.

#### Rail

We look forward to the recommendations of the Williams rail review, designed to ensure that our vital rail system continues to benefit passengers and support a stronger economy, and believe we have a role to play in providing passenger services into the future. UK rail has been a good business for Go-Ahead over our 23 years of operation. We have made profits every year, generated strong cashflows and delivered high return on capital; we have enabled billions of journeys and supported the delivery of large-scale infrastructure improvements, increasing capacity and service reliability.

Our UK rail operations delivered good performance in the period. GTR and Southeastern are two of the best performing large train operators, with punctuality levels for both franchises at some of their highest ever levels. Customer satisfaction also peaked in the period at 82% and 81% for GTR and Southeastern respectively.

## Chief Executive's review continued

### Protect and grow continued

#### Rail continued

Following the Department for Transport's (DfT) decision to cancel the South Eastern franchise competition in August 2019, for which we were shortlisted, we have been operating the franchise through a direct award contract which runs until 31 March 2020. We are in the final stages of discussions with the DfT regarding a new direct award contract which would build further on improvements already delivered for our Southeastern passengers.

Following a four-year mobilisation in Germany which saw the procurement of trains, recruitment and training of drivers, and the building of a new depot, we have, as previously indicated, identified issues around operational performance and service reliability in the early stages of the contract. Some of these issues are outside of our control, such as availability and reliability of rolling stock, and we are exercising contractual rights to recover the associated losses. We have also encountered driver shortages due to operating in an extremely tight labour market; a challenge facing all operators in the Baden-Württemberg region.

While our German rail contracts were forecast to be loss making in the current financial year, the financial performance in the first half of the year has been significantly below our expectations as a result of contractual performance penalties and the additional costs of temporary rolling stock and drivers. While these challenges have continued into the second half of the year, recruitment programmes are underway and we expect to receive additional, permanent rolling stock in the coming weeks.

In December 2019, we began operating rail services in Norway; our first contract in this market and the first commercially run network in the country. High levels of punctuality, at 92%, are already delivering strong customer satisfaction in passengers travelling on our 170 weekday services between Oslo and Stavanger. We have a strong and experienced local management team in place and our transport authority client is pleased with our performance.

#### Win new bus and rail contracts

Our strategy is to utilise our experience of over three decades of providing public transport in the UK to win further contracts in our core markets and export our expertise to targeted international markets. Our clear international strategy, with a well-defined framework, has delivered ten contract awards to date, in five geographies, with a combined annualised revenue of £400m.

Having already secured a number of contracts in new markets, our focus in the first half of the year has been on mobilising and embedding previously won contracts, utilising expertise within the Group to support new colleagues in local markets.

We have established bid teams in our core target markets which are focused on the strong tender pipelines. Currently, we have a number of active bid competitions and are working on further bid submissions in both bus and rail markets in Singapore, Australasia and the Nordics.

We believe our international strategy will deliver long term, sustainable value to shareholders.

In some of our existing UK markets, we secured contract work during the period. The most significant being a new contract in Cornwall, won by Plymouth Citybus, to operate half of the county's bus services. The eight-year contract commences in April 2020 and will generate around £13.5m in revenue per annum. Around 250 new colleagues will join the Group and we will introduce 155 additional buses, increasing full year capital expenditure requirements.

#### Develop for the future of transport

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

Our strategy is to explore opportunities that harness our existing skills, expertise and assets. For example, our Billion Journey Project working with ten start-up and scale-up businesses to pilot trials in areas such as flexible ticketing on trains, improved real time information and sustainable travel options.

#### A responsible business

Our strategy is underpinned by our responsibility to better teams, happier customers, stronger communities, a cleaner environment and smarter technology.

##### Better teams

Our people remain our most valuable asset and we continue to invest in them. We are striving to build a sustainable colleague base which reflects the diversity of our communities and supports the delivery of our strategy for the long term. Initiatives such as our Women in Bus network bring together our female colleagues and create the right environment to attract more women into the industry. Our apprenticeship scheme, which has already seen 1,400 apprentices trained since its launch in November 2018, is expected to introduce a further 1,200 new trainees in the year. The scheme, which has helped us bring more ethnic and gender diversity into the business, is upskilling people for life and improving retention rates.

As a large employer, we have a responsibility to our 30,000 colleagues to provide safe and supported working environments. Across the business, we have enhanced our efforts around health and wellbeing, introducing mental health ambassadors and providing onsite occupational health and medical facilities. We are also working with our drivers to improve health awareness, introducing a range of initiatives including onsite exercise facilities and providing healthy eating options.

##### Happier customers

We are pleased with the progress we are making towards our vision of a world where every journey is taken care of. This progress is reflected in our industry leading customer satisfaction scores in regional bus of 92% and our improving scores in GTR and Southeastern.

## **A responsible business** continued

### **Happier customers** continued

We are also helping drive up customer satisfaction and performance in bus markets in Singapore and Ireland where tendering authorities have opened up to commercial operators.

Key to high customer satisfaction is service reliability and punctuality and we have seen improvements in our punctuality performance in both our UK rail franchises and our London bus services. Convenience is also important for our passengers, so we invest in developing solutions to make travelling on our services as easy as possible. This includes developing our apps to simplify real-time information, planning journeys and buying tickets, and providing different ticketing options to suit individuals' travel needs. The roll-out of capped contactless ticketing in Brighton has been extremely popular with over 30% of journeys now being paid for through this channel.

There will unfortunately be times when things don't run smoothly, and we want to make it as easy as possible for passengers to claim refunds if they experience disruption on our services, so we have improved Delay Repay for our rail customers, making the process quicker and simpler.

### **Stronger communities**

Go-Ahead does not just operate within communities, we are part of our communities; providing vital links to work, education and health services, and enabling social inclusion, connecting people with friends, family and leisure activities. Our local teams are responsible for making the decisions that affect their communities and are able to respond quickly to changing needs, introducing local initiatives such as Chatty Bus which continues to support the Government's loneliness strategy through encouraging conversations and opportunities for people to engage with each other. We are active members of the Place Leadership Team with Business in the Community, looking at how businesses, local authorities and NGOs (Non-Governmental Organisations) can come together to improve the health and well-being of local communities across the country.

### **A cleaner environment**

Climate change and air quality are currently top of many agendas as governments, organisations and individuals work to slow the rate of climate change and improve the quality of the air we breathe. Public transport has a key role to play in addressing these challenges. One bus can carry up to 75 people and a single train can carry over 1,000; collectively taking thousands of cars off the road. While we have the ability to deliver change, for these benefits to be fully realised action needs to be taken to address congestion, and we need to see a shift from private transport to buses, trains, walking and cycling.

Although public transport inherently supports environmental and social agendas, there is of course much we need to do as an organisation to minimise the adverse impact of our operations on the environment. We support the UK Government's target to be carbon neutral by 2050, which has instigated the introduction of clean air zones in towns and cities. We have our own targets in this area: to reduce carbon emissions per vehicle by 25% by 2021 and to operate a zero emission bus fleet by 2035. Our work in this field is being overseen by our recently formed Taskforce for Climate Change, bringing together individuals from different areas of our business. Through our bus replacement programme we invest in low and zero emission vehicles, and have the largest electric fleet in the UK. In the half year, we invested over £31m in 126 low emission vehicles. Earlier this year, I was pleased to announce plans to roll out our successful air filtering bus pilot further around our regional bus business, cleaning the air in our towns and cities as we drive.

### **Smarter technology**

We continue to explore new ways for technology to improve or replace existing processes, supporting colleagues and delivering for customers.

Our new employee apps enable colleagues to be connected to the business, no matter where they are. People can receive news and updates, as well as using tools such as a shift swapping function. These apps increase engagement for drivers and our other colleagues who work remotely for much of the time.

We are increasingly utilising new technology to improve our already strong safety credentials. Intelligent speed adaptation is being introduced, automatically reducing the speed of buses in defined areas, and trials are being launched using automated braking systems, which detect hazards from the buses' CCTV cameras. High resolution cameras are replacing mirrors on buses, giving greater visibility for drivers, particularly at night.

Business analytics solution, Power BI, is increasingly used across both bus and rail businesses to make data driven decisions, such as route optimisation and ticket pricing. The system can also be used to analyse engineering maintenance performance regarding parts and labour utilisation, enabling efficiencies to be delivered.

### **Outlook**

As a result of lower than anticipated profitability in our regional bus business in the first half of the year, combined with the impact of adverse weather in recent weeks, our overall expectations for the full year have reduced slightly. Profit improvement plans and operational efficiency initiatives have been implemented across the regional bus business and signs of improvements are already present.

In the second half of the year our focus will be on continued management of our regional bus cost base, integrating new contracts and recent acquisitions, and improving our German rail operations.

While it is unclear how the situation relating to coronavirus will evolve in the coming weeks, travel patterns in the second half of the year are likely to be impacted.

Go-Ahead has a strong purpose. Our services across the world give access to education and employment, promote health and wellbeing, and support economic growth. I am confident that Go-Ahead has an exciting future as sustainable transport continues to tackle many of the environmental and social challenges we face.

## Business and finance review

### Financial overview

Group revenue in the first half has increased as a result of continued growth in both the bus and rail divisions. Bus operating profit (pre-exceptional items) is slightly down year on year due to a lower performance in regional bus partially offset by a good result in our London & International bus division. As anticipated, rail operating profit is lower than the prior year. This is due to the contractual terms agreed with Department for Transport (DfT) for the extension of the Southeastern contract to 31 March 2020 and the impact of operating losses on the commencement of the German rail contracts. Offsetting these reductions are improved performance at GTR and one-off benefits from the close out of previous rail franchises. The adoption of IFRS 16 in the period has increased reported operating profit in our London & International bus and rail divisions by £0.6m and £4.5m, respectively.

The adjusted net debt (net cash less restricted cash in the rail division) to EBITDA (earnings before interest, tax, depreciation and amortisation) ratio was 1.53x, on a pre-IFRS 16 basis, within our target range of 1.5x to 2.5x.

### Group overview

	H1'20 £m	H1'19 £m
Regional bus operating profit	19.1	23.0
London & International bus operating profit	26.2	23.9
<b>Total bus operating profit<sup>1</sup></b>	<b>45.3</b>	46.9
Rail operating profit	14.7	17.6
<b>Group operating profit (pre-exceptional items)</b>	<b>60.0</b>	64.5
Exceptional Items	-	(16.8)
<b>Group operating profit (post-exceptional items)</b>	<b>60.0</b>	47.7
Share of result of joint venture	(0.3)	(0.3)
Net finance costs	(10.7)	(3.2)
<b>Profit before tax</b>	<b>49.0</b>	44.2
Total tax expense <sup>2</sup>	(12.2)	(9.4)
<b>Profit for the period</b>	<b>36.8</b>	34.8
Non-controlling interests	(9.0)	(8.7)
<b>Profit attributable to shareholders</b>	<b>27.8</b>	26.1
<b>Profit attributable to shareholders pre-exceptional items</b>	<b>27.8</b>	40.0
Weighted average number of shares (m)	43.0	43.0
Proposed dividend per share (p)	30.17	30.17

1. Here and throughout, bus operating profit is stated pre-exceptional items for H1'19.

2. Includes the taxation impact of the exceptional items in H1'19.

### Impact of IFRS 16

The new accounting standard, IFRS 16 Leases, became effective for accounting periods beginning on or after 1 January 2019 and has been adopted by the Group from 30 June 2019.

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases and eliminates the operating lease classification meaning lessees are required to recognise right of use assets and lease liabilities for all leases on the balance sheet. On the income statement, the operating lease expense has been replaced by a combination of depreciation and interest.

On transition, the Group has applied IFRS 16 using the modified retrospective approach on a lease by lease basis. The Group has recognised £782.7m right-of-use assets and £781.1m of lease liabilities as at 30 June 2019. Prior periods have not been restated and are presented as previously reported under IAS 17.

## Impact of IFRS 16 continued

The adoption of IFRS 16 has impacted the Group's rail division's results more significantly than regional and London & International bus.

	H1'20			H1'19
	IFRS 16 basis £m	IFRS 16 effect £m	IAS 17 basis £m	IAS17 basis £m
<b>EBITDA</b>	<b>277.1</b>	<b>176.0</b>	<b>101.1</b>	106.1
<b>Operating profit before exceptional items</b>	<b>60.0</b>	<b>5.2</b>	<b>54.8</b>	64.5
<b>Operating profit after exceptional items</b>	<b>60.0</b>	<b>5.2</b>	<b>54.8</b>	47.7
<b>Net finance costs</b>	<b>(10.7)</b>	<b>(7.3)</b>	<b>(3.4)</b>	(3.2)
<b>Profit before tax</b>	<b>49.0</b>	<b>(2.1)</b>	<b>51.1</b>	61.0
<b>Cashflow from operations</b>	<b>274.1</b>	<b>175.6</b>	<b>98.5</b>	112.0
<b>Free cashflow</b>	<b>160.6</b>	<b>168.3</b>	<b>(7.7)</b>	58.7
<b>Adjusted net debt</b>	<b>931.6</b>	<b>625.2</b>	<b>306.4</b>	261.7
<b>Adjusted net debt / EBITDA<sup>1</sup></b>	<b>n/a</b>	<b>n/a</b>	<b>1.53x</b>	1.34x

1. Following the adoption of IFRS 16 on 30 June 2019, rolling twelve months EBITDA data incorporating IFRS 16 is not available

## BUS

### Bus overview

	H1'20	H1'19
<b>Revenue</b>		
Regional bus	<b>£233.6m</b>	£216.6m
London & International bus	<b>£306.7m</b>	£275.0m
Total bus	<b>£540.3m</b>	£491.6m
<b>Operating profit</b>		
Regional bus	<b>£19.1m</b>	£23.0m
London & International bus	<b>£26.2m</b>	£23.9m
Total bus	<b>£45.3m</b>	£46.9m
<b>Operating profit margin</b>		
Regional bus	<b>8.2%</b>	10.6%
London & International bus	<b>8.5%</b>	8.7%
Total bus	<b>8.4%</b>	9.5%
<b>Revenue growth</b>		
Regional bus <sup>1</sup>	<b>2.3%</b>	3.8%
London & International bus <sup>2</sup>	<b>7.3%</b>	(0.1%)
<b>Volume growth</b>		
Regional bus – passenger journeys <sup>1</sup>	<b>0.2%</b>	2.3%
London & International bus – miles operated <sup>2</sup>	<b>3.9%</b>	(2.5%)
London & International bus – peak vehicle requirement (PVR) <sup>3</sup>	<b>5.1%</b>	(6.6%)

1. On a like for like basis, excluding acquisitions.

2. On a like for like basis, excluding the impact of Go-Ahead Ireland bus operations in its first year of operation.

3. 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. This metric excludes international operations.

## Business and finance review continued

### Overall bus performance

Overall bus operations delivered a slightly lower half year operating profit compared with last year. Increased revenue in regional bus and a strong performance in our London & International bus division have been more than offset by higher operational costs in our regional bus business. Our recent acquisition, Go North West, is also having a short-term adverse impact on the regional division whilst we bring this business up to Go-Ahead standards. Operating profit fell 3.4%, or £1.6m, to £45.3m (H1'19: £46.9m) and operating profit margin decreased by 1.1ppts to 8.4% (H1'19: 9.5%).

### Regional bus

Like for like revenue growth of 2.3% and an increase in passenger numbers of 0.2% reflect our strategy of improving yield. Reported growth in revenue and passenger journeys was 7.8% and 7.8% respectively, with the main difference reflecting the acquisition of the Queen's Road depot in Manchester to form Go North West in June 2019. A review of routes across the business has resulted in like for like mileage reductions of 0.2% and an improvement in revenue per mile of 2.6%. Journeys per mile increased by 0.4%.

Regional bus operating profit was £19.1m (H1'19: £23.0m), down 17.0%, or £3.9m, compared with the corresponding period last year. This includes the impact of Go North West which, while delivering passenger improvements, is taking longer than originally anticipated to deliver the expected levels of financial performance, as previously reported. Although we are encouraged that passenger yields are increasing, operating costs are rising by more than inflation. Operational efficiency has been a particularly challenging area, and we have also seen increases in depreciation and engineering costs, reflecting the introduction of more lower-emission Euro 6 buses. One-off restructuring costs relate mainly to the withdrawal of our X90 coach service between Oxford and London, and work is underway to tackle underperforming areas with an expectation of further one-off costs in the second half of the year. Reflecting these factors, operating profit margin decreased 2.4ppts to 8.2% (H1'19: 10.6%).

For the full year, we anticipate the majority of the profit shortfall in the first half of the year to be mitigated by management action. However, in recent weeks, passenger revenue has been impacted by reduced travel due to adverse weather. We also believe coronavirus has affected travel on some of our services, particularly impacting areas most exposed to tourism. While it is unclear how the situation relating to coronavirus will evolve in the coming weeks, travel patterns in the second half of the year are likely to be impacted.

	£m
H1'19 operating profit	23.0
Change:	
Passenger volumes (margin impact)	0.4
Net cost inflation exceeding passenger yield	(0.7)
Depreciation	(0.4)
Operational costs	(1.8)
Net impact of acquisitions	(1.0)
One-off restructuring costs	(0.5)
Impact of IFRS 16	0.1
H1'20 operating profit	19.1

### London & International bus

In London & International bus, like-for-like revenue rose 7.3%, with like for like mileage and peak vehicle requirement growth of 3.9% and 5.1%, respectively. These increases reflect contract wins and offset the impact of the increased cost base. Further upside has been achieved by an increase in London bus Quality Incentive Contract (QIC) income at £8.5m, (H1'19: £7.2m). Operations in Singapore and Ireland continue to perform well and have delivered an improvement in like for like financial performance compared with the prior year.

Operating profit for the London & International bus division was £26.2m (H1'19: £23.9m), up 9.6%, or £2.3m. The operating profit margin was broadly similar at 8.5% (H1'19: 8.7%).

Full year performance is expected to be similar to last year despite higher than expected bidding costs in Singapore and Australia, and the non-recurrence of additional contract work.

	£m
H1'19 operating profit	23.9
Change:	
Benefit of contract wins	1.1
Net cost inflation	(1.2)
QIC income	1.3
Singapore and Ireland	0.5
Impact of IFRS 16	0.6
H1'20 operating profit	26.2



## Capital expenditure

Capital expenditure for the bus division was £43.2m (H1'19: £31.1m), including £31.6m on 126 new buses (H1'19: £17.6m on 93 new buses). The average cost per bus has increased reflecting higher value electric and hybrid vehicles being brought into the fleet.

## Fuel hedging

The fuel spot price on 28 December 2019 was 37.6 pence per litre (ppl) (29 June 2019: 39.0 ppl). The decrease in the spot price resulted in a movement in the value of the fuel derivative during the period from an asset of £4.3m at 29 June 2019 to an asset of £0.9m at 28 December 2019. 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

	H1'20	H1'19
<b>Total revenue</b>	<b>£1,432.3m</b>	£1,429.2m
<b>Operating profit</b>	<b>£14.7m</b>	£17.6m
<b>Operating profit margin</b>	<b>1.0%</b>	1.2%
<b>Passenger revenue growth<sup>1</sup></b>		
Southeastern	<b>3.8%</b>	7.4%
<b>Passenger journey growth<sup>1</sup></b>		
Southeastern	<b>1.7%</b>	5.5%

1. On a like for like basis adjusted for one-off factors. Passenger revenue and journey growth is not reported for GTR as this is not a relevant performance metric for this contract.

### Rail performance

The rail division comprises contracts in the UK, Germany and Norway. UK franchises are operated by Govia, a 65% owned subsidiary, while our international contracts are 100% owned by Go-Ahead.

Total rail revenue increased by 0.2%, or £3.1m, to £1,432.3m (H1'19: £1,429.2m) with the increase in revenue from new contracts in Germany and Norway offset by a reduction in franchise support in GTR.

Half year operating profit from our rail businesses was £14.7m (H1'19: £17.6m). The reduction reflects the impact of losses in the German business and the effect of the lower margins in Southeastern as result of new contractual terms agreed for the extension of its direct award contract to 31 March 2020.

These profit reductions are partially offset by improved performance in GTR, one-off benefits from the close out of balances on previous rail contracts and the impact of IFRS 16, which effects the Group's rail division more significantly than in other parts of the Group. Due to the nature and duration of our rail contracts, IFRS 16 is only applicable to leases in GTR at the half year.

The rail division's operating profit margin decreased by 0.2ppts to 1.0% (H1'19: 1.2%).

H1'19 operating profit	17.6
Change:	
Southeastern	(15.0)
GTR	10.3
Germany	(10.1)
Close out of old franchises and other movements	7.4
Impact of IFRS 16	4.5
H1'20 operating profit	14.7

### Capital expenditure

Capital expenditure in rail was £5.8m (H1'19: £10.9m), of which £2.8m related to short term improvement programmes in Southeastern, £1.0m reflected investment in GTR, including station improvements and the introduction of ticket software, and £2.0m was in relation to depot construction costs in Germany.

### Bid and international development costs

Bidding and international development costs in the half year were £3.7m (H1'19: £4.4m), primarily relating to activities in Nordic and Australasian markets. We expect full year costs of around £9.0m, with ongoing bidding activity in these target markets.

## Business and finance review continued

### Individual franchise performance

#### Southeastern

Southeastern has continued to perform well both operationally and financially.

The slowdown in revenue and passenger growth in the first half of the year compared to the prior year reflects the normalisation of service levels following strong growth in the same period last year. This corresponds with the resumption of full services through London Bridge station upon completion of the large scale infrastructure project that affected the station. Passenger revenue growth was 3.8% while journeys grew by 1.7% on a like for like basis.

The current franchise term ends on 31 March 2020 and we are in final discussions with the DfT regarding a potential direct award contract beyond its scheduled end date of 31 March 2020.

#### GTR

GTR's performance has improved significantly and the franchise is now performing well, with all GTR brands ranking highly in performance tables in recent months. Operational performance continues to benefit from the significant improvements delivered over the past 18 months and the business is now contributing to the Group's profitability.

Our operating profit margin expectations for the life of the franchise remain unchanged at between 0.75 and 1.0 per cent.

#### Germany

We began operating rail services in Germany in June 2019 and introduced additional services in December. While initial operating losses were expected, the current level of operating losses is higher than originally anticipated due to defective and late delivery of trains and driver shortages. These operational issues are resulting in contractual performance penalties and additional costs of temporary rolling stock and drivers.

Liquidated and consequential damage claims are ongoing against the rolling stock provider, however, due to the current status of claims, the Group has not recognised these as an asset nor shown them as a contingent asset in the notes to the financial statements as at the half year. Operationally, work continues to improve performance and service availability.

#### Norway

In December 2019, we began running our first rail contract in Norway, and operational performance is very good. The services, which will run for eight years with an optional two-year extension, cover three lines in Norway with a mixture of long-distance and suburban services across 5.5 million train kilometres.

## FINANCIAL REVIEW

### Earnings per share

Profit attributable to members was £27.8m in the period (H1'19: £26.1m) resulting in basic earnings per share of 64.6p (H1'19: 60.7p). The increase in basic earnings per share reflects the increase in operating profit and the impact of the prior year exceptional item, relating to the Guaranteed Minimum Pensions ("GMP") equalisation charge on the bus pension schemes.

The weighted average number of shares was 43.0 million (H1'19: 43.0 million). The closing number of shares in issue, net of treasury shares, was 43.1 million (H1'19: 43.1 million).

### Dividend

The Board proposes an interim dividend of 30.17p (H1'19: 30.17p). This is payable on 17 April 2020 to shareholders registered at the close of business on 27 March 2020.

Dividends paid in the period represent the payment of last year's final dividend of 71.91p (H1'19: 71.91p), giving a total dividend in respect of the full year ended 29 June 2019 of 102.08p (30 June 2018: 102.08p).

## Summary cashflow

	H1'20			H1'19	Increase (decrease) £m
	IFRS 16 basis £m	IFRS 16 effect £m	IAS 17 basis £m	IAS 17 basis £m	
EBITDA	277.1	176.0	101.1	106.1	171.0
Working capital/other items (excluding restricted cash movements)	(3.0)	(0.4)	(2.6)	5.9	(8.9)
<b>Cashflow generated from operations</b>	<b>274.1</b>	<b>175.6</b>	<b>98.5</b>	112.0	162.1
Tax paid	(24.4)	—	(24.4)	(3.9)	(20.5)
Net interest paid	(13.7)	(7.3)	(6.4)	(6.3)	(7.4)
Net capital investment	(63.0)	—	(63.0)	(37.5)	(25.5)
Dividends paid – minority partner	(12.4)	—	(12.4)	(5.6)	(6.8)
<b>Free cashflow</b>	<b>160.6</b>	<b>168.3</b>	<b>(7.7)</b>	58.7	101.9
Proceeds from issue of shares	0.6	—	0.6	—	0.6
Payment to acquire treasury shares	(0.5)	—	(0.5)	(0.6)	0.1
Dividends paid	(30.9)	—	(30.9)	(30.9)	—
Inception of new leases	(12.4)	(12.4)	—	—	(12.4)
IFRS 16 Right of Use asset on to balance sheet	(781.1)	(781.1)	—	—	(781.1)
Other	2.4	—	2.4	0.1	2.3
<b>Movement in adjusted net debt *</b>	<b>(661.3)</b>	<b>(625.2)</b>	<b>(36.1)</b>	27.3	688.6
Opening adjusted net debt *	(270.3)	—	(270.3)	(289.0)	n/a
Closing adjusted net debt *	(931.6)	(625.2)	(306.4)	(261.7)	n/a

\* Adjusted net debt is net cash less restricted cash

## Cashflow

Cashflow generated from operations before taxation increased by £162.1m to £274.1m (H1'19: £112.0m) reflecting increased EBITDA and a negative movement in working capital and other items of £3.0m (H1'19: working capital movement of £5.9m). The increase in EBITDA is primarily driven by the £176.0m impact of IFRS 16.

Tax paid of £24.4m (H1'19: £3.9m) related to the final instalments of the 2018/19 tax year plus the impact of the changes in timing for payments on account introduced by HMRC. Net interest paid of £13.7m (H1'19: £6.3m) was higher than the net charge for the period of £3.4m (H1'19: £3.2m) due to amounts in respect of interest on the £250m sterling bond which is paid annually in July each year plus the impact from the transition to IFRS 16. Net capital investment, was £63.0m (H1'19: £37.5m). Capital investment for the full year is now expected to be around £140m, higher than the previously expected £110m due to bus contract wins in London and vehicle requirements for the recently won bus contract in Cornwall.

## Capital investment

Expenditure on capital during the period can be summarised as:

	H1'20 £m	H1'19 £m	Increase/ (decrease) £m
Regional bus	29.1	26.3	2.8
London & International bus	14.1	4.8	9.3
<b>Total bus</b>	<b>43.2</b>	31.1	12.1
Rail	5.8	10.9	(5.1)
<b>Total</b>	<b>49.0</b>	42.0	7.0

In addition, leases with a capital value of £12.2m were entered into during the period. Of these, £3.1m related to the regional bus division, £8.0m related to the London & International bus division and £1.1m related to the rail division.

## Business and finance review continued

### Net (debt)/cash

Net debt was £421.4m at the half year end (29 June 2019: net cash £214.6m; H1'19: net cash £199.9m) with the majority of the increase relating to the recognition of lease liabilities on adoption of IFRS 16. The remaining movement largely reflects the working capital movement and capital expenditure 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/debt less restricted cash in our rail division of £510.2m (H1'19: £461.1m), was £931.6m (H1'19: £261.7m). On an IAS 17 basis, on which the Group's banking covenants are based, the adjusted net debt to EBITDA ratio was 1.53x (29 June 2019: 1.32x; H1'19: 1.34x) at the bottom of our target range of 1.5x to 2.5x. Following adoption of IFRS 16 on 30 June 2019, data for the rolling twelve months EBITDA is not available.

Net debt comprised cash and short-term deposits of £620.7m (H1'19: £595.5m) less the £250m sterling bond, amounts drawn down against the £280.0m five-year revolving credit facility of £147.4m (H1'19: £122.8m), hire purchase and lease agreements of £630.4m (H1'19: £7.6m), of which £625.2m are a result of IFRS 16, and amounts drawn down against the euro financing facilities of £14.3m (H1'19: £15.2m).

### Capital structure

	H1'20 £m	H1'19 £m	FY'19 £m
5 year revolving credit facility (RCF) 2024	280.0	280.0	280.0
7 year £250m 2.5% sterling bond 2024	250.0	250.0	250.0
Euro financing facility	16.0	16.5	16.7
Total core facilities	546.0	546.5	546.7
Amount drawn down at period end	411.7	388.0	410.1
<b>Balance available</b>	<b>134.3</b>	158.5	136.6
Restricted cash	510.2	461.6	484.9
Net debt/(cash)	421.4	(199.9)	(214.6)
Adjusted net debt	931.6	261.7	270.3
EBITDA	277.1	106.1	205.5
Adjusted net debt/EBITDA (12month rolling basis) <sup>1</sup>	1.53x	1.34x	1.32x

1. The adjusted net debt/EBITDA ratio is on an IAS 17 basis as the rolling twelve months EBITDA data incorporating IFRS 16 is not available at the half year

Significant medium-term finance is secured through our revolving credit facility (RCF) and £250m sterling bond. The RCF has a maturity of July 2024 with a further one-year extension option.

### Net finance costs

Net finance costs for the period were £10.7m (H1'19: £3.2m), comprising finance costs of £13.4m (H1'19: £5.0m) less finance revenue of £2.7m (H1'19: £1.8m). The increase is predominantly driven by IFRS 16 finance costs of £7.3m. The average net interest rate for the period was 2.9% (H1'19: 3.2%), lower than prior year due to a change in mix in the drawdown of the facilities.

### Amortisation

The amortisation charge for the period was £3.5m (H1'19: £2.4m) 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 franchise bid costs as a result of mobilising international operations.

### Exceptional operating items

There are no exceptional operating items in the first half of the year.

The exceptional charge in the prior year of £16.8m related to the GMP equalisation charge on the bus pension schemes.

Net tax for the period of £12.2m (H1'19: £9.4m) reflects an effective tax rate of 24.9% (H1'18: 21.3%). This is above the UK statutory rate for the period of 19.0% as a result of the timing of initial losses on our German operation plus international bid costs and other disallowable expenditure.

### Non-controlling interests

Non-controlling interests in the income statement of £9.0m (H1'19: £8.7m) are a result of our holding of 65% in Govia Limited which owns 100% of our current UK rail operations and therefore represents 35% of the profit after taxation of these operations.

## Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the period of £18.7m (H1'19: £18.0m), comprising bus costs of £0.9m (H1'19: £0.9m) and rail costs of £17.8m (H1'19: £17.1m). Group contributions to the schemes totalled £21.8m (H1'19: £20.7m).

The net deficit after taxation on the bus defined benefit schemes was £4.8m (29 June 2019: surplus of £40.2m), consisting of pre tax liabilities of £5.7m (29 June 2019: asset of £48.7m) less a deferred tax asset of £0.9m (29 June 2019: liability of £8.5m). The pre-tax deficit consisted of estimated assets of £848.0m (29 June 2019: £858.8m) less liabilities of £853.7m (29 June 2019: £810.1m). The percentage of assets held in higher risk, return seeking assets was 38.3% (29 June 2019: 35.3%).

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 (29 June 2019: £nil).

## Coronavirus

In recent weeks, we believe coronavirus has affected travel on some of our bus and rail services.

Acknowledging the large numbers of people working and travelling on our services each day, our priority is to safeguard the health and safety of our colleagues and customers. We are adhering to the guidance of the relevant authorities in our geographies, such as Public Health England in the UK, where the majority of our operations are based.

While it is unclear how the coronavirus situation will evolve in the coming weeks, travel patterns are likely to be impacted in the second half of the year.

Around 70% of our revenue is generated through management contracts, limiting our exposure to the financial impact of reduced travel. The impact of this would be expected to have a greater impact on the financial performance of Southeastern and our regional bus businesses than other parts of the Group.

## Impact of the UK leaving the EU

While short term uncertainty has reduced under the transition agreement the UK has with the EU, longer term there is uncertainty regarding the ongoing, yet to be negotiated, relationship. The Group will continue to monitor the situation and will update the outcomes of its risk review process and revise mitigation measures if required.

## 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 29 June 2019 and identified principal risks and uncertainties affecting the Group's business for the second six months of the financial year ending 27 June 2020.

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 46 of the 'Managing Risk' section of the Group Annual Report and Accounts for the year ended 29 June 2019, available on our website at [www.go-ahead.com](http://www.go-ahead.com)

## Interim consolidated income statement

for the six months ended 28 December 2019

	Note	Six months to 28 Dec 19	Six months to 29 Dec 18			Year to 29 Jun 19		
		£m Unaudited	Pre- exceptional £m Unaudited	Exceptional items £m Unaudited	Post- exceptional £m Unaudited	Pre- exceptional £m Audited	Exceptional items £m Audited	Post- exceptional £m Audited
<b>Group revenue</b>	4	<b>1,972.6</b>	1,920.8	—	1,920.8	3,807.1	—	3,807.1
Operating costs	5	<b>(1,912.6)</b>	(1,856.3)	(16.8)	(1,873.1)	(3,686.0)	(16.8)	(3,702.8)
<b>Group operating profit</b>		<b>60.0</b>	64.5	(16.8)	47.7	121.1	(16.8)	104.3
Share of result of joint venture		<b>(0.3)</b>	(0.3)	—	(0.3)	(0.5)	—	(0.5)
Finance revenue		<b>2.7</b>	1.8	—	1.8	5.1	—	5.1
Finance costs		<b>(13.4)</b>	(5.0)	—	(5.0)	(11.9)	—	(11.9)
<b>Profit before taxation</b>		<b>49.0</b>	61.0	(16.8)	44.2	113.8	(16.8)	97.0
Tax expense	6	<b>(12.2)</b>	(12.3)	2.9	(9.4)	(24.7)	2.8	(21.9)
<b>Profit for the period from continuing operations</b>		<b>36.8</b>	48.7	(13.9)	34.8	89.1	(14.0)	75.1
Attributable to:								
Equity holders of the parent		<b>27.8</b>	40.0	(13.9)	26.1	72.8	(14.0)	58.8
Non-controlling interests		<b>9.0</b>	8.7	—	8.7	16.3	—	16.3
		<b>36.8</b>	48.7	(13.9)	34.8	89.1	(14.0)	75.1
Earnings per share								
– basic	7	<b>64.6p</b>	93.2p	(32.5)p	60.7p	169.4p	(32.6)p	136.8p
– diluted	7	<b>64.5p</b>	93.0p	(32.4)p	60.6p	169.0p	(32.5)p	136.5p
Dividend paid (pence per share)	10	<b>71.91p</b>			71.91p			102.08p
Dividend proposed (pence per share)	10	<b>30.17p</b>			30.17p			71.91p

## Interim consolidated statement of comprehensive income

for the six months ended 28 December 2019

	Notes	Six months to 28 Dec 19 £m Unaudited	Six months to 29 Dec 18 £m Unaudited	Year to 29 Jun 19 £m Audited
<b>Profit for the period</b>		<b>36.8</b>	34.8	75.1
<b>Other comprehensive (losses)/income</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurements on defined benefit retirement plans		<b>(58.2)</b>	(24.8)	21.6
Tax relating to items that will not be reclassified	6	<b>9.9</b>	4.3	(3.7)
		<b>(48.3)</b>	(20.5)	17.9
<b>Items that may subsequently be reclassified to profit or loss</b>				
Unrealised losses on cashflow hedges		<b>(1.9)</b>	(12.8)	(4.9)
Gains on cashflow hedges taken to income statement – operating costs		<b>(1.5)</b>	(5.3)	(8.8)
Tax relating to items that may be reclassified	6	<b>0.7</b>	3.3	2.4
Foreign exchange differences on translation of foreign operations		<b>1.1</b>	—	—
		<b>(1.6)</b>	(14.8)	(11.3)
<b>Other comprehensive (losses)/income for the period, net of tax</b>		<b>(49.9)</b>	(35.3)	6.6
<b>Total comprehensive (losses)/income for the period</b>		<b>(13.1)</b>	(0.5)	81.7
Attributable to:				
Equity holders of the parent		<b>(22.1)</b>	(9.2)	65.4
Non-controlling interests		<b>9.0</b>	8.7	16.3
		<b>(13.1)</b>	(0.5)	81.7

## Interim consolidated statement of changes in equity

for the six months ended 28 December 2019

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total £m
At 30 June 2018	74.2	(71.3)	14.8	1.6	0.7	—	267.9	287.9	31.5	319.4
Profit for the year	—	—	—	—	—	—	58.8	58.8	16.3	75.1
Net movement on hedges (net of tax) (note 12)	—	—	(11.3)	—	—	—	—	(11.3)	—	(11.3)
Remeasurements on defined benefit retirement plans (net of tax)	—	—	—	—	—	—	17.9	17.9	—	17.9
Total comprehensive income	—	—	(11.3)	—	—	—	76.7	65.4	16.3	81.7
Exercise of share options	—	1.0	—	—	—	—	(1.0)	—	—	—
Share based payment charge (and associated tax)	—	—	—	—	—	—	1.1	1.1	—	1.1
Acquisition of own shares	—	(1.0)	—	—	—	—	—	(1.0)	—	(1.0)
Share issue	0.5	—	—	—	—	—	—	0.5	—	0.5
Dividends (note 10)	—	—	—	—	—	—	(43.8)	(43.8)	(12.7)	(56.5)
At 29 June 2019	74.7	(71.3)	3.5	1.6	0.7	—	300.9	310.1	35.1	345.2
Profit for the period	—	—	—	—	—	—	27.8	27.8	9.0	36.8
Net movement on hedges (net of tax) (note 12)	—	—	(2.7)	—	—	—	—	(2.7)	—	(2.7)
Remeasurements on defined benefit retirement plans (net of tax)	—	—	—	—	—	—	(48.3)	(48.3)	—	(48.3)
Foreign exchange	—	—	—	—	—	1.1	—	1.1	—	1.1
Total comprehensive (losses)/income	—	—	(2.7)	—	—	1.1	(20.5)	(22.1)	9.0	(13.1)
Exercise of share options	—	0.7	—	—	—	—	(0.7)	—	—	—
Share based payment charge (and associated tax)	—	—	—	—	—	—	0.6	0.6	—	0.6
Acquisition of own shares	—	(0.5)	—	—	—	—	—	(0.5)	—	(0.5)
Share issue	0.5	—	—	—	—	—	—	0.5	—	0.5
Dividends (note 10)	—	—	—	—	—	—	(30.9)	(30.9)	(12.5)	(43.4)
At 28 December 2019	75.2	(71.1)	0.8	1.6	0.7	1.1	249.4	257.7	31.6	289.3

for the six months ended 29 December 2018

	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 30 June 2018	74.2	(71.3)	14.8	1.6	0.7	267.9	287.9	31.5	319.4
Profit for the period	—	—	—	—	—	26.1	26.1	8.7	34.8
Net movement on hedges (net of tax) (note 12)	—	—	(14.8)	—	—	—	(14.8)	—	(14.8)
Remeasurements of defined benefit retirement plans (net of tax)	—	—	—	—	—	(20.5)	(20.5)	—	(20.5)
Foreign exchange loss	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	(14.8)	—	—	5.6	(9.2)	8.7	(0.5)
Exercise of share options	—	1.0	—	—	—	(1.0)	—	—	—
Share based payment charge and associated tax	—	—	—	—	—	0.2	0.2	—	0.2
Acquisition of own shares	—	(0.6)	—	—	—	—	(0.6)	—	(0.6)
Share issue	—	—	—	—	—	—	—	—	—
Dividends (note 10)	—	—	—	—	—	(30.9)	(30.9)	(5.6)	(36.5)
At 29 December 2018	74.2	(70.9)	—	1.6	0.7	241.8	247.4	34.6	282.0



# Interim consolidated balance sheet

as at 28 December 2019

	Notes	28 Dec 19 £m Unaudited	29 Dec 18 £m Unaudited	29 Jun 19 £m Audited
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		636.2	627.6	631.9
Right of use assets		624.3	—	—
Intangible assets		118.6	101.0	108.8
Deferred tax assets		1.3	0.6	0.2
Investments		—	0.3	—
Other financial assets	12	0.6	1.6	1.5
Retirement benefit asset	8	1.7	—	53.8
		<b>1,382.7</b>	731.1	796.2
<b>Current assets</b>				
Inventories		18.0	14.8	16.8
Trade and other receivables		335.0	317.0	350.3
Other financial assets	12	2.7	1.0	4.4
Assets classified as held for sale	11	3.3	0.6	2.7
Cash and cash equivalents		620.7	595.5	630.8
		<b>979.7</b>	928.9	1,005.0
<b>Total assets</b>		<b>2,362.4</b>	1,660.0	1,801.2
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(852.2)	(792.2)	(847.7)
Other financial liabilities	12	(0.8)	(1.3)	(0.8)
Interest-bearing loans and borrowings		(4.9)	(6.2)	(5.5)
Lease liabilities		(342.2)	(2.2)	(1.8)
Current tax liabilities		(1.0)	(25.2)	(13.1)
Provisions	13	(45.2)	(35.9)	(34.8)
		<b>(1,246.3)</b>	(863.0)	(903.7)
<b>Non-current liabilities</b>				
Trade and other payables		(13.5)	(1.2)	(9.0)
Other financial liabilities	12	(1.6)	(1.4)	(0.8)
Interest-bearing loans and borrowings		(403.9)	(380.8)	(401.6)
Lease liabilities		(288.2)	(5.4)	(4.3)
Retirement benefit obligations	8	(7.4)	(1.2)	(5.1)
Deferred tax liabilities		(40.0)	(41.2)	(49.5)
Provisions	13	(72.2)	(83.8)	(82.0)
		<b>(826.8)</b>	(515.0)	(552.3)
<b>Total liabilities</b>		<b>(2,073.1)</b>	(1,378.0)	(1,456.0)
<b>Net assets</b>		<b>289.3</b>	282.0	345.2
<b>Capital &amp; reserves</b>				
Share capital		75.2	74.2	74.7
Reserve for own shares		(71.1)	(70.9)	(71.3)
Hedging reserve		0.8	—	3.5
Share premium reserve		1.6	1.6	1.6
Capital redemption reserve		0.7	0.7	0.7
Translation reserve		1.1	—	—
Retained earnings		249.4	241.8	300.9
<b>Total shareholders' equity</b>		<b>257.7</b>	247.4	310.1
Non-controlling interests		31.6	34.6	35.1
<b>Total equity</b>		<b>289.3</b>	282.0	345.2

## Consolidated cashflow statement

for the six months ended 28 December 2019

	Notes	Six months to 28 Dec 19 £m Unaudited	Six months to 29 Dec 18 £m Unaudited	Year to 29 Jun 19 £m Audited
<b>Profit after tax for the period</b>		<b>36.8</b>	34.8	75.1
Net finance costs		<b>10.7</b>	3.2	6.8
Tax expense	6	<b>12.2</b>	9.4	21.9
Depreciation of property, plant and equipment		<b>213.6</b>	39.4	79.3
Amortisation of intangible assets		<b>3.5</b>	2.4	4.8
Investment impairment		<b>—</b>	—	0.3
Share of result of joint venture		<b>0.3</b>	0.3	0.5
Profit on sale of assets held for sale		<b>—</b>	0.1	0.1
Profit on sale of property, plant and equipment		<b>—</b>	—	(0.2)
Share based payment charges		<b>0.6</b>	0.2	1.0
Difference between pension contributions paid and amounts recognised in the income statement		<b>(3.9)</b>	(3.6)	(7.1)
Pension scheme exceptional items		<b>—</b>	16.8	16.8
(Increase)/decrease in inventories		<b>(1.2)</b>	0.5	(1.6)
Decrease/(increase) in trade and other receivables		<b>11.5</b>	21.0	(10.6)
Increase/(decrease) in trade and other payables		<b>14.7</b>	(6.3)	55.6
Movement in provisions		<b>0.6</b>	16.4	13.5
<b>Cashflow generated from operations</b>		<b>299.4</b>	134.6	256.2
Taxation paid		<b>(24.4)</b>	(3.9)	(32.5)
<b>Net cashflows from operating activities</b>		<b>275.0</b>	130.7	223.7
Interest received		<b>2.7</b>	1.8	5.0
Proceeds from sale of property, plant and equipment		<b>0.8</b>	3.9	3.4
Proceeds from sale of property, plant and equipment held for sale		<b>2.2</b>	12.4	12.4
Purchase of property, plant and equipment		<b>(49.0)</b>	(42.0)	(72.6)
Purchase of property, plant and equipment held for sale		<b>(2.7)</b>	—	(2.1)
Purchase of intangible assets		<b>(14.3)</b>	(11.8)	(22.2)
Purchase of businesses		<b>—</b>	—	(11.5)
<b>Net cashflows used in investing activities</b>		<b>(60.3)</b>	(35.7)	(87.6)
Interest paid		<b>(16.4)</b>	(8.1)	(14.5)
Dividends paid to members of the parent	10	<b>(30.9)</b>	(30.9)	(43.8)
Dividends paid to non-controlling interests		<b>(12.4)</b>	(5.6)	(12.7)
Payment to acquire own shares		<b>(0.5)</b>	(0.6)	(1.0)
Foreign exchange gain		<b>1.4</b>	0.2	—
Repayment of borrowings		<b>(0.6)</b>	(13.2)	(0.7)
Proceeds from borrowings		<b>3.6</b>	4.0	13.7
Proceeds from issue of shares		<b>0.6</b>	—	0.5
Payment of lease liabilities		<b>(169.1)</b>	(1.8)	(3.3)
<b>Net cashflows on financing activities</b>		<b>(224.3)</b>	(56.0)	(61.8)
Net (decrease)/increase in cash and cash equivalents		<b>(9.6)</b>	39.0	74.3
<b>Cash and cash equivalents at start of period</b>	9	<b>630.8</b>	556.5	556.5
Effect of foreign exchange rate changes		<b>(0.5)</b>	—	—
<b>Cash and cash equivalents at end of period</b>	9	<b>620.7</b>	595.5	630.8

# Notes to the consolidated financial statements

for the six months ended 28 December 2019

## 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 28 December 2019 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 2019 Annual Report and Accounts as described on pages 138 to 145 of that report which can be found on the Group's website at [www.go-ahead.com](http://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 financial statements for the six months ended 28 December 2019 and the comparative financial statements for the six months ended 29 December 2018 have not been audited, but have been reviewed by the auditor, Deloitte LLP. The comparative financial statements for the year ended 29 June 2019 have been extracted from the 2019 Annual Report and Accounts. The financial statements contained in this interim report do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and do not reflect all of the information contained in the Group's 2019 Annual Report and Accounts. The statutory accounts for the year ended 29 June 2019, which were approved by the Board of Directors on 4 September 2019 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 2019 Annual Report and Accounts.

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

### New standards

The following new standards or interpretations are mandatory for the first time for the financial year ending 27 June 2020:

- IFRS 16 Leases;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 Prepayment features with negative compensation;
- Amendment to IAS 28 Long term interests in associates and joint ventures;
- Amendments to IAS 19 Plan amendment, curtailment or settlement.

The Group initially adopted IFRS 16 Leases on 29 June 2019. The other new standards were effective from 29 June 2019, but they do not have a material effect on the Group's accounts. As required by IAS 34, the nature and effect of the new standards are disclosed below:

### IFRS 16 Leases

The Group has applied for the first time IFRS 16 Leases which replaces IAS 17 Leases and three interpretations (IFRIC 4 Determining whether an Arrangement contains a lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

### Adoption approach

On transition the Group has applied IFRS 16 using the modified retrospective approach on a lease by lease basis. Prior periods have not been restated and are presented as previously reported under IAS 17.

#### • IAS 17

Prior to the adoption of IFRS 16, leases were either classified as operating or finance leases. Payments made in respect of operating leases were charged to the income statement on a straight-line basis over the duration of the lease. Finance leases were recognised on the balance sheet with depreciation and interest being charged to the income statement.

#### • IFRS 16 – The standard

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The new standard eliminates the operating lease classification and therefore lessees are required to recognise right-of-use assets and lease liabilities for all leases on the balance sheet, unless lease terms are less than twelve months or are of low value. In the income statement, the operating lease expense has been replaced by a combination of depreciation and interest.

For leases previously classified as finance leases, the Group has recognised the carrying amount of the finance lease asset and liability under IAS 17 as at 29 June 2019 as the carrying amount of the right-of-use asset and the lease liability under IFRS 16 at 30 June 2019.

#### • IFRS 16 adoption - Lease identification

On transition to IFRS 16, the Group elected to apply the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 30 June 2019.

## Notes to the consolidated financial statements continued

for the six months ended 28 December 2019

### 2. Basis of preparation continued

#### IFRS 16 Leases continued

##### Adoption approach continued

- IFRS 16 adoption – Right-of-use asset

Right-of-use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease. The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of transition. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

The Group has also elected to rely on previous assessments of whether leases are onerous as an alternative to performing an impairment review, with any previous onerous lease provision deducted from the carrying value of the related right-of-use asset as at 29 June 2019.

- IFRS 16 adoption – Lease liability

On transition, the lease liability is initially measured at the present value of lease payments to be made over the lease term with payments discounted at the Group's incremental borrowing rate. The Group has elected to apply a single discount rate to assets with similar characteristics.

There has been no change to how the Group accounts for dilapidations on leased items.

- IFRS 16 adoption - Short term and low value asset leases

At the transition date, the Group has also elected not to recognise right-of-use assets and lease liabilities for short-term leases or low-value assets. The Group will continue to expense the lease payments associated with these leases on a straight-line basis over the remaining lease term.

Due to the short remaining duration of the Southeastern franchise, all Southeastern leases have been accounted for as short-term leases on transition. These include leases for rolling stock but exclude contracts with Network Rail for access to the railway infrastructure (track, stations and depots), which do not meet the definition of a lease under IFRS 16, reflecting the fact that Network Rail, rather than the franchise train operator, directs how and for what purposes the assets are used.

#### Impact of adoption

The Group's incremental borrowing rate applied to the lease liabilities as at 29 June 2019 ranged from 1.38% to 2.54% and the Group's weighted average incremental borrowing rate was 2.03%.

This rate is the interest rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value over a similar term and with similar security to the right of use asset in a similar economic environment.

- IFRS 16 impact – Balance sheet

In respect of leases that would previously have been classified as operating leases, the Group has recognised £782.7m right-of-use assets and £781.1m of lease liabilities as at 30 June 2019.

	30 Jun 19 IFRS 16 basis £m	IFRS 16 effect £m	29 Jun 19 IAS 17 basis £m
<b>Assets</b>			
Property, plant and equipment	1,414.6	782.7	631.9
Trade and other receivables	348.7	(1.6)	350.3
Other assets not impacted by IFRS 16	819.0	—	819.0
<b>Total assets / impact on assets</b>	<b>2,582.3</b>	781.1	1,801.2
<b>Liabilities</b>			
Trade and other payables	856.7	—	856.7
Interest-bearing loans and borrowings*	1,194.3	781.1	413.2
Other liabilities not impacted by IFRS 16	186.1	—	186.1
<b>Total liabilities / impact on liabilities</b>	<b>2,237.1</b>	781.1	1,456.0
<b>Net assets / impact on net assets</b>	<b>345.2</b>	—	345.2
<b>Capital &amp; reserves</b>			
Retained earnings	300.9	—	300.9
Other equity not impacted by IFRS 16	44.3	—	44.3
<b>Total equity / impact on equity</b>	<b>345.2</b>	—	345.2

\* Lease liabilities are included within interest-bearing loans and borrowings.

## 2. Basis of preparation continued

### IFRS 16 Leases continued

#### Impact of adoption continued

The lease liabilities as at 30 June 2019 can be reconciled to the opening lease commitments as at 29 June 2019 as follows:

	£m
<b>Operating lease commitments as at 29 June 2019</b>	<b>2,644.8</b>
Rail charges for track, station and depot access	(829.1)
Rolling stock leases in the international rail business which are not considered to be right-of-use assets	(400.3)
Components of leases which do not meet the definition of a lease under IFRS 16 as they relate to the ongoing maintenance of the assets	(303.3)
Short term leases where the lease term ends within 12 months from the date of initial application	(233.3)
Leases entered into but where the commencement date is after 30 June 2019	(77.6)
Effect of discounting	(19.5)
Other	(0.6)
<b>Lease liabilities recognised as at 30 June 2019</b>	<b>781.1</b>

#### • IFRS 16 impact – Income Statement

In respect of the income statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17.

During the six months ended 28 December 2019, the Group recognised £170.8m of depreciation charges, £7.3m of interest costs from such leases and short term and low value lease expenses of £279.9m.

#### IFRS 16 Accounting policy

##### • Lease identification

At inception of a contract, the Group shall assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### • Right-of-use asset

Right-of-use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease.

The right-of-use asset are subsequently depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written-off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

In addition, the right of use asset is periodically reduced by impairment losses, if applicable, and adjusted for certain remeasurements of the lease liability.

##### • Lease liability

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term with payments discounted at the rate implicit in the lease or, where that cannot be measured, at the Group's incremental borrowing rate.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid by the Group under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option. Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease, are also included.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The carrying value is re-measured when there is a change in future lease payments arising from the effective date of a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

##### • Short term and low value asset leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of less than 12 months and leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

# Notes to the consolidated financial statements continued

for the six months ended 28 December 2019

## 2. Basis of preparation continued

### New standards and interpretations not yet 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)
Amendments to references to conceptual framework in IFRS standards	1 January 2020
IFRS 17 Insurance contracts	1 January 2021

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 2024. The syndicated loan facility was £147.4m 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 2020 and medium-term plans of the business to 2021/2022, 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

The Board has undertaken a review of the principal risks and uncertainties affecting the Group for the six months ended 28 December 2019. The Board consider that the principal risks and uncertainties (as discussed in the 'Managing Risk' section on pages 46 to 55 of the Group Annual Report and Accounts for the year ended 29 June 2019, available on the Group's website [www.go-ahead.com](http://www.go-ahead.com)), remain relevant, with only minor changes made to the explanatory narrative.

In light of the recent global outbreak of Coronavirus, Go-Ahead is monitoring the emerging situation and developing plans to respond, though at this stage the scale of the risk and potential impact remain uncertain. Please see page 13 for further details.

A summary of the key risks, discussed and agreed during the Board's half-year risk review in March 2020, together with their mitigating actions, are set out below:

### External risks

#### 1. Economic environment and society

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

#### Mitigating actions

- Continue to focus our operations in more resilient geographical areas
- Constantly assess the needs of local markets and design services and products accordingly
- Provide attractive services and products such as young people fares, smart ticketing and contactless technology; focus on driving volumes through innovative and targeted marketing; make public transport easier to access and use
- Proactive cost control and back-office synergies
- Robust bid modelling considering differing economic scenarios

#### 2. Political and regulatory framework

Changes to the legal and regulatory framework, the implementation of the Bus Services Act 2017, the impact of the UK leaving the EU, momentum around air quality agenda and national bus strategy.

#### Mitigating actions

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

### **3. Risks and uncertainties** continued

#### **Strategic risks**

##### **3. Sustainability of UK rail profits or loss of franchise**

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

#### **Mitigating actions**

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

##### **4. Inappropriate investment**

Failure to deliver strategy or make appropriate investment decisions.

#### **Mitigating actions**

- Comprehensive strategic discussions with main Board and advisors
- Extensive valuation and due diligence, supported by external expertise
- Maintain strong financial discipline when assessing viability of opportunities
- Cautious approach to investment opportunities overseas and outside our core operating areas
- The Board has a clear stated risk appetite that governs the acceptable level of risk in pursuit of objectives
- Thorough review of underperforming parts of the business e.g. X90 service in Oxford, part closures in Go East Anglia, review of Go North East routes

##### **5. Competition**

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

#### **Mitigating actions**

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

#### **Operational risks**

##### **6. Catastrophic incident or severe infrastructure failure**

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

#### **Mitigating actions**

- Rigorous, high profile health and safety programme throughout the Group; high levels of safety performance; Promotion of safety culture
- Crisis management policy updated and rolled out across the operating companies
- Appropriate and regularly reviewed and tested contingency and disaster recovery plans
- Thorough and regular training of colleagues
- Work closely with our industry partners, such as rail infrastructure provider Network Rail and government agencies

##### **7. Large scale infrastructure projects**

Large scale infrastructure projects on and around the networks on which we operate, such as HS2, Gatwick airport station and major roadworks.

#### **Mitigating actions**

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

## Notes to the consolidated financial statements continued

for the six months ended 28 December 2019

### 3. Risks and uncertainties continued

#### Operational risks continued

#### 8. Employee relations, resource planning and talent management

Failure to effectively engage with our people and trade unions in managing costs and driving change. Failure to attract, retain and develop talent.

#### Mitigating actions

- Succession planning exercise carried out annually
- Apprenticeship, graduate and leadership development programmes
- High level of colleague engagement across our businesses supported by surveys and action planning
- Refreshed approach to Group's vision, beliefs and attitudes
- Robust and regularly reviewed recruitment and retention policies, training schemes, resource planning and working practices
- Experienced approach to wage negotiations and proactive engagement on driver fatigue
- Proactive management of pension risks including active engagement with The Pension Regulator and DfT over the review of the rail pension scheme
- Widening the recruitment pool through initiatives aimed at attracting diverse talent, for example the launch of the Women in Bus network and active recruitment of female drivers

#### 9. Information technology failure/interruption/security breach

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

#### Mitigating actions

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

#### 10. Mobilisation of international rail contracts

Failure to fully mobilise contracts within contractual timescales, especially driver recruitment and delivery of rolling stock, and to deliver required levels of operational performance.

#### Mitigating actions

- Experienced local teams; ability to mobilise internal UK Rail & Bus expertise
- Strong governance processes in place
- Building strong relationships with local authorities
- Compliance with strong local regulation, established Safety Management Systems and Group Safety Audits

#### Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and key sources of estimation uncertainty disclosed on page 136-137 of the Group Annual Report and Accounts for the year ended 29 June 2019 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.

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

The regional bus division comprises UK bus operations outside of London.

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



#### 4. Segmental analysis continued

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

Overseas rail operations commenced on 9 June 2019 in Germany and on 15 December 2019 in Norway. A further two contracts are being mobilised in Germany. These operations are 100% owned by Go-Ahead. The international rail franchises are included with the UK rail operations for reporting purposes.

The information reported to the Group Chief Executive in her 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 28 December 2019, the six months ended 29 December 2018 and the year ended 29 June 2019.

#### Six months ended 28 December 2019 (unaudited)

	Regional bus £m	London & International bus £m	Total bus £m	Rail £m	Total operations £m
Passenger revenue	194.1	—	194.1	1,239.9	1,434.0
Contract revenue	34.4	315.2	349.6	—	349.6
Other revenue	8.0	2.6	10.6	130.0	140.6
Franchise subsidy	—	—	—	83.1	83.1
Segment revenue	236.5	317.8	554.3	1,453.0	2,007.3
Inter-segment revenue	(2.9)	(11.1)	(14.0)	(20.7)	(34.7)
<b>Group revenue</b>	<b>233.6</b>	<b>306.7</b>	<b>540.3</b>	<b>1,432.3</b>	<b>1,972.6</b>
Operating costs	(214.5)	(280.5)	(495.0)	(1,417.6)	(1,912.6)
<b>Group operating profit</b>	<b>19.1</b>	<b>26.2</b>	<b>45.3</b>	<b>14.7</b>	<b>60.0</b>
Share of result of joint venture					(0.3)
Net finance costs					(10.7)
<b>Profit before tax and non-controlling interests</b>					<b>49.0</b>
Tax expense					(12.2)
<b>Profit for the period</b>					<b>36.8</b>
<b>Pre IFRS 16:</b>					
<b>Group operating profit</b>	<b>19.0</b>	<b>25.6</b>	<b>44.6</b>	<b>10.2</b>	<b>54.8</b>

During the six months ended 28 December 2019, segment revenue of £64.0m (H1'19: £33.2m; 2019: £59.6m), from external customers outside the United Kingdom, related to the Singapore and Irish bus operations and the German and Nordic rail operations.

We have two major customers which individually contribute more than 10% of the group revenue, one of which contributes £798.5m (H1'19: £870.5m; 2019: £1,643.6m) and the other contributes £257.0m (H1'19: £238.1m; 2019: £486.2m).

## Notes to the consolidated financial statements continued

for the six months ended 28 December 2019

### 4. Segmental analysis continued

#### Six months ended 29 December 2018 (unaudited)

	Regional bus £m	London & International bus £m	Total bus £m	Rail £m	Total operations £m
Passenger revenue	190.2	—	190.2	1,275.7	1,465.9
Contract revenue	33.0	285.5	318.5	—	318.5
Other revenue	8.2	2.8	11.0	123.5	134.5
Franchise subsidy	—	—	—	48.7	48.7
Segment revenue	231.4	288.3	519.7	1,447.9	1,967.6
Inter-segment revenue	(14.8)	(13.3)	(28.1)	(18.7)	(46.8)
<b>Group revenue</b>	216.6	275.0	491.6	1,429.2	1,920.8
Operating costs	(193.6)	(251.1)	(444.7)	(1,411.6)	(1,856.3)
<b>Group operating profit (pre-exceptional items)</b>	23.0	23.9	46.9	17.6	64.5
Exceptional items					(16.8)
<b>Group operating profit (post-exceptional items)</b>					47.7
Share of result of joint venture					(0.3)
Net finance costs					(3.2)
<b>Profit before tax and non-controlling interests</b>					44.2
Tax expense					(9.4)
<b>Profit for the period</b>					34.8

#### Year ended 29 June 2019 (audited)

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

During the six months to 28 December 2019 the Group incurred capital expenditure of £49.0m (H1'19: £42.0m; 2019: £72.6m) on tangible fixed assets of which £31.4m (H1'19: £26.3m; 2019: £40.4m) related to the regional bus division, £11.8m (H1'19: £4.8m; 2019: £9.6m) related to the London & International bus division and £5.8m (H1'19: £10.9m; 2019: £22.6m) related to the rail division. In addition, leases with a capital value of £12.2m were entered into during the period. Of these £3.1m related to the regional bus division, £8.0m related to the London & International bus division and £1.1m related to the rail division.

During the six months to 28 December 2019 the depreciation charge for the Group was £213.6m (H1'19: £39.4m; 2019: £79.3m) of which £21.1m (H1'19: £18.0m; 2019: £36.9m) related to the regional bus division, £22.2m (H1'19: £13.6m; 2019: £28.2m) related to the London & International bus division and £170.3m (H1'19: £7.8m; 2019: £14.2m) related to the rail division. Of this, £170.8m related to right-of-use assets with £1.8m in regional bus, £8.1m in London & International bus and £160.9m in rail. The remaining depreciation is in respect of owned assets.

## 5. Exceptional operating items

This note identifies items of an exceptional nature that have a significant impact on the results of the Group in the period.

	Six months to 28 Dec 19 £m Unaudited	Six months to 29 Dec 18 £m Unaudited	Year to 29 Jun 19 £m Audited
Charge in relation to GMP equalisation	—	(16.8)	(16.8)
Exceptional items	—	(16.8)	(16.8)

### Six months ended 28 December 2019 (unaudited)

There were no exceptional items in the period ended 28 December 2019.

### Year ended 29 June 2019 (audited) and six months ended 29 December 2018 (unaudited)

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

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women.

As a result, pension scheme trustees will be obliged to adjust benefit payments in order that benefits received by male and female members with equivalent age, service and earnings histories are equal. The judgement has implications for many defined benefits schemes, including those in which the Go-Ahead Group participates.

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

## 6. Taxation

### a. Tax recognised in the income statement

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

	Six months to 28 Dec 19 £m Unaudited	Six months to 29 Dec 18 £m Unaudited	Year to 29 Jun 19 £m Audited
Current tax charge	12.1	12.3	26.4
Adjustments in respect of current tax of previous years	—	—	(1.3)
Total current tax	12.1	12.3	25.1
Deferred tax relating to origination and reversal of temporary differences in the period at 19% (29 June 2019: 19%; 29 December 2018: 19%)	0.1	(2.9)	(3.3)
Adjustments in respect of deferred tax of a prior period	—	—	0.1
Total deferred tax	0.1	(2.9)	(3.2)
Tax reported in the consolidated income statement	12.2	9.4	21.9

The taxation charge has been calculated by applying the directors' best estimate of the annual effective tax rate to the profit for the period. The effective tax rate is 24.9% (H1'19: 21.3%; 2019: 22.6%), higher than the UK statutory rate.

The tax reported in the consolidated income statement for the year ended 29 June 2019 and six months ended 29 December 2018 includes exceptional amounts arising on the GMP equalisation charge. See note 5 for further details.

### b. Tax recognised in equity

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 28 Dec 19 £m Unaudited	Six months to 29 Dec 18 £m Unaudited	Year to 29 Jun 19 £m Audited
Tax on remeasurements on defined benefit pension plans	(9.9)	(4.3)	3.7
Deferred tax on cashflow hedges	(0.7)	(3.3)	(2.4)
Deferred tax on share based payments (taken directly to equity)	—	—	(0.1)
Tax reported outside of profit or loss	(10.6)	(7.6)	1.2

### c. Factors affecting future tax charges

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.

## Notes to the consolidated financial statements continued

for the six months ended 28 December 2019

### 7. Earnings per share

#### Basic and diluted earnings per share

	Six months to 28 Dec 19	Six months to 29 Dec 18			Year to 29 Jun 19		
	Unaudited	Pre- exceptional Unaudited	Exceptional items Unaudited	Post- exceptional Unaudited	Pre- exceptional Audited	Exceptional items Audited	Post- exceptional Audited
Net profit attributable to equity holders of the parent (£m)	<b>27.8</b>	40.0	(13.9)	26.1	72.8	(14.0)	58.8
Basic weighted average shares in issue ('000)	<b>43,009</b>	42,974	—	42,974	42,985	—	42,985
Dilutive potential share options ('000)	<b>86</b>	89	—	89	97	—	97
Diluted weighted average number of shares in issue ('000)	<b>43,095</b>	43,063	—	43,063	43,082	—	43,082
Earnings per share:							
Basic earnings per share (pence per share)	<b>64.6</b>	93.2	(32.5)	60.7	169.4	(32.6)	136.8
Diluted earnings per share (pence per share)	<b>64.5</b>	93.0	(32.4)	60.6	169.0	(32.5)	136.5

The weighted average number of shares in issue excludes treasury shares held by the Company, and shares held in trust for the Long Term Incentive Plan (for executive directors only) and the Deferred Share Bonus Plan (for executive directors and certain other senior employees).

No shares were bought back and cancelled by the Group in the period from 28 December 2019 to 11 March 2020.

### 8. Pensions

Retirement benefit obligations consist of the following:

	28 Dec 19			29 Jun 19		
	Bus £m Unaudited	Rail £m Unaudited	Total £m Unaudited	Bus £m Audited	Rail £m Audited	Total £m Audited
Pre-tax pension scheme (liability)/asset	<b>(5.7)</b>	—	<b>(5.7)</b>	48.7	—	48.7
Deferred tax asset/(liability)	<b>0.9</b>	—	<b>0.9</b>	(8.5)	—	(8.5)
Post-tax pension scheme (liability)/asset	<b>(4.8)</b>	—	<b>(4.8)</b>	40.2	—	40.2

The net deficit before taxation on the bus defined benefit scheme was £5.7m (29 June 2019: surplus of £48.7m), consisting of estimated assets of £848.0m (29 June 2019: £858.8m) less liabilities of £853.7m (29 June 2019: £810.1m).

The net deficit before taxation on the rail schemes was £nil (29 June 2019: £nil). The nature of these schemes means at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates the franchise.

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

	Six months to 28 Dec 19 % Unaudited	Year to 29 Jun 19 % Audited
Retail price index inflation	<b>3.0</b>	3.2
Consumer price index inflation	<b>2.3</b>	2.2
Discount rate	<b>2.0</b>	2.3
Rate of increase in salaries *	<b>n/a</b>	n/a
Rate of increase of pensions in payment and deferred pension	<b>2.3</b>	2.3

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

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.

	28 Dec 19		29 Jun 19	
	Bus Years Unaudited	Rail Years Unaudited	Bus Years Audited	Rail Years Audited
Pensioner	<b>21</b>	<b>21</b>	21	21
Non Pensioner	<b>23</b>	<b>23</b>	22	23

## 8. Pensions continued

### 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 29 June 2019. In isolation the following adjustments would adjust the pension (deficit)/surplus as shown.

	Bus 2019 Pension surplus/ deficit) %
Discount factor – increase of 0.1%	(1.5)
Price inflation – increase of 0.1%	1.4
Rate of increase of pension in payment – increase of 0.1%	1.0
Increase in life expectancy of pensioners or non-pensioners by 1 year	4.3

## 9. Notes to the cashflow statement

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

	Cash and cash equivalents £m Unaudited	Syndicated loan facility £m Unaudited	Lease liabilities £m Unaudited	£250m Sterling Bond £m Unaudited	Euro financing facilities £m Unaudited	Total £m Unaudited
At 29 June 2019	630.8	(144.7)	(6.1)	(250.0)	(15.4)	214.6
Cashflow	<b>(9.6)</b>	<b>(3.4)</b>	<b>156.8</b>	—	<b>0.4</b>	<b>144.2</b>
Effect of foreign exchange rate changes	<b>(0.5)</b>	<b>0.7</b>	—	—	<b>0.7</b>	<b>0.9</b>
IFRS 16 transitional adjustment	—	—	<b>(781.1)</b>	—	—	<b>(781.1)</b>
<b>At 28 December 2019</b>	<b>620.7</b>	<b>(147.4)</b>	<b>(630.4)</b>	<b>(250.0)</b>	<b>(14.3)</b>	<b>(421.4)</b>

Cash and cash equivalents include overdrafts amounting to £nil (29 June 2019: £nil).

On 16 July 2014, the Group entered into a £280.0m syndicated loan facility. The loan facility is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group. The original facility was for five years and has had a number of extensions, the most recent was agreed on 9 July 2019, extending the maturity to July 2024. A further one-year extension is available which, if exercised, would extend the maturity to July 2025.

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 24 October 2017, the Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH, entered into a €8.0m one-year revolving credit facility. The facility is unsecured and interest is charged at 1.3% plus EURIBOR.

On 24 October 2017, the Group's subsidiary, Go-Ahead Facility GmbH, entered into a €10.6m 10.5 year loan facility. The facility is secured against the German land and buildings included within plant, property and equipment. Interest is charged at a fixed rate of 2.79%.

Group net cash/(debt) excludes unamortised issue costs of £2.0m (29 June 2019: £3.0m).

As at 28 December 2019 balances amounting to £510.2m (H1'19: £461.6m; 29 June 2019: £484.9m) were restricted, including amounts to cover deferred income for season tickets sold in advance of £194.5m (H1'19: £207.0m; 29 June 2019: £167.8m) and amounts held by rail companies which can only be distributed up to the value of distributable reserves, subject to DfT dispensation.

## 10. Dividends paid and proposed

	Six months to 28 Dec 19 £m Unaudited	Six months to 29 Dec 18 £m Unaudited	Year to 29 Jun 19 £m Audited
Declared and paid during the period			
Equity dividends on ordinary shares:			
<b>Final dividend for 2019: 71.91p per share (2018: 71.91p)</b>	<b>30.9</b>	30.9	30.9
<b>Interim dividend for 2019: 30.17p per share</b>	<b>—</b>	—	12.9
	<b>30.9</b>	30.9	43.8
Dividend proposed (not recognised as a liability)			
Equity dividends on ordinary shares:			
<b>Interim dividend for 2020: 30.17p per share (2019: 30.17p)</b>	<b>12.9</b>	12.9	31.0

## Notes to the consolidated financial statements continued

for the six months ended 28 December 2019

### 11. Assets classified as held for sale

At 28 December 2019, assets held for sale, with a carrying value of £0.6m related to property, plant and equipment available for sale and are included in the regional bus division (29 June 2019: £0.6m). Assets held for sale, with a carrying value of £2.7m related to bus rolling stock and are included in the London & International bus division (29 June 2019: £2.1m).

### 12. 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 28 December 2019 and 29 June 2019 and are as follows:

	28 Dec 19 £m	29 Jun 19 £m
Non-current financial assets: fuel price derivatives	0.6	1.5
Current financial assets: fuel price derivatives	2.7	4.4
	<b>3.3</b>	5.9
Current financial liabilities: fuel price derivatives	<b>(0.8)</b>	(0.8)
Non-current financial liabilities: fuel price derivatives	<b>(1.6)</b>	(0.8)
	<b>(2.4)</b>	(1.6)
<b>Net financial derivatives</b>	<b>0.9</b>	4.3

#### At 28 December 2019

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	—	0.9	0.9	0.9
Net financial derivatives	—	0.9	0.9	0.9
Lease liabilities	<b>(630.4)</b>	—	<b>(630.4)</b>	<b>(630.4)</b>
	<b>(630.4)</b>	<b>0.9</b>	<b>(629.5)</b>	<b>(629.5)</b>

#### At 29 June 2019

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	—	4.3	4.3	4.3
Net financial derivatives	—	4.3	4.3	4.3
Lease liabilities	(6.1)	—	(6.1)	(6.1)
	(6.1)	4.3	(1.8)	(1.8)

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 £253.6m (29 June 2019: £248.5m) but is carried at its amortised cost of £250.0m (29 June 2019: £250.0m). The fair value of the £250m 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 all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

## 12. Derivatives and financial instruments continued

### a. Fair values continued

As at 28 December 2019, the Group has used a level 2 valuation technique to determine the fair value of the fuel price derivatives. The valuations are based on the external Mark-to-Market (MtM) valuations provided by the derivative providers and are prepared in accordance with the providers own internal models and calculation methods based upon well recognised financial principles, relevant current market conditions and reasonable estimates about relevant future market conditions. There are a small number of foreign currency hedges in place as at 28 December 2019. The foreign currency hedge valuations are based on the external MtM valuations and are currently not material to the Group.

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

### b. Hedging activities

#### Fuel derivatives

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 28 December 2019 the Group had derivatives against UK bus fuel of 186 million litres for the three and a half years ending June 2023. 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 28 December 2019 the Group's external hedging profile is as follows:

	H2 '20	2021*	2022*	2023*
Actual percentage of forecast usage externally hedged	100%	75%	37%	12%
Litres hedged (million)	54	80	39	13
Price (pence per litre)	36.8	36.9	38.3	37.4

\* Assuming consistent usage and that hedging is completed at 28 December 2019 market price

The movement during the six months ended 28 December 2019 on the hedging reserve was £2.7m debit (net of tax) (2019: £11.3m debit (net of tax)) taken through other comprehensive income.

## 13. Provisions

	Franchise commitments £m Unaudited	Uninsured claims £m Unaudited	Other £m Unaudited	Total £m Unaudited
At 29 June 2019	64.0	43.4	9.4	116.8
Provided	2.8	4.6	1.1	8.5
Utilised	(1.8)	(2.8)	(0.6)	(5.2)
Released	(1.7)	(0.8)	(0.2)	(2.7)
<b>At 28 December 2019</b>	<b>63.3</b>	<b>44.4</b>	<b>9.7</b>	<b>117.4</b>
			28 Dec 19 £m Unaudited	29 Jun 19 £m Audited
Current			45.2	34.8
Non-current			72.2	82.0
			117.4	116.8

Franchise commitments comprise £62.3m (29 June 2019: £64.0m) dilapidation provisions on vehicles, depots and stations mainly across our two active UK rail franchises and £nil (29 June 2019: £nil) provisions relating to other franchise commitments. Of the dilapidations provisions, £29.3m (29 June 2019: £21.6m) are classified as current. All of the £1.0m (29 June 2019: £nil) other provision relating to other franchise commitments is classified as current. During the six months ended 28 December 2019, £1.7m of provisions previously provided were released following the successful renegotiation of certain contract conditions. The dilapidations will be incurred as part of a rolling maintenance contract over the remaining life of the franchises. 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, £12.9m (29 June 2019: £12.6m) are classified as current and £31.5m (29 June 2019: £30.8m) 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, £9.7m (29 June 2019: £9.4m) relates to dilapidation provisions on vehicles and depots, of which £2.0m (29 June 2019: £0.6m) are classified as current, and £7.7m (29 June 2019: £8.8m) 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.

## Notes to the consolidated financial statements continued

for the six months ended 28 December 2019

### 14. Commitments and contingencies

#### Capital commitments

Capital commitments contracted but not provided at 28 December 2019 were £32.6m (29 June 2019: £69.6m).

#### Performance bonds and other guarantees

The Group has provided bank guaranteed performance bonds of £70.7m (29 June 2019: £67.1m), a loan guarantee bond of £36.3m (29 June 2019: £36.3m) and season ticket bonds of £194.6m (29 June 2019: £151.9m) in favour of the DfT in support of the Group's rail franchise operations. In addition, the Group, together with Keolis, has a joint parental company commitment to provide funds of £136.0m (29 June 2019: £136.0m) to the DfT in respect of the Govia Thameslink Railway franchise, of which Group has a 65% share equating to £88.4m (29 June 2019: £88.4m). At the period end £nil (29 June 2019: £nil) has been provided.

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 28 December 2019 is £51.5m (29 June 2019: £58.0m).

The Group has a bond of \$4.2m SGD (29 June 2019: \$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 £2.4m (29 June 2019: £2.5m).

The Group has bonds of €30.1m (29 June 2019: €11.1m) in favour of the local rail authorities in support of the Group's German rail operations. At the period end exchange rate these equate to £25.7m (29 June 2019: £9.9m). The Group has provided parental company guarantees to provide funds of €52.8m (29 June 2019: €35.0m) in respect of the Germany operations, of which €nil (2019: €nil) has been provided for at year end. At the period end exchange rate this equates to £45.1m (29 June 2019: £31.3m).

The Group has bonds of €10.0m (29 June 2019: €10.0m) in favour of the National Transport Authority in Ireland in support of the Group's Irish bus operations. At the period end exchange rate this equates to £8.5m (29 June 2019: £9.0m).

The Group has bonds of 271.3m NOK (29 June 2019: 200m NOK) in favour of the local rail authorities in Norway in support of the Group's Nordic rail operations. At the period end exchange rate this equates to £23.3m (29 June 2019: £18.4m).

#### Contingent liabilities

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

The proceedings are at a very early stage with the next step being if the Competition Appeal Tribunal will initially decide whether this is a claim that meets the legislative criteria for this type of claim. A hearing in relation to this is scheduled for later in 2020. If the criteria were met, it would allow the claim to proceed to a full trial.

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

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

Accordingly, the Group cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the interim statement.

### 15. Statement of changes in equity

The reserve for own shares is in respect of 4,057,259 (29 June 2019: 4,066,037) ordinary shares (8.6% of share capital), of which 155,029 (29 June 2019: 163,807) are held for LTIP and DSBP arrangements. The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances.

During the six months ended 28 December 2019 the company has repurchased 25,476 shares (29 June 2019: 56,482). No shares were cancelled in the period (29 June 2019: no shares cancelled).

### 16. 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.

### 17. Business combinations

#### Six months ended 28 December 2019

No business combinations have been made in the period.

#### Year ended 29 June 2019

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



## Responsibility and cautionary statements

### Responsibility statements

We confirm that to the best of our knowledge:

- the interim financial statements, which have been prepared in accordance with IAS34 'Interim Financial Reporting', give a true and fair view of the assets, liabilities, financial position and profit or loss of The Go-Ahead Group plc as required by the Financial Conduct Authority's Disclosure and Transparency Rules ('DTR') 4.2.4R;
- the interim management report includes a fair review of the information required by 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).

The Directors of The Go-Ahead Group plc are listed in the Group Annual Report and Accounts for the year ended 29 June 2019. Since the year end, Clare Hollingsworth was appointed to the Board as Non-Executive Chairman Designate on 1 August 2019. She subsequently succeeded Andrew Allner as Non-Executive Chairman on 31 October 2019, following the conclusion of the Group's Annual General Meeting. A list of current Directors is maintained on Go-Ahead's website: [www.go-ahead.com](http://www.go-ahead.com).

By order of the Board

**Elodie Brian**  
Group Chief Financial Officer  
11 March 2020

### 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 28 December 2019 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.

## Corporate information

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

### Secretary and Registered Office

**Carolyn Ferguson**

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

### Head Office

**The Go-Ahead Group plc**

4 Matthew Parker Street  
London  
SW1H 9NP

Tel: 0191 232 3123

### Joint Corporate Broker

**Investec Bank plc**

30 Gresham Street  
London  
EC2V 7QP

### Joint Corporate Broker

**Peel Hunt LLP**

Moor House  
120 London Wall  
London  
EC2Y 5ET

### Registrar

**Equiniti Ltd**

Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

Tel: 0371 384 2193\*

\*Lines are open 8.30am to 5.30pm Monday to Friday  
(excluding public holidays in England and Wales)

### Auditor

**Deloitte LLP**

1 New Street Square  
London  
EC4A 3HQ

### Principal Banker

**The Royal Bank of Scotland plc**

Corporate Banking  
9th Floor  
280 Bishopsgate  
London  
EC2M 4AA

## Independent review report to The Go-Ahead Group plc

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 28 December 2019 which comprises the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated balance sheet, the interim consolidated cash flow 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 Financial Reporting Council. 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 Guidance 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 Financial Reporting Council 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 28 December 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Deloitte LLP**  
**Statutory Auditor**  
London  
United Kingdom  
11 March 2020