MOVING WITH OUR PEOPLE...

Annual Report and Accounts
for the year ended 2 July 2011

Go-Ahead

Go-Ahead is one of the leading providers of passenger transport services in the UK, delivering bus and rail services to predominantly urban markets.

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CHAIRMAN'S STATEMENT

"We have seen continued growth across all of our operations."

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THE MARKET

UK public transport remains fundamentally strong. While the wider economy faces challenges, we continue to see growth. The Government remains committed to ensuring the UK has a strong public transport infrastructure.

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GROUP CHIEF EXECUTIVE'S REVIEW

"We continue to deliver growth through continued improvements in service standards, better marketing and a local focus on high density urban markets."

48

CORPORATE RESPONSIBILITY

Operating safe, socially and environmentally responsible businesses

Icons used in this report direct you to expanded information within this report and our website. This report, along with other useful information is available on our website: **www.go-ahead.com**

Online

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DIRECTORS' REPORT:

Strategic Review

Performance Review

Corporate Governance

FINANCIAL STATEMENTS:

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MOVING WITH OUR PEOPLE

Go-Ahead is a customer-focused business, delivering quality to our passengers and value to our shareholders through our safe, socially and environmentally responsible operations

SUSTAINABLE

Operating safe, socially and environmentally responsible businesses

p8

QUALITY

Providing high quality services across all of our operations

p2

VALUE

Delivering value to our shareholders

p6

FOCUS

Operations focused on high density commuter markets

p4

QUALITY

DELIVERING QUALITY

Providing high quality services across all of our operations is one of our key objectives for the business. For us, quality means meeting the needs of our passengers. This covers all aspects of the customer experience from safety, comfort, and value for money to frequency and reliability.

At Go-Ahead we are committed to listening to our passengers, acting on their feedback, and continually improving our services to meet and exceed their rising expectations.

Our unique devolved structure enables our local management teams to respond to the specific needs of the passengers they serve. We believe the key to providing good quality services is to get the basics right, from the simple things like ensuring our trains and buses are clean and our employees are well presented, to providing up to date timetable information. We take continuous improvement very seriously. We ensure our staff receive the training they need to meet the expectations of our passengers. Alongside this, we ensure that health and safety is the number one priority for every employee to ensure that both they and our passengers are safe. In an industry first we recently commissioned Passenger Focus to conduct a passenger survey across our deregulated bus operations and found that 91%[1] of bus passengers were satisfied with Go-Ahead's services. Our rail passengers are also satisfied with our services. Customer satisfaction rates are currently over 82%[2]. Southeastern saw its highest ever score in the latest results.

All of our companies strive to stay at the forefront of customer service and new initiatives are continually being launched across our operations.

One such rail initiative is the award winning "Railway for All" programme from Southern which goes well beyond the statutory requirements of the Disability Discrimination Act to ensure all our passengers have a service they can use and enjoy. The programme includes a range of measures, but also tackles the simple things that make a difference such as priority seating. A "priority seat card" is issued which entitles the holder to a seat on the train avoiding the embarrassment of having to ask a fellow passenger to give up the seat or identify why it is needed.

Our bus operations are also adopting initiatives. Go North East is stepping up to exceed passenger expectations through the recent launch of the "Commuter Club" service, designed to bring people into the heart of Newcastle quickly, directly and in comfort on luxury coaches. The service offers commuters the opportunity to work or relax on their journey into the city, providing newspapers and Wi-Fi access to passengers. It offers great value for money, compared with the alternative of the private car and provides a more relaxing commuter experience.

1 Passenger Focus, Bus Passenger Survey for The Go-Ahead Group, March – May 2011
2 Passenger Focus National Passenger Survey Spring 2011

91%
DEREGULATED BUS CUSTOMER SATISFACTION

82%
RAIL CUSTOMER SATISFACTION

MOVING WITH OUR PEOPLE...

A Southern employee said;

"I love to come to work; it's a nice place; people are approachable. I am proud to work for Southern."

Mr Farrow, who uses Go South Coast's Wilts & Dorset services said;

"The buses are always clean and well presented, and the drivers invariably cheerful and helpful; a fantastic service."

FOCUS

DELIVERING FOCUS

Our unique devolved structure enables our local management teams to focus on the specific needs of the passengers they serve. We realise that while many of the markets in which we operate have common features, each have their own unique characteristics.

Go-Ahead's core strategy is to deliver bus and rail services in predominantly urban areas where there is a strong underlying demand for public transport. This strategy has enabled us to withstand the economic challenges the UK has faced as these markets are the most resilient and continue to grow.

In a tougher economic environment, we have to work harder to grow the business and keep our passengers happy. Alongside the frequent and reliable services that we provide, passengers want us to be innovative and make travel as hassle-free as possible. That is why last year we launched The Key, our new smartcard, which makes travelling on our services simple and cost effective. The aim is for this card to be used across our operations saving time when switching services or boarding the bus and saving money through multi-journey tickets available. We believe this will improve the travel experience for both bus and rail passengers and will provide information to help us better understand their needs.

Many passengers use more than one mode of transport to complete their journey with vast numbers using both bus and rail. In order to make these multi-stage journeys as easy and as cost effective as possible we encourage our businesses to participate in PLUSBUS, a scheme which enables multi-modal travel across hundreds of services in the UK. The scheme offers flexibility as well as time and cost savings.

In a pioneering scheme, the Oxford Bus Company has formed a partnership with Stagecoach and Oxfordshire County Council using new powers under the 2008 Local Transport Act. The scheme, part of the county's "Transform Oxford" initiative is the first of its kind, with integrated smartcard ticketing and coordinated timetabling, making bus travel in the Oxford area much simpler. We will be exploring the merit of other such schemes across the country where there is passenger demand and they are economically viable.

We recognise the need to communicate to our passengers on products and offers that are both timely and relevant. As such we have invested heavily in developing a single customer view marketing database that includes both bus and rail passenger details. This ensures that passengers who live in areas where we provide both bus and rail services such as London, Brighton and Southampton receive offers that help end-to-end journey planning. In addition, by clearly analysing previous transactions we are able to identify the most relevant products to promote to our passengers to drive both loyalty and revenue. Our database currently holds information for 1.6 million passengers.

12
LOCALLY FOCUSED OPERATING COMPANIES

1
NEW BUSINESS ACQUIRED IN THE YEAR

MOVING WITH OUR PEOPLE...

A Go North East user said;

"My family and I have been visiting the North East for several years and I wouldn't consider using the car as the bus is so efficient. I'd like to express my appreciation for the frequent and reliable service provided and to the drivers who are courteous and helpful. I was also very impressed by the branding on the buses in the area, providing an easily identifiable service and giving a splash of colour to the city".

"Thank you for the last 45 years working for Brighton & Hove Bus and Coach Company. It's been a pleasure working with such a great team."

Mr Gosling, a Brighton & Hove employee.

VALUE

DELIVERING VALUE

We run our business with strong financial discipline to deliver value to our shareholders. We are continually assessing growth opportunities in line with our strategy and maintaining the dividend remains a core priority for the Group.

The views of our shareholders are important to us. We take the time and effort to ensure we understand what they expect from our business and to meet their expectations on their investment. Our aim is to deliver a combination of good earnings growth, strong cash generation and effective balance sheet management.

Our Board of Directors acknowledges the importance of the strong dividend to our shareholders and is committed to maintaining this despite the continuing difficult economic conditions. Due to our increasing earnings, dividend cover has increased to 1.67x further enhancing the security of the dividend payout.

We remain committed to growing the business organically and through bolt-on acquisitions. In May 2011 we acquired the high quality bus operator, Thames Travel, based in Oxfordshire. This is a great addition to the Go-Ahead family. We are continually assessing opportunities for growth in line with our strategy.

Improvements in the rail franchise model and the wider rail industry will add value to the Group. We are actively working with the Government and other key parties to deliver change in the industry.

Go-Ahead submitted its bid for the Greater Anglia Rail Franchise in July 2011 on a stand-alone basis. Should the bid be successful, the franchise would be a welcome addition to Go-Ahead's division of busy commuter operations. The Department for Transport is expected to announce the successful bidder in the autumn of 2011.

81.0p
FINAL DIVIDEND

1.67x
DIVIDEND COVER

MOVING WITH OUR PEOPLE...

A new employee of Konectbus said;

"I CANNOT BELIEVE HOW PROFESSIONALLY KONECTBUS OPERATES. WE HAVE FIRST-CLASS BACK-UP FROM THE DEPOT DURING THE WORKING DAY."

SUSTAINABLE

DELIVERING SUSTAINABILITY

Corporate responsibility is at the heart of our business. Adopting a responsible approach to our operations directly contributes to our success. Delivering safe, reliable and cost-effective services helps us to grow passenger numbers.

Corporate responsibility is integral to the way we run our business. The safety of our passengers and employees is an absolute priority. We are committed to reducing the environmental impacts of our operations and believe a sustainable transport network is essential to the UK's future. We are a passenger focused business and we strive to provide reliable and convenient services to the millions of passengers who travel with us every day. We consider our employees to be our most valuable asset. We put considerable effort into developing their skills and performance, this helps deliver high levels of staff retention, low levels of absenteeism and improving levels of customer service. We believe that good businesses have strong links with the communities they serve. Our devolved structure, where local management teams make day-to-day service decisions, ensures we have an immediate understanding of local communities and can tailor services to those individual needs.

We set challenging targets to ensure we are continually improving our performance.

Our commitment to corporate responsibility can be seen throughout our businesses. Go South Coast has launched the "Community Bus Partnership" on the Isle of Wight, a unique initiative designed to provide much needed bus services to communities which have been affected by public spending cuts. The company is maximising spare vehicle capacity by training local community volunteers to drive them. The company is working with local authorities to ensure that new routes are designed, based on community needs. This initiative is a positive move for local communities by improving social inclusion. There are also environmental benefits to the scheme, as the provision of services will reduce the number of private cars on the island's roads.

During the year London Midland became the first UK train operator to install energy meters on all of its electric train fleet. The benefits include accurate energy costs being charged, information that will enable energy consumption to be reduced and data on the condition of train systems to improve reliability. In addition, London Midland expects that, over time, its electricity costs will be reduced by up to 20% and its carbon emissions from 98,000 tonnes to 78,000 due to the installation of the new meters. The company is also working to reduce energy usage by training drivers in energy efficient driving techniques and is making smarter use of on-board air conditioning, heating and lighting to drive down energy usage.

12%

REDUCTION IN CO_2 EMISSIONS SINCE 2007/08

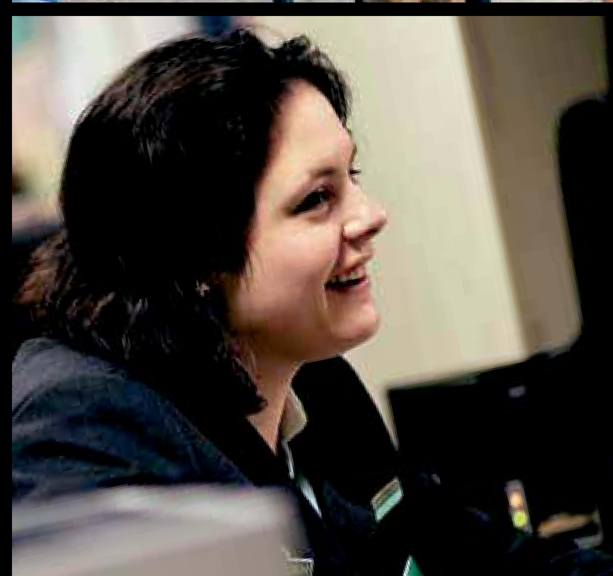
6%

REDUCTION IN BUS ACCIDENTS

MOVING WITH OUR PEOPLE...

A wheelchair user who travels on Go South Coast services said;

"The drivers go over and above the call of duty, and are so helpful with my wheelchair. I do appreciate their kindness."

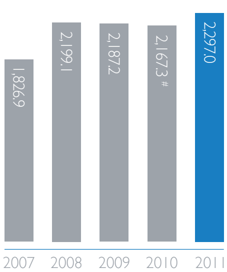


OUR PERFORMANCE

GROUP

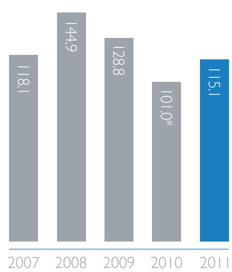
REVENUE (£m)

£2,297.0m
↑ 6.0%



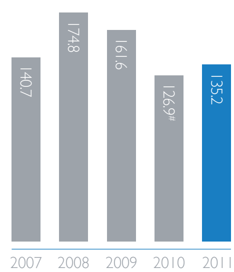
OPERATING PROFIT* (£m)

£115.1m
↑ 14.0%



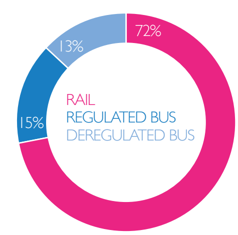
ADJUSTED EARNINGS PER SHARE* (p)

135.2p
↑ 6.5%



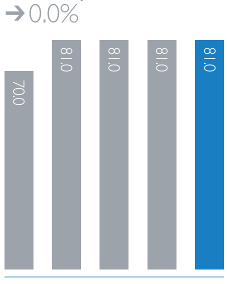
GROUP REVENUE (£m)

£2,297.0m



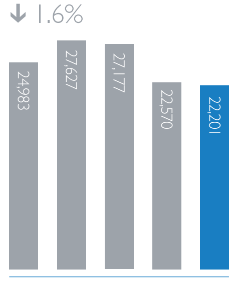
DIVIDEND PAID AND PROPOSED PER SHARE† (p)

81.0p
→ 0.0%



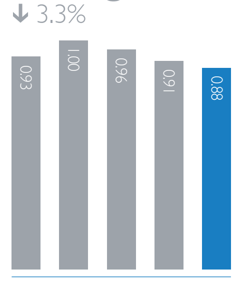
AVERAGE NUMBER OF EMPLOYEES

22,201
↓ 1.6%



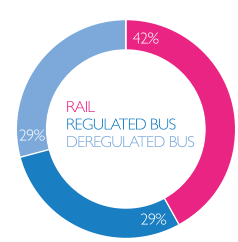
CO_2 EMISSIONS PER PASSENGER JOURNEY+ (kg)

0.88kg
↓ 3.3%



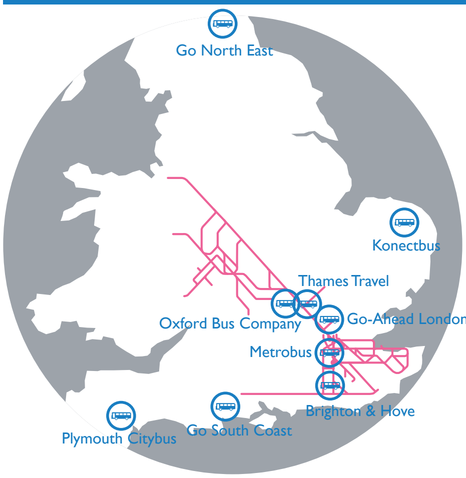
GROUP OPERATING PROFIT (£m)

£115.1m



* Before amortisation and exceptional items.
\# Restated to exclude discounted operations.
† Includes interim dividend paid and final proposed dividend.
\+ CO_2 conversion factors used are in accordance with the most recent Department for Energy and Climate Change guidelines, 2010.

Δ Deregulated bus only.
** Passenger Focus spring 2011 National Passenger Survey.
\#\# Passenger Focus, Bus Passenger survey for The Go-Ahead Group, March-May 2011. No prior year comparatives.



WHERE WE OPERATE

We operate bus and rail services predominantly in the UK, focused in South East England.

We also have a small presence in the North America yellow school bus market

Our locations

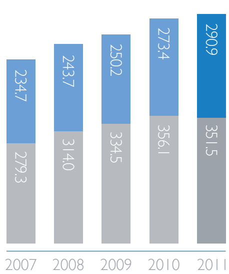
Rail network

Bus operating company

BUS

REVENUE
(£m)

£642.4m
↑ 2.0%

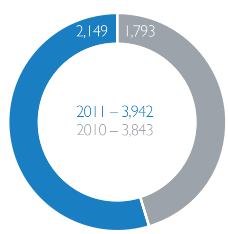


Regulated

Deregulated

FLEET SIZE

3,942 buses

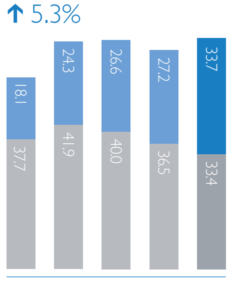


Regulated

Deregulated

OPERATING PROFIT
(£m)

£67.1m
↑ 5.3%

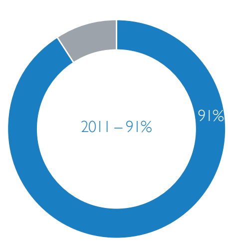


Regulated

Deregulated

CUSTOMER SATISFACTION##

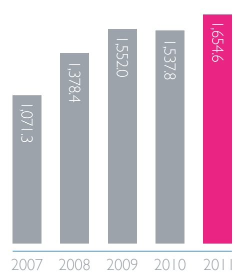
91%Δ



RAIL

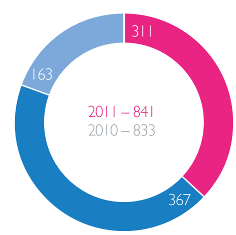
REVENUE
(£m)

£1,654.6m
↑ 7.6%



FLEET SIZE

841 trains



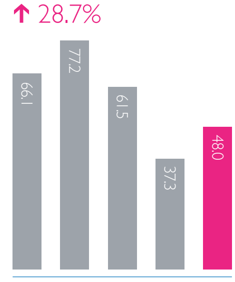
Southern

Southeastern

London Midland

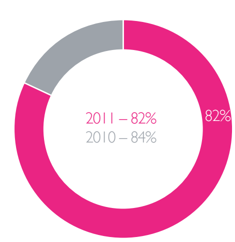
OPERATING PROFIT
(£m)

£48.0m
↑ 28.7%



CUSTOMER SATISFACTION**

82%



STRENGTH ACROSS BUS AND RAIL OPERATIONS

We have seen continued growth in the financial year, demonstrating resilience in our core business in what continues to be a difficult economic environment

I am pleased with the performance of the Group this year. Despite facing challenging economic conditions in the last 12 months and the adverse weather in the first half of the year, all of our operations have seen growth in like-for-like passenger revenue and passenger journeys. We have worked hard to continue providing a high quality, value for money service to our customers and have made good progress in understanding who our customers are and what their priorities are.

In the first half of the year, we disposed of the remainder of our aviation services division and began operating our first contracts through our yellow school bus joint venture in North America. The second half of the year saw the acquisition of the Thames Travel bus business.

We welcomed the findings of the McNulty review in May and are working closely with the Government and key organisations within the rail industry to shape the future of rail franchising.

We have refinanced our main bank facilities during the year and maintained our investment grade credit ratings. We remain in good financial shape and continue to believe in the fundamental strengths of public transport having seen an evident modal shift from private car usage to public transport over the last 12 months.

Overall, revenue increased by £129.7m, or 6.0%, to £2,297.0m (2010: £2,167.3m), with increases in our deregulated bus division and our rail division more than offsetting a slight reduction in our regulated bus division. Operating profit* was up 14.0% to £115.1m, in line with our expectations (2010: £101.0m). Adjusted earnings per share* increased by 6.5% to 135.2p (2010: 126.9p). Basic earnings per share, including exceptional items and discontinued operations, was 157.1p (2010: 40.1p) and profit attributable to members was £67.4m (2010: £17.2m).

Business development and acquisitions

This year has seen us dispose of the remainder of our aviation services division. The residual operations disposed in the first half of the year are classified as discontinued and are excluded from the results discussed throughout this report.

Our North American yellow school bus joint venture operations have been running successfully for a year, having started with two contracts in St Louis, Missouri in August 2010. We have established ourselves as a reliable and credible operator in the market.

Towards the end of the financial year we acquired Thames Travel, a small bus company based in Oxfordshire. This demonstrates our commitment to acquisitive growth through bolt-on acquisitions in our deregulated bus business.

Dividends

We know that our dividend policy is key to the investment decision for many shareholders. The Board remains committed to maintaining the dividend per share which is supported by the Group's strong balance sheet and cash generation. The Board is proposing a final dividend of 55.5p per share (2010: 30.0p) to maintain the total dividend for the year at 81.0p (2010: 81.0p). The final dividend is payable on 18 November 2011 to registered shareholders at the close of business on 4 November 2011.

The Board of Directors and Governance

Following a 40 year career in the transport industry, Keith Ludeman retired as Group Chief Executive in July 2011. It has been a pleasure to work with Keith and I wish him well in his retirement.

I am delighted to welcome David Brown and Keith Down to the Board of Go-Ahead. Both David and Keith bring new strengths to the Board and are committed to continuing the excellent progress we are making in line with our strategy.

David Brown was appointed to the Board in April 2011 as Deputy Group Chief Executive and following a handover period he became Group Chief Executive on 3 July 2011, following Keith Ludeman's retirement. Keith Down was appointed to the Board as Group Finance Director in March 2011. Both David and Keith will stand for election at the Annual General Meeting (AGM) in October 2011.

In May 2010, the Financial Reporting Council issued a new edition of the Combined Code, called the UK Corporate Governance Code, which outlined a number of changes designed to reinforce Board quality, focus on risk and improve accountability to shareholders. The Board has implemented changes accordingly, including all Directors being subject to annual election by shareholders at the AGM, which took effect from October 2010.

In addition to this, we acknowledged the Financial Reporting Council's new guidance on Board Effectiveness and changes to the code following the Financial Reporting Council's consultation on gender diversity on Boards.

Corporate responsibility

For Go-Ahead, corporate responsibility is about operating our trains and buses safely, reducing the impact of our operations on the environment and being passenger focused. It also means developing our staff and enriching our local communities while growing our business profitably for our shareholders. Environmental and social issues have continued to play an important role this year. These issues are at the heart of our business and we work closely with our many stakeholder groups to innovate so we remain at the forefront of our sector. Our aim is to provide passengers with quality bus and rail services which are sustainable and meet the requirements of the communities in which we operate.

Our approach to corporate responsibility covers five main areas: safety, environment, passengers, employees and community. The safety and security of our passengers, our people and the general public is an absolute priority for the Group and we continually strive to improve our already high safety performance. We are committed to improving the energy efficiency of our bus and rail operations as this not only has important environmental benefits, but also helps to reduce operating costs. Our Driving Energy Further initiatives, aimed at reducing our CO_2 emissions per passenger journey by 20% by 2015, have continued this year. Investment, innovation and the commitment of our employees means we have made good progress against our target, achieving a 12% reduction against our 2007/08 baseline – a 3% improvement on last year.

Employees

The average number of employees in the Group for the financial year was 22,201, below last year's average of 22,570, primarily due to the disposal of the remainder of our aviation services division. I would like to thank our employees for their continuing dedication and hard work through these challenging economic conditions to ensure that we remain a strong and successful Group.

Outlook

Our bus and rail operations remain fundamentally strong and have benefited from passengers leaving their cars at home and choosing better value public transport alternatives. Whilst we are encouraged by our performance this year, we remain cautious on the medium term wider economic outlook.

Our outlook for the next financial year has not changed since our trading update in June 2011. We are assuming that the broad underlying operating trends experienced in the financial year will continue throughout the financial year to 30 June 2012 and that around £13m of the rail contract management benefits achieved in 2011 will not recur.

In bus, we anticipate that the performance of the business will remain strong despite the reduction in the Bus Service Operators Grant (BSOG) in April 2012 which will impact on the last quarter of the next financial year. Our fuel requirements are fully hedged for the next year at 41p per litre, in line with the cost in the financial year just ended. In rail, we will continue to drive revenue and control costs to help offset the challenges of reduced subsidies/increased premia in our franchises.

Our balance sheet, cash flow and financing are strong and we continue to view the maintenance of the dividend as a priority.

We have started the new financial year well and trading has been in line with the Board's expectations.

Sir Patrick Brown, Chairman

31 August 2011

* Before amortisation and exceptional items.

EXCELLENT PROGRESS IN DELIVERING OUR STRATEGY

We continue to deliver growth across our business through continued improvements in service standards, better marketing, and a local focus on high density urban markets

In my first review as Group Chief Executive, I am pleased to report strong operational performance across our businesses. While the wider economy is still facing real challenges our local market focus has ensured we are in a strong position to meet the needs of our passengers while leveraging the benefits of scale that a large group can bring. The combination of strong government commitment to public transport and increasing modal shift from cars means the growth prospects for public transport, particularly in urban areas, are strong. We are therefore well placed to grow organically and, where appropriate, make value-enhancing acquisitions. The future still holds challenges, but the prospects for the business are good.

Summary of performance

In the year, our operating performance was in line with our expectations. The increase in operating profit* to £115.1m was driven by increased profits in deregulated bus and rail, offset by the anticipated reduction in turnover and margin in our regulated bus business. As we completed the disposal of our aviation services division during the year, these businesses are classed as discontinued and, unless otherwise stated, their results are excluded from this review. The disposal of this division has enabled us to focus solely on our bus and rail divisions. As part of our constant review of best practice we now report on our regulated and deregulated bus businesses separately and have reclassified some elements of insurance liability and leased asset dilapidations as provisions rather than accruals. In accordance with IFRS we have presented a restated balance sheet for the year to 3 July 2010 to clearly show these changes.

Cash management remains a focus for the Group and this resulted in cashflow from operations being ahead of expectations at £137.9m (2010: £160.6m) and net debt reducing to £69.8m (2010: £88.3m). Capital investment remains slightly ahead of depreciation, due to ongoing franchise commitments in both Southern and London Midland but also due to maintaining the high quality asset base in our expanding bus division.

We continue to seek bolt-on acquisitions and, on 24 May 2011, we acquired Thames Travel, a quality operator based in Oxfordshire that strengthens our presence in and around Oxford and opens up new local markets for us.

Our refinancing was completed during the year. We replaced our revolving credit facility with a new five year £275m revolving credit facility, maturing in February 2016. This is in addition to our £200m sterling bond which matures in September 2017. Our investment grade credit ratings from Moody's and Standard & Poor's have retained their stable outlook.

This financial strength and profitability ensures we can maintain our full year dividend to shareholders at 81.0p per share (2010: 81.0p).

Market environment

While the wider economic environment remains challenging, we are encouraged by the level of growth across our business. The Government continues to strongly support public transport. Last year the industry was concerned about the impact of government spending cuts and, while these have indeed been difficult, the underlying growth in our business has more than compensated for the impact. We welcome the publication of the Government-commissioned McNulty Report on rail franchising and look forward to playing a key role in transforming the rail industry in the months and years ahead. In the medium term, we fully expect to benefit from both a cyclical economic recovery and from the underlying strengths of public transport in the UK.

Our strategy

The Board remains committed to the Group's strategy to continue to focus on providing high quality passenger transport.

The underlying elements of this strategy are to:

- Run our companies in a socially and environmentally responsible manner;
- Provide high quality, locally focused passenger transport services;
- Prioritise high density, urban markets; and
- Maintain strong financial discipline to deliver shareholder value.

Each element has a number of performance indicators, both financial and non-financial, which are routinely measured for improvement trends and comparison between operating companies.

BUS

Revenue

Deregulated Bus	Regulated Bus
£290.9m	£351.5m
2010: £273.4m	2010: £356.1m

£642.4m
2010: £629.5m

Operating profit*

Deregulated Bus	Regulated Bus
£33.7m	£33.4m
2010: £27.2m	2010: £36.5m

£67.1m
2010: £63.7m

+

RAIL

Revenue

£1,654.6m
2010: £1,537.8m

Operating profit*

£48.0m
2010: £37.3m

=

GROUP

Revenue

£2,297.0m
2010: £2,167.3m

Operating profit*

£115.1m
2010: £101.0m

* Before amortisation and exceptional items.

In the near term, our priority is to deliver value from our existing portfolio of operations and seek value-enhancing opportunities.

Key risks include a major accident or incident, or an unexpected reduction in demand for our services. We operate a strong governance structure and control environment to mitigate these and other risks as far as possible. Our key risks and uncertainties are detailed on pages 28 to 31.

Divisional performance overview

Deregulated bus

Our deregulated bus division performed well during the year, with strong growth achieved in our existing businesses and also in those acquired by the Group in the previous financial year. Operating profit* was significantly ahead of last year at £33.7m (2010: £27.2m). This was driven by passenger numbers increasing by 4.7% and passenger revenue growth of 7.4% (2.3% and 5.1% respectively on a like-for-like basis, adjusting for acquisitions and the additional week in the prior year). Cost savings achieved through Group purchasing continue to support the businesses. We continue to de-risk fuel costs through a hedging programme which is now rolling forward into 2014. Capital investment continues at above depreciation, ensuring that we retain one of the youngest bus fleets in the sector and maintain our strategically important freehold depot locations.

Go-Ahead North America, our joint venture with Cook Illinois, commenced trading in August 2010 with its first yellow school bus franchise in St Louis, Missouri. We have established ourselves as a reliable and credible operator in the market and while the 2011 tendering round has not secured new work for the joint venture, we will use the experience gained in the 2012 tendering round.

Regulated bus

Our regulated bus division traded in line with management expectations. Revenue was down by 1.3%, primarily through reduced receipts through Quality Incentive Contracts (QICs) following the abolition of the QIC2 scheme, with profits of £33.4m (2010: £36.5m). Like-for-like mileage operated was slightly down on last year at 72.2 million miles and we continued to perform well in TfL league tables operating 99.6% of scheduled mileage. Following recent contract gains, we expect to see mileage and revenue growth next year. Tendering competition and the QIC bonus structure have stabilised although the costs of uninsured claims are increasing. Overall we expect margins to be relatively stable although there will be some impact from the decrease in the Bus Service Operators Grant (BSOG) in April 2012.

Rail

The results of our rail division remained resilient with operating profit* of £48.0m, some £10.7m ahead of last year, underpinned by approximately £13m of non-recurring contract management benefits.

All of our three rail franchises deliver core commuter services to high density urban markets. Passenger revenue growth is fundamental to their success as the passenger revenue growth offsets the profile of reducing underlying DfT subsidy, or in Southern's case, increasing premia. Like-for-like passenger revenue growth for the division was 8.5%, with 8.6% in Southern, 8.4% in Southeastern and 8.6% in London Midland. Growth in passenger numbers was strong in the year with overall growth for the division of 4.2% on a like-for-like basis. In Southern, Southeastern and London Midland passenger numbers grew by 2.3%, 5.0% and 7.2% respectively.

The Southern franchise continues to meet its core franchise commitments and is in line with its bid assumptions. Southeastern's high speed service between St Pancras International and Kent is now fully established and is expanding. It has benefited, in particular, from excellent contract management. London Midland continues to improve its operational performance and has made steady progress in addressing key staffing issues.

In summary

We are pleased with the set of strong results we have reported. While the wider economy still faces challenges, we are making excellent progress in delivering our growth strategy.

We stand ready to benefit from any recovery in the economy and, while we remain cautious in the near term outlook for the UK, we are confident in the underlying strengths of and growth opportunities for our business.

David Brown, Group Chief Executive

31 August 2011

GROUP CHIEF EXECUTIVE'S

Q&A

David Brown returned to Go-Ahead in April 2011 and became Group Chief Executive in July 2011. He has nearly 30 years' experience in the transport sector.

Q

What do you bring to the role of Group Chief Executive?

A

A strong ambition for the future of the business, an in-depth knowledge of the transport sector, and an understanding of, and background within, the Go-Ahead Group. I am hugely proud to be leading a first class business which has significant opportunities for growth and business development. Having spent almost 30 years in the transport industry I know the sector, and in particular the markets that Go-Ahead operates in, incredibly well. Before rejoining the Group, I spent five years as Managing Director for Surface Transport at Transport for London – running one of the world's largest urban bus networks. Alongside that, I was responsible for London's Red Route road network, congestion charging, taxi and private hire regulations, coach, river, and mobility transport as well as transport policing and enforcement. I also introduced the successful Barclays Cycle Hire Scheme. In the past, I was Chief Executive of Go-Ahead's London bus business and served as an adviser to the main Board before joining Transport for London. I hope that this mixture of ambition, experience, and know-how will allow me to serve the Group and shareholders well in the years ahead.

"Maintaining the dividend per share is an absolute priority for the Board"

Q

Do you plan to radically change the direction of the Group?

A

We have a successful business model, involving autonomous business units, and there is no need to radically change what works well. I do believe, however, that there is considerable potential to grow the business both organically and through bolt-on acquisitions and to use Go-Ahead's scale to deliver business synergies that will improve our cost base. We are becoming significantly better at marketing our services and we are benefiting from higher costs of motoring as motorists move to the better value alternative of public transport. In the rail industry, a number of franchise opportunities will be coming up in the years ahead.

Q

How has Go-Ahead been affected by central and local government cuts?

A

The whole transport sector was concerned about the potential impact of the Comprehensive Spending Review. I am pleased that our underlying performance has more than made up for the impact of the reduction in bus subsidies. This time last year, the sector was concerned about the future of the Bus Service Operators Grant. The Government chose to reduce rather than scrap this grant and, as the reduction is gradual, there is time for the business to adapt. Clearly local authorities are under pressure and this has impacted the wider industry. However, as the vast majority of our services are fully commercial rather than local authority contracts, we do not have any significant exposure. Concessionary fare negotiations continue to be tough but we are confident that we will be able to retain reimbursement at a level the business can live with.

Q

How confident are you of your ability to operate in the UK rail market which is very competitive?

A

Rail is a very good market in which to operate and I believe we excel at it. Go-Ahead delivers 30% of all UK rail passenger journeys and we have demonstrated an ability to win franchises. We have a very strong base from which to grow. The McNulty review is a chance for the rail industry to be put on a much more sustainable business model for the long term. We welcome that and the opportunities it might bring.

Q

How secure is the dividend?

A

Delivery of the dividend is a key priority for the Board. We have an excellent balance sheet and our cashflows support the level of dividend we are committed to delivering whilst ensuring we can invest to grow the business further. In line with our long term strategy, we will continue to seek acquisitions where they add value.

BRANDS

Over one billion passenger journeys are made on our services every year. Our locally focused businesses are tailored to our passengers' needs

RAIL

See pages 42-47 for rail operating review

southeastern.

Revenue: £715.8m
Area: London, Kent, East Sussex
Passenger journeys[**]: 161 million
Average number of employees: 3,709
Fleet[†]: 367 trains

SOUTHERN

Revenue: £613.5m
Area: London, Surrey, East/West Sussex, Hampshire, Kent
Passenger journeys[**]: 165 million
Average number of employees: 4,039
Fleet[†]: 311 trains

londonmidland

Revenue: £325.3m
Area: London, Milton Keynes, Northampton, Birmingham/West Midlands, Liverpool
Passenger journeys[**]: 55 million
Average number of employees: 2,342
Fleet[†]: 163 trains

£2,297m
REVENUE

£115m
OPERATING PROFIT*

UK BUS

See pages 36-41 for bus operating review

Go-Ahead London

Revenue: £290.0m
Area: Central London, South London, East London
Passenger journeys**: 362 million
Average number of employees: 4,761
Fleet†: 1,481 buses

Go North East

Revenue: £89.3m
Area: Tyne and Wear, County Durham, Northumberland, Teesside
Passenger journeys**: 72 million
Average number of employees: 2,032
Fleet†: 672 buses

METROBUS

Revenue: £80.4m
Area: South East London, Kent, Surrey, East Sussex, West Sussex
Passenger journeys**: 77 million
Average number of employees: 1,425
Fleet†: 446 buses

go southcoast

Revenue: £75.4m
Area: Dorset, Wiltshire, Hampshire, Isle of Wight, Southampton
Passenger journeys**: 40 million
Average number of employees: 1,493
Fleet†: 678 buses

Brighton & Hove

Revenue: £50.2m
Area: Brighton, Hove, Eastbourne, Tunbridge Wells, Steyning/Shoreham
Passenger journeys**: 47 million
Average number of employees: 1,087
Fleet†: 281 buses

oxford bus company

Revenue: £34.3m
Area: Oxfordshire, Routes to: London, Heathrow and Gatwick
Passenger journeys**: 20 million
Average number of employees: 559
Fleet†: 168 buses

Plymouth citybus

Revenue: £18.0m
Area: Plymouth
Passenger journeys**: 14 million
Average number of employees: 462
Fleet†: 169 buses

konectbus

Revenue: £4.3m
Area: Swaffham, Norwich, Dereham, Walton, Wymondham
Passenger journeys**: 3 million
Average number of employees: 85
Fleet†: 47 buses

Thames Travel

Revenue: £0.5m
Area: South Oxfordshire, Berkshire
Passenger journeys**: 3 million
Number of employees†: 98
Fleet†: 43 buses

* Before amortisation and exceptional items.
** Rounded to the nearest one million. Passenger journeys for Thames Travel, which was acquired on 24 May 2011, are approximate annual figures.
† As at 2 July 2011.
Go-Ahead operates in North America through a 50:50 joint venture, Go-Ahead North America, with Cook Illinois.

PUBLIC TRANSPORT: RESILIENT IN DIFFICULT CONDITIONS

UK public transport remains fundamentally strong. While the wider economy still faces challenges we continue to see growth across our businesses. The Government remains committed to ensuring the UK has a strong public transport infrastructure

The economic environment

The last 12 months have not delivered meaningful growth in the wider economy with GDP up only 0.7% in the 12 months to June 2011[1]. It is encouraging that employment rates have remained relatively stable during the financial year. We have seen strong growth on our own services over the period and we believe we are well placed to benefit from wider improvement in economic conditions.

The rising cost of motoring

The costs of motoring have risen steeply with drivers paying at least 20% more to run their cars than a year before[2]. Not only are car owners making fewer journeys in their cars, car ownership is also declining. This is contributing to modal shift with drivers leaving their cars at home and using the better value alternative of public transport. Those switching are finding services that are high quality, reliable and frequent.

The future of rail franchising

Sir Roy McNulty was commissioned by the Department for Transport and the Office of Rail Regulation to conduct a value-for-money study of the UK rail industry. In May 2011, the report, "Realising the potential of GB rail", was published. Key recommendations included longer franchises and closer collaboration around infrastructure. We welcome the report as a positive step in shaping the future of rail franchising which will benefit the industry and passengers alike. A "Rail Delivery Group" with representatives from across the industry, including Go-Ahead, has been convened to help implement the proposals.







1 Office for National Statistics, June 2011.
2 Sainsbury's Finance, June 2011.

Department for Transport spending cuts

The findings of the Government's Comprehensive Spending Review, which were released in October 2010, demonstrated the Government's commitment to public transport with the impact on the bus and rail industries being less severe than many had anticipated.

We identified three potential impacts of government spending cuts in our 2010 Annual Report. These areas were impacted as follows:

Bus Service Operators Grant (BSOG)

Prior situation

- 43ppl fuel duty rebate
- £500m overall annual funding of which Go-Ahead currently receives c£50m

The result

- 20% reduction from April 2012

Financial impact

- 2011/12 c£1.6m cost (net of receipt of 8% smartcard subsidy)
- 2012/13 c£9.6m cost

Mitigation

- Offset in deregulated market by 8% smartcard subsidy in 2011/12
- Built into new London contract tenders ongoing
- Yield benefits and efficiency improvements across services in the rest of the UK

Bus concessionary fares

Prior situation

- £1.2bn overall annual funding of which Go-Ahead currently receives c£60m
- 30% of passenger journeys and 20% of passenger revenue in Go-Ahead's deregulated markets are from concessionary passengers
- Average concessionary fare reimbursement rates were 50-60%

The result

- Government committed to protecting statutory entitlement for travel to ensure older people can maintain greater freedom and independence.
- In practice, we have seen reimbursement rates fluctuate

Financial impact

- Overall impact is negative but not significant (c£2m)

Mitigation

- Continue to drive growth in fare paying passengers

Tendered bus services

Prior situation

- £1.2bn overall annual funding of which c£600m is TfL subsidy
- Go-Ahead has 21% share of London market and less than 10% of deregulated operations are tendered services

The result

- No changes to London bus mileage requirements
- Different levels of cuts across local authorities

Financial impact

- Due to the highly commercial bias of our bus operations the financial impact will be negative but not significant (c£2m)

Mitigation

- Continue with our strategy of operating largely commercial services
- Rationalise services on tendered routes where possible

The Competition Commission

In May 2011, the Competition Commission issued its provisional findings and notice of proposed remedies in response to its inquiry into the UK local bus market. No fundamental change to the regulatory structure of the bus industry is currently being proposed.

Long term growth

Our business continues to grow in what is a difficult financial environment. We are progressing well in delivering our growth strategy and are well placed to embrace future opportunities. Our bus and rail operations remain fundamentally strong and have benefited from passengers leaving their cars at home and choosing better value public transport alternatives.

We will continue to monitor the wider performance of the economy very closely in the months ahead. The Government has shown its commitment to UK public transport and believes that transport infrastructure investment is vital for economic growth. In addition to this, an efficient public transport system reduces traffic congestion, limits air pollution, and helps tackle social exclusion. The Government recognises this and acknowledges that the private sector is best placed to deliver and grow these services.

> "The Coalition Government's vision is for a transport system that generates growth and spreads prosperity. We want one that empowers local communities and supports social mobility and is a cleaner, greener gateway to a better quality of life."
>
> Philip Hammond (Total Politics, April 2011)

COMMITTED TO OUR STRATEGY

Our strategy is designed to deliver earnings and growth for our investors through the responsible delivery of high quality services in the dense urban markets where we operate

Our core strategy is comprised of four priorities to which we are strongly committed. At the beginning of each financial year we set internal targets in line with these priorities. These targets are closely monitored throughout the year at every level of the organisation. At Go-Ahead, we believe that every one of our employees contributes to the successful delivery of our strategy.

The Board remains confident of the Group's strategy and throughout the financial year we made steady progress against our strategic priorities.

We are committed to providing high quality, locally focused public transport, focusing on high density, urban markets.

Strategic Priorities

1 To run our companies in a safe, socially and environmentally responsible manner

As a public transport operator, corporate responsibility is integral to the way we run our business. Ensuring the safety of our passengers and employees is an absolute priority for the Group. We are also committed to reducing the environmental impacts of our operations and strongly believe that a sustainable public transport network is essential to the future of the UK.

See page 8 for more information

2 To provide high quality locally focused passenger transport services

We believe providing a reliable and convenient service encourages passenger growth and offers an attractive alternative to the private car. Our unique devolved structure ensures a strong local focus to provide our passengers with high quality bus and rail services.

See page 2 for more information

3 To focus our operations in high density urban markets

We focus our operations in high density commuter markets, predominantly in the South East of the UK, where there is strong demand for public transport. The UK will remain our primary focus however we will consider investment in overseas operations if we believe it will add shareholder value.

See page 4 for more information

4 To run our business with strong financial discipline to deliver shareholder value

Our aim is to deliver shareholder value through a combination of earnings growth, strong cash generation and balance sheet management, supplemented by value adding acquisitions and disposals.

See page 6 for more information

2011 Progress	2012 Priorities	Risks
• Strong improvements in safety performance: – Employee RIDDOR[1] accidents reduced by 27% – Bus accidents reduced by 6% – SPADs[2] reduced by 21% • Progressing well against Driving Energy Further target to reduce CO_2 emissions (per passenger journey) by 20% by 2015: – Now 12% of target achieved, with carbon emissions per passenger journey reducing by 3% • Site energy usage continues to reduce – 8.5% reduction since 2007/08 baseline • Water consumption continues to reduce	• Further improve safety, working towards target to improve KPIs by 20% by 2015 • Make further progress on our Driving Energy Further target • Reduce site energy by a further 4.5% • Maintain momentum amongst bus and train drivers to further improve fuel efficiency • Deliver the requirements of the Olympic Service Delivery Plan to ensure a robust service during the Games	• Major accident or incident (including terrorism or Act of God) or pandemic – potential for serious injury, service disruption and lost earnings • Service delivery issues during Olympic Games
• Maintained high levels of punctuality: – Deregulated bus operations remained above 90%, as did rail – Excess wait time on regulated bus routes improved by 5% • Customer satisfaction levels remained high: – Over 90% in bus division – Over 82% in rail division • Successfully rolled out The Key in Oxford Bus Company. 32% of journeys in Oxford were made using smartcard during the year • Online sales in rail division increased by 66%	• Maintain high levels of punctuality • Further improve customer satisfaction • Roll out The Key across more companies • Increase rail online sales by 20%	• Major accident or incident (including terrorism or Act of God) or pandemic • Economic environment has a negative impact on the Group's businesses and demand on services • Political and regulatory changes and availability of public funding • Loss of business to competitors • London bus contracts not renewed • Breach of franchise agreement
• Acquired high quality bus operator Thames Travel in Oxfordshire towards the end of the year • Successfully completed first year of yellow school bus contract. Now established as a reliable, quality operator in the market • Go-Ahead is a member of the recently formed Rail Delivery Group and works closely with government and other key parties in the industry on the future of rail franchising • Go-Ahead submitted its bid for the Greater Anglia rail franchise in July 2011. The DfT is expected to announce the successful bidder in the autumn • We have seen passenger growth in our deregulated bus and rail divisions. Deregulated bus has seen like-for-like growth of 2.8% and rail 4.2%	• Assess UK bolt-on bus acquisition opportunities • Win new contracts through our yellow school bus business • Work closely with government on delivery of the McNulty Review and the forthcoming Rail White Paper	• Economic environment has a negative impact on the Group's businesses and demand on services • Political and regulatory changes and availability of public funding • Loss of business to competitors • London bus contracts not renewed • Breach of franchise agreement • Financing risk (loss of liquidity, credit risk on cash investments, interest rate risk)
• Continued to manage cash closely. Operating cash to EBITDA was 83.9% • Dividend per share maintained at 81.0p • Adj net debt to EBITDA was 1.6x within our target range of 1.5x and 2.5x • Further reduced net debt • Five year £275m revolving credit facility secures financing to February 2016	• Continue to manage cash closely to covert EBITDA into operating cash • Prioritise maintaining/growing the amount of dividend per share • Maintain adjusted net debt to EBITDA between 1.5x and 2.5x through the economic cycle	• Major accident or incident (including terrorism or Act of God) or pandemic • Economic environment has a negative impact on the Group's businesses and demand on services • Inappropriate strategy or investment • Political and regulatory changes and availability of public funding • Financing risk (loss of liquidity, credit risk on cash investments, interest rate risk)

1 The Reporting of Injuries, Diseases and Dangerous Occurences Regulations (RIDDOR).
2 Signals Passed At Danger (SPAD).

KEY PERFORMANCE INDICATORS

Go-Ahead continually monitors and measures performance against its key strategic priorities to ensure the entire Group is working together to deliver the long term strategy of delivering high quality passenger transport in the predominately dense urban markets that we serve

Delivering on Strategic Priority 1

The following KPIs underpin our strategic objective to be a responsible operator

RIDDOR accidents per 100 employees

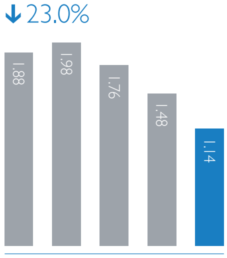
The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) is a statutory requirement for all companies and relates to a work place incident which results in absence from work for over three days or a legally reportable incident to the Health & Safety Executive. We are pleased to report no employee fatalities this financial year.

Why it's important:
Helps us to measure against our commitment to provide a safe working environment for our employees.

Aim: To reduce by 50% by 2015[1] (originally 20%)

RIDDOR ACCIDENTS PER 100 EMPLOYEES

1.14
↓23.0%



Bus accidents per million miles[2]

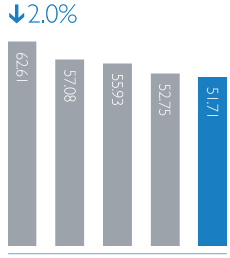
The Board monitors the number of bus accidents which result in a notification to a claims handler.

Why it's important:
Helps us to measure against our commitment to provide a safe and positive travel experience for our bus passengers and helps us to manage accident claim costs.

Aim: To reduce by 20% by 2015[1].

BUS ACCIDENTS PER MILLION MILES

51.71
↓2.0%



SPADs per million miles[3]

Across the rail industry train operating companies are legally required to report Signals Passed at Danger (SPADs). Although every SPAD is treated as a serious incident, most SPADs occur at low speed where braking distance has been misjudged and the train is stopped by automatic warning systems and therefore the likelihood of an accident is very low.

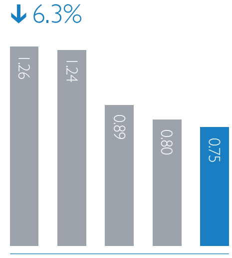
The industry average is 0.63[4].

Why it's important:
Helps us to measure against our commitment to provide a safe rail passenger service.

Aim: To reduce by 50% by 2015[1] (originally 20%)

SPADs PER MILLION MILES

0.75
↓6.3%



Carbon emissions per passenger journey[5]

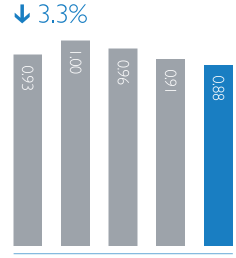
We monitor the carbon emissions from our operations per passenger journey.

Why it's important:
Helps us to measure against our commitment to improve our energy efficiency and deliver high quality services that provide attractive alternatives to car travel.

Aim: To reduce by 20% by 2015[1].

CARBON EMISSIONS PER PASSENGER JOURNEY

0.88
↓3.3%



1. Target uses 2007/08 as the base year.
2. Bus accidents refer to those which result in a notification to a claims handler.
3. SPADs excludes those that occur in our depots, in line with industry reporting.
4. Rail Safety and Standards Board, March 2011.
5. CO_2 conversion factors used are in accordance with the most recent Department for Energy and Climate Change guidelines 2010.

2

Delivering on Strategic Priority 2

The following KPIs underpin our strategic objective to be a high quality operator

Rail punctuality

The punctuality of our rail operations is measured on the basis of the Department for Transport's Public Performance Measure (PPM) on a moving annual average basis. This is the percentage of trains that arrive at their final destination within five minutes of their scheduled arrival time having called at all scheduled stations. This time frame is an industry standard definition for 'on-time' measurement. We also monitor customer satisfaction through the National Passenger Survey, conducted by the statutory public transport users watchdog Passenger Focus. The PPM industry average is 90.9%[6].

Why it's important: Providing a punctual service is one of the most important factors for our passengers. Our PPM performance also forms part of the franchise agreement.

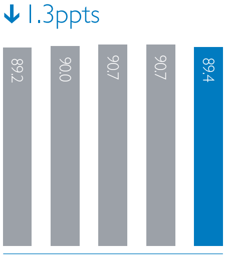
Aim: Maintain our high levels of punctuality at or above 90%.

6. Office of Rail Regulation, National Rail Trends, for the year ended March 2011.
7. Excess waiting time is a Transport for London measure of punctuality and is the time in minutes passengers have to wait for a bus above the average scheduled waiting time.
8. Transport for London, 1 April – 24 June 2011.

SOUTHERN (%)

89.4%

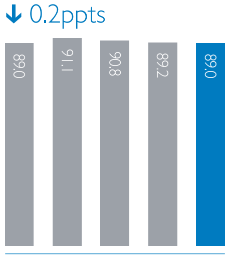
↓ 1.3ppts



SOUTHEASTERN (%)

89.0%

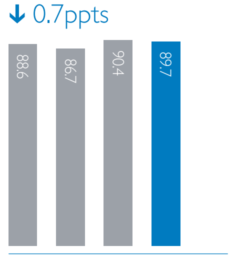
↓ 0.2ppts



LONDON MIDLAND (%)

89.7%

↓ 0.7ppts



London bus punctuality

The reliability of London bus operations is primarily measured on excess waiting time[7]. This is the time passengers have to wait for a bus above the average scheduled waiting time. Therefore, the lower the excess waiting time the better. The industry average is 1.01 minutes[8].

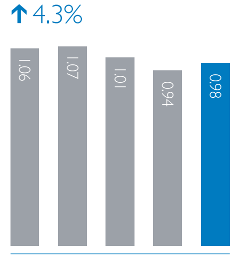
Why it's important: Service punctuality is important to our passengers. We earn extra revenue through Quality Incentive Contracts if we exceed TfL punctuality targets.

Aim: Maintain our low excess waiting time performance at below one minute.

EXCESS WAITING TIME (MINUTES)

0.98 minutes

↑ 4.3%



Deregulated bus punctuality

The punctuality of our deregulated bus operations is measured as a percentage of buses that arrive at their stop between one minute before and five minutes after their scheduled time. Therefore the higher the percentage the better.

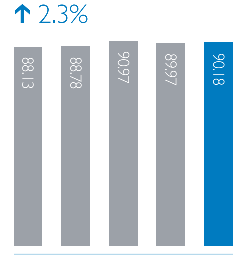
Why it's important: Providing a punctual service is one of the most important factors for our passengers. Delivering a high quality service helps us to grow passenger numbers.

Aim: Maintain our high levels of punctuality at or above 90%.

PUNCTUALITY (%)

90.18%

↑ 2.3%



3

Delivering on Strategic Priority 3

The following KPIs underpin our strategic objective to operate in predominantly high density urban markets

Value adding acquisitions

We are continually assessing acquisition opportunities in line with our strategy. Opportunities are only pursued if we believe they will add value for our shareholders.

In the financial year we added Thames Travel to our group of deregulated bus businesses.

Why it's important: Demonstrates our commitment to strengthening our position in key urban areas and helps us assess the value of our investment.

Aim: Post tax operating profit* from transactions to exceed our post tax weighted average cost of capital of 8%.

Passenger journeys

We focus our operations in predominantly high density urban markets where there is strong demand for public transport.

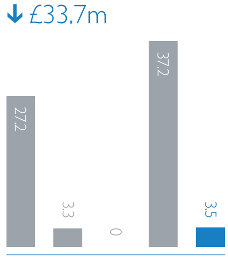
Why it's important: Helps us to demonstrate that our strategy of focusing our operations in urban areas is effective. Our bus and rail passenger journeys have increased despite the challenging economic conditions. In bus, whilst regulated mileage was broadly similar, deregulated passenger numbers increased by 2.3% and in rail, passenger numbers increased by 4.2%. Passenger journeys also helps us to measure against our commitment to provide a high quality service.

Aim: To increase passenger journeys each year by providing a high quality service.

ACQUISITION SPEND (£)

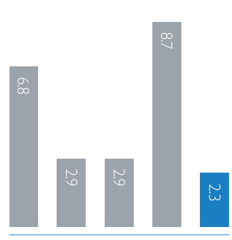
£3.5m

↓ £33.7m



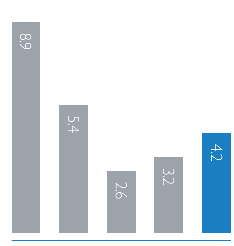
BUS PASSENGERS JOURNEY GROWTH (EXCL LONDON) (%)

↑2.3%



RAIL PASSENGERS JOURNEY GROWTH (%)

↑4.2%



4 Delivering on Strategic Priority 4

The following KPIs underpin our strategic objective to deliver shareholder value

Operating profit growth

Operating profit is measured before amortisation and exceptional items to provide more comparable year-on-year information.

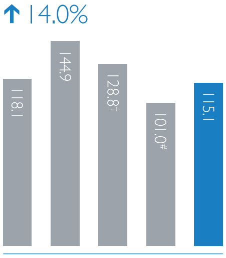
Why it's important: Helps us to measure the underlying performance of our operating companies.

Aim: Increase operating profit* and adjusted earnings per share* year-on-year.

OPERATING PROFIT* (£m)

£115.1m

↑ 14.0%



Cashflow/EBITDA

We manage payments and receipts closely to convert operating profit (before amortisation and exceptional items) into operating cash.

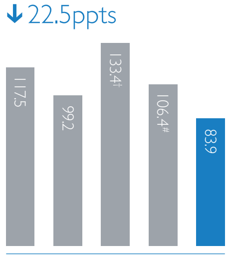
Why it's important: Demonstrates strong working capital management and financial discipline. Strong cash generation provides liquidity.

Aim: Match or exceed cashflow generated from operations to operating profit* plus depreciation (EBITDA).

CASHFLOW GENERATED FROM OPERATIONS/ EBITDA (%)

83.9%

↓ 22.5ppts



Net capital investment/ depreciation

We invest in capital to both maintain and enhance our operations.

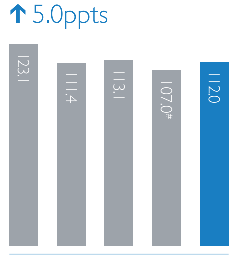
Why it's important: Ongoing investment in our business is beneficial. We want to maintain our high quality operations and invest in new, innovative products to continually improve service quality and reduce costs.

Aim: Maintain capital investment to match depreciation through the cycle, supplemented by additional discretionary investment if value adding.

NET CAPITAL INVESTMENT/ DEPRECIATION (%)

112.0%

↑ 5.0ppts



Dividend cover

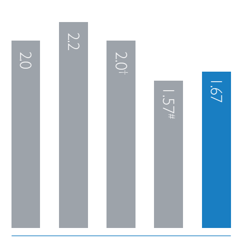
We are committed to delivering shareholder value through our progressive dividend policy.

Why it's important: We measure our dividend cover (adjusted earnings per share* divided by dividend per share) to help us assess how much of our profits we can pay out as a dividend.

Aim: Dividend cover to average 2x adjusted earnings per share* through the economic cycle.

DIVIDEND COVER (X)

1.67x



Adjusted net debt/EBITDA

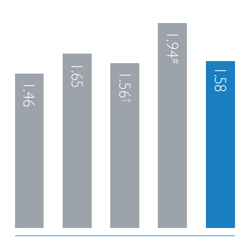
We measure adjusted net debt (net debt plus restricted cash in our rail division) to EBITDA.

Why it's important: Helps us measure against our commitment to preserve a strong capital structure, maintain our investment grade credit ratings and ensure we are within our bank covenant limit of 3.5x.

Aim: Maintain adjusted net debt/EBITDA at between 1.5x and 2.5x through the economic cycle.

ADJUSTED NET DEBT TO EBITDA (X)

1.58x



* Before amortisation and exceptional items.

\# Restated to exclude discontinued operations.

ROBUST RISK MANAGEMENT

The effective management of risk supports the delivery of the Group's objectives, protection of its reputation and achievement of sustainable shareholder value

Go-Ahead's devolved management structure provides a robust risk management and internal control framework, as detailed in the Corporate Governance report on pages 56 to 68.

The diagram below illustrates the key roles and responsibilities for each of the respective functions within our risk management framework. Ultimate accountability for risk management lies with the Board, supported by the work of the Audit Committee to which the Board has delegated responsibility for reviewing the effectiveness of the Group's risk management and internal control systems. With clear leadership from the Board and Audit Committee, the Executive Directors play an integral role in helping the operating companies identify, assess and monitor their respective risks and controls. Through monthly meetings with the senior management of each operating company, the Executive Directors encourage open communication on risk matters within a clearly defined framework and reporting process. Ownership of risk identification and mitigation lies with the senior management in operating companies where it is an integral part of day to day local company operations.

The tables on pages 29 to 31 summarise our assessment of the key risks and uncertainties that could impact the Group's performance. These risks are monitored on an ongoing basis through the Group's risk management processes, together with the effectiveness of mitigation through the internal control environment. Residual risk is assessed by the Board and accepted, if appropriate, as an integral part of the risk and reward of the business, or deemed unacceptable and therefore either reduced, transferred to third parties or avoided by no longer pursuing the relevant activity. The matters described are not intended to be an exhaustive list of all possible risks and uncertainties.

THE GO-AHEAD GROUP PLC: BOARD OF DIRECTORS

- Leadership of risk management
- Sets strategic objectives and risk appetite
- Monitors performance
- Accountable for the effectiveness of the Group's internal control and risk management processes

AUDIT COMMITTEE

- Delegated responsibility from the Board to oversee risk management and internal controls
- Reviews the effectiveness of the Group's internal control and risk management processes
- Monitors the role and effectiveness of the internal auditors and the independence and expertise of the external auditors

EXECUTIVE DIRECTORS

- Communicate and disseminate risk policies
- Support and help operating companies assess risk
- Encourage open communication on risk matters
- Oversee risk management
- Monitor performance
- Assess materiality of risks in the context of the whole Group
- Monitor mitigation and controls
- Facilitate sharing of risk management information and best practice across the Group

INTERNAL AUDIT

- Independently review the effectiveness of the Group's risk management and internal control processes
- Monitor and validate action taken by management
- Provide assurance
- Report monthly to the Executive Directors
- Report quarterly to the Audit Committee

OPERATING COMPANY BOARDS

- Define risk management roles at operational and project level
- Use risk as an explicit part of decision-making and management of external relationships
- Continuous identification of risk, assurance and self-assessment

Group

Risk description	Potential impact	Mitigation
Major accident or incident (including terrorism or Act of God) or pandemic	Potential for serious injury, service disruption and lost earnings	• Rigorous, high profile health & safety programme throughout the Group • Appropriate and regularly reviewed and tested contingency and disaster recovery plans
Economic environment	Negative impact on the Group's businesses and demand for services, in particular, revenues from rail franchises	• Proactive cost control, revenue management and economic modelling of new contracts • Organisational structure of businesses supports close monitoring of prices, capacity and demand • London bus contracts secured for five to seven years • Revenue support in rail
Political and regulatory changes and availability of public funding	Changes to laws and regulations, and further reductions in the availability of government financial support (including bus service operators' grants for fuel, concessionary fare reimbursement and Government and local authority contracts) could adversely impact the Group's operations and financial position	• Closely monitor and understand the impact of proposals for change in the regulatory environment • Actively participate in industry, trade and government forums and maintain close relationships with key stakeholders
Inappropriate strategy or investment	Reduction in economic and shareholder value	• Comprehensive strategic discussions with main Board and advisers • Extensive valuation and due diligence, supported by external expertise • Discipline to "walk away" from opportunities • Value adding investments are required to return in excess of the Group's post tax weighted average cost of capital • Cautious approach to investment opportunities overseas
Competition	Loss of business from a number of competitive sources	• Work closely with stakeholders to manage their requirements including service quality and price
Labour costs and employee relations	A 1% increase in staff costs and salaries across the Group would increase costs by £7.9m. Poor employee relations or reduced availability of staff could adversely impact reputation and revenue	• Experienced approach to wage negotiations and fostering of good relationships with employees and unions at operating company level • Robust and regularly reviewed recruitment and retention policies, training schemes and working practices
Increased pension scheme funding required	The Group participates in a number of pension schemes, including rail and non-rail defined benefit schemes. Any funding shortfalls could adversely impact the Group's financial position	• Rail pension schemes and obligations guaranteed by DfT at end of franchise • Non-rail defined benefit schemes closed to new entrants • Board participation in overall pensions strategy decisions for non-rail pensions arrangements. Dedicated Investment Sub-Committee works with management on de-risking of investments to mitigate volatility
Fuel costs	The Group's bus and rail businesses are exposed to fuel cost volatility, primarily diesel for buses and electricity for rail traction. Increases in fuel prices which are not fully mitigated by the Group's policies, or hedged prices in excess of market prices, could adversely impact the Group's financial position	• The Group forward buys prices for electricity for rail traction as appropriate and regularly enters into forward swap contracts to buy fuel at fixed prices to cover all of the requirements of the current financial year, at least 50% of the requirements for the next financial year and at least 25% for the following financial year
Insurance and claims	The number and magnitude of claims falling within the Group's self-insured limits is significantly higher or lower than expected	• Comprehensive insurance cover, with self-insurance up to defined limits and purchases above these limits from reputable global insurance firms • Insurance and claims activity monitored closely
Financing risk	Loss of liquidity, credit risk on cash investments, interest rate risk	• Board approved treasury policy, which is regularly reviewed • Three year cashflow and covenant forecasts monitored on a monthly basis • Investment grade credit rating • £200m sterling bond issue secures financing to September 2017 • Five year £275m revolving credit facility secures financing to February 2016 • Comprehensive, low risk cash investment policy • 100% of net debt is subject to fixed interest rates

Group continued

Risk description	Potential impact	Mitigation
Succession planning	A failure to attract, or the loss of, key members of senior management could adversely impact the Group's businesses and operations	• The Group prioritises the attraction and retention of senior directors and managers, including through the appointed Nomination Committee, to ensure that the Group has the necessary expertise and continuity
Dividend per share is reduced	Reduces from current full year level of 81.0p per share	• Maintaining dividend per share is a key priority for the Board • Supported by strong cashflows and balance sheet
Service delivery issues during Olympic Games	Failure to comply with Olympic Service Delivery Plan	• Robust preparation and maintenance in advance • Proactive relationships with relevant parties
Information technology failure or interruption	Prolonged or major failure of information technology systems could pose significant risk to the ability to operate and trade	• Process standardisation and continued investment in best practise systems • Clear and tested business continuity plans

Bus Division

Risk description	Potential impact	Mitigation
Economic environment or government cuts reduces demand for bus services	A 1% loss of revenue results in a reduction in operating profit of approximately £0.6m, assuming all costs are variable	• Improved revenue forecasting • Management action plans to reduce costs in the event of a downturn
Further reduction or removal of government funding	Including Bus Service Operators Grant (BSOG) which will reduce by 20% in April 2012. BSOG totalled around £50m for the Group in the year, with just over half in London	• Engage and consult with the Government on the proposals for change • Extensive management initiatives underway to manage and mitigate further reductions
London bus contracts not renewed or reduction in existing revenues through withdrawal or re-pricing	Adverse earnings impact	• Well located depots, 85% capacity freehold • Strong reputation for quality and cost control • Contract retention rate averages over 95%
Concessionary fares scheme reimbursement rates reduce and do not provide an adequate economic return	Concessionary fares accounted for around 20% of the current year's deregulated bus revenue	• Almost all of our schemes have been agreed with local authorities for 2011/2012
Bus fuel prices increase	An increase of ten pence per litre increases the cost of fuel by approximately £11m	• Rolling fuel hedging programme • Fuel fully hedged for next financial year • Good progress on hedging in following year
UK Competition Commission inquiry	Changes arising from the inquiry adversely impact the Group's financial prospects	• Around half of the Group's bus revenues are in London, and therefore outside the scope of this referral • The Group's deregulated operations amount to only approximately 6% of the market which is the subject of the referral. These operations work closely with the UK Competition Commission to ensure that the Group's position is clearly and strongly represented

Rail Division

Risk description	Potential impact	Mitigation
Economic environment reduces demand for rail services	A 1% loss of revenue results in a reduction in operating profit of approximately £8m, assuming all costs are fixed	• Improved revenue forecasting • Management action plans to reduce costs in the event of a downturn • DfT revenue support in Southeastern franchise • Revenue support available in London Midland from 11 November 2011 and in Southern from 21 September 2013
Inaccurate or erroneous bid assumptions	Adverse trends in passenger volumes and inflation adversely affect the Group's rail businesses, results of operations and financial position	• Shared revenue risks with Govia, which is 65% owned by Go-Ahead and 35% by Keolis • Some protection against economic downturn through revenue support arrangements • Significant management resource and financial investment in bidding for new rail franchises • Board approval of overall rail bidding strategy and key partners
Rolling stock issues	Delayed delivery of new rolling stock or faulty equipment could ultimately result in our failure to deliver franchise commitments	• Work with reliable and trusted rolling stock manufacturers • Adopt robust maintenance regimes and rolling stock plans to ensure appropriate availability of trains
Breach of rail franchise agreements	Failure to comply with the conditions of the rail franchise agreements results in penalties, including the potential termination of one or more rail franchise agreements. This could result in the Group losing the right to continue operating the affected operations and consequently the related revenues and cashflows. The Group may also lose cash balances or season ticket bonds set aside to cover working capital requirements, and performance bonds. Any such loss of revenues or cashflow could adversely impact the Group's businesses, results of operations and financial position	• Compliance with franchise conditions closely managed and monitored on a monthly basis to minimise risk of non-compliance • Regular review and monitoring by Board • Bonding severally shared with Go-Ahead at 65% and Keolis at 35%
Loss of franchise	Failure to retain a franchise upon its re-tender could result in loss of earnings in the rail division	• Employ an experienced bid team with a high success rate • Deliver on existing franchise commitments
Earnings volatility impacts Group's financial strength	Rail represents approximately one third of the Group's current year operating profit*	• All rail operations held through Govia, which is 65% owned by Go-Ahead, and 35% by Keolis
Profit improvement plans in Southern franchise bid not delivered	Each 1% of revenue growth not achieved is approximately £5m of operating profit*, assuming all costs are fixed	• Strong and experienced team assembled to deliver the new Southern franchise • Comprehensive tracking of delivery against bid

* Before amortisation and exceptional items.

FINANCIALLY STRONG

Go-Ahead operates with strong financial discipline and is committed to delivering shareholder value

Operating profit* for the year was £115.1m, 14.0% ahead of last year (2010: £101.0m). Adjusted earnings per share* was up 6.5% to 135.2p (2010: 126.9p). Basic earnings per share was 157.1p (2010: 40.1p).

Cash conversion was, once again, excellent with cashflow generated from operations of £137.9m (2010: £160.6m) compared to operating profit before depreciation, amortisation and exceptional items (EBITDA) of £164.3m (2010: £150.9m).

Our balance sheet and financing remain strong. Adjusted net debt to EBITDA was 1.6x at the year end (2010: 1.9x) and remains within our target range of 1.5-2.5x. Our funding is secured in the medium term, through a £275m revolving credit facility, expiring in February 2016, together with our £200m bond which matures in September 2017. At the end of the year we had headroom within the loan facility of £191.0m (2010: £177.0m).

Discontinued operations

Following the disposal of the remainder of our aviation services division during the first half of the financial year, the income statements for both the current period and comparative periods have been re-analysed between those operations which remain (continuing) and those which were sold (discontinued), with the net profit or loss from the latter shown as a one line item at the end of the income statement.

Unless otherwise stated, the narrative throughout this report refers to continuing operations.

A full explanation of discontinued items is provided below.

EBITDA

EBITDA was £164.3m (2010: £150.9m), consisting of operating profit* of £115.1m (2010: £101.0m) and depreciation of £49.2m (2010: £49.9m).

* Before amortisation and exceptional items.

Summary income statement

	2011 £m	2010 Restated £m	Increase/ (Decrease) £m	Increase/ (Decrease) %
Revenue	**2,297.0**	2,167.3	129.7	6.0
Operating profit*	**115.1**	101.0	14.1	14.0
Net finance costs	**(17.5)**	(13.3)	(4.2)	(31.6)
Profit before tax*	**97.6**	87.7	9.9	11.3
Amortisation	**(10.5)**	(10.9)	0.4	3.7
Exceptional items	**(2.3)**	(11.0)	8.7	79.1
Profit before tax	**84.8**	65.8	19.0	28.9
Total tax expense	**(9.8)**	(14.5)	4.7	32.4
Profit for the year	**75.0**	51.3	23.7	46.2
Discontinued operations	**4.4**	(27.8)	32.2	115.8
Non-controlling interests	**(12.0)**	(6.3)	(5.7)	(90.5)
Profit attributable to members	**67.4**	17.2	50.2	291.9
Adjusted profit attributable to members	**58.0**	54.5	3.5	6.4
Weighted average number of shares (m)	**42.9**	42.9	–	–
Adjusted earnings per share (p)*	**135.2**	126.9	8.3	6.5

Pensions

Operating profit* includes the net cost of the Group's defined benefit pension plans for the period of £37.0m (2010: £36.3m) consisting of bus costs of £5.2m (2010: £5.4m) and rail costs of £31.8m (2010: £30.9m). Company contributions to the schemes totalled £44.1m (2010: £43.2m).

The net deficit after taxation on the non-rail defined benefit schemes was £44.3m (2010: £69.8m), consisting of pre tax liabilities of £59.9m (2010: £96.9m) less a deferred tax asset of £15.6m (2010: £27.1m). The decrease in deficit was primarily due to the future benefit indexation changing from RPI to CPI in the period. The pre tax deficit consisted of estimated liabilities of £529.7m (2010: £516.9m) less assets of £469.8m (2010: £420.0m). The percentage of assets held in higher risk, return seeking assets was 46% (2010: 57%), lower than last year due to a continuing exercise to de-risk the pension scheme in line with industry benchmarks.

Rail pensions

As reported at the half year, the rail pension schemes follow the Government's change from RPI to CPI, although the nature of these schemes means we only recognise the share of surplus or deficit expected to be realised over the life of each franchise.

The change from RPI to CPI is expected to reduce the income statement charge from the start of the next financial year. The changes in other assumptions in the period have also been favourable, and would reduce the income statement charge in the financial year to June 2013 to give a total benefit of around £5m per annum in the income statement over the remaining lives of the franchises.

At this stage, we have not assumed any corresponding reduction in cash contributions until agreed with trustees as part of the December 2010 triennial valuation discussions. On this basis, we have recorded a liability of £17.0m (2010: £nil), representing the discounted value of the liability attributable to the remaining franchise period of around £5m per annum. If the future cash contributions were to be agreed in line with the income statement charge, this liability would no longer be required and both the income statement charge and the cash contributions would reduce over the remaining lives of the franchises.

Net finance costs

Net finance costs for the year increased to £17.5m (2010: £13.3m), comprising finance costs of £19.0m (2010: £14.9m) less finance revenue of £1.5m (2010: £1.6m). The increase in net finance costs was primarily due to the full year impact of the interest rates on the £200m sterling bond which was issued at a coupon rate of 5.375% in March 2010. The average net interest rate was 5.5% (2010: 4.8%) for the year and the proportion of gross debt held under fixed interest rate agreements at 2 July 2011 was 113.1% (2010: 105.6%).

Goodwill and intangible amortisation

The charge for the year of £10.5m (2010: £10.9m) represents the non-cash cost of amortising goodwill, intangibles including assets associated with pension accounting for the rail franchises and computer costs. The decrease against the prior year is due to the amortisation on the New Southern Railway Limited franchise acquisition goodwill coming to an end in December 2009.

Exceptional items

Exceptional income before taxation in the year was £1.5m (2010 expense: £46.8m). Exceptional costs on continuing operations for the period were £2.3m (2010: £11.0m) consisting of accelerated depreciation of £3.0m (2010: £2.6m) in respect of articulated London buses which are being phased out, the release of onerous bus leases of £0.3m (2010 expense: £0.9m) and the release of

rail reorganisation liabilities of £0.4m (2010 expense: £6.7m). The discontinued exceptional income of £3.8m (2010 expense: £35.8m) consists of net profit on the sale of residual elements of the ground handling operations and Meteor Parking operations, and adjustments to the provisions in respect of the pre-sale reorganisation costs which related to operations sold in the prior period.

Taxation

Net taxation for the year of £9.8m (2010: £14.5m) included underlying tax on ordinary activities of £22.8m (2010: £20.0m), equivalent to an effective rate of 26.2% (2010: 26.0%) slightly below the UK statutory rate for the period of 27.5% (2010: 28.0%) due to the £7.8m benefit of previous tax efficient asset finance arrangements. The lower charge also reflects £4.4m credit in respect of the impact on deferred tax on the change in statutory rate.

Non-controlling interest

The non-controlling interest in the income statement of £12.0m (2010: £6.3m) arises from our 65% holding in Govia Limited which owns 100% of our current rail operations and therefore represents 35% of the profit after taxation of these operations.

Discontinued operations

In the first half of the financial year the remainder of our aviation services division was sold and, as such, there is no profit or loss from this division shown in continuing operations or exceptional charges in the current or comparative results.

Discontinued operations in the year resulted in a minimal net profit of £0.1m.

Earnings per share

The earnings per share analysis provides four measures: adjusted earnings per share (profit after tax, before amortisation and exceptional items and excluding discontinued items), continuing earnings per share (after amortisation and exceptional items) and total earnings per share (including discontinued operations). In the year, adjusted earnings per share also excludes the one-off tax benefit of £7.8m relating to the agreement of tax efficient leasing schemes and the £4.4m, in respect of the impact on deferred tax due to the change in statutory rate.

Adjusted earnings (net profit after tax on continuing operations attributable to members before amortisation and exceptional items) were £58.0m (2010: £54.5m) resulting in a 6.5% increase in adjusted earnings per share from 126.9p to 135.2p.

The weighted average number of shares remained at 42.9 million (2010: 42.9 million), as did the closing number of shares in issue, net of treasury shares.

Summary cashflow

	2011 £m	2010 £m	Increase/ (Decrease) £m
EBITDA†	**164.3**	150.9	13.4
Working capital/other	**(26.4)**	9.7	(36.1)
Cashflow generated from operations	**137.9**	160.6	(22.7)
Tax paid	**(24.9)**	(18.8)	(6.1)
Net interest paid	**(12.1)**	(10.7)	(1.4)
Net capital investment	**(55.0)**	(54.7)	(0.3)
Free cashflow	**45.9**	76.4	(30.5)
Net acquisitions and joint venture investment	**(6.9)**	(35.9)	29.0
Cash acquired from businesses	**–**	1.9	(1.9)
Disposal of subsidiary operations	**10.9**	14.8	(3.9)
Franchise transfer/other	**(2.0)**	(2.1)	0.1
Dividends paid	**(28.6)**	(52.3)	23.7
Share issues/buybacks	**(0.8)**	(0.1)	(0.7)
Decrease in net debt	**18.5**	2.7	15.8
Opening net debt	**(88.3)**	(91.0)	2.7
Closing net debt	**(69.8)**	(88.3)	18.5

† Operating profit before interest, tax, depreciation, amortisation and exceptional items.

Dividends

The Board is proposing a total dividend for the year of 81.0p per share (2010: 81.0p). This includes a proposed final payment of 55.5p (2010: 30.0p) payable on 18 November 2011 to registered shareholders at the close of business on 4 November 2011. The final dividend paid last year was lower due to a one-off change to the proportion of the full year dividend paid as an interim dividend in advance of the 1 April 2010 change to taxation.

Dividends paid in the period represent the payment of last year's final dividend of 30.0p per share (2010: 55.5p) and the interim dividend in respect of this year of 25.5p per share (2010: 51.0p).

Cashflow

Cash generated from operations before taxation was £137.9m (2010: £160.6m). Tax paid of £24.9m (2010: £18.8m) comprised payments on account in respect of the current year's liability. Net interest paid of £12.1m (2010: £10.7m) is less than the charge for the period of £17.5m (2010: £13.3m) but in line when adjusted for accrued amounts in respect of the sterling bond. Capital expenditure, net of sale proceeds, marginally exceeded last year at £55.0m (2010: £54.7m).

Following a decision to alter the proportion of last year's total dividend payable as a final dividend, dividends paid to parent company shareholders amounted to £23.8m (2010: £45.7m) consisting of 30.0p per share final dividend for 2010 (2010: final dividend for 2009 was 55.5p) and 25.5p interim dividend for 2011 (2010: 51.0p). Dividends to non-controlling interests were £4.8m (2010: £6.6m) following the agreed deferment of the year end dividend into 2012.

During the period, the Company repurchased 58,632 of its own shares at £0.8m (2010: 26,447 shares at £0.3m) for potential Long Term Incentive Plan (LTIP) awards that may vest in the future (and Directors' bonus plan 2010). No shares were issued (2010: 14,000 shares for proceeds of £0.2m).

Capital structure

	2011 £m	2010 £m
Five year syndicated facility 2012	**275.0**	280.0
£200m 7½ year 5.375% sterling bond	**200.0**	200.0
Total core facilities	**475.0**	480.0
Amount drawn down at 3 July	**284.0**	303.0
Balance available	**191.0**	177.0
Restricted cash	**189.7**	204.0
Net debt	**69.8**	88.3
Adjusted net debt	**259.5**	292.3
EBITDA†	**164.3**	153.2
Adjusted net debt/EBITDA†	**1.58x**	1.94x#

† Operating profit before interest, tax, depreciation, amortisation and exceptional items.

\# Restated to exclude discontinued operations.

Balance sheet

In the first half of the financial year, on 26 July 2010, we entered into a US$10m facility with RBS to provide medium term funding for our North American yellow school bus joint venture, using the US$ denomination to provide a currency hedge against our US$ investment in the joint venture. At 2 July 2011 $6.2m or £3.9m of this facility was utilised.

In the second half of the financial year, on 3 February 2011, we refinanced our £280m revolving credit facility, due to expire in November 2012, with a £275m revolving credit facility expiring in February 2016. This new facility, together with our £200m bond expiring in September 2017, secures significant medium term finance. At the year end there were no other bank loans (2010: £5.6m).

Net debt was £69.8m, a continued improvement on prior years (2010: £88.3m; 2009: £91.0m), consisting of the £200m sterling bond, amounts drawn down against the £275m (2010: £280m) five year revolving credit facility of £84.0m (2010: £103.0m); hire purchase and lease agreements of £5.5m (2010: £10.0m); dollar loan of £3.9m (2010: £nil); medium term loans of £nil (2010: £5.6m) and overdrafts of £5.0m (2010: £5.8m), partly offset by cash and short term deposits of £228.6m (2010: £236.1m) which included restricted cash in rail of £189.7m (2010: £204.0m).

Adjusted net debt, consisting of net debt plus restricted cash, was £259.5m (2010: £292.3m), equivalent to 1.6x EBITDA (2010: 1.9x), well within our target range of between 1.5x – 2.5x through the cycle, and significantly below our primary financing covenant of not more than 3.5x.

Net assets totalled £31.4m at the end of the year compared to a liability of £(41.3)m at 3 July 2010. The increase of £72.7m consists primarily of profit for the period of £79.4m, less dividends of £28.6m and post tax movements in other comprehensive income of £22.3m and other reductions of £0.4m.

We have retained the investment grade ratings from Moody's (Baa3, stable outlook) and Standard and Poor's (BBB-, stable outlook) achieved last year ahead of the issue of our sterling bond.

Risk management

Key risks and uncertainties are detailed on pages 28 to 31, and include political and economic risks such as political and regulatory changes and availability of public funding, together with other risks such as a major accident or incident. Page 28 summarises how we manage these risks across the Group.

Keith Down, Group Finance Director

31 August 2011

BUS

£642m
REVENUE

£67m
OPERATING PROFIT*

At Go-Ahead we are committed to providing high quality, reliable services for our passengers in the many areas in which we operate

OUR BUS HIGHLIGHTS AT A GLANCE

2011 Bus highlights

	2011**	2011	2010
Total bus operations			
Revenue (£m)		**642.4**	629.5
Operating profit* (£m)		**67.1**	63.7
Margin		**10.4%**	10.1%
Deregulated bus			
Revenue (£m)		**290.9**	273.4
Operating profit* (£m)		**33.7**	27.2
Margin		**11.6%**	9.9%
Regulated bus			
Revenue (£m)		**351.5**	356.1
Operating profit* (£m)		**33.4**	36.5
Margin		**9.5%**	10.2%
Revenue growth			
Deregulated	**5.1%**	**7.4%**	9.0%
Regulated	**(2.3)%**	**(1.3)%**	6.5%
Volume growth			
Deregulated – passenger journeys	**2.3%**	**4.7%**	8.7%
Regulated – miles operated	**(0.6)%**	**(0.8)%**	7.4%

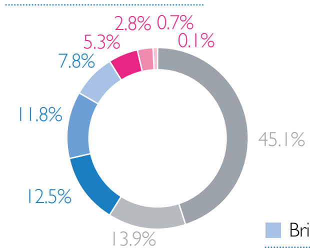
* Before amortisation and exceptional items.

** On a like-for-like basis, adjusting to 52 weeks in 2010 and excluding acquisitions.

Bus revenue by operating company

	2011 (£m)	2010 (£m)
Go-Ahead London	**290.0**	296.5
Go North East	**89.3**	86.2
Metrobus	**80.4**	77.6
Go South Coast	**75.5**	74.2
Brighton & Hove	**50.2**	49.7
Oxford Bus	**34.2**	34.4
Plymouth Citybus	**18.0**	9.6
Konectbus	**4.3**	1.3
Thames Travel	**0.5**	0.0
Total Bus	**642.4**	629.5

2011 revenue split



Our brands

OUR BUS PERFORMANCE

Go-Ahead is one of the UK's leading bus operators. We are the largest operator in London, with around 21% market share, and operate in Oxford, East Anglia and southern, south east and north east England. We also operate a yellow school bus joint venture in North America

Bus services are an essential form of travel in our cities and rural areas. For some people, it is their only means of transport and for others it is a positive choice because it is cost effective, reliable and convenient. Go-Ahead understands what passengers value from our services and that is why delivering quality is at the forefront of everything we do. Getting that right is why we have continued to see growth.

Our core strategy

We are a passenger focused business providing quality services in predominantly urban areas across the UK.

While many of the markets in which we operate have common features, each has its own unique characteristics. That is why we employ locally based management teams who have a thorough understanding of their local markets. All of our companies have local identities and branding which we believe our passengers value. We take an active role in the communities we serve so that our companies are part of their local communities. This enables our businesses to respond quickly and appropriately to changing local needs.

Our aim is to grow our market share of the UK bus industry organically and through value adding bolt-on acquisitions, particularly outside London, where we believe there is considerable growth potential.

While our focus is the UK transport market, we continue to look at opportunities overseas. We are now one year into the operation of our yellow school bus joint venture in North America and we have established ourselves as a reliable and credible operator in the market.

The UK bus market

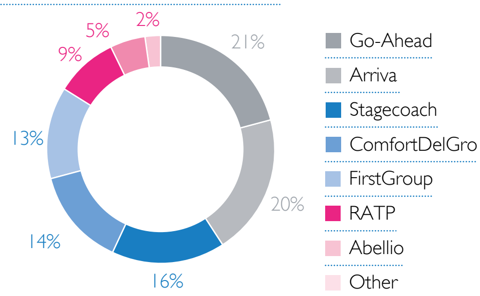
The use of public transport is growing, and within that market, the bus is the most frequently used mode of transport in the UK. Around 5.2 billion passenger journeys[1] are made each year on UK bus networks.

1 Department for Transport, June 2011.

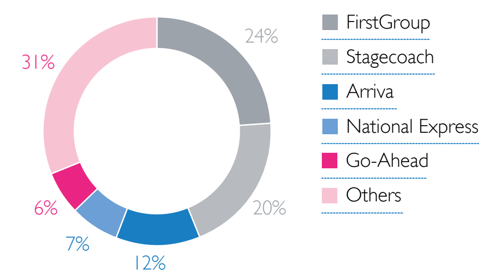
Our key achievements for 2011

- Record operating profit* achieved in the financial year
- Passenger numbers and passenger revenue growth across all deregulated operations
- Acquisition of Thames Travel during the year
- Introduction of The Key across more of our bus operations

London bus market share[2]



UK deregulated bus market share[3]



The UK bus market is comprised of two models: the London market which is regulated by Transport for London (TfL); and the rest of the UK which is deregulated and largely operated on a fully commercial basis.

The bus market has remained resilient and has indeed grown despite the wider economic conditions the UK faces.

The costs of motoring continue to rise, while bus fares on our services continue to offer excellent value. With the "cost gap" between car and bus continuing to grow, an increasing number of former car users are switching to the bus.

1 Transport for London, September 2010.
2 Go-Ahead analysis.
3 Go-Ahead analysis.
4 Around 70% of Metrobus' operations are in the regulated, London market.

The London market (Regulated market)

The majority of public transport journeys in London take place on the bus, over two billion a year compared with around one billion on the London Underground[1]. The short to medium term prospects in this market are positive. In its latest business plan, TfL stated that mileage in the London bus network would be protected, following the Comprehensive Spending Review in October 2010. With buses being such a vital form of transport, combined with congestion charging and a limited ability to expand the tube network, we expect the London bus market to remain very resilient in the long term.

The rest of the UK (Deregulated market)

Bus services outside London are comprised of commercial routes and tendered contracts and are run by private operators. The short to medium term prospects in this market are good as an increasing number of people switch from private car to bus travel. We are introducing smartcard technology across our networks to make travel even easier and more convenient. We believe this, combined with an increased marketing focus, will further enhance prospects over the next 12 months.

Our business model

Go-Ahead operates in the UK bus market through nine business units: Go-Ahead London, Go North East, Go South Coast, Metrobus, Brighton & Hove, Oxford Bus Company, Plymouth Citybus, Konectbus and Thames Travel.

The Group has around 21% of the London bus market, through Go-Ahead London and Metrobus[4]. Its operations in the rest of the UK give around a 6% share of the deregulated UK bus market.

Our London operations

Go-Ahead has been a major player in the London bus market since the early 1990s. We currently have a market share of around 21%, operating over 100 bus routes and carrying approximately one million passengers a day.

Our success in the London bus market is the result of our strong and experienced management team who are committed to running high quality, frequent bus services in the capital; and our network of well located freehold depots, through which we are able to achieve cost efficiencies.

KEY INITIATIVES THIS YEAR

KEEPING OUR PASSENGERS INFORMED

Across our businesses we have seen some pioneering use of social media to keep customers informed of service updates in a real time environment, particularly useful during the heavy snow in January 2011. Customers used sites such as Facebook to check which services were running and to add commentary themselves to keep other customers updated. Go North East, in particular, was commended for its use of social media during this time with the number of Facebook fans jumping from 6,000 to 30,000 in just two weeks.

Customer Relationship Management (CRM) and social media are areas that we will continue to develop across the Group.

Transport for London
All London bus routes are regulated by TfL which issues tenders for route contracts. These contracts are typically five years long with a potential two year extension based largely on performance. They are awarded to private operators on a cost per mile basis. TfL contracts are price index adjusted, designed to offset inflationary increases in costs. As a result, operators' profits are typically not impacted by inflationary changes.

Quality Incentive Contracts
In addition to earning revenue per mile, we also generate revenue through good performance. TfL sets performance targets called Quality Incentive Contracts (QICs) to incentivise high quality service provision. Operators receive cash bonuses when targets are met and are penalised if performance falls short. We consistently rank highly in TfL performance league tables.

In 2010, our QIC bonus revenue totalled £12.3m, comprised of £8.8m earned against QIC1 targets based on punctuality and £3.5m through QIC2 targets based on factors such as bus driver attitude and bus cleanliness.

Quality incentive bonuses earned in the financial year just ended totalled £8.0m. This decrease is due to two, previously reported factors. In March 2010, TfL withdrew QIC2 as a cost saving measure, as such all QIC revenue reported for the financial year just ended was derived from QIC1. In addition, the ability to earn QIC1 bonuses has declined in the period as more challenging performance targets have been introduced.

The rest of the UK
We focus our operations in the rest of the UK on dense, urban operations where we offer high quality, frequent and convenient services that are excellent value. Our locally focused, passenger oriented businesses are able to respond swiftly to the individual needs of the communities they serve. Our companies set their own fares on a commercial basis but work closely with local authorities and other stakeholders to provide services to meet local demand.

Local authorities
All of our companies outside of London operate on a largely commercial basis with less than 10% of our services being tendered routes. As a result of this strategy we have not been significantly exposed to local authority spending cuts.

We have good relationships with local authorities which are key to our success as an operator in this market.

MAKING TRAVEL SIMPLER FOR OUR PASSENGERS

Go-Ahead has introduced The Key, our Group-wide smartcard designed to provide best value tickets to regular customers, into more of our businesses. The Key makes travelling simpler for our passengers, saving them time and money.

Combining this with significant advances in CRM software means we better understand our customers and are better placed to cross sell products across the business and inform customers of special offers

We have seen growth in passenger numbers across all of our bus operations in the year to 2 July 2011.

2011 performance overview

The performance of our bus operations was strong, with operating profit* at record levels.

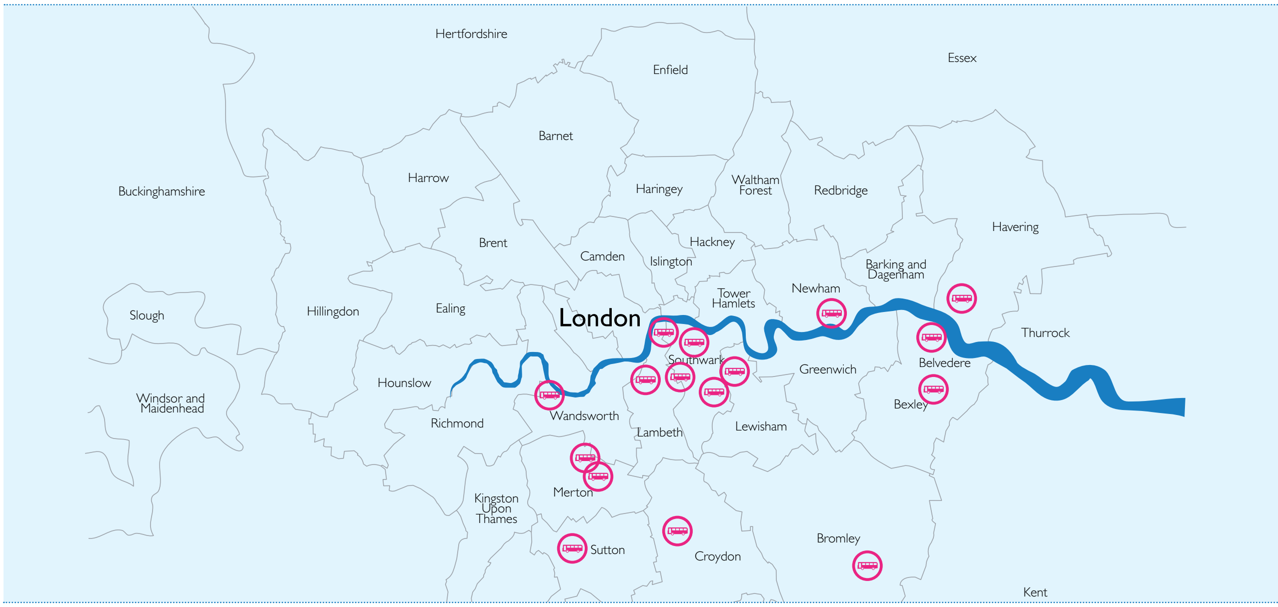
Revenue increased by 2.0%, or £12.9m, to £642.4m (2010: £629.5m), consisting of £17.6m or 2.8% from acquisitions and a decrease of 1.3% due to this year being one week shorter than the comparative period. Like-for-like growth was a net 0.4%, with growth across the deregulated businesses of 4.1% being offset by an expected and previously reported reduction of 2.4% in our London operations.

Operating profit* was £67.1m, increasing in the year by £3.4m or 5.3% (2010: £63.7m), marking a return to the record profit levels achieved in 2009. Of this increase £2.6m was due to acquisitions with like-for-like increases in our deregulated business being largely offset by reductions in our regulated operations.

Operating profit* margin increased to 10.4% (2010: 10.1%) despite a fall in the operating margin in our regulated business. This year's operating profit* has benefited from a like-for-like reduction in costs for the commodity cost of fuel of £6m and increases in the Bus Service Operators Grant (BSOG) receivable from implementation of ITSO Smartcard technology in our deregulated fleet. However, these benefits have been largely offset by additional duty costs and increased accident claim costs of

* Before amortisation and exceptional items.

Go-Ahead's London bus depots



£6.3m. Our regulated operations have seen the highest claims cost increases and we are now undertaking a detailed review of operating procedures and claims cost management. Like-for-like performance, excluding acquisitions, remained strong. Revenue growth was achieved in each of our deregulated businesses. Regulated revenue has reduced by £4.6m, of which £3.5m relates to QIC2 which was withdrawn in this financial year. We have maintained a strong discipline in cost control and this remains a priority with initiatives focusing on both procurement and scheduling efficiency.

We continue to use around 115 million litres of fuel each year and have hedged all of our expected fuel requirements at 41p per litre (ppl) compared with an average price of 47ppl in 2010. The total fuel rebate provided through BSOG was 42 ppl, in addition to which we received an additional 8%, or 2ppl, in our deregulated businesses for the introduction of ITSO Smartcard technology.

Our local management remain responsible for local wage negotiations to ensure that we continue to pay market rates and match reward with ongoing productivity improvements. The 2011 year costs included £5.2m of pension costs (£2010: £5.4m).

Total depreciation for the division was £38.1m (2010: £35.5m) and net capital expenditure was £35.7m (2010: £39.6m). The average age of our deregulated fleet remains one of the youngest in the sector.

Acquisitions

This year has seen continued benefits from acquisitions made during 2010 in the regulated and deregulated businesses and they are included within acquisitions data until the first anniversary of each entity becoming part of the Group. Subsequent to this point their results are deemed to be like-for-like.

2010/11 acquisition

On 24 May 2011 we purchased the entire share capital of Thames Travel, a high quality operator based in Oxfordshire. With annual turnover of around £5.5m Thames Travel will be run as a stand-alone operation overseen by management at Oxford Bus Company.

2009/10 acquisitions

East Thames Buses was acquired from Transport for London by our Go-Ahead London operation in October 2009. In the same month, our Metrobus subsidiary acquired Arriva's Horsham depot which operates a mix of regulated routes and deregulated services.

Plymouth Citybus, a high quality urban business which operates from a centrally based freehold depot was acquired by the Group in December 2009.

In March 2010, we acquired the entire share capital of Konectbus in Norfolk and Go North East acquired the Hexham operations of Arriva at the same time we sold our Ashington depot to Arriva.

Deregulated bus operations

All of our operating companies reported continued underlying revenue growth, resulting in a revenue increase of 7.4% of which acquisitions represented 4.2%, offset by a 1.9% fall due to the shorter period with like-for-like growth totalling 5.1%. Passenger journeys increased by 4.7%, of which acquisitions represented 4.3%, a 1.9% fall due to the shorter period and like-for-like growth was 2.3%, with the majority of the increase from fare paying passengers.

Revenue growth trends remained positive in the second half of the year with like-for-like growth of 5.0%, marginally below that of the first half where like-for-like growth was 5.2%. Like-for-like passenger numbers also increased in each of our operating companies with a total second half increase of 2.8% compared to a first half increase of 1.8%.

Our locally focused businesses can respond to the needs of our customers.

Operating profit margins in the deregulated bus division have increased from 10% last year to 11.6%.

We believe understanding our customers is a key driver to our business, as is providing a safe and reliable service. During the year our deregulated services saw punctuality at 90% (2010: 90%) with some operating companies achieving higher than 95%, despite the adverse weather conditions in the early part of this calendar year.

Regulated bus operations

Our regulated bus operations in London performed well. Reduced QICs and lower contract margins were largely offset by effective cost control. Revenue declined by 1.3% in the year, acquisitions represented 1.8%, a 0.8% fall due to the shorter period, which leaves a like-for-like reduction of 2.3%. Contracted mileage was marginally behind 2010, declining by 0.8% to 72.2 million miles, of which an increase of 1.6% came from acquisitions, a 1.8% fall due to the shorter period resulting in a like-for-like decrease of 0.6%.

QIC bonuses reduced to £8.0m (2010: £12.3m), of this reduction £3.5m was from QIC2 incentives for driver quality and bus incentives which were withdrawn by TfL during the previous year. Our strong performance means we continue to earn QICs where available and continue to perform well in the TfL quality league tables, operating in excess of 99.6% of our target mileage before traffic congestion losses (2010: 99.5%).

Revenue trends were in line with our expectations with negative growth in the second half of 0.3% compared to a first half reduction of 4.9%.

Our ability to tender effectively is supported by our depot capacity in London: 85% of our depots are freehold, which provide a strong base for contract renewals as this reduces factors such as dead mileage (the distance travelled between the beginning/end of a route and the depot). During 2011, we retained contracts for 270 peak vehicle requirements (PVR), won new work for 137 PVR and lost 47 PVR. 2011/12 has started positively on both contract wins and retentions with no losses to date.

The decommissioning of articulated buses by TfL, that was announced in 2010, has been confirmed and all of these vehicles will be removed from service by September 2011. Certain routes have been retendered and re-awarded to us using double deck vehicles. We have continued the process of accelerating the depreciation on these vehicles to a nil residual value with an exceptional charge for the year of £3.0m (2010: £2.6m). We are seeking opportunities to utilise these vehicles elsewhere in the Group.

Operating margins have decreased from 10.2% last year to 9.5% largely due to reductions in QIC bonuses.

North American joint venture

In August 2010 our 50:50 North America joint venture with Cook Illinois began two contracts in St Louis, Missouri to run approximately 120 buses. Our investment in the joint venture is through a combination of debt and equity and totals US$6.2m (£3.9m) provided through a US$10m revolving credit facility held in the UK. Whilst the result for the year was a break even position we believe we have a good foundation for profitability on these contracts going forward. While the 2011 tendering round has not secured new work for the joint venture, we will use the experience we have gained in the 2012 tendering round.

Outlook

We anticipate that the performance of our bus divisions will remain strong into the next financial year. In our deregulated business, retaining customers who have switched from private cars will be a priority, together with further growth in passenger numbers. Our regulated operations have started the year well with new contract wins and no losses. We will work to maintain our high rankings in TfL league tables.

In May 2011, the Competition Commission issued its provisional findings and notice of proposed remedies in response to its inquiry into the UK local bus market. No fundamental change to the regulatory structure of the bus industry is currently being proposed.

In April 2012 the 20% reduction in BSOG will be enacted. This will result in a financial impact in the year to 30 June 2012 of around £1.6m, as the reduction in the grant will be partly offset by a smartcard subsidy of 8%. To mitigate these reductions going forward, contract tender bids in London will be adjusted and deregulated operations will introduce efficiency improvements and yield benefits to offset the reduced subsidy.

We anticipate that the strong demand for our services will continue and we continue to seek opportunities to develop our business organically and acquisitively.

RAIL

£1,655m
REVENUE

£48m
OPERATING PROFIT*

Our focus is on providing our passengers with frequent and reliable services on our busy commuter rail franchises

OUR RAIL HIGHLIGHTS AT A GLANCE

2011 Rail highlights

	2011**	2011	2010
Revenue (£m)		1,654.6	1,537.8
Operating profit* (£m)		48.0	37.3
Margin		2.9%	2.4%
Passenger revenue growth			
Southern	8.6%	6.5%	9.8%
Southeastern	8.4%	6.4%	7.5%
London Midland	8.6%	6.8%	10.0%
Volume growth			
Southern	2.3%	0.4%	4.5%
Southeastern	5.0%	3.0%	1.4%
London Midland	7.2%	5.5%	4.6%

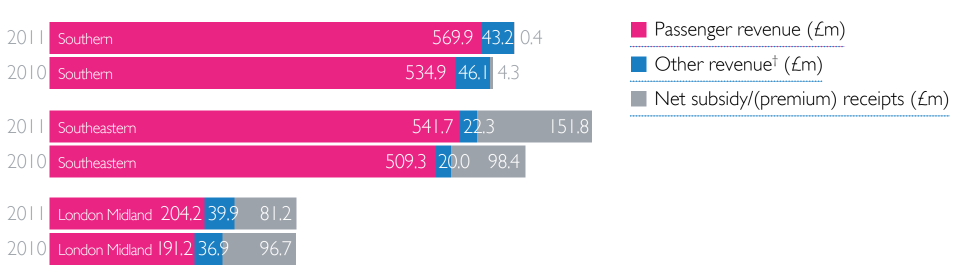
* Before amortisation and exceptional items.
** On a like-for-like basis, adjusting to 52 weeks in 2010.

Rail revenue by franchise

	2011 (£m)	2010 (£m)
Southern	613.5	585.3
Southeastern	715.8	627.7
London Midland	325.3	324.8
Total Rail	1,654.6	1,537.8

Our brands

Total revenue split (£m)



† Other revenue varies between franchises but may include revenue from parking, third party maintenance and sub leasing rolling stock.

OUR RAIL PERFORMANCE

Go-Ahead is the UKs busiest rail operator, carrying the majority of rail passengers in and out of London on its three franchises: Southern, Southeastern and London Midland. In the UK, around 30% of all train journeys are made on our services

Our key achievements for 2011

- Passenger number and passenger revenue growth across all three franchises
- Southeastern franchise extended until at least March 2014
- Franchise bid submitted for the Greater Anglia Rail Franchise. The outcome is due to be announced in autumn 2011.
- Award winning marketing campaign in London Midland and record passenger satisfaction scores in Southeastern

Our core strategy

We are a passenger focused business providing frequent and reliable services through intensive urban commuter rail franchises in the UK.

Operationally, our aim is to continue improving services to ensure the needs of our passengers are met. We also aim to create greater shareholder value through our rail businesses and support the role of the Rail Development Group in working to shape the future of rail franchising.

The UK rail market

Public transport is becoming a bigger part of people's daily lives in the UK. Millions of people each year rely on the UK's comprehensive rail network to travel for business and leisure. Latest industry figures show that in 2010 around 1.3 billion train journeys were made on the UK rail network[1].

The UK rail industry is regulated by the Department for Transport (DfT) and rail services are operated within franchises run by individual train operating companies (TOCs). There are currently 19 franchises, operated by nine transport providers.

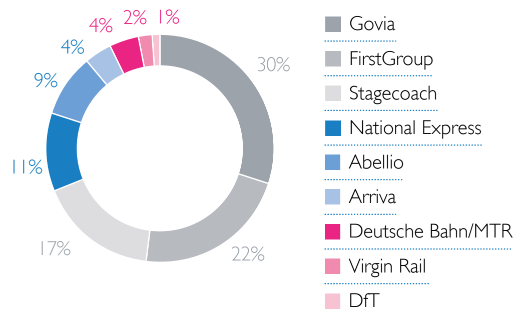
The market is competitive and, with an increasing number of operators entering the market margins remain low. Profit margins below 5% are not untypical in the current market.

The rail industry is driven by GDP and employment and, as such, the testing economic conditions have presented challenges. TOCs have seen volatility of earnings due to the nature of the current franchising model requiring franchise bids to be submitted on the basis of economic forecasts years into the future.

Throughout the economic downturn, it has become evident that short-distance commuter routes, such as those that we operate, have been more resilient than long-distance inter-city routes as only a small proportion of revenue is derived from discretionary spending.

1 Association of Train Operating Companies, July 2011.

UK rail market share[2]



The future of UK rail

The findings of Sir Roy McNulty's value-for-money study of the UK rail industry, released in May 2011, demonstrate that changes across the industry could result in a more efficient rail transport system. Go-Ahead acknowledges that improving value for money, through the implementation of the study's recommendations, is necessary for the industry.

We believe there is great strength in the longer term prospects of the rail industry. The recent value-for-money study identified inefficiencies and detailed recommendations for change. We acknowledge the need for change in the industry and are committed to working with the Government and key organisations within the rail industry to bring these changes about.

Our business model

Go-Ahead currently operates in the UK rail market through Govia, a 65% owned joint venture with Keolis. We run three franchises: Southern, Southeastern and London Midland, which typically operate busy commuter services. We currently carry around 30% of rail passengers in the UK and generate 20% of total industry revenue.

2 Office of Rail Regulation, National Rail Trends, for the year ended March 2011; and Go-Ahead analysis.

Department for Transport

All UK rail services are regulated by the DfT which issues franchise tenders for which private operators bid. Currently, franchises typically last for around eight years and are awarded to operators on a largely financial basis. Operators submit detailed franchise bids which ultimately specify the level of premium the operator will pay to the DfT or the level of subsidy it will require from the DfT for operating the franchise. Franchises are highly specified by the DfT who provide detailed conditions in franchise agreements which the successful bidder must adhere to.

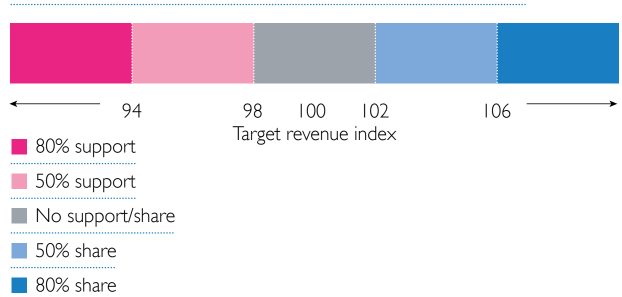
The current franchise model does not allow sufficient flexibility to respond to changing market conditions and passenger needs. For some time we have been working closely with the DfT to move towards a more flexible model that will result in a more efficient railway that better meets the requirements of passengers and shareholders alike.

Revenue risk

The majority of UK rail franchises have a revenue share and support mechanism under the current structure, as detailed below:

Revenue share operates from the start of a franchise. If the franchise exceeds revenue expectations set out in the bid a defined proportion of the excess is paid to the DfT. If actual revenue is between 2% and 6% above bid revenue, 50% of the excess is paid to the DfT. If actual revenue is more than 6% above

Standard DfT revenue share and support model†



† This mechanism applies to all three of Go-Ahead's rail franchises.

KEY INITIATIVES THIS YEAR

AWARD WINNING MARKETING INITIATIVES

During the year London Midland has driven off-peak sales through its "The Great Escape" campaign; an off-peak travel promotion around school half-term holiday periods, enabling passengers to travel anywhere on the network for just £10 a day. London Midland undertook vast market research to increase understanding of the key drivers behind leisure travel and used eye-catching posters, a series of radio adverts, and innovative use of web and social media channels to promote the offer. "The Great Escape", which has helped drive passenger growth in London Midland, won the Rail Professional Marketing Campaign of the Year at the 2011 Rail Business Awards.

We have seen growth in passenger numbers in our three rail franchises in the year to 2 July 2011.

bid revenue, 80% of any excess above 6% is paid to the DfT in addition to 50% of the excess between 2% and 6%. One hundred percent of revenue generated between bid revenue and 2% is retained by the operator.

Revenue support operates from the start of the fifth year of a franchise. It is designed to provide significant mitigation for any revenue shortfall in the later part of the franchise. The mechanism is similar to that for revenue share, but in reverse. If actual revenue is between 2% and 6% below bid revenue, 50% of the shortfall is received from the DfT. If actual revenue is more than 6% below bid revenue, 80% of any shortfall is above 6% is received from the DfT in addition to 50% if the shortfall is between 2% and 6%. One hundred percent of revenue generated between bid revenue and 2% is retained by the operator.

The franchise models of Go-Ahead's three TOCs include these mechanisms. Currently, Southeastern is receiving revenue support at 80%. Four of the six UK rail franchises eligible for revenue support currently receive it.

IMPROVING SERVICE QUALITY

All our operations are committed to delivering a high quality of service. Southern's service quality management approach, which assesses train and station presentation and customer service, has been audited over 2,000 times and is continually reviewed and improved. During the year, Southern's stakeholder management board launched a 'Stars and Tsars' service quality award to further engage staff. Since its introduction, service quality scores have increased by an average of 16% across Southern's stations.

Tracks & Trains

Under the current structure TOCs are not responsible for rail infrastructure or rolling stock. Infrastructure is owned and managed by Network Rail and TOCs pay for the right to use it, such as track access fees. Rolling stock is typically leased from leasing companies for the duration of a franchise.

Ticketing & Fares

The DfT regulates peak-time weekday fares (i.e commuter based fares), determining the annual January movement in fares through a standard formula. Until January 2011 this formula was typically Retail Price Index (RPI), from the previous July, plus 1% (RPI + 1%). However, it was announced in October 2010 that with effect from January 2012 the standard formula would change to RPI + 3%, the formula currently used to determine fare levels in our Southeastern franchise. Regulated passenger revenue increases are factored into bid assumptions, effectively these increases form part of the subsidy reduction or premium increase built into the franchise contract with DfT and generally do not benefit the operators directly.

In August 2011, the Government announced that the July 2011 RPI, which will apply to January 2012 fare increases, was 5.0%.

Franchise subsidy/premium profiles are adjusted for inflation and, as a result, the profits of TOCs do not typically benefit from inflationary changes.

2011 performance overview

The operating profit* from our rail division was in line with our expectations and significantly ahead of last year, benefiting from a continuous shift away from car usage, innovative marketing, rigorous cost control and procurement and contract management benefits.

Total revenue increased by 7.6% or £116.8m, to £1,654.6m (2010: £1,537.8m), with all three franchises showing passenger revenue growth in excess of 8% on a like-for-like basis. In total, passenger revenue increased by £80.4m, or 6.5%, to £1,315.8m (2010: £1,235.4m), on a like-for-like basis this was £103.5m or 8.5%, the difference being the additional week in the prior year. Other revenue increased by £2.4m, or 2.3% to £105.4m (2010: £103.0m) and DfT subsidy increased by £34.0m or 17.1% to £233.4m (2010: £199.4m). The increase in DfT subsidy primarily reflects higher receipts in respect of high speed services in Southeastern amounting to £53.1m. This was offset by additional access charges and running costs for this service and reductions in underlying subsidy in Southeastern and London Midland. In addition, but included in operating costs, are DfT premia payable by Southern of £54.2m (2010: £12.8m).

Operating profit* increased by £10.7m or 28.7%, to £48.0m (2010: £37.3m) reflecting increased passenger revenue from off-peak services, and stringent cost controls in each of the franchises and significant contract management benefits. Operating profit margin increased by 0.5% to 2.9% (2010: 2.4%).

Total depreciation for the rail division was £11.1m (2010: £14.4m). Net capital expenditure was £18.4m (2010 £18.2m), the majority of which represented franchise commitments in Southern and London Midland.

* Before amortisation and exceptional items.

Current franchises

Franchise | Size | Franchise length | Revenue support

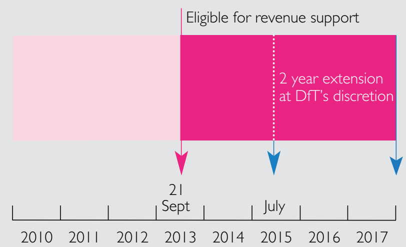
Southern

Central/South London, East & West Sussex, Hampshire (includes Gatwick Express)

£569.9m
Passenger revenue

165m
Passenger journeys

c.50%
Commuter passengers



Passenger revenue in the financial year was nearly 1% above bid assumptions. Target passenger revenue in the bid assumed average growth in real terms (before inflation) of around 6% per annum for the life of the franchise

Southeastern

Central/South East London, Kent, East Sussex

£541.7m
Passenger revenue

161m
Passenger journeys

c.70%
Commuter passengers

In 80% revenue support
We expect the franchise to remain in 80% support to the end of the current franchise

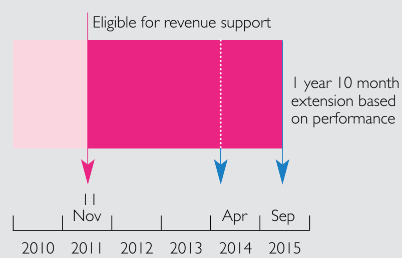
London Midland

North London, Milton Keynes, Northampton, Birmingham – Liverpool

£204.2m
Passenger revenue

55m
Passenger journeys

c.50%
Commuter passengers



Passenger revenue in the financial year was around 4% below bid assumptions. Target passenger revenue in the bid assumed average growth in real terms (before inflation) of around 6% per annum for the life of the franchise. Becomes eligible for support in November 2011 and may require this at the 50% level

Go-Ahead rail (premium)/subsidy profile (£m)

	Southern	Southeastern	London Midland	Total	Variance
1 July 2010 – 30 June 2011	(42)	105	80	**143**	(77)
1 July 2011 – 30 June 2012	(82)	55	74	**47**	(96)
1 July 2012 – 30 June 2013	(116)	5	65	**(46)**	(93)
1 July 2013 – 30 June 2014	(149)	(23)	55	**(117)**	(71)
1 July 2014 – 30 June 2015	(187)	–	44	**(143)**	(26)
1 July 2015 – 30 June 2016	(15)	–	8	**(7)**	136
	(591)	142	326	**(123)**	

The above figures are subject to change, including adjustment for indexation.

Southern

Total revenue in Southern consisted of passenger revenue of £569.9m (2010: £534.9), other income of £43.2m (2010: £46.1m) and net subsidy receipts of £0.4m (2010: £4.3m).

Like-for-like passenger revenue growth was 8.6% (2010: 9.8%), with second half growth of 10.1% ahead of the first half at 7.1%, a similar pattern to 2010. Passenger numbers increased by 2.3% on a like-for-like basis when compared to last year (2010: 4.5%). Second half passenger growth was relatively flat, increasing by 0.5% in the second half compared to 4.2% in the first half, partly reflecting the strong growth achieved in the same period last year. Gatwick Express' performance has improved in recent months.

Local management has made excellent progress in delivering bid initiatives and online promotions and marketing continue to add real value with a growing proportion of sales coming through online portals. Operational quality and customer interaction initiatives are key to the success of the franchise. Our public performance measure (PPM) showed that 89.4% (2010: 90.7%) of our trains arrived on time and the spring National Passenger Survey customer satisfaction rating was 82% (2010: 84%). Both were impacted by the adverse weather disruption earlier in the year.

As this franchise was bid for in 2009 in full anticipation of the economic downturn we continue to achieve passenger revenue slightly above the bid submission.

Southeastern

Having successfully completed a continuation review period in December 2010 we were awarded an extension to the Southeastern franchise that will now see the franchise retained within the Group until at least 31 March 2014.

Total revenue in Southeastern consisted of passenger revenue of £541.7m (2010: £509.3m), other income of £22.3m (2010: £20.0m) and net subsidy receipts of £151.8m (2010: £98.4m).

The like-for-like increase in full year passenger revenue was 8.4% (2010: 7.5%), consisting of a first half increase of 12.0% and a second half increase of 5.5%. Passenger numbers increased by 5.0% (2010: 1.4%) compared to last year, with a second half increase of 4.7% slightly lower than the first half growth of 5.6%. The continued growth of the high speed service is a strong contributor to this growth. The difference between passenger revenue and passenger numbers partly reflects the RPI + 3% fare regime in this franchise, and partly the premium fare charged in respect of Southeastern's high speed services.

Southeastern became entitled to revenue support from 1 April 2010. Revenue support is provided by the DfT based on projections of the relevant revenue amounts for the rail year ended each March compared to bid. As Southeastern is operating at around 90% of bid revenue the DFT provides 50% support between 98% and 94% and 80% support for any shortfall below 94%. Revenue support in the year was £22.6m (2010: £6.6m).

Southeastern particularly benefited from procurement and contract management benefits this year. This and the cost savings through staff reductions last year have ensured that the company is in good shape for the remainder of the franchise.

Our operational performance in Southeastern remained strong, with a PPM of 89.0% (2010: 89.2%) of our trains arriving on time and the spring National Passenger Survey customer satisfaction rating improved to 82% (2010: 81%).

London Midland

Total revenue in London Midland consisted of passenger revenue of £204.2m (2010: £191.2m), other income of £39.9m (2010: £36.9m) and net subsidy receipts of £81.2m (2010: £96.7m).

Like-for-like passenger revenue growth was 8.6% (2010: 10.0%) with first half growth at 7.1% and second half growth of 9.9%. Passenger numbers increased by 7.2% on a like-for-like basis (2010: 4.6%) for the full year, consisting of a first half year increase of 4.3% followed by 10.1% for the second half. This second half in particular benefited from award winning marketing campaigns.

The operational performance of our London Midland franchise remains resilient and we achieved a PPM of 89.7% (2010: 90.4%) and a customer satisfaction rating of 83% (2010: 86%) for the period, despite industrial action in the second half of the year.

Costs in this franchise remain complicated by legacy issues and will continue above bid assumptions. However, this will continue to be an area of focus as we try to restore margins in the franchise.

Outlook

While the outlook for rail remains difficult to predict, we are convinced of the strengths of the rail industry and are well positioned for future franchise bids.

Current developments in marketing campaigns, online sales and customer relationship management have proven invaluable, principally in Southern and London Midland and we will be pursuing these initiatives to maintain growth momentum.

Our Southern franchise continues to deliver strong sales growth and we anticipate that it will perform broadly in line with the financial assumptions in the bid into the next financial years.

In Southeastern, we expect to remain in 80% revenue support until the end of the franchise, which is now confirmed as March 2014 at the earliest. Strong cost control in this franchise is key to remaining profitable in the future.

In London Midland, we will maintain our approach of driving revenue through online sales and our successful marketing campaigns, principally for off-peak fares, as well as focusing on cost control measures. London Midland becomes eligible for revenue support in November 2011 and may require this at the 50% level.

Overall, we are assuming a small reduction in operating profit* margin next year compared to this financial year, largely due to the £13m non-recurring contract management benefits achieved in the year just ended.

On 21 July 2011 we submitted our bid for the Greater Anglia Rail Franchise and keenly await the outcome of DfT considerations, due to be published before November 2011.

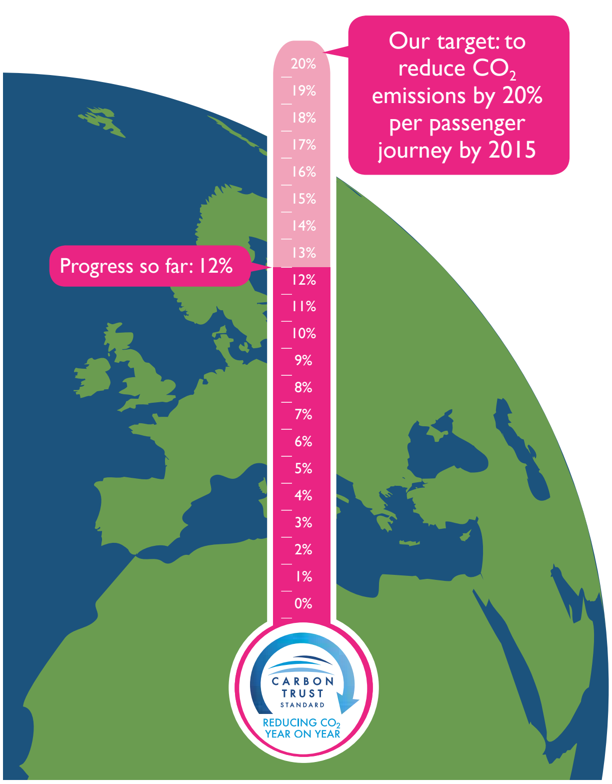
The Government review of the future of rail franchising is still underway, and the fundamentals of how rail franchising will operate should become clearer ahead of the rebidding timetable for our incumbent franchises.

* Before amortisation and exceptional items.

OPERATING RESPONSIBLY

For Go-Ahead, corporate responsibility means a number of things. It is about operating our trains and buses safely, reducing the impact of our operations on the environment and being passenger focused. It also means developing our staff and enriching our local communities while growing our business profitably for our shareholders

Reducing our environmental impact



HIGHLIGHTS

Safe and secure networks

- New "Eyewitness" scheme introduced by Southern encourages staff to use their eyes and ears and report anti-social behaviour via their smartphone
- 86% of footfall covered by Secure Station Status

Reducing our impact on the environment

- Carbon emissions per passenger journey reduced by a further 3%
- First transport operator to achieve Carbon Trust Standard Re-accreditation
- First UK park and ride bus operator to run green electric hybrid buses. Oxford Bus Company introduced 17 new double deck vehicles, supported by the Government's Green Bus Fund
- London Midland became the first UK train operating company to fit 100% of its electric train fleet with energy meters to monitor traction electricity

Customer focused approach

- New tactile maps launched at Southern in partnership with the RNIB, helping people find their way around stations. The award-winning Maps for All scheme was commended for going well beyond the requirements of the Disability Discrimination Act
- Roll-out of The Key smartcard across 50% of our bus operations
- Transport watchdog Passenger Focus' survey found that 97% of passengers were satisfied with the service they received from Konectbus
- Southeastern worked with the Olympic Delivery Authority to consult passengers about the proposed timetable for the 2012 Olympics

Making Go-Ahead a good place to work

- £12m spent on staff training, the equivalent of 90,000 training days
- Southeastern achieved silver Investor in People status and Southern achieved Investor in People status

Contributing to our communities

- £182,000 contributed to charities and community groups across our businesses
- Achieved silver rating in 2011 Business in the Community's Responsibility Index. The index rates companies on community activity, the environment, workplace and marketplace

Strategy

As a leading UK transport provider, we face a wide range of issues which are complex and inter-related. Some of those issues are within our control, some we can influence and others are more difficult to manage. We believe that by operating in a safe, socially and environmentally responsible manner we are better placed to achieve long term shareholder value and meet our stakeholders' expectations of our business.

For Go-Ahead, working with stakeholders is a fundamental part of the way we run our businesses. We analyse information we get from research, meetings and surveys to understand key issues for different groups and use it to plan our corporate responsibility strategy and set new commitments.

We also work in partnership with other parties such as central and local government, our customers and colleagues to tackle issues and find solutions.

Our values

Putting passengers first to deliver high-quality bus and rail services

Empowering our employees to work as a team and deliver a quality service. Our devolved management approach enables a strong local focus

Innovating to deliver change and growth

Our approach

Underpinning our approach to corporate responsibility are our values; they help ensure we run our businesses in a safe, socially and environmentally responsible manner.

Our key stakeholders

EMPLOYEES

Our 22,000 employees keep our company moving. They work in a wide range of roles, driving our trains and buses, maintaining our vehicles and supporting our businesses through our HR, finance, marketing and communications teams

PASSENGERS

Over one billion passenger journeys are made with us each year

COMMUNITY

Good relationships with local community groups including bus and rail user groups are essential to our business

GO-AHEAD PLC

GOVERNMENT AND LOCAL AUTHORITIES

We work closely with Government because we know that policy and regulatory changes can affect our business

INVESTORS

Attracting private investment is vital to our success. We maintain open and frequent dialogue with investors

SUPPLY CHAIN

Our suppliers help us to deliver our services in a safe and environmentally responsible manner. Key suppliers include bus and train manufacturers and Network Rail

Progress against our key areas

Our approach to operating responsibly covers five key areas of our business: safety, environment, our passengers, employees and the community. We have commitments and targets in each of those areas

Working with responsible partners

We work with an external agency, Bureau Veritas, who verify our corporate responsibility data collection process.

Overall objective

Safety

Achieve a 20% improvement across our health and safety KPIs by 2015 by providing a safe and secure network for our passengers, staff and the general public.

Environment

To reduce our CO_2 emissions per passenger journey by 20% by 2015.

Passengers

Attract more passengers each year by providing quality, easy to use bus and rail services.

Employees

Make Go-Ahead a good place to work.

Community

Be an outstanding member of the communities we operate in.

2011 progress	2012 objectives
• Bus accidents (which result in a notification to a claims handler) per million miles reduced by 17.6% • Signals Passed at Danger (SPADs) per million miles reduced by 6.3% • 271 stations with Secure Station Status • Staff RIDDOR[1] accidents per 100 employees reduced by 23.0% • Group-wide health and safety forum held every quarter • Annual safety audit of all business	• Further improve high safety standards, working towards 2015 targets • Continue to reduce crime and anti-social behaviour on our networks
• First UK transport operator to receive Carbon Trust re-accreditation • 12% reduction in CO_2 emissions per passenger journey achieved, against 2015 target of 20% • 8.5% reduction in site energy usage achieved since 2007/08 • Electricity traction for rail (EC4T) efficiency improved by 4% • Southern achieves ISO140001 environmental management system • Introduction of Environment Champions staff scheme at Southern • Group-wide energy forum held every quarter • Continued involvement in UK-wide Greener Journeys campaign to remove one billion car journeys from the road by 2014	• Continue to improve energy efficiency to further meet our 2015 Driving Energy Further target • Reduce site energy by 4.5% • Roll-out Environment Champions Scheme • Continue to engage and motivate employees in energy efficiency projects and initiatives
• Like-for-like passenger journey growth of 2.3% and 4.2% in our bus and rail divisions respectively • Maintained high punctuality scores • Achieved 91% passenger satisfaction score in bus (compared to 85% across the industry as a whole) • Achieved 82% passenger satisfaction score (national average is 84%) • Continued roll-out of Go-Ahead's The Key smartcard to 50% of our deregulated bus businesses • Go-Ahead Customer Relationship Management (CRM) established enabling more targeted passenger marketing • Increased use of social media to communicate with passengers, including Twitter, Facebook, blogs and online consultation/panels	• Further improve customer satisfaction scores across bus and rail • Maintain high levels of punctuality • Complete roll-out of The Key smartcard across Go-Ahead's deregulated bus businesses by early 2012 • Roll-out of The Key across Southern in autumn 2011
• Southern achieved Investor in people status • Southeastern achieved silver Investor in People (IiP) status • £12m spent on training – an increase of 20% on last year; this equals 90,670 training days • Low levels of staff turnover 10.4% and absenteeism 4.8% maintained	• More staff to receive work-related training • Southern to achieve bronze IiP status; Southeastern to achieve gold IiP status
• £182,000 donated to charities and community groups • Achieved silver in Business in the Community (BITC) responsibility index • Extensive engagement programme with wide range of stakeholders	• Continue to use BITC's responsibility index to benchmark ourselves against our peers and other sectors • Continue working closely with stakeholders to inform our decisions

1 Reporting of Injuries, Disease and Dangerous Occurences Regulations (RIDDOR).

BOARD OF DIRECTORS

Sir Patrick Brown

Company Chairman

Term of office:

Sir Patrick Brown joined the Board in January 1999 as Non-Executive Director, becoming Company Chairman in October 2002. He was last re-elected by shareholders at the 2010 Annual General Meeting (AGM) and will again stand for annual re-election at the AGM in October 2011.

Independent:

On appointment.

Committee membership:

Chairman of the Nomination Committee and member of the Remuneration Committee. Regularly attends Audit Committee by invitation.

External appointments:

Senior Independent Director at Northumbrian Water Group plc (Chairman of the Audit Committee and member of the Nomination and Remuneration Committees); Non-Executive Director of Northumbrian Water Ltd, Northumbrian Water Share Scheme Trustees Ltd, Camelot UK Lotteries Ltd and Camelot Global Services Ltd; Chairman of the UK Advisory Board of Alexander Proudfoot Ltd.

Previous experience:

Sir Patrick Brown spent ten years in industry and management consultancy before joining the Civil Service, initially involved in privatisation in the Department of Transport (DfT) during the 1980's. He then moved to the Department of the Environment, before returning to the DfT as Permanent Secretary from 1991 to 1997.

David Brown

Group Chief Executive

Term of office:

David Brown was appointed as Deputy Chief Executive on 1 April 2011 before his accession to Group Chief Executive on 3 July 2011. He will stand for election before shareholders at the AGM in October 2011.

Committee membership:

Member of the Nomination Committee. Attends Audit Committee and Remuneration Committee by invitation.

External appointments:

None

Previous experience:

David Brown was previously Managing Director of Surface Transport at Transport for London (TfL). Before joining TfL, David was Chief Executive of Go-Ahead's London bus business, from 2003 to 2006, and was a Main Board adviser. Prior to this he held the positions of Managing Director from 1999 and Operations Director for London General/London Central. His 28 year transport career began with London Transport.

Keith Down

Group Finance Director

Term of office:

Keith Down was appointed to the Board as Group Finance Director in March 2011. He will stand for election before shareholders at the AGM in October 2011.

Committee membership:

Attends Audit Committee by invitation.

External appointments:

None

Previous experience:

Prior to joining Go-Ahead, Keith Down worked for JD Wetherspoon plc as Finance Director and Company Secretary. Before joining JD Wetherspoon plc in 2007 he served as Commercial Finance Director of Tesco plc. Keith is a Chartered Accountant.

Keith Ludeman

Keith Ludeman, former Group Chief Executive, retired from the Board on 2 July 2011.

Nick Swift

Nick Swift, former Group Finance Director, resigned from the Board on 7 March 2011.

Rupert Pennant-Rea

Senior Independent
Non-Executive Director

Term of office:

Rupert Pennant-Rea joined the Board in October 2002 and was appointed Senior Independent Non-Executive Director in October 2008. He was last re-elected by shareholders at the 2010 AGM and will stand for annual re-election at the AGM in October 2011.

Independent:

Yes

Committee membership:

Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.

External appointments:

Non-Executive Chairman of PGI Group Ltd, Defaqto Group Ltd, The Economist Newspaper Limited and Henderson Group plc (Chairman of the Nomination Committee). Non-Executive Director of Henderson UK Finance plc, Times Newspapers Holdings Ltd, Specialist Waste Recycling Ltd, The Economist Group Trustee Company Ltd and Gold Fields Ltd (member of the Gold Fields Ltd Nomination & Governance Committee and Audit Committee).

Previous experience:

Rupert Pennant-Rea was Deputy Governor of the Bank of England from 1993 to 1995, prior to which he was Editor of The Economist. He has held a large variety of Non-Executive Directorships over the last 15 years.

Andrew Allner

Non-Executive Director

Term of office:

Andrew Allner joined the Board in October 2008. He was last re-elected by shareholders at the 2010 AGM and will stand for annual re-election at the AGM in October 2011.

Independent:

Yes

Committee membership:

Chairman of the Audit Committee. Member of the Remuneration and Nomination Committees.

External appointments:

Non-Executive Chairman at Marshalls plc (Chairman of the Nomination Committee); Non-Executive Director at CSR plc (Chairman of the Audit Committee and member of the Nomination and Remuneration Committees); Non-Executive Director at Northgate plc (Chairman of the Audit Committee and member of the Nomination and Remuneration Committees); Non-Executive Director of AZ Electronics Materials S.A. (Chairman of the Audit Committee).

Previous experience:

Andrew Allner is a Chartered Accountant and a former partner at PricewaterhouseCoopers. He was Group Finance Director of RHM plc between 2004 and 2007, and Chief Executive of Enodis plc prior to this. He was also a Non-Executive Director of Moss Bros Group plc and Chairman of their Audit Committee until 2005.

Katherine Innes Ker

Non-Executive Director

Term of office:

Katherine Innes Ker joined the Board in July 2010. Following her appointment, she was elected by shareholders at the 2010 AGM and will stand for annual re-election at the AGM in October 2011.

Independent:

Yes

Committee membership:

Member of the Audit, Remuneration and Nomination Committees.

External appointments:

Senior Independent Director of Tribal Group plc (Non-Executive Chairman of the Remuneration Committee and member of the Audit and Nomination Commitees) and Non-Executive Director of St Modwen Properties plc.

Previous experience:

Katherine Innes Ker's previous Non-Executive Directorships include Taylor Wimpey plc, Marine Farms ASA, Taylor Woodrow plc, The Television Corporation plc, Fibernet plc, Williams Lea plc, The Ordnance Survey, Shed Media plc and Gyrus Group plc. Katherine has also spent a decade working in the City.

Carolyn Sephton

Group Company Secretary

Term of office:

Carolyn Sephton was appointed as Group Company Secretary in July 2006.

Committee membership:

Secretary to the Audit, Remuneration and Nomination Committees.

External appointments:

None

Previous experience:

Carolyn Sephton spent 12 years working for Northern Electric, predominantly in the field of pensions, before joining Go-Ahead in 2001. Carolyn is a Chartered Secretary and a Fellow of the Institute of Chartered Secretaries and Administrators. Prior to her appointment as Group Company Secretary she was Assistant Company Secretary for the Group with responsibility for non-rail pensions and a wide range of company secretarial functions including share schemes, legislative compliance, corporate governance and codes of conduct specific to the Group's business activities.

SENIOR MANAGEMENT

Alex Carter

Managing Director,
Go South Coast

Alex has been Managing Director since 2003. He controls eight businesses within Go South Coast embracing bus, coach and engineering. Alex joined the bus industry in 1981 in its nationalised form and has held a number of senior roles post-privatisation.

Alan Eatwell

Managing Director,
Metrobus

Alan has been Managing Director since 2001 and was previously the Group's Engineering Director. Alan has over 40 years' experience in the bus industry and successfully participated in the management buy-out of Brighton & Hove.

Roger French

Managing Director,
Brighton & Hove

Roger has been Managing Director of Brighton & Hove since the company was purchased by Go-Ahead in 1993. He joined Brighton & Hove in 1982 and as general manager he was part of the company's management buy-out. Roger received an OBE in 2005 for his services to public transport and an Honorary MA degree from Brighton University in 2007.

Peter Huntley

Managing Director,
Go North East

Peter has been Managing Director since 2006. He has brought a wide range of innovations and developments to the north east business. Peter has over 35 years' experience in the bus industry including periods working with local and national Government on policy development.

Philip Kirk

Managing Director, Oxford Bus Company & Thames Travel

Philip has been Managing Director of the Oxford Bus Company since 2001, having joined the company in 1995 shortly after it was acquired by Go-Ahead. He has 30 years' experience of managerial and technical positions in bus companies, and is chair of the Oxford City Centre Management Company. Philip became Managing Director of Thames Travel upon its acquisition by Go-Ahead in May 2011.

John Trayner

Managing Director,
Go-Ahead London

John has been Managing Director since 2006. He joined the Group in 2002 as Operations Director of London Central/General having previously held senior positions at Arriva London. He has worked in the transport industry for 30 years.

Plymouth citybus

Andrew Wickham

Managing Director,
Plymouth Citybus

Andrew Wickham was appointed Managing Director in December 2009 when Go-Ahead acquired the company. He was previously Operations Director for Go South Coast. Andrew has over 20 years' management experience in the bus industry.

SOUTHERN

Chris Burchell

Managing Director,
Southern

Chris has been Managing Director of Southern since April 2006, having previously been Operations Director for two years. He has also worked at Thames Trains, the Foreign & Commonwealth Office and Railtrack, accumulating over 14 years of railway experience.

londonmidland

Mike Hodson

Managing Director,
London Midland

Mike was appointed Managing Director in July 2009. Previously, he was Operations and Safety Director of Southeastern and was instrumental in the successful introduction of the High Speed preview service. Mike was Managing Director of Thames Trains from 2003 to 2004 and has over 30 years' experience in the rail industry. In August 2011 it was announced that Mike will retire at the end of 2011.

southeastern.

Charles Horton

Managing Director,
Southeastern

Charles has been Managing Director since April 2006, after three years in the same role at Southern. He has gained extensive management experience in a career spanning 24 years in National Rail and London Underground.

Go-Ahead

Martin Dean

Managing Director,
Bus Development

Martin joined Go-Ahead in 2008. He leads and acts as a focus for all bus development and acquisition activity in the Group and oversees Konectbus and Go-Ahead North America operations. Previously, Martin held senior management roles in rail and bus with FirstGroup and National Express. He began his career with London Transport.

Go-Ahead

Patrick Verwer

Managing Director,
Rail Development

Patrick was appointed Managing Director of Rail Development in December 2010. He joined Go-Ahead's former aviation services division in December 2007 as Managing Director of aviance. Previously, he spent more than 10 years with Netherlands Railways in various executive roles. Patrick came to the UK in 2002 to lead the Serco/ NedRailways Merseyrail concession in Liverpool.

FULLY COMMITTED TO HIGH STANDARDS

Board structure at a glance
Providing the right balance of skills knowledge and experience p60

Effective risk management
Managing our risk and internal controls p64

Committees in action
A formula for success p65

Appointment of new Executive Directors

Comprehensive review of remuneration policy

Incorporation of new UK Corporate Governance Code

Strengthened risk management and internal controls

Dear Shareholder

On behalf of the Board, I am pleased to present the Corporate Governance Report for 2011.

Corporate Governance

Throughout the year, the Board has continued to be committed to maintaining the highest standards of corporate governance and we welcome the new UK Corporate Governance Code (the "Code") which applies to Go-Ahead in full for this financial year. We believe that good governance is integral to the way our business is run and it is this commitment that has been a positive contributing factor to the effectiveness of the Board during the year.

The Code emphasises the Board's responsibility for providing the leadership necessary to promote the success of the Company within the context of an effective framework of accountability, oversight and risk mitigation. As Chairman, I am conscious that it is my responsibility to provide leadership to the Board in order to ensure its effectiveness and to oversee the delivery of the Group's strategy. In this regard, I am mindful of the importance of encouraging the productive engagement of all Board members so as to enable all Directors to work in unison within a culture of openness and debate.

In this statement, I identify how we apply the Code's principles relating to the role and effectiveness of the Board.

Board composition

The Board aims to have a diversity of skills, experience, length of service, knowledge and gender. We welcome the publication of the Davies Review on "Women on Boards". The benefits of greater Board diversity, not just gender specific, are clear and this is a positive step forward.

BOARD CHANGES

Keith Down, Group Finance Director with effect from 7 March 2011, and David Brown, new Group Chief Executive with effect from 3 July 2011.

The Board's aspiration has always been, and will continue to be, to maintain a high level of diversity. Our Nomination Committee carries out its search for candidates from the widest possible pool of talent against a set of objective criteria on the basis of merit, with due regard to the benefits of diversity on the Board.

Following Katherine Innes Ker's appointment in July 2010, our Board has 17% female representation. Including our Group Company Secretary Carolyn Sephton, who was appointed in July 2006, our Board has 28% female representation. The Board will aspire to maintain at least this level of diversity of gender going forward, however, our foremost priority is to ensure that Go-Ahead continues to have the strongest possible leadership, and we will appoint only the most appropriate candidates.

As a Board, we will consider our response to any changes to the UK Corporate Governance Code arising from the Financial Reporting Council's recent consultation document "Gender Diversity on Boards".

Board changes

During this year we announced two Board changes. Our Group Chief Executive, Keith Ludeman, retired on 2 July 2011. His replacement, David Brown, joined us as Deputy Chief Executive on 1 April 2011, allowing a smooth and organised handover of duties on 3 July when he became Group Chief Executive. On 7 March 2011, Keith Down replaced Nick Swift as Group Finance Director.

We acknowledge that it is never ideal to have the two most senior executives leave at around the same time, but I am pleased that our succession planning process was efficient and effective. We have made two excellent external appointments that maintain the strength of our Board, providing a continuation of the leadership necessary to promote the success of the Company for the long term value of shareholders.

Our devolved structure

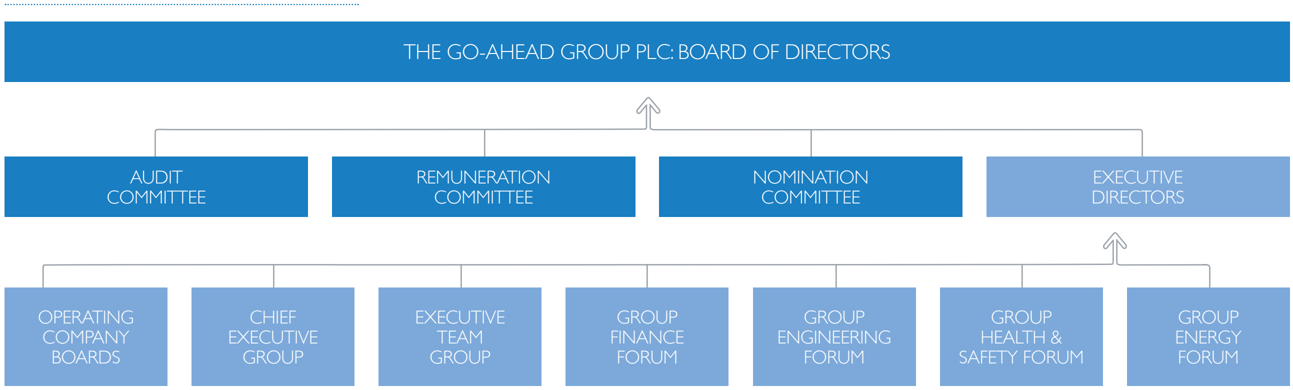
We believe that our devolved management structure, as illustrated below, enables the Group to be managed in a particularly effective way. Local management throughout the Group are empowered to operate our companies as autonomous business units, whilst working together to share experience and expertise around the Group. For example, many aspects of the Group's day-to-day operations report through operating company senior management directly into the Board through the Group Chief Executive and the Group Finance Director (the "Executive Directors"):

- The Executive Directors sit on the board of each operating company and meet formally with local senior management each month.
- The Executive Directors hold regular meetings with the managing directors of all of the operating companies (the "Chief Executive Group") to facilitate the sharing of experience and best practice across operations.
- The Executive Directors meet on a monthly basis with the senior managers who are responsible for the key centralised Group functions (the "Executive Team Group"), which includes finance, technology, procurement, engineering, properties, development, company secretarial, pensions, legal and corporate affairs.

In addition, there are a number of Group forums that are held on a regular basis and which consider finance, engineering, health & safety and energy matters. These key forums, which report directly to the Executive Directors, enable representatives from all operating companies to share best and emerging practice, to seek synergies and cost savings, to improve quality and to achieve economies of scale wherever possible.

Our devolved management structure enables the Board to be well informed about our businesses, employees, passengers and stakeholders. This in turn means that we are able to respond to the changing dynamics of the businesses in which we operate in a timely and knowledgeable manner.

Board and management structure

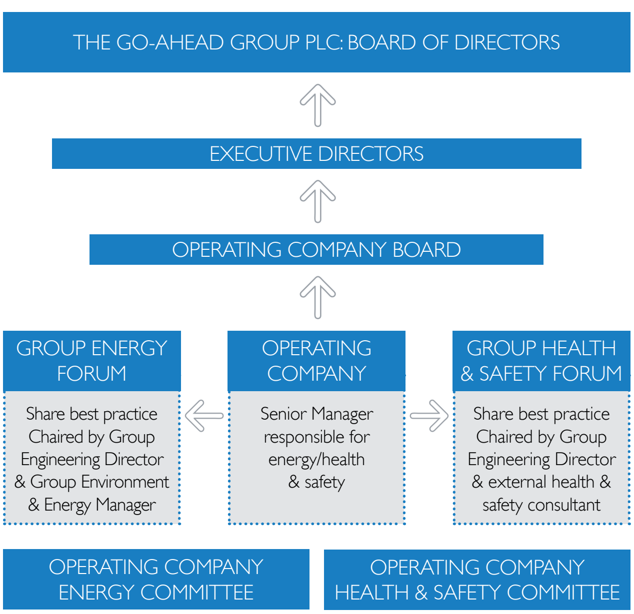


Corporate responsibility

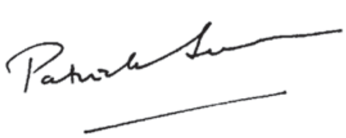
Corporate responsibility is deeply embedded across all aspects of our organisation. To ensure that corporate responsibility is prioritised across the business, internal safety and energy targets for each of our operating companies are set at the beginning of each financial year. Progress against these targets is linked to both operating company senior managers' and Executive Directors' remuneration. In addition, a health and safety audit of each of our businesses is undertaken by an external consultant each year.

The Board is ultimately responsible for corporate responsibility across the Group. As such, we do not have corporate responsibility or health and safety committees at Board level as we believe that all Board members should be involved in these fundamental areas that are central to our business. The Group's flat structure provides the Board with good visibility of performance at each operating company. Key Performance Indicators (KPIs) are closely monitored and are reviewed every month at operating company board meetings, chaired by the Executive Directors.

Internal corporate responsibility structure



The Group's values, leadership and strategy are underpinned by the highest standards of corporate governance. As a Board, our aim is to ensure that this effective combination continues to return enhanced value to our shareholders over the longer term while enabling our companies to operate in a safe, socially and environmentally responsible manner.



Sir Patrick Brown, Chairman

31 August 2011

Compliance with the UK Corporate Governance Code

Throughout the year ended 2 July 2011, the Company complied with the main and supporting principles and provisions set out in Section 1 of the UK Corporate Governance Code (the "Code") save in respect of the following provision:

- The Chairman of the Audit Committee, Andrew Allner, was unable to attend the Company's 2010 AGM due to an injury. This resulted in partial non-compliance with code provision E.2.3.

A copy of the Code published in June 2010 is available on the Financial Reporting Council's website (www.frc.org.uk/corporate/ukcgcode.cfm).

Applying the principles of good governance

The Board of Directors

At the year ending 2 July 2011, the Board comprised the Chairman, three Non-Executive Directors and three Executive Directors. A full list of the Directors with details of their biographies and Committee membership is given on pages 52 and 53.

All Directors were members of the Board throughout the financial year with the exception of Nick Swift who resigned on 7 March 2011, Keith Down who was appointed on 7 March 2011 and David Brown who was appointed on 1 April 2011.

Following Keith Ludeman's retirement on 2 July 2011, the Board now consists of two Executive Directors, David Brown having assumed the role of Group Chief Executive on 3 July 2011.

Board meetings

The Board normally meets at least seven times during the year. At least one of the meetings each year is dedicated to reviewing the Group's strategy. Additional meetings are held as and when required. The Chairman and the Non-Executive Directors periodically meet without the Executive Directors being present. During the year, the Chairman met individually with each Director.

During the year ended 2 July 2011, the Board held nine scheduled meetings. The table on page 60 shows Directors' attendance at scheduled meetings they were eligible to attend. The agenda for each Board meeting is set by the Chairman, in consultation with the Group Chief Executive and Group Company Secretary. Detailed briefing papers in relation to the business to be conducted at each meeting are circulated to the Board at least one week before each meeting. Individual Board members have direct access to the Executive Directors and the Group Company Secretary should they wish to receive additional information.

Board meetings are structured to allow open discussion and debate and the Chairman ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. Key senior managers and advisers attend relevant parts of Board meetings on a regular basis to ensure that the Board is properly informed about the current issues facing the business. Minutes of all meetings are circulated promptly afterwards.

The Board has a formal schedule of matters reserved to it for decision, the main terms of which are shown below. The Board has also delegated specific responsibilities to the Audit, Remuneration and Nomination Committees, each of which has terms of reference which detail their authority and duties. While the Board delegates some of its responsibilities to these Committees, it still retains full responsibility for a number of key areas such as health & safety, corporate social responsibility and risk management. The Board feels that it is fundamental that the Board as a whole is involved in decision making in these areas and this "hands-on" approach has served the business well over previous years.

The Board has established robust procedures for ensuring that their powers to authorise conflicts are operated in accordance with the Company's Articles of Association. The Board considers that the Directors' powers of authorisation of conflicts have operated effectively during the year and the procedures in place have been properly followed. The Board is aware of the other commitments of its Directors and any changes to these commitments are reported to the Board.

Responsibility for the operation of Group companies, implementing strategy in accordance with that agreed by the Board and achievement of objectives, is delegated to the Executive Directors. The Executive Directors meet regularly with the senior management and staff in the Group's operating companies, both formally via the monthly board meetings, and less formally on a regular basis.

Schedule of matters reserved for the Board

1 Approval of the Group's strategy, objectives, values and overall governance framework.

2 Approval of the Company's Annual Report and Accounts, Directors' Remuneration Report, Turnbull Statement and Half Year Reports.

3 Approval of any interim dividend and recommendation of the final dividend.

4 Approval of the Notice of Annual General Meeting and the resolutions to shareholders therein, including the recommendation for the appointment, re-appointment or removal of the Auditors.

5 Approval of all other circulars, listing particulars, and corresponding documentation sent to shareholders.

6 Approval of any changes to the Company's constitutional documentation.

7 Approval of the Group's financial, taxation and treasury management policies, dividend policy, long term financing, annual budget and operating plans.

8 Approval of material capital projects, investments, acquisitions, franchises and disposals.

9 Approval of any significant change in accounting, tax or treasury management policies or practices.

10 Approval of changes in the capital structure of the Company or its status as a public limited company listed on the London Stock Exchange and, in particular, the issue or allotment of shares in the Company otherwise than pursuant to Company-approved employee share schemes and share buyback programmes.

11 Responsibility for the appointment, re-appointment and removal of the Chairman and Directors and the recommendation to shareholders of their election or re-election under the Articles of Association; the appointment and removal of the Company Secretary; ensuring that suitable procedures are in place for succession planning and the fees payable to the Non-Executive Directors.

12 Regular review and approval of the Board Procedures Manual, the division of responsibilities between the Chairman and the Chief Executive and this Schedule of matters reserved for the Board.

13 Responsibility for establishing Committees of the Board, approving their terms of reference, regularly reviewing their activities and, where appropriate, ratifying decisions.

14 Approval of all minutes of Board and Committee meetings.

15 Responsibility for oversight of internal control, risk management, health & safety matters and corporate social responsibility.

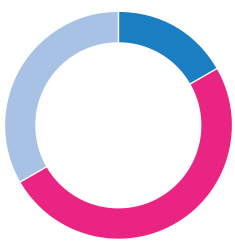
Board balance and independence

The Board regularly considers whether the Executive and Non-Executive Directors together have the range of skills, knowledge and experience to enable them to promote shareholders' interests and govern the business effectively. Excluding the Chairman, more than half of the Board are Non-Executive Directors who bring a wide range of experience and objectivity to the Boardroom. The Executive Directors bring additional perspective to the Board's work through a deep understanding of the Group's business. The balance of Executive and Non-Executive Directors as at the date of this Report and their length of tenure are shown in the charts below.

In accordance with the UK Corporate Governance Code, the Chairman was considered independent on his appointment and the Board considers all of the Non-Executive Directors to be robustly independent in character and judgement. Since Rupert Pennant-Rea will have served on the Board for nine years in October 2011, the Board has concluded that Rupert must then be considered as not independent. The Nomination Committee has therefore commenced a selection process to appoint a new independent Non-Executive Director.

The Board regularly assesses the other commitments of its Non-Executive Directors and is satisfied that there are no conflicts of duties and that the Non-Executive Directors have sufficient time to fulfil their responsibilities to shareholders.

Balance of Non-Executive and Executive Directors



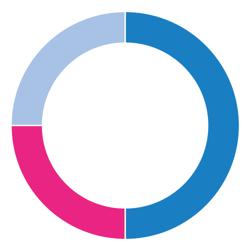
Chairman
Sir Patrick Brown

Independent Non-Executive Directors
Andrew Allner
Rupert Pennant-Rea
Katherine Innes Ker

Executive Directors*
David Brown
Keith Down

* As part of Go-Ahead's orderly succession plan, for a three month period only, there were three Executive Directors. This is not shown in the chart above.

Non-Executive Directors' tenure



0-3 years
Andrew Allner
Katherine Innes Ker

6-9 years
Rupert Pennant-Rea

9+ years
Sir Patrick Brown

There is currently no 3-6 year category.

Meeting attendance

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Sir Patrick Brown	7/9	4/5	6/8	2/2
Rupert Pennant-Rea	9/9	5/5	8/8	2/2
Andrew Allner	9/9	5/5	8/8	2/2
Katherine Innes Ker[1]	8/8	4/4	7/7	1/1
David Brown[2]	3/3	1/1	0/0	0/0
Keith Down[3]	4/4	1/1	0/0	0/0
Keith Ludeman[4]	9/9	5/5	5/5	2/2
Nicholas Swift[5]	6/6	4/4	0/0	0/0

1 Appointed to the Board on 9 July 2010.
2 Appointed to the Board on 1 April 2011.
3 Appointed to the Board on 7 March 2011.
4 Retired from the Board on 2 July 2011.
5 Resigned from the Board on 7 March 2011.

Roles of the Board

The table below outlines the division of key responsibilities, as agreed by the Board. The offices of the Chairman and Group Chief Executive are held separately, with a clear division of responsibility:

Role	Key responsibilities:
Chairman	• leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda, taking into account the issues relevant to the Group and the concerns of all Board members; • ensuring adequate time is allowed for the discussion of all agenda items, in particular strategic issues; • ensuring a regular evaluation of the performance of the Board, its Committees and individual Directors; • taking the lead in identifying and meeting the development needs of individual Directors and the Board as a whole, with a view to enhancing overall effectiveness; • encouraging active engagement by all members of the Board and constructive relations between the Executive and Non-Executive Directors; • ensuring effective communication with shareholders and that the Board develops an understanding of the views of major investors; and • ensuring, with the Group Chief Executive and Group Company Secretary, that new Directors receive a comprehensive induction programme to ensure their early contribution to the Board.
Group Chief Executive	• responsible for performance, management and supervision of the Group in accordance with the strategy, policies, budgets and business plans approved by the Board; • ensuring effective communication with shareholders and investors; • responsible for the day-to-day leadership of the executive and senior management teams; and • ensuring that the Chairman is kept updated in a timely manner of issues, events and developments.
Group Finance Director	• maintaining strong financial management underpinned by effective financial controls; • developing the Group's policies and strategy on tax, treasury, financing, insurance and pensions; • ensuring a commercial and financial focus on potential acquisitions, business case appraisal and financial planning; • ensuring the appropriateness of risk management and internal control processes and systems; • supporting and advising the senior management team in their operational roles; and • ensuring effective communication with shareholders and investors.
Senior Independent Non-Executive Director	• providing an important point of contact for shareholders in the event that they have concerns which have not been resolved through the normal channels of Group Chief Executive, Group Finance Director or Chairman or for which such contact is inappropriate; • helping to develop a balanced understanding on the Board of the issues and concerns of major shareholders; • providing a sounding board for the Chairman and serving as an intermediary for the other Directors as necessary; and • leading a meeting of the Non-Executive Directors at least once a year, without the Chairman present, where the Chairman's performance is evaluated.
Non-Executive Directors	• ensuring constructive challenge; • helping develop proposals on strategy; • scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance; • ensuring the integrity of financial information; • ensuring financial controls and systems of risk management are robust and defensible; • determining appropriate levels of remuneration for the Executive Directors; and • contributing a prime role in appointing and, where necessary, removing Executive Directors and in succession planning.

It is important that the Board ensures planned and progressive refreshing of the Board and the balance of experience of the Non-Executive Directors, in terms of their length of tenure, is shown on page 60.

Group Company Secretary

Carolyn Sephton has been Group Company Secretary since July 2006. Her biography can be found on page 53. The Group Company Secretary reports to the Chairman in her role as Secretary to the Board and its Committees. For all other company secretariat matters, including the management of the Group's non-rail pension arrangements, she reports to the Group Finance Director.

Under the direction of the Chairman, the Group Company Secretary is responsible for ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating the induction of new Directors and assisting with any Director training and development needs as required.

The Group Company Secretary's responsibilities also include ensuring that Board procedures are complied with and that the Board is regularly updated on all matters of corporate governance, legislative changes and regulatory regimes affecting the Group. The appointment and removal of the Group Company Secretary is a matter for the Board as a whole.

All Directors have access to the advice and services of the Group Company Secretary and may also take independent professional advice, at the Group's expense, if they believe it necessary, for the proper discharge of their duties as Directors.

Information and professional development

The Board is supplied with any such information to enable it to discharge its duties effectively. A comprehensive Board Procedures Manual is maintained which includes formal procedures for the working of the Board and its Committees, delegated authorities, the timely provision of appropriate information and the duties and responsibilities of Directors, including standards of conduct and compliance.

The Non-Executive Directors are encouraged to update their skills, knowledge and familiarity with the Company in order to competently carry out their responsibility to Go-Ahead's shareholders. In addition to Board and Committee meeting attendance, the Chairman and the Non-Executive Directors attend the Group's annual Senior Management Conference each year, enabling them to review and discuss the Group's strategy with senior managers from across the Group. The Chairman attends most meetings of the Chief Executive Group.

Appointments to the Board

The appointment of new Directors to the Board is based on merit and against objective criteria, with due regard to the benefits of diversity, including gender. This approach was adopted for the appointment of the new Group Chief Executive and Group Finance Director and further information on this and the process undertaken is described in the Nomination Committee's Report on page 67.

David Brown was appointed as Deputy Group Chief Executive on 1 April 2011 to succeed Keith Ludeman as Group Chief Executive on 3 July 2011. David is a member of the Nomination Committee and regularly attends Audit Committee and Remuneration Committee meetings by invitation. David brings a wealth of experience to the Board with more than 28 years of working in the transport industry. David is returning to the Group after serving as Chief Executive of the Group's London bus division between 2003 and 2006. The Board recommends unanimously to shareholders that David Brown is elected as Group Chief Executive at the 2011 Annual General Meeting.

Keith Down was appointed as Group Finance Director on 7 March 2011. Keith replaced Nick Swift, who left on the same date. Keith regularly attends Audit Committee meetings by invitation. Keith brings a wealth of skills and experience to the Board combined with a sharp focus on the interests of shareholders. His experience in businesses with a strong consumer angle alongside complex logistics will prove an invaluable contribution to the Board. The Board recommends unanimously to shareholders that Keith Down is elected as Group Finance Director at the 2011 Annual General Meeting.

The Chairman has overall responsibility for ensuring that a full induction and training programme is provided on appointment and that all Directors continually update their skills and knowledge. David Brown and Keith Down have received a full and tailored induction including visiting all operating companies to meet with local senior management, meeting with key Group personnel and advisers and receiving briefings on the Group's strategy, its organisational structure, its business and the markets and industry within which it operates.

The Board is confident that all its Directors have the knowledge, ability and experience to perform the functions required of a director of a listed company.

Re-election of Directors

At the 2011 Annual General Meeting, in addition to shareholders being asked to elect David Brown and Keith Down to the Board for the first time, Sir Patrick Brown, Rupert Pennant-Rea, Andrew Allner and Katherine Innes Ker will all be offering themselves for annual re-election. The Board's annual performance evaluation has confirmed that each Director standing for re-election continues to contribute effectively and demonstrates commitment to the role.

Sir Patrick Brown joined the Board in 1999 as a Non-Executive Director and became Non-Executive Chairman in 2002. He is Chairman of the Nomination Committee, a member of the Remuneration Committee and regularly attends the Audit Committee by invitation. The Board recognises his industry-wide experience and long-standing contribution to the Board and unanimously recommends that he should be re-elected for a further year.

Rupert Pennant-Rea became a Non-Executive Director of the Board in 2002. He was appointed Senior Independent Non-Executive Director in 2008 and is Chairman of the Remuneration Committee as well as a member of the Audit and Nomination Committees. Rupert is well known to investors and financial professionals and available to shareholders in his role as Senior Independent Non-Executive Director. While Rupert will have served on the Board for nine years in October 2011, it is the Board's view that Rupert's longer standing knowledge of the Company will be essential in providing continuity and support following the recent changes to the executive team. The Board therefore recommends unanimously his re-election for a further year.

Andrew Allner became a Non-Executive Director of the Board in 2008 and is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. Andrew has extensive public company board experience in both Executive and Non-Executive positions. He has a sound and robust financial background and is a Fellow of the Institute of Chartered Accountants in England and Wales. The Board recommends unanimously Andrew Allner's re-election for a further year.

Katherine Innes Ker became a Non-Executive Director in 2010 and is a member of the Audit, Remuneration and Nomination Committees. Katherine has significant Executive and Non-Executive experience of helping to grow successful and dynamic organisations and has considerable experience as a financial analyst, qualifying her to make an effective contribution to the Board. The Board recommends unanimously the re-election of Katherine Innes Ker for a further year.

Further details of each Director can be found in the Directors' biographies on pages 52 and 53.

Performance evaluation

The Board is subject to an annual performance review. In light of the recent changes to the Board's composition, it was not considered appropriate to undertake an external performance evaluation this year. The Board concluded that a review would be undertaken by the Group Company Secretary. This was on the basis that the Group Company Secretary was well placed to devise questions that were relevant and appropriate to the Group and that, having attended Board and Committee meetings throughout the year, would understand and be able to ensure a full and frank discussion around any concerns raised.

The review this year focused on a number of key areas including Board dynamics and effectiveness, Board composition and succession planning, development of strategy and risk management, the nature and level of the Board's interaction with the Group's senior management and corporate governance. As part of this process, those Directors who had served on the Board for a period in excess of six years were subject to a particularly rigorous review.

The Non-Executive Directors, led by the Senior Independent Non-Executive Director, met without the Chairman being present to appraise his performance during the year. The performance evaluation of the Chairman took into account the views of the Executive Directors.

The evaluation process did not highlight any areas of material concern. The overall conclusion was that the Board continued to work well and operated effectively in an environment where there was constructive challenge and time commitment from the Non-Executive Directors. Areas of strength identified were in relation to the size and composition of the Board and the timely provision and appropriateness of information which allowed for optimum focus at Board meetings. The search and appointment process for the recent Executive Director appointments had been robust and successful, with the new Directors receiving a full and tailored induction upon joining the Board. The Board also concluded that its Committees had operated particularly effectively during the year.

Performance evaluation process

- Completed by each Director Reviewed by the Group Company Secretary
- Each Director meets individually with Group Company Secretary
- Group Company Secretary compiles information from questionnaires/ interviews into a report
- Group Company Secretary discusses with Company Chairman
- Findings are presented and discussed at Board meeting

Some changes in Board practice will, however, be implemented as a result of the evaluation process. These include increasing the interaction between the Board and senior management, the continued development of risk management processes and reporting and the role of the Board in contributing to the development of strategy and the overall effectiveness of the Group.

The Board will continue to review its procedures, effectiveness and development in the year ahead and anticipates using an external adviser for its 2012 review.

Relations with shareholders

The Group recognises the importance of regular communication with all of its shareholders and is committed to maintaining an active dialogue with investors throughout the year on the Group's strategy, objectives and governance. The reporting calendar is dominated by the publication of the annual and half year results each year. In addition, the interim management and trading statements provide shareholders with a balanced and regular understanding of the Group's operational performance, its financial results and prospects.

The Executive Directors meet with the Group's major shareholders (both institutional investors and private shareholders with significant holdings) after the announcement of annual and half year results and at other times as appropriate, including conference calls, site visits and management presentations.

The institutional shareholders have further opportunities to make their views known through follow up interviews by the Company's brokers which are then documented and circulated to the Board. The Executive Directors also provide feedback to the Board following presentations to investors.

Overall responsibility for ensuring that there is effective communication with investors and that the Board understands the views of major shareholders on matters such as governance and strategy rests with the Chairman, who makes himself available to meet shareholders, if appropriate, for this purpose. Additionally, the Senior Independent Non-Executive Director and the Chairmen of the Board's Committees are available to meet major investors on request. The Senior Independent Non-Executive Director has a specific responsibility to be available to shareholders who have concerns, and for whom contact with the Chairman, Group Chief Executive or Group Finance Director has either failed to resolve their concerns, or for whom such contact is inappropriate.

The principal communication with private shareholders is through the Annual Report and the Annual General Meeting, which is attended by all Directors. All shareholders are invited and encouraged to attend the Annual General Meeting which provides an opportunity for shareholders to develop their understanding of the Company and ask questions on the matters put to the meeting (as detailed in the Notice of Meeting sent to registered shareholders in advance of the meeting). There is also the opportunity to meet informally with the Directors before and after the meeting.

Ordinary business which is raised for consideration at the Annual General Meeting each year is:

- to receive the financial statements for the year, together with the Directors' and Auditors' Reports;
- to approve the Directors' Remuneration Report;
- to approve the final dividend;
- to elect and re-elect members of the Board;
- to re-appoint the Company's Auditor; and
- to give the Directors the authority to determine the Auditors' remuneration.

Other matters included on the agenda for the Annual General Meeting vary from year to year in accordance with the requirements of the Company.

The Company maintains a comprehensive website with a dedicated section to shareholders. This provides a wealth of information including access to the annual and half year reports, presentations, useful fact sheets, as well as share price and general shareholder information. Shareholders can contact the Company using the email communication system available on the Company's website which will be responded to by the Group's Investor Relations team. For further information visit our website at www.go-ahead.com/goahead/ir/.

Internal control and risk management

The Board's responsibilities

For the financial year ended 2 July 2011 and up to the date of approval of this report, the Board has complied with provision C.2.1 of the UK Corporate Governance Code and has established procedures that implement in full the guidance given in "Internal Control: Revised Guidance for Directors on the Combined Code" (the "2005 Turnbull Guidance").

The Board has overall responsibility for the Group's system of internal controls and for reviewing its effectiveness. The Group's Policy and Procedures Manual (the "Manual") is designed to reinforce the Group's corporate governance, internal control processes and management of risk. All operating companies must adhere to this Manual and annually certify that they have done so. In addition, the Board gains assurance from the Group's structure and the financial, risk management, operating and compliance reporting processes which are in place. The Board also considers the nature and extent of the significant risks it is willing to take in achieving its strategic objectives.

Board-level reporting

The Board is supported by the work of the Audit Committee which has delegated responsibility from the Board for reviewing the effectiveness of the Company's risk management and internal control systems. During the year the Audit Committee regularly reviewed reports from the internal auditors, the external auditors and the Executive Directors on matters relating to internal controls, financial reporting and risk management. The Audit Committee provides the Board with an independent assessment of the Group's position and the Board receives regular updates on how specific risks that are assessed as material are being managed on at least a biannual basis.

Group structure

The Group's decentralised organisation structure enables the Executive Directors to play an active role in communicating the objectives, risk strategy and policy of the Group. Open communication on risk matters is encouraged and performance is monitored against objectives. Risk management is an integral part of day-to-day operations where there exists clear ownership of risk identification and mitigation at operating company level. Operating companies are fully supported by the Executive Directors in assessing and managing risks and internal controls. The Group's structure has the benefit of enabling it to respond quickly to new, emerging or changing risks, with risk management information shared across the Group as well as reported upwards.

Financial reporting and planning processes

In accordance with the Manual, there are formally defined lines of financial reporting responsibility, delegated authorities, capital investment approval policies and clear operating processes. Monthly reporting of financial information to the Board encompasses profit and loss, cashflow and balance sheet information and key operating ratios. The annual budgeting and strategic planning process includes regular re-forecasting of results, taking into account key risks and opportunities.

The use of the Manual by finance teams throughout the Group ensures that transactions and balances are recognised and measured in accordance with prescribed accounting policies and that information is appropriately reviewed and reconciled as part of the reporting process. The use of a standard reporting pack by all Group entities ensures that information is gathered and presented in a consistent way that facilitates the production of the consolidated financial statements.

There is regular reporting to the Board on specific matters including safety, insurance, pensions, tax and treasury management. Business planning encompasses due diligence and risk assessments where businesses are being acquired or divested and all projects and partnerships are entered into taking into account an appropriate risk-reward balance.

Risk management processes

In accordance with the Group's Manual and Turnbull guidance on internal controls, an ongoing process has been established for the identification and evaluation of the significant risks faced by the Group and the effectiveness of the internal controls in place. During the year, and in conjunction with the internal auditors, PricewaterhouseCoopers, the Group continued to strengthen its ongoing risk management processes, which include top-down risk assessment at Group level and bottom-up risk assessments at operating company level. A bespoke risk categorisation model exists which is used across the Group to ensure that risks are identified and reported on a consistent basis and a process is in place to aggregate key risks on a Group wide basis. These key procedures ensure that the impact of key and emerging risks are addressed, with controls and mitigations monitored at monthly operating company board meetings. A consolidated review of the Group's risks and controls is undertaken by the Audit Committee at least biannually.

Health and safety reporting processes

Health and safety standards have been established across all operating companies and key performance indicators are closely monitored at monthly operating company board meetings. The Group Chief Executive reports on health and safety, which includes key performance indicators, at each Board meeting.

Group internal audit

The conduct of the Group's internal audit function has been outsourced to PricewaterhouseCoopers, with overall responsibility and direction being retained by the Board. The internal audit function provides assurance over the effectiveness of key controls as identified as part of the risk assessment process. In addition to meetings with local management, the internal auditors report on a monthly basis to the Executive Directors and to the Audit Committee at least three times a year.

Disclosure and Transparency Rules

Disclosures required under DTR 7.2.6 can be found on pages 77 to 80.

Committees of the Board

The Board has established a number of Committees to deal with specific aspects of the Group's affairs. The responsibilities of each Committee are determined by its terms of reference which are available on the Company's website or upon request from the Group Company Secretary. The Committee's terms of reference are reviewed and updated annually in accordance with the UK Corporate Governance Code.

No-one other than the Committee Chairman and members are entitled to be present at a meeting of the Nomination, Audit or Remuneration Committees, but others may attend at the invitation of the Committee.

Audit Committee Report

"Further improvement in financial reporting, internal controls and risk management"

Andrew Allner

Audit Committee Chairman
(Non-Executive Director)

Members:

Rupert Pennant-Rea (Senior Independent Non-Executive Director)
Katherine Innes Ker (Non-Executive Director) from 9 July 2010

Committee Secretary:

Carolyn Sephton (Group Company Secretary)

Meetings also regularly attended, by invitation, by:

Sir Patrick Brown (Company Chairman)
David Brown (Group Chief Executive) from 3 July 2011
Keith Down (Group Finance Director) from 7 March 2011
Keith Ludeman (Group Chief Executive) retired 2 July 2011
Nick Swift (Group Finance Director) resigned 7 March 2011
Internal Auditors' representative(s)
External Auditors' representative(s)

Responsibilities

During the year the Committee met five times and, as part of the annual performance evaluation, also undertook a specific evaluation of its effectiveness. The main activities undertaken during the year included:

- receiving and reviewing reports from management relating to the annual and half year profit figures and statements, monitoring statutory audit of the annual consolidated Group and Parent Company financial statements, reviewing the effectiveness of the financial reporting, the controls in force and the key judgemental areas at the half year and year end to ensure the integrity of the financial information reported to shareholders;
- receiving and reviewing reports from the Group's external and internal auditors, including health and safety auditors;

- reviewing the relationship with the external and internal auditors, including their terms of engagement and fees, independence, objectivity and expertise, resources and qualification;
- reviewing the effectiveness of the Group's internal financial control policies, systems and procedures for the identification, assessment and reporting of risk, as outlined on pages 64 and 65;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor for both audit and non-audit work;
- providing a forum for reporting by the Group's external and internal auditors, including health and safety auditors;
- reviewing the "whistle blowing" arrangements in place across the Group;
- reviewing the Group's Bribery Act procedures in response to the Government's guidance published in spring 2011; and
- supporting the new Group Finance Director as part of his induction to the Group.

At least once a year, the Non-Executive Directors meet with the external auditors, without the Executive Directors being present.

Changes to remuneration policy

During the year, the Audit Committee considered the proposals made by the Remuneration Committee in respect of the changes to remuneration policy for the new Executive Directors. As part of these changes, the Committee concluded that a formal review of performance versus budget for performance related bonus purposes should be introduced. Full details of the new remuneration policy can be found in the Directors' Remuneration Report from page 69.

Policy on the Auditors providing non-audit services

In order to ensure auditor objectivity and independence, the provision of certain non-audit services (including accounting and tax services if the fees exceed a certain level) are subject to approval by the Audit Committee. The Audit Committee has specified that the external audit firm may not provide certain categories of non-audit services to the Group as detailed in the Committee's terms of reference. The ratio of audit fees to non-audit fees charged by the external auditors in the year as a proportion of the annual external audit fee is kept under review to ensure that neither their independence nor their objectivity is put at risk. During the financial year, the audit fees of the external auditor were £0.6m and their fees for non-audit work were £0.2m. In comparison, non-audit fees paid to other audit firms during the financial year were £0.2m.

Review of the external auditors

The Committee has primary responsibility for advising the Board on the appointment or re-appointment of the external auditors and recommends to the Board the audit fees to be paid. The Board's decision on these matters is subject to the approval of shareholders. The independence, objectivity and effectiveness of the external auditors have been examined by the Committee and, during the year, discussions were held regarding their terms of engagement and remuneration. The Committee remains confident that the objectivity and independence of the external auditors is not compromised in any way and Ernst & Young are best placed to carry out their professional duties and responsibilities as auditors. From the 2010/11 audit, Kathryn Barrow replaced Debbie O'Hanlon as Senior Statutory Auditor, Debbie O'Hanlon having served five years and retired by rotation. It is intended that Kathryn Barrow's tenure be for a period of five years.

Whistle blowing policy

The Group is committed to the highest standards of quality, honesty, openness and accountability and a "whistle blowing" policy has been issued to all operating companies to ensure a consistent approach across the Group. Employees are encouraged to raise genuine concerns under the policy and any concerns raised are investigated carefully and thoroughly to assess what action, if any, should be taken. Any matters of significance are reported to the Audit Committee. During the year, no issues of significance were raised.

Anti-bribery procedures

The Board supports the objectives of the Bribery Act 2010 (the "Bribery Act") which came into force on 1 July 2011 and measures have been established to ensure that compliance is achieved and any issues arising under the Bribery Act are dealt with promptly and appropriately. Training has been provided to all employees who are in a position to be affected by the Bribery Act. This includes the Board of Directors and senior management. Training will be refreshed on a regular basis. Any breach of the Bribery Act will be regarded as serious misconduct, potentially justifying dismissal.

Compliance with the UK Corporate Governance Code

The Audit Committee is made up of three independent Non-Executive Directors as required by the UK Corporate Governance Code (the "Code"). Under the Code, at least one member of the Committee should have recent and relevant financial experience. As a Chartered Accountant, and previously the Group Finance Director of another listed company between 2004 and 2007, the Board has determined that Andrew Allner fully satisfies this requirement.

The Committee is fully compliant with the principles and provisions of the Code with regard to its constitution and operation.

The terms of reference of the Audit Committee are available on the Group's website at www.go-ahead.com or upon request from the Group Company Secretary.

Nomination Committee Report

"The appointments of David Brown and Keith Down provide the right balance of skills, knowledge and experience"

Sir Patrick Brown

Nomination Committee Chairman
(Company Chairman)

Members:

Rupert Pennant-Rea (Senior Independent Non-Executive Director)
Andrew Allner (Non-Executive Director)
Katherine Innes Ker (Non-Executive Director) from 9 July 2010
David Brown (Group Chief Executive) from 3 July 2011
Keith Ludeman (Group Chief Executive) retired 2 July 2011

Committee Secretary:

Carolyn Sephton (Group Company Secretary)

Responsibilities

The majority of members of the Nomination Committee are Non-Executive Directors and during the year the Committee met twice (not including interviews with potential candidates) and, as part of the annual performance evaluation, also undertook a specific evaluation of its effectiveness. The main activities undertaken during the year included:

- reviewing the structure, size and composition of the Board including the balance of skills, knowledge and experience and the independence of the Non-Executive Directors, and making recommendations to the Board with regard to any change;
- recommending to the Board, the membership and chairmanship of Committees;
- reviewing the time required from Non-Executive Directors, using the performance evaluation process to assess whether the Non-Executive Director is spending enough time on fulfilling their duties;
- planning for the orderly succession of new Directors to the Board, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board; and
- reviewing the terms of reference for the Committee.

Appointment of new Executive Directors

During the year, the Nomination Committee was responsible for leading the process of identifying candidates for the roles of Group Chief Executive and Group Finance Director. As part of this process, a description of these roles and the capabilities required was prepared. In consultation with an external search consultancy, and after interviewing a number of potential candidates, Keith Down joined the Company as Group Finance Director on 7 March 2011. As part of an orderly succession plan, David Brown joined the Company as Deputy Chief Executive on 1 April 2011, succeeding Keith Ludeman as Group Chief Executive when he retired on 2 July 2011.

The Committee followed a process that was both rigorous and transparent and both candidates were appointed based on merit against objective criteria and with due regard to the benefits of diversity.

Compliance with the UK Corporate Governance Code

The Nomination Committee is fully compliant with the provisions of the UK Corporate Governance Code.

The terms of reference of the Nomination Committee are available on the Group's website at www.go-ahead.com or upon request from the Group Company Secretary.

Remuneration Committee Report

"A comprehensive review of remuneration policy was undertaken during the year"

Rupert Pennant-Rea

Committee Chairman
(Senior Independent Non-Executive Director)

Members:

Sir Patrick Brown (Company Chairman)
Andrew Allner (Non-Executive Director)
Katherine Innes Ker (Non-Executive Director) from 9 July 2010

Committee Secretary:

Carolyn Sephton (Group Company Secretary)

Meetings also regularly attended, by invitation, by:

Keith Ludeman (Group Chief Executive) retired 2 July 2011
David Brown (Group Chief Executive) appointed 3 July 2011

Responsibilities

During the year the Committee met eight times and, as part of the annual performance evaluation, also undertook a review of its effectiveness. The Committee is responsible for all aspects of remuneration. The key responsibilities and activities of the Committee during the year included:

- determining the overall remuneration policy (including the balance between the fixed and performance-related elements of pay);
- considering the fees of the Chairman;
- determining the new awards made under the Long Term Incentive Plan in September 2010;
- reviewing whether any of the awards granted under the Long Term Incentive Plan in September 2007 should vest following the end of their three year performance period;
- considering the application of the Committee's policy in connection with the departing Executive Directors, Keith Ludeman and Nick Swift;
- appointing new independent advisers to the Committee following a tendering process;
- reviewing the terms of reference for the Committee; and
- receiving and reviewing the report from the Chief Executive on salary and bonus arrangements for the senior management of each operating company and senior Group personnel.

Review of remuneration policy

As explained in more detail in the Directors' Remuneration Report on pages 69 to 76, one of the key priorities during the year was the comprehensive review of remuneration policy for the new Executive Directors, David Brown and Keith Down. This included reviewing the structure of the remuneration and incentive packages and consultation with the Group's major shareholders and their representative bodies on these changes. The Committee is satisfied that there is now a clearer link between performance and the pay received, with the changes more closely reflecting the Group's corporate goals and market best practice.

Compliance with the UK Corporate Governance Code

The Remuneration Committee is fully compliant with the provisions of the UK Corporate Governance Code.

The terms of reference of the Remuneration Committee are available on the Group's website at www.go-ahead.com or upon request from the Group Company Secretary.

ENSURING THE RIGHT BALANCE

The Remuneration Committee's policy is to attract and retain key individuals who are focused and encouraged to deliver the Group's strategy and objectives within a framework that is aligned with the long term interests of shareholders

Dear Shareholder

During the year, the Board announced two important changes. On 7 March 2011, Keith Down replaced Nick Swift as Group Finance Director. On 1 April 2011, David Brown was appointed as Deputy Group Chief Executive, to succeed Keith Ludeman as Group Chief Executive when he retired on 2 July 2011.

In conjunction with these new Board appointments, the Remuneration Committee, assisted by independent remuneration consultants Hewitt New Bridge Street, undertook a comprehensive review of the Group's remuneration policy. The aim was to ensure that the right balance was achieved between recruiting, retaining and motivating high calibre individuals and aligning these factors with maximising long term shareholder value. In formulating this new policy, the Committee were conscious of the continuing difficult economic conditions and evolving landscape in remuneration developments.

Details of the changes to our incentive arrangements from the next financial year, which the Company has discussed with its major shareholders, can be found in this report. In summary, these will consist of:

- an annual discretionary cash bonus with a maximum opportunity of 100% of salary, of which 20% is now based on the achievement of safety and good governance objectives;
- a new annual discretionary deferred share bonus with a maximum opportunity of 50% of salary, subject to claw-back provisions; and
- a reduced annual Long Term Incentive Plan ("LTIP") award over shares with a maximum market value at grant of 100% of salary, which vests subject to targets for relative total shareholder return and earnings per share growth.

While the overall effect of these changes is that the full potential of performance-related remuneration is unchanged, the Committee is satisfied that there is now a clearer link between performance and the pay received. The changes made also more closely reflect our corporate goals and are consistent with market and best practice.

I hope you find this report helpful and informative.

Rupert Pennant-Rea

Rupert Pennant-Rea, Chairman of Remuneration Committee

31 August 2011

This report has been prepared in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and has been approved by the Remuneration Committee (the "Committee") and the Board. Ernst and Young LLP have audited certain parts of this report. Where disclosures have been subject to audit, they are indicated as such. The auditors' opinion is included in their report on page 81.

The Board supports the principles of good corporate governance on Directors' remuneration and, in preparing this report, the Committee has followed the provisions of the UK Corporate Governance Code 2010 (the "Code").

An ordinary resolution to receive and approve this report will be proposed at the Company's Annual General Meeting to be held on 27 October 2011.

Remuneration Committee

Composition of the Committee

Details of the members, the number of meetings and attendees in the year and the activities of the Committee are shown on page 68.

External advisers to the Committee

During the year, and following a tendering process, the Committee appointed Hewitt New Bridge Street (a trading name of Aon Hewitt Limited) as new independent remuneration advisers to the Committee. Neither Aon Hewitt Limited nor the wider Aon Corporation provided any other services to the Company during the year.

Responsibilities of the Remuneration Committee

A summary of the responsibilities of the Committee is shown on page 68. The Committee's terms of reference are available on the Company's website at www.go-ahead.com or upon request from the Group Company Secretary.

Key Committee activities during the year

During the year, the Committee met eight times. The Chairman of the Committee also held a number of additional meetings with the Company's remuneration advisers. The Committee's key activities, in addition to the routine business as outlined on page 68, included:

- reviewing the policy for the new Executive Directors, David Brown and Keith Down, and the structure of the new executive remuneration and incentive packages;
- consulting the Group's major shareholders and their representative bodies on these changes;
- appointing new independent advisers to the Committee following a tendering process; and
- considering the application of the Committee's policy in connection with the departing Executive Directors, Keith Ludeman and Nick Swift.

During the year, the Committee's recommendations were all accepted unanimously by the Board and implemented without amendment.

Policy on the remuneration of Executive Directors

It is the responsibility of the Committee to set the remuneration of the Executive Directors. The Group's overall remuneration policy, as adopted by the Committee, is to ensure that we are paying enough to attract, retain and motivate high calibre individuals to deliver a performance in the interests of the Company's shareholders and the overall objectives of the business.

To achieve this, the Group's remuneration policy is based on the following key principles which are aligned with the recommendations of the Code on Directors' remuneration:

- providing executives with a remuneration package that recognises the performance and experience of the individual concerned and the role fulfilled;
- ensuring considerable emphasis is placed on performance-driven compensation where targets are aligned with the Group's strategic objectives and targeted shareholder returns; and
- ensuring the framework for remuneration is competitive in the market in which the Group competes, paying due regard to the pay practices of its peer group, to the wider pay market in the FTSE 250 and to other factors specific to the Group and to each Director.

The Group Chief Executive regularly reports on the pay, incentives and conditions of senior managers and other employees across the Group and operating companies. The Committee takes these into account when determining the remuneration of the Executive Directors.

When setting the remuneration of the Executive Directors, the Committee ensures that the incentive structure does not raise risks by inadvertently encouraging irresponsible behaviour. As well as the annual reported financial statements, the Committee also considers the mix between fixed and variable pay. The Committee recognises that, for this Group's business, shareholder value is dependent on factors not all necessarily appearing within the published financial statements, although their effect on later financial statements could be significant. Leading these factors are safety, control of risk and other executive actions of a strategic nature that may take several years to affect shareholder value.

The Executive Directors are also incentivised to take environmental, social and governance ("ESG") matters seriously and to consider the long term implications of their decision making. Accordingly, in line with the ABI's Guidelines on Responsible Investment Disclosure, the Committee has linked a proportion of the annual bonus to the achievement of safety and good governance objectives.

In accordance with the Committee's policy, a substantial proportion of the Executive Directors' pay is performance-related. The chart on page 72 shows the balance between fixed and performance related pay at maximum performance levels. Maximum performance assumes payment of maximum cash and deferred share bonuses and full vesting of shares under the Long Term Incentive Plan (the "LTIP").

A summary of the Committee's remuneration policy for the 2010/11 and 2011/12 financial years is provided below:

	Policy for 2010/11	New Policy from 2011/12
Base salary (fixed)	• Reviewed on 1 April each year • Set by reference to the individual's performance, experience and responsibilities, using comparable mid-market data for guidance	• Reviewed on 1 April each year • Set by reference to the individual's performance, experience and responsibilities, using comparable mid-market data for guidance
Pension (fixed)	• Market competitive defined benefit pension provision or, depending on individual circumstances, a cash alternative • Only base salary is pensionable	• David Brown: no pension provision • Keith Down: employer contribution of 13% of base salary paid to defined contribution pension arrangement
Other benefits (fixed)	• Car replacement allowance and private medical insurance	• Private medical insurance only
Performance-related cash bonus (variable)	• Up to 100% of base salary for maximum performance • 80% of bonus based on Group financial performance and 20% determined by personal performance	• Up to 100% of base salary for maximum performance • 80% of bonus based on Group financial performance and 20% determined by safety and good governance objectives • Payouts are subject to end of year reviews of quality of earnings and quality of budget
Deferred Share Bonus Plan (variable)	• No policy	• Up to 50% of base salary for maximum performance • Profit before tax targets to be disclosed retrospectively • Awards paid in shares deferred for three years • Bonus clawback provisions apply
Long Term Incentive Plan – LTIP (variable)	• Annual award with a maximum value of up to 150% of base salary • Awards vest three years after grant to the extent performance conditions based on the Group's relative TSR performance against two comparator groups are met: – 50% Transport Sector Comparator Group (Arriva plc, First Group plc, National Express Group plc and Stagecoach Group plc) – 50% FTSE 250 (excluding investment trusts)	• Annual award with a maximum value of up to 100% of base salary • Awards vest three years after grant to the extent performance conditions are met: – 50% compound annual growth in EPS – 40% relative TSR vs FTSE 250 (excluding non-business specific sectors) – 10% long term strategic targets to be disclosed retrospectively

The overall effect of these changes is that the maximum potential of performance-related remuneration is unchanged. However, the actual remuneration for our new Executive Directors is lower than that of their predecessors as follows:

For David Brown, Group Chief Executive

- a starting salary below that of Keith Ludeman;
- reduced benefits through the removal of the car replacement allowance; and
- reduced pension costs, both in terms of pension and risk, as there is no form of pension provision or replacement cash supplement from the Company.

For Keith Down, Group Finance Director

- reduced benefits through the removal of the car replacement allowance; and
- reduced pension costs, both in terms of pension and risk, as pension provision is for defined contribution benefits, with contributions from the Company capped.

Base salary

The base salary of the Executive Directors is determined by the Committee upon appointment and is reviewed in April each year. When determining this, the Committee considers the levels of base salary for similar positions with comparable status, responsibility and skills in organisations of broadly similar size and complexity and median salary levels of those comparable companies within the peer group. The performance, experience and responsibilities of the individual are also taken into account, as are the pay and conditions throughout the Group.

Base Salary	1 April 2011 £'000 pa	1 April 2010 £'000 pa
David Brown[1]	500	–
Keith Ludeman[2]	530	513
Keith Down[3]	320	–
Nick Swift[4]	–	310

1 Appointed as Deputy Group Chief Executive on 1 April 2011. No change to salary following his accession to Group Chief Executive on 3 July 2011.
2 Retired as Group Chief Executive on 2 July 2011.
3 Appointed as Group Finance Director on 7 March 2011. No change to salary on 1 April 2011.
4 Resigned as Group Finance Director on 7 March 2011.

Car replacement allowance

The Group does not allocate company cars to any employees. Historically, a car replacement allowance has been provided to those employees who would have received a company car as part of their benefits, or to accomplish their work. During the year, this policy changed and car allowances are no longer given to any new employees. This includes the new Executive Directors, neither of whom receives the additional car replacement allowance provided to their predecessors.

Pension

The Group has traditionally operated an approved defined benefit pension scheme. Nick Swift, the former Group Finance Director, was a participant during the year.

The former Group Chief Executive, Keith Ludeman, opted out of The Go-Ahead Group Pension Plan in December 2006, but retained a salary link in relation to his accrued benefit which was provided separately through an individual non-registered unfunded pension arrangement (UURBS). In lieu of future benefits, he received a non-pensionable salary supplement of 15% of base salary. This salary supplement was not included with base salary for the purposes of calculating performance related cash bonus or LTIP awards.

The new Executive Directors have not been offered membership of this defined benefit pension arrangement. The new Group Chief Executive, David Brown, has no specific pension entitlement on top of his salary and does not receive the salary supplement as given to his predecessor. He has however elected to invest some of his salary into the defined contribution section of The Go-Ahead Group Pension Plan. This has no incremental cost to the Company.

The new Group Finance Director, Keith Down, is a member of the defined contribution section of The Go-Ahead Group Pension Plan. He receives an employer contribution of 13%, which he supplements by making a 6% contribution from his own salary.

Performance-related cash bonus

Each of the Executive Directors has the opportunity to earn a performance-related cash bonus which is capped at a maximum of 100% of annual base salary.

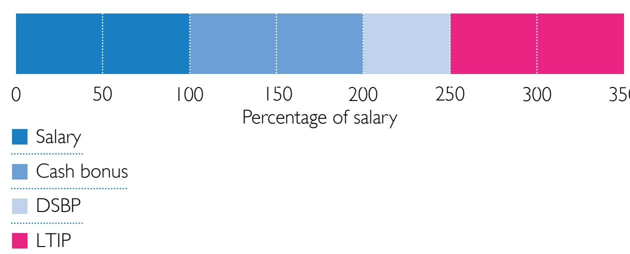
For the year ending 2 July 2011, 20% of the total bonus opportunity was based on personal performance against qualitative objectives agreed with each Executive Director at the beginning of the year and 80% was based on actual financial performance against budget. The Group's profit substantially exceeded the budget, triggering a bonus of 80% for financial performance. The Executive Directors also met their personal qualitative objectives and so received a bonus of 20%.

Keith Ludeman worked for the full financial year and was awarded the maximum performance-related cash bonus of 100% of base salary. Nick Swift also received the maximum performance-related bonus of 100%, reduced to 67% to reflect the fact he left his office in March 2011 and so did not work for the full financial year.

David Brown and Keith Down were also eligible to receive a performance-related bonus of 25% and 32% of base salary respectively, in accordance with their service periods completed and the targets set for the Executive Directors in office at the beginning of the year. In order to create an immediate alignment of interests with shareholders, the bonus this year will be delivered in the form of post-tax shares to be held for a minimum period of three years.

From the 2011/12 financial period, bonus payments will be based on a similar structure, with 80% weighted on actual financial performance against budget. The remaining 20% previously attributable to personal performance will be reallocated to safety and good governance metrics. A formal end of year review of the quality of profit and the quality of budget will also be introduced.

Fixed and performance-related pay at maximum performance levels



Deferred Share Bonus Plan

From the 2011/12 financial period, we are introducing a new Deferred Share Bonus Plan ("DSBP") for the Executive Directors under which awards worth up to 50% of salary can be earned. This will not result in any increase in the overall quantum of remuneration as the introduction of the DSBP will be accompanied by a reduction in the normal award level under the Long Term Incentive Plan from 150% to 100% of salary.

The DSBP is being introduced to enable the Committee to set targets linked to the achievement of important annual strategic goals which are key to the delivery of longer term value for shareholders. The introduction of deferred shares will also enable the new Executive Directors to earn a quicker and more direct right to shares in order to promote alignment.

The main features of the new DSBP are:

- for the year commencing 2 July 2011, the targets will relate to the achievement of profit before tax targets that are higher than the profit targets set for the annual performance-related cash bonus. The Committee will also consider the introduction of additional targets linked to the Group's long term strategic objectives in future years. The nature of these targets and outcomes achieved will be disclosed in next year's Annual Report;
- bonuses will be deferred in shares for a period of three years. Normal 'good leaver' and change of control provisions will apply and there will be a dividend equivalent provision in operation over the deferral period;
- bonus claw-back will apply during the deferral period; and
- the plan will operate over shares to be bought in the market, resulting in no shareholder dilution.

Performance conditions for the 2011/12 LTIP awards

	Percentage of EPS and TSR elements vesting	Compound annual growth in EPS	Relative TSR vs FTSE 250 excluding certain sectors	Long term strategic targets
Weighting (% of award)	–	50%	40%	10%
Below threshold	0%	Less than RPI + 2% p.a.	Below median	To be disclosed retrospectively
Threshold	25%	RPI + 2% p.a	Median	
Between threshold and maximum	25% to 100%	RPI + 2% p.a. to RPI + 6% p.a.	Between median and upper quartile	
Maximum	100%	RPI + 6% p.a. or more	Upper quartile	

Long Term Incentive Plan

Awards under the Long Term Incentive Plan ("LTIP") consist of nil-cost options to acquire shares, exercisable at the end of a three year performance period, subject to the satisfaction of performance conditions. For the year ended 2 July 2011, the Executive Directors were eligible to receive awards with a face value worth up to 150% of salary.

In light of the introduction of the new Deferred Share Bonus Plan, the maximum award under the LTIP will be reduced from 150% to 100% of base salary from the 2011/12 financial period.

Awards made before July 2011 have been subject to performance conditions based on the Group's relative Total Shareholder Return ("TSR") performance measured against two comparator groups (the Transport Sector Comparator Group – comprising Arriva plc, FirstGroup plc, National Express Group plc and Stagecoach Group plc – and a group comprising the FTSE 250 excluding investment trusts). Following the acquisition of Arriva plc on 31 August 2010, the Transport Sector Comparator group now comprises only three companies. Accordingly the previous policy of having a relative TSR versus a transport peer group is no longer feasible. The Committee has therefore reviewed the performance conditions used in the LTIP and believes it is right to introduce new financial and strategic performance conditions in addition to the continued use of a revised relative TSR comparator group. The performance conditions for the 2011/12 awards will be as shown in the table above.

The Committee considers that these performance conditions are relevant and challenging, and awards will vest in full only if exceptional performance has been achieved. Earnings Per Share ("EPS") and TSR measures were chosen as the measures of the Group's long term performance and are consistent with the Group's objective of providing long term returns to shareholders. EPS is an important growth measure and driver, and TSR improves shareholder alignment. The EPS targets reflect the fact that over 85% of the Group's revenue is regulated.

Share Incentive Plan

The Go-Ahead Group Plc Share Incentive Plan ("SIP") is an HMRC approved plan open to all staff permanently employed by a Go-Ahead Group Company and who have completed at least six months continuous service at the date of application. Participants may contribute up to a maximum of £125 per month (or 10% of pre-tax salary if less) which the Trustee of the SIP uses to buy shares on their behalf. Deductions are made from an employee's gross income so no income tax or National Insurance will be payable provided the shares are held in trust for up to five years. The Executive Directors do not currently participate in the SIP.

Share ownership guidelines

Shareholder guidelines are in place for the Executive Directors which provide for them to build up a personal or spouse's shareholding equal to one year's base salary over a period of five years.

Non-Executive Directors' remuneration

The fees of the Non-Executive Directors are set by the Chairman and the Executive Directors following an annual review in April each year.

Fees	**1 April 2011 £'000 pa**	1 April 2010 £'000 pa
Sir Patrick Brown	**150**	150
Rupert Pennant-Rea	**44**	44
Andrew Allner	**44**	44
Katherine Innes Ker*	**44**	–

* Katherine Innes Ker was appointed with effect from 9 July 2011.

The review seeks to recognise the time commitment, responsibility and technical skills required to make a valuable contribution to the Board. Non-Executive Directors are not eligible to receive pension entitlements or performance-related remuneration and may not participate in share option schemes. The Committee considers the remuneration of the Chairman in his absence.

No increase in such fees was made following the annual review in April 2011. This is the second year that no increase has been made to the fees of the Non-Executive Directors.

The members of the Committee have no personal interests in the matters to be decided by the Committee other than as shareholders, and have no conflicts of interest arising from cross-directorships.

Directors' contracts

It is the Group's policy to restrict the notice periods for Executive Directors to a maximum of 12 months. In line with this policy, the Executive Directors have service contracts with an undefined term but which provide for the Company giving a notice period of 12 months. The contracts contain a provision, exercisable at the discretion of the Company, to pay an amount in lieu of notice on early termination of the contract. Such payments are limited to base salary plus certain benefits but would not automatically include entitlement to bonus or share awards. There are no provisions for special pension benefits, such as beneficial early retirement terms. Other than the notice periods specified below, the Executive Directors are not due any contractual compensation payments in the event of early termination of a service contract. If it becomes necessary to consider early termination of a service contract, the Company will have regard to all the circumstances of the case, including mitigation, when determining any compensation to be paid. Neither of the Executive Directors holds any external directorships.

There were no termination payments made to Keith Ludeman or Nick Swift upon their respective retirement and resignation from the Company. There were no incentive payments made to David Brown or Keith Down upon their respective appointments to the Company.

Each Non-Executive Director has a letter of appointment which provides for a notice period of six months. The terms of appointment contain no entitlement to compensation for early termination. The letters of appointment are available for inspection at the Company's Registered Office during normal business hours and will also be available for inspection prior to and during the Annual General Meeting.

Director	Date of service contract	Notice period from the Company	Notice period from the Director
Sir Patrick Brown	February 1999	6 months	6 months
Rupert Pennant-Rea	October 2002	6 months	6 months
Andrew Allner	October 2008	6 months	6 months
Katherine Innes Ker[1]	July 2010	6 months	6 months
David Brown[2]	April 2011	1 year	6 months
Keith Down[3]	March 2011	1 year	6 months
Keith Ludeman[4]	December 2006	1 year	6 months
Nick Swift[5]	July 2007	1 year	6 months

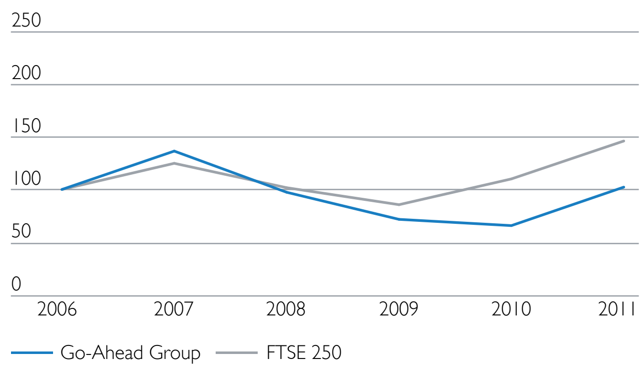
1 Katherine Innes Ker was appointed to the Board on 9 July 2010.
2 David Brown was appointed to the Board on 1 April 2011.
3 Keith Down was appointed to the Board on 7 March 2011.
4 Keith Ludeman retired from the Board on 2 July 2011.
5 Nick Swift resigned from the Board on 7 March 2011.

As reported last year, and in accordance with the provisions of the new UK Corporate Governance Code, all Directors are required to submit themselves for re-appointment at each Annual General Meeting. Accordingly all Directors will be offering themselves for re-appointment at the Company's Annual General Meeting to be held on 27 October 2011.

Performance graph

The following graph shows a comparison of The Go-Ahead Group plc total cumulative shareholder return against that achieved by the FTSE 250 Index for the last five financial years to 2 July 2011. In assessing the performance of the Group's TSR the Board believes the comparator groups it has chosen represent an appropriate and fair benchmark upon which to measure the Group's performance for this purpose.

Total shareholder return (rebased to 100)



This graph shows the value as at 2 July 2011 of £100 invested in The Go-Ahead Group plc on 1 July 2006 compared with the value of £100 invested in the FTSE 250. The other points plotted are the values at intervening financial year ends.

Audited Information

Emoluments and compensation

	Salary/Fees	Performance-related cash bonus[1]	Car replacement allowance	Benefits in kind[2]	Total (exc. Pension and LTIP)		Pension contributions	
					2011	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sir Patrick Brown	150	–	–	–	150	150	–	–
Rupert Pennant-Rea	44	–	–	–	44	44	–	–
Andrew Allner	44	–	–	–	44	44	–	–
Katherine Innes Ker[3]	43	–	–	–	43	–	–	–
David Brown[4]	125	125	–	1	251	–	–	–
Keith Down[5]	103	103	–	1	207	–	10	–
Keith Ludeman[6]	604	530	19	5	1,158	1,240	–	–
Nick Swift[7]	211	208	12	5	436	711	31	38
	1,324	**966**	**31**	**12**	**2,333**	**2,189**	**41**	**38**

1 For David Brown and Keith Down, this is the gross value of the pro-rata bonus payment to be delivered in November 2011 in the form of post-tax shares.
2 Private Medical Insurance only for the Executive Directors, their spouses and any children under age 24.
3 Appointment effective on 9 July 2010.
4 Appointment effective on 1 April 2011.
5 Appointment effective on 7 March 2011.
6 Retired 2 July 2011. Total salary includes the non-pensionable salary supplement of £77,853 (2010: £75,469).
7 Resigned 7 March 2011.

During the financial year, no sums that were chargeable to UK income tax were payable to any Director of the Company by way of an expense allowance in respect of qualifying services.

Long Term Incentive Plan

	Award Date	Balance at 3 July 2010 No.	Awards granted in year No.	Awards lapsed in year No.	Share price at date of award	Awards vested in year No.	Share price at date of vesting	Balance at 2 July 2011 No.	End of period when conditions must be met
Keith Ludeman	10 Sep 07	17,974	–	17,974	£25.48	–	–	–	3 July 2010
	24 Oct 08	46,908	–	–	£14.58	–	–	46,908	2 July 2011
	30 Oct 09	52,722	–	17,574	£14.24	–	–	35,148	30 June 2012
	6 Sep 10	–	69,272	46,181	£11.62	–	–	23,091	29 June 2013
Nick Swift	10 Sep 07	9,556	–	9,556	£25.48	–	–	–	3 July 2010
	24 Oct 08	25,799	–	25,799	£14.58	–	–	–	–
	30 Oct 09	28,997	–	28,997	£14.24	–	–	–	–
	6 Sep 10	–	41,901	41,901	£11.62	–	–	–	–

September 2007 awards

In September 2010, three years after the date of grant, the Committee considered the extent to which the awards granted to Keith Ludeman and Nick Swift in September 2007 should vest based on the three year performance period commencing with the start of the 2007/8 financial period and ending with the 2009/10 financial period. This award was based on TSR performance against the two comparator groups, with a minimum requirement that the Group should receive an increase in adjusted EPS over the three year period of not less than the increase in the Retail Prices Index plus 3% per year. As the minimum EPS requirement had not been met, no shares vested to Keith Ludeman and Nick Swift under the September 2007 award.

October 2008 awards

The award granted to Nick Swift in October 2008 lapsed following his resignation on 7 March 2011. In October 2011, which is three years from the date of grant, the Committee will consider the extent to which the award granted to Keith Ludeman in October 2008 will vest based on the three year performance period commencing with the start of the 2008/9 financial period and ending with the 2010/11 financial period. This award was made on the basis that only half of the award is linked to comparative TSR against the two comparator groups and the other half is linked to real growth in EPS.

October 2009 and 2010 awards

The awards granted to Nick Swift in October 2009 and September 2010 lapsed following his resignation on 7 March 2011. In October 2012 and September 2013, which is three years from the dates of grant respectively, the Committee will consider the extent to which the awards granted to Keith Ludeman will vest. The awards eligible to vest at this time have been reduced accordingly to reflect the period over which Keith Ludeman was employed. These awards will be based on TSR performance against the two comparator groups only, with no EPS performance conditions.

Directors' share options

No share options are held by or have been granted to the Executive Directors during the financial year.

Deferred Share Bonus Plan

The Directors included in the table below held awards over ordinary shares of the Company granted under the Deferred Share Bonus Plan.

The awards granted on 17 November 2009 are held in trust on behalf of the beneficiaries for a period of three years. The Committee resolved that the award granted to Nick Swift would lapse following his resignation on 7 March 2011. In accordance with the "good leaver" provisions of the Plan, the award granted to Keith Ludeman vested in full after the year end and following his retirement on 2 July 2011.

	Deferred Share Award Date	Deferred share awards granted No.	Awards vested during year No.	Awards lapsed during the year No.	Balance at 2 July 2011 No.	Date of vesting
Keith Ludeman	17 Nov 09	3,498	–	–	3,498	1 Aug 2011
Nick Swift	17 Nov 09	3,498	–	3,498	–	–

Directors' pension funds

The following disclosures are included to meet the relevant legislative requirements in relation to the Directors' final salary pension benefits as shown in the table below:

	Keith Ludeman £'000 pa	Nick Swift £'000 pa
Accrued pension – 3 July 2010	204	14
Accrued pension – 2 July 2011	213	18
Increase in the accrued pension during the year	9	4
Increase in the accrued pension during the year in excess of inflation	–	4

	Keith Ludeman £'000	Nick Swift £'000
Transfer value of the accrued pension at 3 July 2010	5,021	103
Transfer value of the accrued pension at 2 July 2011	4,400	131
Directors' notional contributions during the year	–	19
Increase in transfer value over the year net of Directors' notional contributions	–	9

Notes

1 At the end of last year, the Government confirmed that statutory increases in payment and in deferment for occupational pension schemes would be linked to the Consumer Price Index (CPI) for future years. The Trustee took legal advice on the impact of this change on The Go-Ahead Group Pension Plan ("the Plan"). This concluded that increases in deferment on pensions in excess of any Guaranteed Minimum Pension (GMP) and increases in payment to GMP benefits after 5 April 1988 will now increase in line with CPI, subject to the appropriate cap. In light of this legal advice, changes in market conditions and actuarial advice, the Trustee of the Plan reviewed and amended the basis for the calculation of cash equivalent transfer values with effect from 23 March 2011. The transfer values at the year end have been calculated in accordance with this basis.

2 Mr Swift accrued benefits within the Group's approved final salary pension plan during the financial year. Mr Ludeman's benefits were provided in part through the Group's approved final salary plan and also through an individual unapproved unfunded pension arrangement. Mr Swift left Pensionable Service on 7 March 2011 and Mr Ludeman began receiving his benefits from both arrangements on 1 April 2010.

3 Whilst an active member of the Plan, Mr Swift participated in the pensions salary sacrifice arrangement operated by the Group during the year. The notional contributions shown in the table above are those Mr Swift would have paid had he not participated in the salary sacrifice arrangement. The figures at 2 July 2011 reflect Mr Swift's Pensionable Service to his date of leaving, albeit the transfer value reflects market conditions at the year end.

4 As at 2 July 2011, Mr Ludeman was in receipt of a pension of £188,520 pa from the Plan and £24,890 pa from the unapproved pension arrangement. The increase in his accrued pension over the year reflects the standard inflationary pension increases that he has received in line with the Plan's Rules and his unfunded arrangement. As Mr Ludeman is in receipt of his pension he is not entitled to a transfer value from the Plan. Therefore, the transfer values shown in the above table are notional values. The transfer value at 3 July 2010 included the tax-free cash lump sum that he took at retirement. This is excluded from the transfer value at 2 July 2011, which is the primary reason for the fall in his transfer value over the year.

5 The new Executive Directors, David Brown and Keith Down, are not members of the final salary section.

For and On Behalf of the Board

Rupert Pennant-Rea, Chairman of Remuneration Committee

31 August 2011

OTHER STATUTORY INFORMATION

The Directors present their report and audited financial statements for the year ended 2 July 2011.

Principal activities

The principal activities of the Group throughout the year have been the provision of passenger transport services.

Results and dividends

The results for the year are set out in the consolidated income statement on page 82. The Directors propose that a final dividend of 55.5p be paid, making a total of 81.0p for the year (2010: 81.0p). The proposed final dividend, if approved, will be payable on Friday 18 November 2011 to shareholders on the register at the close of business on 4 November 2011.

A review of the business of the Group during the year and its prospects for the future, together with a description of the principal risks and uncertainties facing the Group, can be found in the Directors' Report from pages 2 to 47.

Directors and their interests

The names of the persons who at any time during the financial year were Directors of the Company are:

Sir Patrick Brown
Rupert Pennant-Rea
Andrew Allner
Katherine Innes Ker (appointed 9 July 2010)
David Brown (appointed 1 April 2011)
Keith Down (appointed 7 March 2011)
Keith Ludeman (retired 2 July 2011)
Nick Swift (resigned 7 March 2011)

The names and biographical details of the current Directors of the Company are given on pages 52 and 53.

The rules on appointment, reappointment and retirement of Directors are contained in the Company's Articles of Association which were adopted by shareholders at the 2010 Annual General Meeting. The Directors are appointed by ordinary resolution at a general meeting of shareholders. The Directors have the power to appoint a Director during the year but any person so appointed must be subject to election at the first Annual General Meeting following their appointment. The current Articles require that all Directors are subject to re-election on an annual basis. David Brown and Keith Down were appointed during the year and, in accordance with the Company's Articles, they will retire at the 2011 AGM and offer themselves for election. Sir Patrick Brown, Rupert Pennant-Rea, Andrew Allner and Katherine Innes Ker will retire at the 2011 AGM and offer themselves for re-election.

The Directors' beneficial or family interests in the share capital of the Company as at 2 July 2011, with comparative figures for the 2010 year end, are shown in the table below. There were no changes in these interests between 2 July 2011 and 31 August 2011.

Details of the Executive Directors' interests in awards granted to them as participants in the Long Term Incentive Plan can be found in the Directors' Remuneration Report on page 75.

No Director was interested in any contract or arrangement which was significant in relation to the Group's business.

Indemnification of Directors

The Company maintains a directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the year ended 2 July 2011 and remain in force, in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as directors or employees of the Company or of any associated company. Neither the Company's indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Shareholder and control structure

At 2 July 2011, the Company's issued share capital comprised a single class of shares referred to as ordinary shares. At this date there were 46,905,978 ordinary shares in issue, of which 3,902,230 were held in treasury. No exercises of share options under the Company's all-employee share scheme were granted throughout the course of the year. The Company did not purchase any of its own shares during the year for either cancellation or to hold as treasury shares, and no such shares were purchased between the year end and the date of this report. However, 58,632 shares (2010: 26,447) were re-purchased for potential LTIP awards that may vest in the future (and Directors' bonus plans 2010).

There are no restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); and

Directors' interests in shares

	2011 No.	2010 No.
Sir Patrick Brown	10,149	10,149
Rupert Pennant-Rea	2,000	2,000
Andrew Allner	*742	–
Katherine Innes Ker	–	–
David Brown (appointed as a Director on 1 April 2011)	–	–
Keith Down (appointed as Director on 7 March 2011)	–	–
Keith Ludeman (retired 2 July 2011)	**34,829	34,829
Nick Swift (resigned 7 March 2011)	–	***12,586

* On 31 March 2011, Andrew Allner purchased 742 shares in the name of his spouse.
** Keith Ludeman retired on 2 July 2011. At this date, his shareholding comprised 31,331 shares in the name of his spouse and 3,498 deferred shares which vested in full following his retirement.
*** Following his resignation on 7 March 2011, Nick Swift sold his holding of 9,088 shares and the remaining 3,498 deferred shares lapsed with immediate effect.

- restrictions pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

All shareholders have the same voting rights for each share, regardless of the total number of shares held. On a show of hands at a general meeting of the Company, every holder of shares present in person or by proxy and entitled to vote shall have one vote (except in the circumstance where a proxy has been appointed by more than one member in which case he or she will have one vote for and one vote against if he or she has been instructed by one or more members to vote for the resolution and by one or more members to vote against). On a poll, every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. The Notice of Meeting specifies deadlines for exercising voting rights either in person or by proxy in relation to resolutions to be passed at the 2011 Annual General Meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting itself and published on the Company's website (www.go-ahead.com) after the meeting.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

The authorities for the Company to allot relevant securities (up to an aggregate nominal amount of £1,433,458) and for the disapplication of pre-emption rights on the allotment of equity securities (for cash up to an aggregate nominal amount of £215,019), as passed by ordinary and special resolutions at the 2010 Annual General Meeting, were not utilised in the financial year or up to the date of this report. These authorities will expire at the upcoming Annual General Meeting of the Company and approval for new authorities will be sought. In the last three years no shares have been issued on a non-pre-emptive basis, other than those issued under all-employee share schemes which are not included for the purposes of this authority.

The authority for the Company to make market purchases of its own ordinary shares, as passed by special resolution at the 2010 Annual General Meeting, was still in effect at the end of the financial year and will expire at the upcoming Annual General Meeting of the Company, where approval for a new authority will be sought. Under the existing authority the maximum aggregate number of shares that can be purchased is 4,300,375. The authority also limits the maximum number of shares held in treasury to 10% of the issued share capital of the Company and states minimum and maximum prices payable for shares purchased under the authority. During the financial year this authority was not utilised. However, 58,632 shares (2010: 26,447) were re-purchased for potential LTIP awards that may vest in the future (and Directors' bonus plans 2010).

The business of the Company is managed by the Directors, who may exercise all powers of the Company which are not required to be exercised by the Company in general meeting, subject to the Company's Articles of Association, relevant statutory law and any direction given by the Company in general meeting by special resolution.

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. The Company adopted new Articles of Association at the 2010 Annual General Meeting in accordance with the provisions of the Companies Act 2006 and UK Corporate Governance Code. Members of the Company can request a copy of the Articles of Association by contacting the Group Company Secretary at the Registered Office.

The 24th Annual General Meeting of the Company will be held at the Hilton Newcastle Gateshead, Bottle Bank, Gateshead, NE8 2AR on Thursday 27 October 2011 at 11.00 hours. Details of the business to be considered can be found in the Notice of Meeting which will be available on the Company's website (www.go-ahead.com) from 27 September 2011.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Each of the Group's rail franchise agreements is subject to change of control criteria that would mean, on a change of control, there would be deemed to be an "event of default" that could potentially terminate the rail franchise. This is, however, subject to the discretion of the Secretary of State. Additionally, the Group's sterling bond issue dated 22 February 2010 and Revolving Credit Facility dated 3 February 2011 are subject to change of control clauses that contain certain specified conditions which could lead to a compulsory prepayment of the bond and loan respectively.

Substantial shareholdings

As at 31 August 2011, the Company had been notified, in accordance with Rule 5 of the Disclosure and Transparency Rules, of the interests in its shares representing 3% or more of the voting rights in the Company as shown below.

Substantial shareholdings

	Direct/Indirect	No.	%*
Ameriprise Financial, Inc. and its group	Indirect	4,284,959	9.96
	Direct	18,500	0.04
J Moyes	Indirect	2,317,698	5.39
	Direct	28,200	0.07
JPMorgan Asset Management (UK) Ltd	Indirect	2,563,958	5.96
D Ballinger	Direct	2,525,580	5.87
UBS AG London Branch Wealth Management Division	Indirect	2,128,746	4.95
Newton Investment Management Ltd	Indirect	1,665,203	3.87
Legal & General Group plc	Direct	1,488,712	3.46

* Using the total voting rights figure of 43,003,748.

These holdings include, where applicable, the aggregate of investment management clients' interests within the respective asset management companies and may have changed without triggering a further notification.

Share schemes

At the date of this report, EES Trustees International Limited, as Trustee of The Go-Ahead Group Employee Trust, holds 0.3% of the issued share capital of the Company in trust for the benefit of the Executive Directors of the Group and their dependents under the Long Term Incentive Plan. The voting rights in relation to these shares are exercised by the Trustee and dividends are waived while the shares are held by the Trustee.

Under the rules of the Company's Share Incentive Plan, employees of the Group are entitled to acquire shares in the Company. In order to preserve certain tax benefits these shares are held in a trust by EES Corporate Trustees Limited for participating employees. Whilst these shares are held in trust, the voting rights attached to them will not be exercised by the Trustee or the employees for whom they are held. As at the date of this report, 0.8% of the issued share capital of the Company is held by EES Corporate Trustees Limited. In the event of an offer being made to acquire these shares the employees are entitled to direct EES Corporate Trustees Limited to accept an offer in respect of the shares held on their behalf.

On 1 June 2010, the Company's only outstanding Sharesave Scheme (a savings related share option scheme) matured underwater meaning that the price at which to exercise the options was greater than the market price of the underlying shares. Hence, no employees chose to exercise their options upon maturity and no ordinary shares were allotted under the rules of the Sharesave Scheme. No accounts remain outstanding. There will therefore be no future exercise of share options unless a new Sharesave Scheme is launched, and any such launch would be at the discretion of the Board.

Vesting of awards under the Long Term Incentive Plan for the Executive Directors is satisfied by market purchases of shares, and therefore there is no dilution of the issued share capital.

Employees

The Group's responsibility is to provide a positive work environment conducive to the recruitment and retention of staff and one which meets its business objectives by motivating and encouraging the Group's employees to be responsive to the needs of its customers, maintaining, and wherever possible, improving operational performance.

The Group is committed to providing equality of opportunity to all employees and treats all employees fairly regardless of gender, ethnic origin, age, religion, belief, race and, where practical, physical disability. Appropriate training, career development and promotion opportunities are provided for all employees. The Group gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. It is the Group's policy to provide continuing employment, and arrange appropriate training, for existing employees who become disabled during their employment, and to provide training, career development and promotion as appropriate to all disabled employees.

Our companies maintain relationships with recognised trade unions and have established a network of local employee representatives who are consulted on key business decisions likely to affect their interests. Three of our companies have Stakeholder Boards, which bring together employees, individual passengers and representative bodies to share views. The Group produces a range of internal newsletters, information circulars and intranet sites that keep employees abreast of developments at their specific employing company and across the Group as a whole. The Group has awards to recognise and reward outstanding contributions by our employees.

Employees are encouraged to participate directly in the success of the business through the Group's HMRC approved Share Incentive Plan (SIP) which is open to all employees with six months' service and gives the opportunity to buy shares in the Company in a tax-efficient manner.

The Group is committed to developing a culture of openness across all its businesses and ensuring the highest standards of probity and accountability and aims to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance. The Group engages with its employees, who are encouraged to discuss matters of interest to them and subjects affecting day-to-day operations with operating company management. The Board also actively encourages employees with serious concerns regarding the interests of others or the Group to come forward. The Group and its operating companies have policies in place to ensure processes exist whereby employees can raise serious concerns constructively without fear or victimisation, subsequent discrimination or disadvantage.

Further details of our responsibilities as an employer, including operating in a socially and environmentally responsible manner, can be found on pages 48 to 51 and also in the Group's Corporate Responsibility Report which is published separately and can be found on the Company's website (www.go-ahead.com).

Charitable donations

Charitable donations, sponsorship and community support over the year amounted to £348,619 (2010: £268,000). The Group strives to support many worthwhile causes, including health charities and local community projects. For further details, please see the Group's separate Corporate Responsibility Report which can be located as detailed above.

Political donations and expenditure

It is the Group's policy not to make political donations and accordingly no such payments were made in the year (2010: £nil). Additionally, the Company did not incur any political expenditure as defined in the Companies Act 2006 (2010: £nil).

Land and buildings

In the opinion of the Directors, there is no material difference between the market value of the Group's interest in land and buildings and its net book value.

Suppliers

Each Group operating company individually agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the suppliers, including the timely submission of satisfactory invoices. For the year ended 2 July 2011, the trade creditor days for The Go-Ahead Group Plc as a Company (not as a Group) were five days (2010: 11), based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

Post balance sheet events

There are no post balance sheet events.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Directors' Report on pages 2 to 47. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are described in the Financial Review on pages 32 to 35. In addition note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Cash generation from the Group's bus and rail operations was excellent and the balance sheet remains strong. Core financing is provided by a £200m sterling bond securing financing to September 2017 and bank facilities funding of £275m to February 2016, of which £191m was undrawn and available at the year end. The Directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook.

The Directors have assessed, in the light of current and anticipated economic conditions, the Company and Group's ability to continue as a going concern. The Directors confirm they are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the "going concern" basis in preparing the Annual Report and Accounts.

Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable UK law and those International Financial Reporting Standards as adopted by the European Union.

Under company law, the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors" and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRSs) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and accounting estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, enabling them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statements

The Directors who were members of the Board at the time of approving the Directors' report are listed on pages 52 and 53. The Directors confirm that to the best of their knowledge:

a) The financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

b) The Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Directors' statement as to disclosure of information to auditors

Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirm that:

- To the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

C Sephton, Company Secretary

31 August 2011

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE GO-AHEAD GROUP PLC

We have audited the Group financial statements of the Go-Ahead Group plc for the year ended 2 July 2011 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cashflow statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 80, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 2 July 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 80, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of the Go-Ahead Group plc for the year ended 2 July 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ernst + Young LLP

Kathryn Barrow (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

31 August 2011

Notes:

1. The maintenance and integrity of the Go-Ahead Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 2 JULY 2011

	Notes	2011 £m	Restated 2010 £m
Group revenue	4	**2,297.0**	2,167.3
Operating costs (excluding amortisation and exceptional items)	5	**(2,181.9)**	(2,066.3)
Group operating profit (before amortisation and exceptional items)		**115.1**	101.0
Goodwill and intangible asset amortisation	3	**(10.5)**	(10.9)
Exceptional items (before taxation)	7	**(2.3)**	(11.0)
Group operating profit (after amortisation and exceptional items)		**102.3**	79.1
Finance revenue	9	**1.5**	1.6
Finance costs	9	**(19.0)**	(14.9)
Profit on ordinary activities before taxation		**84.8**	65.8
Tax expense	10	**(9.8)**	(14.5)
Profit for the year from continuing operations		**75.0**	51.3
Discontinued operations			
Profit/(loss) for the year from discontinued operations	8	**4.4**	(27.8)
Profit for the year		**79.4**	23.5
Attributable to:			
Equity holders of the parent		**67.4**	17.2
Non-controlling interests		**12.0**	6.3
		79.4	23.5
Earnings per share from continuing operations			
– basic & diluted	11	**146.8p**	104.8p
– adjusted	11	**135.2p**	126.9p
Earnings per share from total operations			
– basic & diluted	11	**157.1p**	40.1p
– adjusted	11	**135.4p**	135.1p
Dividends paid (pence per share)	12	**55.5p**	106.5p
Final dividend proposed (pence per share)	12	**55.5p**	30.0p

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 2 JULY 2011

	Notes	2011 £m	2010 £m
Profit for the year		**79.4**	23.5
Other comprehensive income			
Actuarial gains/(losses) on defined benefit pension plans	28	**12.9**	(22.5)
Unrealised gains on cashflow hedges		**23.0**	1.8
(Gains)/losses on cashflow hedges taken to income statement – operating costs		**(3.5)**	16.3
Tax recognised in other comprehensive income	10	**(10.1)**	0.8
Other comprehensive income for the year, net of tax		**22.3**	(3.6)
Total comprehensive income for the year		**101.7**	19.9
Attributable to:			
Equity holders of the parent		**93.6**	11.9
Non-controlling interests		**8.1**	8.0
		101.7	19.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 2 JULY 2011

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Retained earnings £m	**Total equity £m**	Non-controlling interests £m	**Total £m**
At 27 June 2009	71.9	(68.8)	(10.5)	1.6	0.7	(14.0)	**(19.1)**	9.6	**(9.5)**
Profit for the year	–	–	–	–	–	17.2	**17.2**	6.3	**23.5**
Other comprehensive income	–	–	12.5	–	–	(17.8)	**(5.3)**	1.7	**(3.6)**
Total comprehensive income	–	–	12.5	–	–	(0.6)	**11.9**	8.0	**19.9**
Share based payment charge	–	–	–	–	–	0.7	**0.7**	–	**0.7**
Dividends	–	–	–	–	–	(45.7)	**(45.7)**	(6.6)	**(52.3)**
Acquisition of own shares	–	(0.3)	–	–	–	–	**(0.3)**	–	**(0.3)**
Arising on shares issued for share options	0.2	–	–	–	–	–	**0.2**	–	**0.2**
Reserve transfer	–	0.1	–	–	–	(0.1)	**–**	–	**–**
At 3 July 2010	72.1	(69.0)	2.0	1.6	0.7	(59.7)	**(52.3)**	11.0	**(41.3)**
Profit for the year	–	–	–	–	–	67.4	**67.4**	12.0	**79.4**
Other comprehensive income	–	–	14.1	–	–	12.1	**26.2**	(3.9)	**22.3**
Total comprehensive income	–	–	14.1	–	–	79.5	**93.6**	8.1	**101.7**
Share based payment charge	–	–	–	–	–	0.4	**0.4**	–	**0.4**
Dividends	–	–	–	–	–	(23.8)	**(23.8)**	(4.8)	**(28.6)**
Acquisition of own shares	–	(0.8)		–	–	–	**(0.8)**	–	**(0.8)**
At 2 July 2011	**72.1**	**(69.8)**	**16.1**	**1.6**	**0.7**	**(3.6)**	**17.1**	**14.3**	**31.4**

CONSOLIDATED BALANCE SHEET

AS AT 2 JULY 2011

	Notes	2011 £m	Restated 2010 £m	Restated 2009 £m
Assets				
Non-current assets				
Property, plant and equipment	13	**416.4**	415.9	409.9
Intangible assets	14	**100.9**	108.6	110.3
Trade and other receivables	18	**0.6**	1.8	3.1
Investment in joint venture	3	**4.1**	0.7	–
Other financial assets	24	**4.7**	4.3	3.1
Deferred tax assets	10	**20.0**	27.1	23.4
		546.7	558.4	549.8
Current assets				
Inventories	17	**15.5**	12.9	13.1
Trade and other receivables	18	**201.4**	188.8	199.2
Cash and cash equivalents	19	**228.6**	235.8	207.1
Other financial assets	24	**14.7**	3.0	0.6
		460.2	440.5	420.0
Assets classified as held for sale	16	**1.6**	1.7	9.7
Assets held in disposal groups held for sale	8	**–**	10.2	–
		1.6	11.9	9.7
Total assets		**1,008.5**	1,010.8	979.5
Liabilities				
Current liabilities				
Trade and other payables	20	**(428.2)**	(440.5)	(432.4)
Other financial liabilities	24	**(1.7)**	(7.9)	(16.4)
Interest-bearing loans and borrowings	21	**(6.5)**	(17.1)	(30.4)
Current tax liabilities		**(17.1)**	(20.4)	(14.9)
Provisions	25	**(21.9)**	(27.6)	(15.4)
		(475.4)	(513.5)	(509.5)
Non-current liabilities				
Interest-bearing loans and borrowings	21	**(287.6)**	(303.9)	(266.5)
Retirement benefit obligations	28	**(76.9)**	(96.9)	(83.5)
Other financial liabilities	24	**(0.4)**	(3.3)	(8.5)
Deferred tax liabilities	10	**(50.9)**	(65.6)	(68.4)
Other liabilities	20	**(6.3)**	(5.3)	(8.9)
Provisions	25	**(79.6)**	(45.7)	(43.7)
		(501.7)	(520.7)	(479.5)
Liabilities held in disposal groups held for sale	8	**–**	(17.9)	–
Total liabilities		**(977.1)**	(1,052.1)	(989.0)
Net liabilities		**31.4**	(41.3)	(9.5)
Capital & reserves				
Share capital		**72.1**	72.1	71.9
Reserve for own shares		**(69.8)**	(69.0)	(68.8)
Hedging reserve		**16.1**	2.0	(10.5)
Other reserve		**1.6**	1.6	1.6
Capital redemption reserve		**0.7**	0.7	0.7
Retained earnings		**(3.6)**	(59.7)	(14.0)
Total shareholders' equity		**17.1**	(52.3)	(19.1)
Non-controlling interests		**14.3**	11.0	9.6
Total equity		**31.4**	(41.3)	(9.5)

Sir Patrick Brown, Chairman
31 August 2011

Keith Down, Group Finance Director
31 August 2011

FINANCIAL STATEMENTS
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 2 JULY 2011

	Notes	2011 £m	Restated 2010 £m
Profit after tax from continuing operations		**75.0**	51.3
Profit/(loss) after tax from discontinued operations	8	**4.4**	(27.8)
Profit after tax for the year		**79.4**	23.5
Net finance costs	9	**17.5**	13.3
Tax expense	10	**9.3**	10.8
Depreciation of property, plant and equipment	13	**49.2**	52.1
Amortisation of goodwill and intangible assets	14	**10.5**	10.9
Other non-cash exceptional items	7	**(1.5)**	35.8
Ineffective interest swap hedge		**–**	0.8
Release of fuel hedge		**(1.7)**	–
Profit on sale of property, plant and equipment		**(0.3)**	(0.2)
Share based payments	6	**0.4**	0.7
Difference between pension contributions paid and amounts recognised in the income statement		**(7.1)**	(6.9)
Sale of assets held for disposal		**0.1**	8.1
Cash transferred from assets held for disposal		**0.3**	–
(Increase)/decrease in inventories		**(2.3)**	0.2
Increase in trade and other receivables		**(14.1)**	(10.6)
Decrease in trade and other payables		**(30.6)**	7.9
Movement in provisions		**28.8**	14.2
Cashflow generated from operations		**137.9**	160.6
Taxation paid		**(24.9)**	(18.8)
Net cashflows from operating activities		**113.0**	141.8
Cashflows from investing activities			
Interest received		**1.5**	1.6
Proceeds from sale of property, plant and equipment		**1.4**	5.7
Purchase of property, plant and equipment		**(54.1)**	(58.1)
Purchase of intangible assets		**(2.3)**	(2.3)
Purchase of subsidiaries	15	**(3.5)**	(35.2)
Proceeds from sale of subsidiaries		**11.2**	14.8
Investment in joint venture		**(3.4)**	(0.7)
Cash acquired with subsidiaries		**–**	2.0
Cash associated with disposal		**(0.3)**	(0.1)
Net cashflows used in investing activities		**(49.5)**	(72.3)
Cashflows from financing activities			
Interest paid		**(13.6)**	(12.3)
Dividends paid to members of the parent	12	**(23.8)**	(45.7)
Dividends paid to non-controlling interests		**(4.8)**	(6.6)
Proceeds from issue of shares		**–**	0.2
Payment to acquire own shares		**(0.8)**	(0.3)
Repayment of borrowings		**(24.6)**	(216.4)
Proceeds from borrowings		**3.9**	50.0
Proceeds from bond financing		**–**	200.0
Payment of finance lease and hire purchase liabilities		**(6.2)**	(10.5)
Net cash outflows on financing activities		**(69.9)**	(41.6)
Net (decrease)/increase in cash and cash equivalents		**(6.4)**	27.9
Cash and cash equivalents at 3 July 2010	19	**230.0**	202.1
Cash and cash equivalents at 2 July 2011	19	**223.6**	230.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 2 JULY 2011

1. Authorisation of financial statements and statement of compliance with IFRSs

The consolidated financial statements of The Go-Ahead Group plc (the 'Group') for the year ended 2 July 2011 were authorised for issue by the Board of Directors on 31 August 2011 and the balance sheet was signed on the Board's behalf by Sir Patrick Brown and Keith Down. The Go-Ahead Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) as they apply to the consolidated financial statements of the Group for the year ended 2 July 2011, and applied in accordance with the provisions of the Companies Act 2006. The Group is required to comply with international accounting requirements under IAS 1 'Presentation of Financial Statements' except in extremely rare circumstances where management concludes that compliance would be so misleading that it would conflict with the objective to 'present fairly' its financial statements. On that basis, the Group has departed from the requirements of IAS 19 'Employee Benefits' and has accounted for its constructive but not legal obligations for the Railways Pension Scheme (RPS) under the terms of its UK rail franchise agreements. Details of the background and rationale for this departure are provided in note 28.

2. Summary of significant accounting policies

Basis of preparation

A summary of the Group's accounting policies applied in preparing the financial statements for the year ended 2 July 2011 are set out below.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand (£0.1m) except when otherwise indicated.

As noted above, the Group has taken the decision to depart from the requirements of IAS 19 so as to present fairly its financial performance, position, and cashflows in respect of its obligation for the RPS.

New standards

The following new standards or interpretations are mandatory for the first time for the financial year ending 2 July 2011:

- IFRS 1 First-time Adoption of International Financial reporting Standards – Additional Exemptions for First-time Adopters (amendments)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IFRS 3 Business Combinations (revised)
- IFRS 2 Group Cash-settled Share-based Payment Arrangements (amendment)
- IAS 27 Consolidated and Separate Financial Statements (amendment)
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (amendment)
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedge Items (amendment)
- IFRIC 17 Distribution of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRS 2009
- Improvements to IFRS 2010

The adoption of IAS 27 Consolidated and Separate Financial Statements (amendment) has required the reclassification of minority interests as non-controlling interests. Also, any transactions with non-controlling interests that do not result in gaining or losing control will be accounted for as equity transactions.

The Improvements to IFRS 2009 amended IFRS 8 Operating Segments to require segment assets and liabilities to be reported only when they are included in measures regularly provided to the chief operating decision maker. This is not the case, and therefore, segment assets and liabilities are no longer reported.

Adoption of IFRS 3 Business Combinations (revised) has required the legal expenses relating to the acquisition of Thames Travel (Wallingford) Limited in the year to be expensed. The legal expenses amounted to £0.1m.

Adoption of the remaining new standards and interpretations did not have a material impact on the financial performance or position of the Group.

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the Group has classified the results of the residual ground handling activities at Heathrow Terminal 1 and Meteor Parking operations as discontinued and accordingly the comparatives in the income statement and related notes have been restated. The above treatment is a result of the cessation or sale during the period of the above operations.

Use of estimates

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

- the measurement and impairment testing of indefinite life intangible assets requires estimation of future cashflows and the selection of a suitable discount rate and growth rate, as detailed in note 14;
- the measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation, the expected return on assets and the selection of a suitable discount rate, as set out in note 28; and
- the measurement of uninsured liabilities is based on an assessment of the expected settlement of known claims and an estimate of the cost of claims not yet reported to the Group.
- the measurement of franchise commitments, comprising dilapidation provisions on vehicles, depots and stations and also income claims from other rail franchise operators, is based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisers.

Basis of consolidation
The consolidated financial statements comprise the financial statements of The Go-Ahead Group plc and its subsidiaries as at 2 July 2011.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries for use in the consolidation are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Non-controlling interests represent the equity interests not held by the Group in Govia Limited, a 65% owned subsidiary, and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Interest in joint ventures
The Group has a contractual arrangement with another party which represents a joint venture. This takes the form of an agreement to share control over another entity, through an interest in a company (a jointly controlled entity). The Group recognises its interest in the entity's assets and liabilities using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of the investment. The Group income statement reflects the share of the jointly controlled entity's results after tax. Where there has been a change recognised in other comprehensive income of the jointly controlled entity, the Group recognises its share of any such changes in the Consolidated statement of comprehensive income.

Revenue recognition
Revenue is recognised to the extent that it is probable that the income will flow to the Group and the value can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Rendering of services
The revenue of the Group comprises income from road passenger transport and rail passenger transport.

Bus revenue comprises amounts receivable generated from ticket sales and revenue generated from services provided on behalf of local transport authorities.

Rail revenue comprises amounts based principally on agreed models of route usage, by Railway Settlement Plan Limited (which administers the income allocation system within the UK rail industry), in respect of passenger receipts and other related services such as rolling stock maintenance and commission on tickets sold. In addition, franchise subsidy receipts from the DfT and local Passenger Transport Executives (PTEs) are treated as revenue, whereas franchise premium payments to the DfT are recognised in operating costs.

Revenue is recognised by reference to the stage of completion of the customer's journey or for other services based on the proportion of services provided. The attributable share of season ticket or travel card income is deferred within liabilities and released to the income statement over the life of the relevant season ticket or travel card.

Rental income
Rental income is generated from rental of surplus properties and subleasing of rolling stock and railway infrastructure access. It is accounted for on a straight-line basis over the lease term.

Finance revenue
Interest on deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the income statement over the period necessary to match on a systematic basis to the costs that it is intended to compensate. Where the grant relates to a non-current asset, value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

Uninsured liabilities
The Group limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. A liability is recognised for the estimated cost to the Group to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

The estimation of this liability is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Group by the insurer.

The Group has accumulated considerable experience in the evaluation and management of such claims and has historically classified this liability as an accrual within the current liabilities. As part of our regular review of reporting practices and policies, we have given full consideration to the classification of this liability in the balance sheet. In light of developing trends relating to the nature of claims and the increasing time involved in their resolution, the Group has determined that there is no longer a sufficient degree of certainty to classify all of this liability as an accrual rather than as a provision. As a result, this liability is now classified within provisions and accompanied by the disclosures relating to their creation, utilisation and re-measurement of these obligations.

The Group believes that this change in presentation provides more relevant information and aids comparability with our peers in the industry. Comparatives have been restated and an additional balance sheet presented as at 28 June 2009 to show the effect of these changes. The impact of this reclassification in the balance sheet is set out in notes 20 and 25. There is no effect on amounts reported in the income statement.

Franchise bid costs
A key part of the Group's activities is the process of bidding for and securing franchises to operate rail services in the UK. All franchise bid costs incurred prior to achieving preferred bidder status are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Directly attributable, incremental costs incurred after achieving preferred bidder status are capitalised as an intangible asset and amortised over the life of the franchise.

Profit and revenue sharing/support agreements
The rail companies have certain revenue and, historically, profit sharing agreements with the DfT. An accrual is made within amounts payable to central Government for the estimated cost to the Group of the relevant amounts accrued at the balance sheet date. Payments are charged to operating costs.

Revenue support is provided by the DfT typically in the last two years of a franchise. Receipts are shown in revenue.

2. Summary of significant accounting policies continued

Exceptional items

The Group presents as exceptional items on the face of the income statement those material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost on transition to IFRSs less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

Depreciation is charged to the income statement based on cost or fair value, less estimated residual value of each asset, evenly over its expected useful life as follows:

Short leasehold land and buildings	The life of the lease
Freehold buildings and long leasehold land and buildings	Over 10 to 100 years
Bus vehicles	Over 8 to 15 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Business combinations and goodwill

(a) Business combinations since 4 July 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(b) Business combinations prior to 4 July 2010

Acquisitions of businesses since 3 July 2004 are accounted for under IFRS 3 Business Combinations using the purchase method. Goodwill on acquisition is initially measured at cost being the excess of the costs of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, meeting the conditions for recognition under IFRS 3 at the acquisition date. It is capitalised and carried as an asset on the balance sheet. If an acquisition gives rise to negative goodwill, this is released immediately to the income statement.

In some instances certain fair value accounting adjustments are required to be made using provisional estimates, based on information available, and amendments are sometimes necessary in the 12 months following the acquisition, with a corresponding adjustment to goodwill.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and not subsequently reversed. For the purposes of impairment testing, goodwill is allocated to the related cash-generating units monitored by management.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount, being the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Franchise assets

Where the conditions relating to the award of a franchise require the Group to assume legal responsibility for any pension liability that exists at that point in time, the Group recognises a liability representing the fair value of the related net pension deficit that the Group expects to fund during the franchise term. When a pension deficit exists at the start of the franchise, a corresponding intangible asset is recognised, reflecting a cost in acquiring the right to operate the franchise. If a pension surplus exists at the start of the franchise, then a corresponding deferred income balance is recognised, representing a government grant. The intangible asset or deferred income balance is amortised through the income statement on a straight-line basis over the period of the franchise.

The carrying value of franchise assets is reviewed for impairment at the end of the first financial year following the award of the franchise and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Software

Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

Inventories

Stocks of fuel and engineering spares are valued at the lower of cost and net realisable value. Cost comprises direct materials and costs incurred in bringing the items to their present location and condition. Net realisable value represents the estimated selling price less costs of sale.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cashflow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial assets and derivatives

Financial assets are accounted for in accordance with IAS 39. Financial assets are initially recognised at fair value, being the transaction price plus directly attributable transaction costs.

The Group uses energy derivatives to hedge its risks associated with fuel price fluctuations and interest derivatives to hedge its risks associated with interest rate fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently re-measured at fair value at each balance sheet date.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the period which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the income statement or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

2. Summary of significant accounting policies continued

Interest-bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other de-recognition of debt, are recognised directly in the income statement.

Assets held under finance leases, which are leases where substantially all of the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet, with a corresponding liability being recognised, and are depreciated over the shorter of their useful lives and the lease terms.

The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Leases where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

As part of our regular review of reporting practices and policies, we have reclassified franchise commitments relating to dilapidations as a provision, as the Group has determined that there is no longer a sufficient degree of certainty to classify all of this liability as an accrual. Comparatives have been restated and an additional balance sheet presented as at 28 June 2009 to show the effect of these changes.

The impact of this reclassification in the balance sheet is set out in notes 20 and 25. There is no effect on amounts reported in the income statement.

Treasury shares

Re-acquired shares in the Group, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Group's shares is transferred from the reserve for own shares to revenue reserves.

Retirement benefits

The Group operates a number of pension schemes; both defined benefit and defined contribution. The costs of these are recognised in the income statement within operating costs. As discussed below, the Group has invoked the provisions of IAS 1 Presentation of Financial Statements and has departed from the requirements of IAS 19 in respect of the Rail Pension Schemes (RPS).

Non-rail schemes

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. The interest element of the defined benefit cost represents the change in present value of obligations during the period, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

The Group has applied the option under IAS 19 to recognise actuarial gains and losses in the statement of comprehensive income in the period in which they occur.

The difference between the expected return on plan assets and the interest cost, along with the current service cost, is recognised in the income statement within operating costs.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Contributions payable under defined contribution schemes are charged to operating costs in the income statement as they fall due.

Rail schemes
Our train operating companies participate in the RPS, a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. A liability or asset is recognised in line with other defined benefit schemes in the Group, although this is offset by a franchise adjustment so that the net liability or asset represents the deficit or surplus that the Group expects to fund or benefit from during the franchise term. This represents a departure from IAS 19 so as to present fairly the Group's financial performance, position and cashflow in respect of its obligations for the RPS.

Share-based payment transactions
The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc ('market conditions'); to conditions not related to performance or service ('non-vesting conditions'); and to earnings per share criteria.

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date reflects the extent to which the period to vesting has expired and the Directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- on the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

2. Summary of significant accounting policies continued

New standards and interpretations not applied

The IASB and IFRIC have 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)
IAS 24 Related Party Disclosures (revised)	1 January 2011
Improvements to IFRSs (May 2010)	1 January 2011
IFRS 1 First-time Adoption of International Financial Reporting Standards (amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
IFRS 7 Amendment – Transfers of Financial Assets	1 July 2011
IAS 12 Income Taxes (amendment) – Deferred Taxes: recovery of Underlying Assets	1 January 2012
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurements	1 January 2013
IAS 19 Amendment – Employee Benefits	1 January 2013

International Financial Reporting Interpretation Committee (IFRIC)	
IFRIC 14 Prepayments of a minimum funding requirement (amendment)	1 January 2011

With the exception of the amendment to IAS 19 Employee Benefits, which will reduce the credit in the income statement for returns on scheme assets, the Directors do not anticipate adoption of these standards and interpretations will have a material impact on the Group's financial statements.

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation.

3. Segmental analysis

In prior years the Group has been organised into three core divisions, Bus, Rail and Aviation Service, which formed the basis for the Group's reportable segments. Following the sale of residual ground handling activities at Heathrow Terminal 1 and Meteor Parking this year, management has reviewed the basis for segment reporting and concluded that there should be four reportable segments, Deregulated Bus, Regulated Bus, Rail and Go-Ahead North America. Comparative disclosures have been restated to reflect the new basis of segmentation. 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 Deregulated Bus division comprises bus operations outside of London.

The Regulated Bus division comprises bus operations in London.

The Rail operation, Govia, is 65% owned by Go-Ahead and 35% by Keolis and comprises three rail franchises: Southern, Southeastern and London Midland.

The Go-Ahead North America division comprises a 50% investment in a US school bus operation. The Group's share of the profit of this division is currently £nil, and it is therefore not included within the tables below.

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

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

The following tables present information regarding the Group's reportable segments for the year ended 2 July 2011 and the year ended 3 July 2010. Information relating to prior periods has been restated to reflect those elements of the other services division that are classified as discontinued operations and to report separately our regulated bus operations in London.

Year ended 2 July 2011

	Deregulated Bus £m	Regulated Bus £m	Total Bus £m	Rail £m	Total continuing operations £m	Total discontinued operations (note 8) £m	Total operations £m
Segment revenue	308.8	357.4	666.2	1,659.0	2,325.2	7.7	2,332.9
Inter-segment revenue	(17.9)	(5.9)	(23.8)	(4.4)	(28.2)	(0.4)	(28.6)
Group revenue	**290.9**	**351.5**	**642.4**	**1,654.6**	**2,297.0**	**7.3**	**2,304.3**
Operating costs (excluding amortisation and exceptional items)	(257.2)	(318.1)	(575.3)	(1,606.6)	(2,181.9)	(7.2)	(2,189.1)
Segment profit – Group operating profit (before amortisation and exceptional items)	**33.7**	**33.4**	**67.1**	**48.0**	**115.1**	**0.1**	**115.2**
Goodwill and intangible amortisation	(1.7)	(1.1)	(2.8)	(7.7)	(10.5)	–	(10.5)
Exceptional items	–	(2.7)	(2.7)	0.4	(2.3)	3.8	1.5
Group operating profit (after amortisation and exceptional items)	**32.0**	**29.6**	**61.6**	**40.7**	**102.3**	**3.9**	**106.2**
Net finance costs					(17.5)	–	(17.5)
Profit before tax and non-controlling interests					**84.8**	**3.9**	**88.7**
Tax expense					(9.8)	0.5	(9.3)
Profit for the year					**75.0**	**4.4**	**79.4**

	Deregulated Bus £m	Regulated Bus £m	Total Bus £m	Rail £m	Total continuing operations £m	Total discontinued operations £m	Total operations £m
Other segment information							
Capital expenditure:							
Additions	24.0	11.7	35.7	18.4	54.1	–	54.1
Acquisitions	2.6	–	2.6	–	2.6	–	2.6
Intangible fixed assets	3.4	0.2	3.6	1.4	5.0	–	5.0
Depreciation	26.2	11.9	38.1	11.1	49.2	–	49.2
Exceptional depreciation (included within exceptional items)	–	3.0	3.0	–	3.0	–	3.0

3. Segmental analysis continued

Year ended 3 July 2010

	Deregulated Bus £m	Regulated Bus £m	Total bus £m	Rail £m	Total continuing operations £m	Total discontinued operations (note 8) £m	Total operations £m
Segment revenue	289.2	361.7	650.9	1,546.0	2,196.9	136.2	2,333.1
Inter-segment revenue	(15.8)	(5.6)	(21.4)	(8.2)	(29.6)	(3.4)	(33.0)
Group revenue	**273.4**	**356.1**	**629.5**	**1,537.8**	**2,167.3**	**132.8**	**2,300.1**
Operating costs (excluding amortisation and exceptional items)	(246.2)	(319.6)	(565.8)	(1,500.5)	(2,066.3)	(128.3)	(2,194.6)
Segment profit – Group operating profit (before amortisation and exceptional items)	**27.2**	**36.5**	**63.7**	**37.3**	**101.0**	**4.5**	**105.5**
Goodwill and intangible amortisation	(1.0)	(1.3)	(2.3)	(8.6)	(10.9)	(0.1)	(11.0)
Exceptional items	(0.9)	(3.4)	(4.3)	(6.7)	(11.0)	(35.8)	(46.8)
Group operating profit/(loss) (after amortisation and exceptional items)	**25.3**	**31.8**	**57.1**	**22.0**	**79.1**	**(31.4)**	**47.7**
Net finance costs					(13.3)	(0.1)	(13.4)
Profit/(loss) before tax and non-controlling interests					**65.8**	**(31.5)**	**34.3**
Tax expense					(14.5)	3.7	(10.8)
Profit/(loss) for the year					**51.3**	**(27.8)**	**23.5**

	Deregulated Bus £m	Regulated Bus £m	Total bus £m	Rail £m	Total continuing operations £m	Total discontinued operations £m	Total operations £m
Other segment information							
Capital expenditure:							
Additions	21.7	17.9	39.6	18.2	57.8	0.5	58.3
Acquisitions	10.6	4.7	15.3	–	15.3	–	15.3
Intangible fixed assets	23.9	0.3	24.2	1.9	26.1	–	26.1
Depreciation	23.3	12.2	35.5	14.4	49.9	2.2	52.1
Exceptional depreciation	–	2.6	2.6	–	2.6	–	2.6
Impairment charges	–	–	–	–	–	16.2	16.2
Provision for onerous contracts	–	0.9	0.9	–	0.9	6.0	6.9

At 2 July 2011, there were non-current assets of £4.1m (2010: £0.7m) relating to US operations, being made up entirely of equity accounted investments in Go-Ahead North America, a 50:50 joint venture with Cook Illinois which commenced trading in August 2010. For the year ended 2 July 2011, segment revenue for this venture was £2.3m and segment profit was £nil.

During the year ended 2 July 2011, revenue from external customers outside the United Kingdom was £2.3m, and related entirely to the Go-Ahead North America joint venture.

4. Group revenue

	2011 £m	Restated 2010 £m
Rendering of services	**2,057.7**	1,960.9
Rental income	**6.3**	7.0
Franchise subsidy receipts	**233.0**	199.4
Group revenue from continuing operations	**2,297.0**	2,167.3
Group revenue from discontinued operations (note 8)	**7.3**	132.8
Total group revenue	**2,304.3**	2,300.1

5. Operating costs (excluding amortisation and exceptional items)

	2011 £m	Restated 2010 £m
Staff costs (note 6)	**788.9**	776.9
Total operating lease		
– bus vehicles	**14.2**	13.0
– non rail properties	**1.6**	2.2
– other non rail	**0.1**	0.2
– rail rolling stock	**284.5**	298.0
– other rail	**57.0**	63.5
Total lease and sublease payments recognised as an expense (excluding rail access charges)*	**357.4**	376.9
– rail access charges	**384.2**	396.7
Total lease and sublease payments recognised as an expense**	**741.6**	773.6
Other operating income	**(21.0)**	(32.1)
Depreciation of property, plant and equipment		
– owned assets	**33.8**	34.2
– leased assets	**15.4**	15.7
Total depreciation expense	**49.2**	49.9
Auditors' remuneration		
– audit of the financial statements	**0.6**	0.5
– taxation services	**0.1**	0.2
– other services	**0.1**	0.1
	0.8	0.8
Trade receivables not recovered	**2.5**	1.1
Energy costs		
– bus fuel	**64.7**	71.2
– rail diesel fuel	**6.6**	6.9
– rail electricity (EC4T)	**68.3**	78.0
– cost of site energy	**11.2**	11.1
Total energy costs	**150.8**	167.2
Government grants	**(2.7)**	(0.3)
Gain/(loss) on disposal of property, plant and equipment	**(0.3)**	–
Costs expensed relating to franchise bidding activities	**0.8**	0.1
Other operating costs	**471.3**	329.1
Operating costs from continuing operations	**2,181.9**	2,066.3
Operating costs on discontinued operations (note 8)	**7.2**	128.3
Total operating costs	**2,189.1**	2,194.6
Exceptional items (note 7)	**(1.5)**	46.8
Goodwill and intangible amortisation	**10.5**	11.0

* The total lease and sublease payments recognised as an expense (excluding rail access charges) are made up of minimum lease payments of £378.2m net of sublease payments of £20.8m relating to other rail leases.

** The total lease and sublease payments recognised as an expense are made up of minimum lease payments of £762.4m net of sublease payments of £20.8m relating to other rail leases.

Including discontinued operations, the fee relating to the audit of the financial statements can be analysed between audit of the Company's financial statements of £0.1m (2010: £0.1m) and audit of subsidiaries' financial statements of £0.5m (2010: £0.5m).

In addition to audit fees detailed above, £nil (2010: £0.2m) of non-audit fees were capitalised as part of the cost of acquisitions during the year. During the year, £0.2m (2010: £0.3m) was also paid to other 'Big 4' accounting firms for a variety of services.

6. Staff costs

Year ended 2 July 2011

	Continuing operations £m	Discontinued operations £m	Total operations £m
Wages and salaries	**686.2**	**3.9**	**690.1**
Social security costs	**59.4**	**0.4**	**59.8**
Other pension costs	**42.9**	**0.1**	**43.0**
Share based payments charge	**0.4**	**–**	**0.4**
Total staff costs	**788.9**	**4.4**	**793.3**

Year ended 3 July 2010

	Restated Continuing operations £m	Restated Discontinued operations £m	Total operations £m
Wages and salaries	676.7	73.3	750.0
Social security costs	58.7	6.8	65.5
Other pension costs	40.9	1.1	42.0
Share based payments charge	0.6	0.1	0.7
Total staff costs	776.9	81.3	858.2

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

	2011 No.	2010 No.
Administration and supervision	**2,289**	2,518
Maintenance and engineering	**2,226**	2,192
Operations	**17,686**	17,860
	22,201	22,570

The information required by Schedule 5 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 is provided in the Directors' Remuneration Report.

Sharesave Scheme

The Group previously operated an HM Revenue & Customs ('HMRC') approved savings-related share option scheme, known as The Go-Ahead Group plc Savings-Related Share Option Scheme 2003 (the 'Sharesave Scheme'). The Sharesave Scheme was open to all Group employees (including Executive Directors) who had completed at least six months' service with a Group company at the date they were invited to participate in the scheme. No invitations have been made during the current or prior year and no accounts remain outstanding.

The expense recognised for these schemes during the year to 2 July 2011 was £nil (2010: £0.5m).

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options for the SAYE:

	2011 No.	2011 WAEP £	2010 No.	2010 WAEP £
Outstanding at the beginning of the year	**328,133**	**19.14**	861,595	16.63
Granted during the year	–	–	–	–
Forfeited during the year	**(328,133)**	**19.14**	(519,763)	15.10
Exercised during the year	–	–	(13,699)	14.67
Exercisable at the end of the year	–	–	328,133	19.14

There were no options exercised in the period. The weighted average share price at the date of exercise for the options exercised in 2010 was £13.18.

There were no options outstanding at the end of the year. The exercise price for options outstanding at the end of 2010 was £19.14.

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

Share incentive plans

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

The SIP permits the Company to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Company has, so far, made awards of partnership shares only. Under these awards, the Company invites qualifying employees to apply between £10 and £125 per month in acquiring shares in the Company at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Company and employees.

Long term incentive plans

The Executive Directors participate in The Go-Ahead Group Long Term Incentive Plan 2005 (the LTIP). The LTIP provides for Executive Directors and certain other senior employees to be awarded shares in the Company conditional on specified performance conditions being met over a period of three years. Refer to the Directors' Remuneration Report for further details of the LTIP.

The expense recognised for the LTIP during the year to 2 July 2011 was £0.4m (2010: £0.2m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 2 July 2011 were:

	2011 % per annum	2010 % per annum
The Go-Ahead Group		
Future share price volatility	**38.0**	37.0
Transport sector comparator		
Future share price volatility	**35.0 – 52.0**	35.0 – 51.0
Correlation between companies	**55.0**	60.0
FTSE Mid-250 index comparator		
Future share price volatility	**40.0**	40.0
Correlation between companies	**20.0**	20.0

The weighted average fair value of options granted during the year was £11.83 (2010: £14.01).

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

	2011 No.	2010 No.
Outstanding at the beginning of the year	**232,254**	124,751
Granted during the year	**166,240**	132,017
Forfeited during the year	**(204,157)**	(19,195)
Vested during the year	–	(5,319)
Outstanding at the end of the year	**194,337**	232,254

None of the options were exercisable at the year end and the weighted average exercise price of the options is £nil.

6. Staff costs continued

Directors' discretionary deferred share awards

On 29 October 2009 the Company awarded a total of 6,996 ordinary shares to Directors of the Group. The stock was at no cost to the Directors and restrictions limit the sale or transfer of these shares until they vest, which occurs at the end of a three year period. The shares are held in a trust until they vest. The expense recognised for the Directors' discretionary deferred share awards during the year to 2 July 2011 was £nil (2010: £nil).

	2011 No	2011 WAEP £	2010 No	2010 WAEP £
Outstanding restricted stock at the beginning of the year	**6,996**	**14.29**	–	–
Granted during the year	**–**	**–**	6,996	14.29
Forfeited during the year	**(3,498)**	**14.29**	–	–
Vested during the year	**–**	**–**	–	–
Outstanding restricted stock at the end of the year	**3,498**	**14.29**	6,996	14.29

The weighted average fair value of options granted during 2010 was £14.29.

There were no options exercised in the year.

None of the options were exercisable at the year end. The exercise price of options outstanding at the year end was £14.29 (2010: £nil).

7. Exceptional items

	2011 £m	Restated 2010 £m
Continuing operations		
Bus and rail related items:		
Rail reorganisation costs	**0.4**	(6.7)
London bus accelerated depreciation	**(3.0)**	(2.6)
Bus reorganisation costs	**–**	(0.8)
Onerous bus leases	**0.3**	(0.9)
Total exceptional items on continuing operations	**(2.3)**	(11.0)
Discontinued operations		
Profit/(loss) on sale:		
Agreed proceeds	**11.2**	14.8
Less net assets sold	**(5.7)**	(17.8)
Profit/(loss) on sale	**5.5**	(3.0)
Less contingent sale costs	**(3.9)**	(10.1)
Net profit/(loss) on sale	**1.6**	(13.1)
Pre-sale reorganisation costs	**2.2**	(2.6)
Onerous contracts	**–**	(6.1)
Pension scheme curtailment gain	**–**	2.2
Pre-sale impairments	**–**	(16.2)
Total exceptional items on discontinued operations	**3.8**	(35.8)
Total exceptional items	**1.5**	(46.8)
Consisting of:		
Non-cash items	**(9.7)**	(50.6)
Cash proceeds	**11.2**	14.8
	1.5	(35.8)
Other cash items	**–**	(11.0)
Total	**1.5**	(46.8)

Year ended 2 July 2011

Exceptional items on continuing operations for the period were £2.3m (2010: £11.0m), consisting of accelerated depreciation in respect of articulated London buses which are being phased out over the next few months of £3.0m (2010: £2.6m), the release of onerous bus leases of £0.3m (2010 expense: £0.9m), and the release of rail reorganisation accruals of £0.4m (2010 expense: £6.7m).

The discontinued exceptional income of £3.8m (2010 expense: £35.8m) consists of net profit on the sale of residual elements of the ground handling operations and Meteor Parking operations and adjustment to the provisions in respect of the pre-sale reorganisation costs which related to operations sold in the prior period.

Year ended 3 July 2010

Total exceptional items in the year were £46.8m, consisting of sales proceeds of £14.8m, non-cash items of £50.6m, and other cash items of £11.0m.

Exceptional items on continuing operations for the year were £11.0m. Bus and rail related exceptional costs totalled £11.0m, including £6.7m of rail restructuring costs, and £2.6m of accelerated depreciation in respect of the articulated London buses which are being phased out in 2011.

The discontinued exceptional items of £35.8m consist of a net loss on sale of £13.1m, pre-sale reorganisation costs which related to operations subsequently sold of £2.6m, onerous contract provisions of £6.1m, pre-sale impairments of the Meteor Parking business of £16.2m and a pension scheme curtailment gain of £2.2m. The loss on sale represents sales proceeds of £14.8m, less net book value of assets sold of £17.8m and provisions of £10.1m.

8. Discontinued operations

The disposal of our aviation services division was completed during the year ended 2 July 2011 with the sale of our Meteor Parking operations and the agreed sale of the residual ground handling activities at Heathrow Terminal I for a combined consideration of £11.2m. All of our aviation services division has been classified as discontinued.

In the prior year, the majority of the Group's ground handling and cargo operations were sold for £14.8m consideration.

The results of the discontinued operations for the years ended 2 July 2011 and 3 July 2010 are as follows:

	2011 £m	Restated 2010 £m
Revenue	**7.3**	132.8
Operating costs (excluding amortisation and exceptional items)	**(7.2)**	(128.3)
Operating profit (before amortisation and exceptional items)	**0.1**	4.5
Goodwill and intangible amortisation	**–**	(0.1)
Exceptional items	**3.8**	(35.8)
Operating profit/(loss) (after amortisation and exceptional items)	**3.9**	(31.4)
Net finance costs	**–**	(0.1)
Profit/(loss) from discontinued operations before taxation	**3.9**	(31.5)
Taxation	**0.5**	3.7
Profit/(loss) for the year from discontinued operations	**4.4**	(27.8)
Profit/(loss) per share from discontinued operations		
– basic and diluted	**10.3p**	(64.7p)

The loss per share is attributable to equity holders of the parent and calculated as described on the basis of the number of shares disclosed in note 11.

Revenue

	2011 £m	Restated 2010 £m
Rendering of services	**7.3**	132.5
Rental income	**–**	0.3
Franchise subsidy receipts	**–**	–
Group revenue on discontinued operations	**7.3**	132.8

8. Discontinued operations continued

Operating costs

	2011 £m	Restated 2010 £m
Staff costs	**4.4**	81.3
Total lease and sublease payments recognised as an expense*	**0.3**	11.8
Depreciation of property, plant and equipment – owned assets	–	2.0
Depreciation of property, plant and equipment – leased assets	–	0.1
Auditors' remuneration – audit of the financial statements	–	0.1
Trade receivables not recovered	–	0.3
Loss on disposal of property, plant and equipment	–	0.1
Other operating costs	**2.5**	32.6
Operating costs on discontinued operations	**7.2**	128.3

* The entire balance comprises minimum lease payments.

The cashflows attributable to the discontinued operations are as follows:

	2011 £m	2010 £m
Operating cashflows	**0.7**	1.5
Investing cashflows	–	15.0
Financing cashflows	**0.1**	(0.4)
Net cashflow	**0.8**	16.1

The net assets disposed of and consideration received on the sales of Meteor Parking operations and the residual ground handling activities at Heathrow Terminal 1 were as follows:

	2011 £m
Net assets disposed of:	
Tangible fixed assets	**2.7**
Intangible assets	**2.2**
Inventories	**0.1**
Receivables	**6.2**
Cash at bank	**0.3**
Payables falling due within one year	**(5.3)**
Deferred taxation	–
Provisions	**(0.5)**
	5.7
Consideration received:	
Cash	**11.2**
Total consideration	**11.2**
Profit/(loss) on disposal	**5.5**

At 2 July 2011, net assets held in disposal groups held for sale were as follows;

	2011 £m	2010 £m
Assets:		
Non-current assets:		
Deferred tax asset	–	3.3
	–	3.3
Current assets:		
Inventories	–	0.2
Cash	–	0.3
Trade and other receivables	–	4.0
Taxation asset	–	2.4
	–	6.9
Total assets held in disposal groups held for sale	–	10.2
Liabilities:		
Trade and other payables	–	(17.9)
Taxation liability	–	–
Total liabilities held in disposal groups held for sale	–	(17.9)
Net liabilities held in disposal groups held for sale	–	(7.7)

9. Finance revenue and costs

	2011 £m	2010 £m
Bank interest receivable on bank deposits	**1.4**	1.3
Other interest receivable	**0.1**	0.3
Finance revenue	**1.5**	1.6
Interest payable on bank loans and overdrafts	**(4.9)**	(7.8)
Interest payable on £200m Sterling 7.5 year bond	**(11.1)**	(3.0)
Other interest payable	**(2.5)**	(2.4)
Ineffectiveness on financial instruments	**–**	(0.8)
Interest payable under finance leases and hire purchase contracts	**(0.5)**	(0.9)
Finance costs	**(19.0)**	(14.9)

10. Taxation

a. Tax recognised in the income statement and in equity

	2011 £m	Restated 2010 £m
Current tax charge	**23.1**	16.1
Adjustments in respect of current tax of previous years	**(1.7)**	0.2
	21.4	16.3
Deferred tax relating to origination and reversal of temporary differences at 26% (2010: 28%)*	**(8.0)**	(5.5)
Previously unrecognised deferred tax of a prior period	**0.3**	–
Impact of opening deferred tax rate reduction	**(4.4)**	–
Total tax including discontinued operations	**9.3**	10.8
Tax on discontinued operations	**(0.5)**	(3.7)
Tax on continuing operations	**9.8**	14.5

* Includes the one-off impact of releasing a £7.8m deferred tax liability to the income statement. This relates to the agreement of tax efficient financing by HMRC.

10. Taxation continued

Tax relating to items charged or credited outside of profit or loss

	2011 £m	2010 £m
Tax on actuarial losses on defined benefit pension plans	**3.4**	(6.3)
Corporation tax on IAS 39 asset	**2.5**	5.3
Deferred tax on IAS 39 asset	**2.3**	0.2
Impact of opening deferred tax rate reduction	**1.9**	–
Tax reported outside of profit or loss	**10.1**	(0.8)

b. Reconciliation

A reconciliation of income tax applicable to accounting profit before tax and exceptional items at the statutory tax rate to tax at the Group's effective tax rate for the years ended 2 July 2011 and 3 July 2010 is as follows:

Year ended 2 July 2011

	Pre-exceptional excluding discontinued operations £m	Pre-exceptional £m	One-off tax, deferred tax rate change and tax on exceptional items £m	Total £m
Profit on ordinary activities before taxation from continuing operations	**87.1**	**87.1**	**(2.3)**	**84.8**
Profit on ordinary activities before taxation from discontinued operations	**–**	**0.1**	**3.8**	**3.9**
Accounting profit on ordinary activities before taxation	**87.1**	**87.2**	**1.5**	**88.7**
At United Kingdom tax rate of 27.5%	**24.0**	**24.0**	**0.4**	**24.4**
Adjustments in respect of current tax of previous years	**(0.5)**	**(0.5)**	**(1.2)**	**(1.7)**
Expenditure not allowable for tax purposes	**1.3**	**1.3**	**–**	**1.3**
Previously unrecognised deferred tax of a prior period	**0.3**	**0.3**	**–**	**0.3**
Losses brought forward	**0.1**	**0.1**	**–**	**0.1**
Differences relating to tax efficient financing	**(2.4)**	**(2.4)**	**–**	**(2.4)**
Expenses not allowable on sale of aviation business	**–**	**–**	**(0.5)**	**(0.5)**
Tax efficient financing agreed by HMRC	**–**	**–**	**(7.8)**	**(7.8)**
Deferred tax due to rate change	**–**	**–**	**(4.4)**	**(4.4)**
Total tax reported in consolidated income statement	**22.8**	**22.8**	**(13.5)**	**9.3**
Effective tax rate	**26.2%**	**26.1%**		**10.5%**

Year ended 3 July 2010

	Pre-exceptional excluding discontinued operations £m	Pre-exceptional £m	Exceptional tax and tax on exceptional items £m	Restated Total £m
Profit on ordinary activities before taxation from continuing operations	76.8	76.8	(11.0)	65.8
Profit on ordinary activities before taxation from discontinued operations	–	4.3	(35.8)	(31.5)
Accounting profit on ordinary activities before taxation	76.8	81.1	(46.8)	34.3
At United Kingdom tax rate of 28%	21.5	22.7	(13.1)	9.6
Adjustments in respect of current tax of previous years	0.2	0.2	–	0.2
Expenditure not allowable for tax purposes	0.8	0.8	–	0.8
Goodwill amortisation and impairment charges	0.4	0.4	4.5	4.9
Differences relating to tax efficient financing	(2.9)	(2.9)	–	(2.9)
Expenses not allowable on sale of aviation business	–	–	0.8	0.8
Release of deferred tax on rolled over gains arising on sale of aviation business	–	–	(2.6)	(2.6)
Total tax reported in consolidated income statement	20.0	21.2	(10.4)	10.8
Effective tax rate	26.0%	26.1%		31.5%

c. Deferred tax

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

	2011 £m	2010 £m
Deferred tax liability		
Accelerated capital allowances	**(23.3)**	(28.7)
Intangible assets	**(3.5)**	(4.6)
Other temporary differences	**(1.5)**	(4.7)
Revaluation of land and buildings	**(22.6)**	(24.3)
Total deferred tax liability	**(50.9)**	(62.3)
Included within net assets held for disposal (note 8)	**–**	3.3
Deferred tax liability included in balance sheet	**(50.9)**	(65.6)
Deferred tax asset		
Retirement benefit obligations	**20.0**	27.1
Total deferred tax asset	**20.0**	27.1
Included within net assets held for disposal (note 8)	**–**	–
Deferred tax asset included in balance sheet	**20.0**	27.1

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

	2011 £m	Restated 2010 £m
Accelerated capital allowances	**(3.9)**	(0.9)
Tax losses	**0.1**	–
Retirement benefit obligations	**0.8**	1.4
Other temporary differences	**(4.9)**	(6.0)
	(7.9)	(5.5)
Adjustments in respect of prior years	**0.3**	–
Adjustments in respect of opening deferred tax rate reduction	**(4.5)**	–
Total deferred tax credit	**(12.1)**	(5.5)
Deferred tax expense/(credit) on discontinued operations	**3.2**	(1.8)
Deferred tax credit on continuing operations	**(15.3)**	(3.7)

A reduction in the UK corporation tax rate from 28% to 26% with effect from 1 April 2011 was enacted during the period. The Government has announced its intention to further reduce the UK corporation tax rate to 24% by 1 April 2014. If this reduction had been enacted by 2 July 2011 the Group's deferred tax liability would have been reduced by a further £3.9m to £47.0m and the deferred tax asset would have been reduced by a further £1.5m to £18.5m.

The Group's future tax charge will also be affected by the Government's intention to reduce the main rate of capital allowance from 20% to 18% and from 10% to 8% with effect from 1 April 2012.

11. Earnings per share

Basic and diluted earnings per share

	2011	Restated 2010
Net profit on total operations attributable to equity holders of the parent (£m)	**67.4**	17.2
Consisting of:		
Adjusted earnings on continuing operations attributable to equity holders of the parent (£m)	**58.0**	54.5
Exceptional items after taxation and non-controlling interests (£m)	**10.7**	(3.6)
Amortisation after taxation and non-controlling interests (£m)	**(5.7)**	(5.9)
Basic and diluted earnings on continuing operations attributable to equity holders of the parent (£m)	**63.0**	45.0
Profit/(loss) on discontinued operations attributable to equity holders of the parent (£m)	**4.4**	(27.8)
Basic and diluted earnings on total operations attributable to equity holders of the parent (£m)	**67.4**	17.2
Weighted average shares in issue ('000)	**42,913**	42,938
Earnings per share:		
Adjusted earnings per share from continuing operations (pence per share)	**135.2**	126.9
Basic and diluted earnings per share from continuing operations (pence per share)	**146.8**	104.8
Basic and diluted earnings per share from total operations (pence per share)	**157.1**	40.1

The weighted average number of shares in issue excludes treasury shares held by the Company, and shares held in trust for the Directors' LTIP.

No shares were bought back and cancelled by the Group in the period from 2 July 2011 to 31 August 2011.

At the year ended 3 July 2010, the effect of potentially issuable shares is anti-dilutive in all periods presented and as such basic and diluted earnings per share are the same. At the year ended 2 July 2011, there is no effect from potentially issuable shares and as such basic and diluted earnings per share are the same.

The effect of taxation and non-controlling interests on exceptional items and amortisation is shown below for each of the periods.

Adjusted earnings per share

Adjusted earnings per share is also presented to eliminate the impact of goodwill and intangible amortisation and exceptional costs and revenues in order to show a 'normalised' earnings per share. For continuing operations this is analysed as follows:

Year ended 2 July 2011

	Profit for the year £m	Exceptional items £m	Amortisation £m	2011 Total £m
Profit before taxation from continuing operations	**84.8**	**2.3**	**10.5**	**97.6**
Less: Taxation*	**(9.8)**	**(13.0)**	**(2.9)**	**(25.7)**
Less: Non-controlling interests	**(12.0)**	**–**	**(1.9)**	**(13.9)**
Adjusted profit attributable to equity holders of the parent	**63.0**	**(10.7)**	**5.7**	**58.0**
Adjusted earnings per share from continuing operations (pence per share)				**135.2**

* Exceptional items include the one-off impact of releasing a £7.8m deferred tax liability to the income statement, relating to the agreement of tax efficient financing by HMRC, and the impact of the rate change on the opening deferred tax balance.

Year ended 3 July 2010

	Profit for the year £m	Exceptional items £m	Amortisation £m	Restated 2010 Total £m
Profit before taxation from continuing operations	65.8	11.0	10.9	87.7
Less: Taxation	(14.5)	(5.7)	(2.7)	(22.9)
Less: Non-controlling interests	(6.3)	(1.7)	(2.3)	(10.3)
Adjusted profit attributable to equity holders of the parent	45.0	3.6	5.9	54.5
Adjusted earnings per share from continuing operations (pence per share)				126.9

For total operations this is analysed as follows:

Year ended 2 July 2011

	Profit for the year £m	Exceptional items £m	Amortisation £m	2011 Total £m
Profit before taxation from total operations	**88.7**	**(1.5)**	**10.5**	**97.7**
Less: Taxation*	**(9.3)**	**(13.5)**	**(2.9)**	**(25.7)**
Less: Non-controlling interests	**(12.0)**	**–**	**(1.9)**	**(13.9)**
Adjusted profit attributable to equity holders of the parent	**67.4**	**(15.0)**	**5.7**	**58.1**
Adjusted earnings per share from total operations (pence per share)				**135.4**

* Exceptional items include the one-off impact of releasing a £7.8m deferred tax liability to the income statement, relating to the agreement of tax efficient financing by HMRC, and the impact of the rate change on the opening deferred tax balance.

Year ended 3 July 2010

	Profit for the year £m	Exceptional items £m	Amortisation £m	Restated 2010 Total £m
Profit before taxation from total operations	34.3	46.8	11.0	92.1
Less: Taxation	(10.8)	(10.4)	(2.7)	(23.9)
Less: Non-controlling interests	(6.3)	(1.6)	(2.3)	(10.2)
Adjusted profit attributable to equity holders of the parent	17.2	34.8	6.0	58.0
Adjusted earnings per share from total operations (pence per share)				135.1

12. Dividends paid and proposed

	2011 £m	2010 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2010: 30.0p per share (2009: 55.5p)	**12.9**	23.8
Interim dividend for 2011: 25.5p per share (2010: 51.0p)	**10.9**	21.9
	23.8	45.7

	2011 £m	2010 £m
Proposed for approval at AGM (not recognised as a liability as at 2 July 2011)		
Equity dividends on ordinary shares:		
Final dividend for 2011: 55.5p per share (2010: 30.0p)	**23.8**	12.9

13. Property, plant and equipment

	Freehold land and buildings £m	Leasehold properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost:					
At 27 June 2009	146.5	19.6	363.7	205.8	735.6
Additions	7.2	0.1	31.7	19.3	58.3
Acquisitions	0.2	1.3	13.2	0.6	15.3
Disposals	(0.7)	(4.0)	(15.4)	(75.9)	(96.0)
Transfer categories	1.5	–	–	(1.5)	–
Transfer of assets held for resale	–	–	(1.3)	–	(1.3)
At 3 July 2010	154.7	17.0	391.9	148.3	711.9
Additions	3.9	0.3	28.6	21.3	54.1
Acquisitions	–	–	2.5	0.1	2.6
Disposals	–	–	(14.0)	(5.0)	(19.0)
Disposal of discontinued operations	(0.5)	(1.1)	(1.6)	(4.7)	(7.9)
Transfer categories	–	–	0.3	(0.3)	–
Transfer of assets held for resale	–	–	(0.2)	–	(0.2)
At 2 July 2011	**158.1**	**16.2**	**407.5**	**159.7**	**741.5**
Depreciation and impairment:					
At 27 June 2009	5.5	5.2	164.6	150.4	325.7
Charge for the year	0.7	1.4	30.0	20.0	52.1
Exceptional depreciation	–	–	2.6	–	2.6
Disposals	(0.1)	(2.2)	(13.2)	(67.7)	(83.2)
Transfer of assets held for resale	–	–	(1.2)	–	(1.2)
At 3 July 2010	6.1	4.4	182.8	102.7	296.0
Charge for the year	1.0	0.9	32.1	15.2	49.2
Exceptional depreciation	–	–	3.0	–	3.0
Disposals	–	–	(13.2)	(4.7)	(17.9)
Disposal of discontinued operations	–	(0.6)	(0.8)	(3.6)	(5.0)
Transfer categories	–	–	0.2	(0.2)	–
Transfer of assets held for resale	–	–	(0.2)	–	(0.2)
At 2 July 2011	**7.1**	**4.7**	**203.9**	**109.4**	**325.1**
Net book value					
At 2 July 2011	**151.0**	**11.5**	**203.6**	**50.3**	**416.4**
At 3 July 2010	148.6	12.6	209.1	45.6	415.9
At 27 June 2009	141.0	14.4	199.1	55.4	409.9

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

	2011 £m	2010 £m
Bus vehicles	**72.0**	97.4
Plant and equipment	**–**	0.4
	72.0	97.8

No additions were made during the year (2010: £nil) under finance leases and hire purchase contracts.

14. Intangible assets

	Goodwill £m	Software costs £m	Franchise bid costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost						
At 27 June 2009	105.1	11.4	7.4	49.6	5.5	179.0
Additions	23.1	1.0	1.3	–	0.7	26.1
Disposals	(0.4)	(0.7)	–	–	–	(1.1)
At 3 July 2010	127.8	11.7	8.7	49.6	6.2	204.0
Additions	2.7	2.3	–	–	–	5.0
Disposals	(5.0)	–	–	–	–	(5.0)
At 2 July 2011	**125.5**	**14.0**	**8.7**	**49.6**	**6.2**	**204.0**
Amortisation and impairment						
At 27 June 2009	37.2	6.0	3.7	18.6	3.2	68.7
Charge for the year	1.1	1.7	0.9	6.1	1.1	10.9
Disposals	–	(0.4)	–	–	–	(0.4)
Impairment	16.2	–	–	–	–	16.2
At 3 July 2010	54.5	7.3	4.6	24.7	4.3	95.4
Charge for the year	–	2.7	0.9	5.9	1.0	10.5
Disposals	(2.8)	–	–	–	–	(2.8)
At 2 July 2011	**51.7**	**10.0**	**5.5**	**30.6**	**5.3**	**103.1**
Net book value						
At 2 July 2011	**73.8**	**4.0**	**3.2**	**19.0**	**0.9**	**100.9**
At 3 July 2010	73.3	4.4	4.1	24.9	1.9	108.6
At 27 June 2009	67.9	5.4	3.7	31.0	2.3	110.3

Rail franchise asset
This reflects the cost of the right to operate a rail franchise. The brought forward element of the franchise intangible is made up of £17.1m relating to the opening deficit in the RPS and £7.8m relating to the cost of the intangible asset acquired on the handover of the franchise assets relating to the Southeastern rail franchise. The intangible asset is being amortised on a straight-line basis over the life of the franchises (being between five and eight years).

Software costs
Software costs capitalised exclude software that is integral to the related hardware.

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

Impairment
During the year ended 3 July 2010 an impairment review of the aviation services division resulted in the goodwill of Meteor Parking of £18.4m being written down to £2.2m. During the year ended 2 July 2011, Meteor Parking was sold and therefore there is no goodwill left relating to Meteor Parking at the year end.

14. Intangible assets continued

Goodwill

As from 3 July 2004, goodwill is no longer amortised and is tested annually for impairment.

The goodwill charge of £nil (2010: £1.1m) is in respect of rail businesses which, due to the finite nature of the franchises, require the goodwill to be impaired annually.

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

	2011 £m	2010 £m
Meteor Parking	–	2.2
Metrobus	**10.6**	10.6
Go South Coast	**28.6**	28.6
Brighton & Hove	**2.1**	2.1
Plymouth Citybus	**13.0**	13.0
Go-Ahead London	**10.5**	10.5
Go North East	**2.7**	2.7
Konectbus	**3.6**	3.6
Thames Travel	**2.7**	–
	73.8	73.3

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three-year period which have then been extended over an appropriate period. The Directors feel that the extended period is justified because of the long term stability of the relevant income streams. Growth has been extrapolated forward from the end of the three year forecasts over the extended period plus a terminal value using a growth rate of 2.25%-3.0% which reflects the Directors' view of long term growth rates in each business.

The pre-tax cashflows for all cash-generating units have been discounted using a pre-tax discount rate of 11.0% (2010: 11.1%), based on the Group's weighted average cost of capital, plus an appropriate risk premium for each cash-generating unit of 0.0-2.0% (2010: 0.0-2.0%).

The calculation of value in use for each cash-generating unit is most sensitive to the forecast operating cashflows, the discount rate and the growth rate used to extrapolate cashflows beyond the budget period. The operating cashflows are based on assumptions of revenue, staff costs and general overheads. These assumptions are influenced by several internal and external factors.

The Directors consider the assumptions used to be consistent with the historical performance of each unit and to be realistically achievable in light of economic and industry measures and forecasts. We have conducted sensitivity analysis on our calculations and confirmed that there is no likely movement on assumptions that would lead to an impairment. The cash generating unit with the least headroom is Plymouth Citybus, as expected given it has only recently been acquired. The headroom on Plymouth Citybus is £1.1m. An increase of 1% of the Group's weighted cost of capital would result in an impairment of less than £1m.

15. Business combinations

Year ended 2 July 2011

On 24 May 2011, Go-Ahead Holding Limited, a wholly owned subsidiary of the Group, acquired 100% of the share capital of Thames Travel (Wallingford) Limited for a cash consideration of £3.5m. Thames Travel carries around 3 million passengers per year in South Oxfordshire and West Berkshire and generates turnover of around £5.5m.

Net assets at date of acquisition:

	Book value 2011 £m	Fair value to Group 2011 £m
Tangible fixed assets	2.9	2.6
Inventories	0.1	0.1
Receivables	0.6	0.6
Current tax liabilities	(0.1)	(0.1)
Payables falling due within one year	(0.4)	(0.4)
Hire purchase contracts	(1.8)	(1.8)
Deferred taxation	(0.2)	(0.2)
	1.1	0.8
Goodwill capitalised		2.7
		3.5
Cash		3.5
Total consideration		3.5

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

Receivables have been assessed and are considered to be recoverable.

The goodwill capitalised reflects the access to the markets served by the acquired entities and the potential business synergies that can be achieved upon acquisition. Management believes that goodwill represents future growth opportunities and created value in respect of customer awareness and an assembled workforce for which the recognition of a discrete intangible asset is not permitted.

From the date of acquisition, in the year ended 2 July 2011, the acquisitions recorded an operating profit of £nil to the Group and revenue of £0.5m. Had the combinations taken place at the beginning of the year, it is estimated that they would have recorded £0.4m of operating profit and £5.5m of revenue to the Group. This would have resulted in total Group revenue from continuing operations of £2,302.5m, and total operating profit from continuing operations (before amortisation and exceptional items) of £115.5m.

Year ended 3 July 2010

On 3 October 2009, London General Transport Services Limited, a wholly owned subsidiary of the Group, acquired the assets of East Thames Buses from Transport for London ('TfL') for a total cash consideration of £5.0m. East Thames Buses operated a fleet of approximately 120 vehicles over nine TfL contracted routes.

On 3 October 2009, Metrobus Limited, a wholly owned subsidiary of the Group, acquired the assets of Arriva's bus interest in Horsham for a total cash consideration of £5.0m. The interests include a fleet of 18 vehicles and 58 employees, and will operate as part of Metrobus Limited which provides bus services in Sussex, Surrey and Kent including regulated services for TfL.

On 1 December 2009, Go-Ahead Holding Limited, a wholly owned subsidiary of the Group, acquired 100% of the share capital of Plymouth Citybus Limited from Plymouth City Council for a cash consideration of £19.0m. Plymouth Citybus operates a fleet of 175 vehicles and employs approximately 470 employees in the Plymouth area.

On 9 March 2010, Go-Ahead Holding Limited also acquired 100% of the share capital of Konectbus Limited which operates a bus fleet of 44 vehicles and employs approximately 70 employees in the Norfolk area. On 28 March 2010, Go North East Limited, a wholly owned subsidiary of the Group, entered into a contract to acquire the Hexham operations of Arriva plc for a cash consideration and agreed to sell Go North East's Ashington operations to Arriva. The operations became effective April 2010. The combined consideration for these acquisitions was £8.2m.

15. Business combinations continued

A summary of the transactions is detailed below:

Net assets at date of acquisition:

	Book value 2010 £m	Fair value to Group 2010 £m
Intangible assets – contracts	–	0.7
Tangible fixed assets	15.3	15.3
Inventories	0.5	0.5
Receivables	0.9	0.9
Cash at bank	2.0	2.0
Payables falling due within one year	(4.2)	(4.2)
Payables falling due after one year	(0.4)	(0.4)
Deferred taxation	(0.5)	(0.7)
	13.6	14.1
Goodwill capitalised		23.1
		37.2
Cash		34.9
Expenses		0.3
Total cash consideration		35.2
Deferred consideration		1.3
Transfer of Ashington operations		0.7
Total consideration		37.2

Intangible assets acquired represent customer contracts of £0.7m.

Payment of deferred consideration is dependent upon achievement of target operating profit levels.

The goodwill capitalised reflects the access to the markets served by the acquired entities and the potential business synergies that can be achieved upon acquisition. Management believes that goodwill represents future growth opportunities and created value in respect of customer awareness and an assembled workforce for which the recognition of a discrete intangible asset is not permitted.

From the date of acquisition, in the year ended 3 July 2010, the acquisitions recorded an operating profit of £3.6m to the Group and revenue of £31.5m. Had the combinations taken place at the beginning of the year, it is estimated that they would have recorded £4.9m of operating profit and £48.7m of revenue to the Group.

16. Assets classified as held for sale

Assets held for sale, with a carrying amount of £1.6m (2010: £1.7m), represent property, plant and equipment which are currently not used in the business and are now available for sale. These assets classified as held for sale had no associated liabilities at the year end (2010: £nil).

17. Inventories

	2011 £m	2010 £m
Raw materials and consumables	**15.5**	12.9

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

18. Trade and other receivables

	2011 £m	2010 £m
Current		
Trade receivables	**83.2**	89.0
Less: Provision for impairment of receivables	**(2.6)**	(3.6)
Trade receivables – net	**80.6**	85.4
Other receivables	**33.3**	12.2
Prepayments and accrued income	**46.6**	51.3
Receivable from central government	**40.9**	39.9
	201.4	188.8

	2011 £m	2010 £m
Non-current		
Other receivables	**0.6**	1.8

Trade receivables at nominal value of £2.6m (2010: £3.6m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Individually impaired £m	Collectively impaired £m	Continuing operations £m	Discontinued operations individually impaired £m	Total £m
At 27 June 2009	3.9	0.5	4.4	–	4.4
Transfer to held for disposal	(0.2)	–	(0.2)	0.2	–
Charge for the year	1.4	0.1	1.5	0.2	1.7
Utilised	(1.5)	(0.3)	(1.8)	(0.1)	(1.9)
Unused amounts reversed	(0.2)	(0.1)	(0.3)	–	(0.3)
At 3 July 2010	3.4	0.2	3.6	0.3	3.9
Transfer to held for disposal	0.3	–	0.3	(0.3)	–
Write down on disposals	(0.4)	(0.1)	(0.5)	–	(0.5)
Charge for the year	2.9	–	2.9	–	2.9
Utilised	(3.3)	–	(3.3)	–	(3.3)
Unused amounts reversed	(0.3)	(0.1)	(0.4)	–	(0.4)
At 2 July 2011	**2.6**	**–**	**2.6**	**–**	**2.6**

As at 2 July 2011, the ageing analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	< 30 days £m	30 – 60 days £m	60 – 90 days £m	90 – 120 days £m	Past due but not impaired > 120 days £m
2011	**80.6**	**70.3**	**3.6**	**3.5**	**1.4**	**0.3**	**1.5**
2010	85.4	76.7	3.8	1.6	1.0	1.3	1.0

19. Cash and short term deposits

	2011 £m	2010 £m
Cash at bank and in hand	**48.6**	28.3
Short term deposits	**180.0**	207.5
	228.6	235.8
Cash associated with discontinued operations (note 8)	**–**	0.3
	228.6	236.1

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

Amounts held by rail companies included in cash at bank and on short term deposit can be distributed only with the agreement of the DfT, normally up to the value of revenue reserves or based on a working capital formula agreed with the DfT. As at 2 July 2011, balances amounting to £189.7m (2010: £204.0m) were restricted. Part of this amount is to cover deferred income for season tickets which was £104.8m at 2 July 2011 (2010: £95.5m).

For the purposes of the consolidated cashflow statement, cash and cash equivalents comprise the following:

	2011 £m	2010 £m
Cash at bank and in hand	**48.6**	28.3
Short term deposits	**180.0**	207.5
Bank overdrafts (note 21)	**(5.0)**	(5.8)
	223.6	230.0
Cash associated with discontinued operations (note 8)	**–**	0.3
	223.6	230.3

20. Trade and other payables

	2011 £m	Restated 2010 £m	Restated 2009 £m
Current			
Trade payables	**124.3**	150.3	166.2
Other taxes and social security costs	**24.1**	23.7	22.2
Other payables	**40.1**	38.0	30.1
Deferred season ticket income	**99.5**	91.0	88.8
Accruals and deferred income	**98.3**	69.7	81.3
Payable to central Government	**39.6**	65.3	39.5
Government grants	**2.3**	2.5	4.3
	428.2	440.5	432.4

	2011 £m	2010 £m
Non-current		
Government grants	**3.9**	2.7
Other liabilities	**2.4**	2.6
	6.3	5.3

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

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

As described in note 2, accruals for uninsured liabilities and certain franchise commitments have been reclassified as provisions. Accordingly, trade and other payables as at 3 July 2010 have been reduced by £13.2m (2009: £13.1m) relating to liabilities for franchise commitments and uninsured claims accruals of £40.0m in 2010 (2009: £40.2m) have been reclassified from trade and other payables and included in provisions. As part of this revised presentation, the Group has re-assessed the analysis of these obligations between current and non current to reflect management's estimate of the timing of settlements.

21. Interest-bearing loans and borrowings

Net debt and interest-bearing loans and borrowings

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

Year ended 2 July 2011

	Effective interest rate %	Maturity	Current Within one year £m	Non-current After one year but not more than five years £m	Non-current After five years £m	Total £m
Syndicated loans (see below)	1.78	0-5 years	–	84.0	–	84.0
Debt issue costs on syndicated loans			(0.5)	(1.5)	–	(2.0)
Dollar loans (see below)	1.97	0-5 years	–	3.9	–	3.9
£200m Sterling 7.5 year bond (see below)	5.38	0-7 years	–	–	200.0	200.0
Debt issue costs			(0.4)	(1.5)	(0.4)	(2.3)
Finance leases and HP commitments (see below)	4.89	0-5 years	2.4	3.1	–	5.5
Bank overdraft (note 19)	1.50	On demand	5.0	–	–	5.0
Total interest-bearing loans and borrowings			6.5	88.0	199.6	294.1
Debt issue costs			0.9	3.0	0.4	4.3
Total interest-bearing loans and borrowings (gross of debt issue costs)			7.4	91.0	200.0	298.4
Cash and short term deposits (note 19)			(228.6)	–	–	(228.6)
Net debt			(221.2)	91.0	200.0	69.8
Restricted cash						189.7
Adjusted net debt						259.5

Year ended 3 July 2010

	Effective interest rate %	Maturity	Current Within one year £m	Non-current After one year but not more than five years £m	Non-current After five years £m	Total £m
Syndicated loans (see below)	1.02	0-3 years	–	103.0	–	103.0
Debt issue costs on syndicated loans			(0.7)	–	–	(0.7)
Medium term loans (see below)	0.92	0-1 years	5.6	–	–	5.6
£200m Sterling 7.5 year bond (see below)	5.38	0-8 years	–	–	200.0	200.0
Debt issue costs			–	(0.4)	(2.3)	(2.7)
Finance leases and HP commitments (see below)	5.26	0-5 years	6.4	3.6	–	10.0
Bank overdraft (note 19)	1.50	On demand	5.8	–	–	5.8
Total interest-bearing loans and borrowings			17.1	106.2	197.7	321.0
Debt issue costs			0.7	0.4	2.3	3.4
Total interest-bearing loans and borrowings (gross of debt issue costs)			17.8	106.6	200.0	324.4
Cash and short term deposits (note 19)			(236.1)	–	–	(236.1)
Net debt			(218.3)	106.6	200.0	88.3
Restricted cash						204.0
Adjusted net debt						292.3

21. Interest-bearing loans and borrowings continued

Analysis of Group net debt

	Cash and cash equivalents £m	Syndicated loan facility £m	Term loans £m	Dollar loan £m	Hire purchase/ finance leases £m	£200m Sterling Bond £m	Total £m
27 June 2009	202.1	(239.0)	(36.0)	–	(18.1)	–	(91.0)
On acquisitions	–	–	–	–	(2.4)	–	(2.4)
Cashflow	28.2	136.0	30.4	–	10.5	(200.0)	5.1
3 July 2010	230.3	(103.0)	(5.6)	–	(10.0)	(200.0)	(88.3)
On acquisitions	–	–	–	–	(1.8)	–	(1.8)
Cashflow	(6.7)	19.0	5.6	(3.9)	6.3	–	20.3
2 July 2011	**223.6**	**(84.0)**	**–**	**(3.9)**	**(5.5)**	**(200.0)**	**(69.8)**
Adjusted net debt							**(259.5)**

Syndicated loan facility

On 3 February 2011 the Group re-financed and entered into a new £275.0m five year syndicated loan facility, replacing the previous £280.0m syndicated loan facility. The new loan facility is unsecured and interest is charged at LIBOR + Margin, where the margin is dependent upon the gearing of the Group.

As at 2 July 2011, £84.0m (2010: £103.0m) of the facility was drawn down.

£200m Sterling 7.5 Year Bond

On 24 March 2010, the Group raised a £200m bond of 7.5 years maturing on 29 September 2017 with a coupon rate of 5.375%.

Medium term loans

The Group currently has no medium term loans.

	Effective interest rate %	**2011 £m**	2010 £m
Fixed rate term loan	–	**–**	–
Floating rate term loans	–	**–**	5.6
		–	5.6

The floating rate loan was repaid early on 2 August 2010.

Dollar loan

On 26 July 2010, a $10.0m facility was entered into for the purposes of financing our US Yellow school bus joint venture. As at 2 July 2011, $6.2m or £3.9m of this facility was drawn down.

The dollar loan is unsecured and interest is charged at US$ LIBOR + Margin.

Debt issue costs

There are debt issue costs of £2.0m (2010: £0.7m) on the syndicated loan facility and £nil (2010: £nil) on medium term loans.

The £200m sterling 7.5 year bond has debt issue costs of £2.3m (2010: £2.7m).

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

22. Finance lease and hire purchase commitments

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

	2011		2010	
	Minimum payments £m	Present value of payments £m	Minimum payments £m	Present value of payments £m
Within one year	**2.5**	**2.4**	6.9	6.4
After one year but not more than five years	**3.5**	**3.1**	3.8	3.6
Total minimum lease payments	**6.0**	**–**	10.7	–
Less amounts representing finance charges	**(0.5)**	**–**	(0.7)	–
Present value of minimum lease payments	**5.5**	**5.5**	10.0	10.0

The finance lease and hire purchase commitments all relate to bus vehicles.

23. Financial risk management objectives and policies

Financial risk factors and management

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

The Group also enters into derivative transactions, primarily interest rate swaps and fuel swaps. The purpose of these is to manage the interest rate and fuel price risks arising from the Group's operations and its sources of finance.

It is, and has been throughout 2011 and 2010, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk and credit risk. Risks arising from fuel derivatives are explained in note 24.

23. Financial risk management objectives and policies continued

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Board's policy toward cash deposits is to deposit cash short term on UK money markets. Interest payable on senior bank borrowings is based on re-fixing the rate of interest over short periods of time of up to 36 months. During the year the Group has partially managed interest rate risk by hedging. Excluding fixed rate debt, the Group has net borrowings and hence the present adverse risk is an increase in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group as at 2 July 2011 is as follows:

	Average rate %	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Year ended 2 July 2011								
Floating rate liabilities/(assets)								
Bank overdrafts	1.50	5.0	–	–	–	–	–	5.0
Variable rate loans	1.78	–	–	–	–	87.9		87.9
Obligations under finance lease and hire purchase contracts	–	–	–	–	–	–	–	–
Interest rate swaps	2.25	(52.0)	(80.0)	–	–	–	–	(132.0)
Gross floating rate (assets)/liabilities		(47.0)	(80.0)	–	–	87.9	–	(39.1)
Cash assets	0.65	(228.6)	–	–	–	–	–	(228.6)
Net floating rate (assets)/liabilities		(275.6)	(80.0)	–	–	87.9	–	(267.7)
Fixed rate liabilities								
£200m Sterling 7.5 year bond	5.38	–	–	–	–	–	200.0	200.0
Obligations under finance lease and hire purchase contracts	4.89	2.4	1.5	0.4	0.5	0.7	–	5.5
Interest rate swaps	2.25	52.0	80.0	–	–	–	–	132.0
		54.4	81.5	0.4	0.5	0.7	200.0	337.5
Total floating and fixed profile		(221.2)	1.5	0.4	0.5	88.6	200.0	69.8
Year ended 3 July 2010								
Floating rate liabilities/(assets)								
Bank overdrafts	1.50	5.8	–	–	–	–	–	5.8
Variable rate loans	1.01	5.6	–	103.0	–	–	–	108.6
Obligations under finance lease and hire purchase contracts	1.31	0.8	–	–	–	–	–	0.8
Interest rate swaps	2.25	–	(53.4)	(80.0)	–	–	–	(133.4)
Gross floating rate liabilities/(assets)		12.2	(53.4)	23.0	–	–	–	(18.2)
Cash assets	0.55	(236.1)	–	–	–	–	–	(236.1)
Net floating rate (assets)/liabilities		(223.9)	(53.4)	23.0	–	–	–	(254.3)
Fixed rate liabilities								
£200m Sterling 7.5 year bond	5.38	–	–	–	–	–	200.0	200.0
Medium term fixed rate loan	–	–	–	–	–	–	–	–
Obligations under finance lease and hire purchase contracts	5.68	5.5	2.3	1.0	0.3	0.1	–	9.2
Interest rate swaps	2.25	–	53.4	80.0	–	–	–	133.4
		5.5	55.7	81.0	0.3	0.1	200.0	342.6
Total floating and fixed profile		(218.4)	2.3	104.0	0.3	0.1	200.0	88.3

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

At 2 July 2011, the Group had four interest rate swaps totalling £130.0m. One of these interest rate swaps fixes the interest on part of the variable rate syndicated loan – £50.0m was fixed at 2.39% plus margin until December 2012. The remaining three interest rate swaps totalling £80.0m are now ineffective. During the year ended 2 July 2011, these four interest swaps have resulted in a realised loss of £2.1m (2010: £3.0m).

These swaps result in a net fixed rate liability of £2.0m at 2 July 2011 (2010: £3.4m liability). Hence the adverse risk at year end is a decrease in interest rates.

Interest rate risk table

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

	Increase/decrease in basis points	Effect on profit before tax £m	Effect on equity £m
2011			
GBP	**50.0**	**(0.1)**	**(0.1)**
GBP	**(50.0)**	**0.1**	**0.1**
2010			
GBP	50.0	(0.5)	(0.5)
GBP	(50.0)	0.5	0.5

Liquidity risk

The Group has in place a £275.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range.

Available liquidity as at 2 July 2011 was as follows:

	2011 £m	2010 £m
Amount drawn down under syndicated loan facility	**84.0**	103.0
Total available facility	**275.0**	280.0
Headroom	**191.0**	177.0

On 24 March 2010, the Group raised a £200m bond of 7.5 years maturing on 29 September 2017. The level of drawdown and prevailing interest rates are detailed in note 21.

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

Foreign currency risk

On 26 July 2010, a $10.0m facility was agreed with RBS to ensure dollar investment in our US joint venture is funded by dollar borrowings to provide an effective foreign currency hedge.

The amount drawn on the facility reflects the investment in and the working capital requirements of the Group's share in its US joint venture. As the investment and borrowings are both denominated in US $ this provides a natural hedge over the Group's foreign currency exposure.

Credit risk

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

The majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT). The Group does not consider these counterparties to be a significant credit risk. Outside of this, the Group does not consider it has significant concentrations of credit risk. Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A+ or Aa3 or above by at least one of the credit rating agencies. Our treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

23. Financial risk management objectives and policies continued

Contractual payments

The table below summarises the maturity profile of the Group's financial liabilities at 2 July 2011 based on contractual undiscounted payments.

Year ended 2 July 2011

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Interest-bearing loans and borrowings	**5.0**	**1.5**	**2.6**	**97.5**	**–**	**106.6**
£200m Sterling 7.5 year bond	**–**	**10.4**	**–**	**41.5**	**212.4**	**264.3**
Other financial liabilities	**–**	**0.4**	**1.3**	**0.4**	**–**	**2.1**
Trade and other payables	**37.6**	**209.9**	**39.0**	**2.0**	**0.2**	**288.7**
	42.6	**222.2**	**42.9**	**141.4**	**212.6**	**661.7**

Year ended 3 July 2010 (restated)

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	> 5 years £m	Total £m
Interest-bearing loans and borrowings	5.8	3.7	6.9	110.6	–	127.0
£200m Sterling 7.5 year bond	–	5.9	–	47.0	235.3	288.2
Other financial liabilities	–	2.0	5.9	3.3	–	11.2
Trade and other payables	51.4	213.1	44.4	1.0	1.1	311.0
	57.2	224.7	57.2	161.9	236.4	737.4

Managing capital

During the year the Group obtained investment grade long term credit ratings from Standard & Poor's and Moody's as follows:

Standard & Poor's BBB – (Stable outlook)

Moody's Baa3 (Stable outlook)

The Group manages its capital structure such that net debt (adjusted to exclude restricted cash) to EBITDA (before exceptionals) is within a range which retains an investment grade debt rating. Adjusted net debt at the year end was £259.5m (2010: £292.3m), equivalent to 1.58x (2010 restated: 1.94x) EBITDA in line with the Group's aim to maintain an adjusted net debt to EBITDA ratio of 1.5x to 2.5x through the cycle.

Operating leases

The Group uses operating leases for bus and coach purchases across the Group primarily where the vehicles service specific contracts to mitigate the risk of ownership at the end of the contract. This results in £1.5m (2010: £1.2m) of cost within operating charges which would otherwise have been charged to interest. The Group holds operating leases for its bus fleet with an asset capital value of 38.0m (2010: £31.2m).

The majority of assets in the rail division are financed by operating leases, in particular rolling stock. Leases are entered into by the respective operating companies and are not the subject of parent company guarantees.

24. Derivatives and financial instruments

a. Fair values

The fair values of the Group's financial instruments carried in the financial statements have been reviewed as at 2 July 2011 and are as follows:

Year ended 2 July 2011

	Amortised cost £m	Held for trading – fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	19.3	19.3	19.3
Interest rate derivatives	–	(2.0)	(2.0)	(2.0)
Net financial assets	–	17.3	17.3	17.3
Obligations under finance lease and hire purchase contracts	(5.5)	–	(5.5)	(5.5)
	(5.5)	17.3	11.8	11.8

Year ended 3 July 2010

	Amortised cost £m	Held for trading – Fair value through profit and loss £m	Total carrying value £m	Fair value £m
Fuel price derivatives	–	(0.5)	(0.5)	(0.5)
Interest rate derivatives	–	(3.4)	(3.4)	(3.4)
Net financial liabilities	–	(3.9)	(3.9)	(3.9)
Obligations under finance lease and hire purchase contracts	(10.0)	–	(10.0)	(10.0)
	(10.0)	(3.9)	(13.9)	(13.9)

The fair value of all other assets and liabilities in notes 18, 20 and 21 is not significantly different to their carrying amount with the exception of the £200m sterling 7.5 year bond which has a fair value of £207.0m but is carried at its amortised cost of £200.0m. The fair value of the £200m sterling 7.5 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives and interest rate swaps 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.

As at 2 July 2011, the Group has used a level 2 valuation technique to determine the fair value of all financial instruments. During the year ended 2 July 2011, 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 appropriate.

At the year end, the Group had various fuel price swaps in place. For the 2012, 2013 and 2014 financial years cashflow hedges were placed over 122, 72 and 31 million litres of fuel respectively. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 2 July 2011 the Group had derivatives against bus fuel of 105 million litres for the year ending 30 June 2012, representing approximately 91.0% of the anticipated fuel usage in our bus division. As at 2 July 2011 the Group also had derivatives against bus fuel for the 2013 and 2014 financial years of 58 and 31 million litres respectively.

As at 2 July 2011 the Group had derivatives against rail fuel of 17 million litres for the year ending 30 June 2011, representing the anticipated fuel usage in London Midland and Southern. As at 2 July 2011 the Group also had further derivatives for the 2013 financial year of 14 million litres of rail fuel.

24. Derivatives and financial instruments continued

The Group's hedging policy for the target percentage of anticipated bus fuel usage hedged for the next year and subsequent two years is as follows:

	2012	2013	2014
Percentage to hedge per Group policy	100.0%	50.0%	25.0%
Actual percentage hedged	91.0%	50.0%	27.0%

25. Provisions

	Depots £m	Onerous contracts £m	Franchise commitments £m	Uninsured claims £m	Total £m
At 27 June 2009 (restated)	4.3	1.5	13.1	40.2	59.1
Provided	3.0	1.0	11.3	15.2	30.5
Utilised	–	(0.9)	–	(15.4)	(16.3)
At 3 July 2010 (restated)	7.3	1.6	24.4	40.0	73.3
Provided	–	–	26.6	24.6	51.2
Utilised	–	(0.3)	–	(15.6)	(15.9)
Released	–	(0.3)	(2.3)	–	(2.6)
Disposed	–	(0.6)	–	–	(0.6)
Transferred to creditors	–	–	(3.9)	–	(3.9)
At 2 July 2011	**7.3**	**0.4**	**44.8**	**49.0**	**101.5**

	2011 £m	2010 £m	2009 £m
Current	**21.9**	27.6	15.4
Non current	**79.6**	45.7	43.7
	101.5	73.3	59.1

At 2 July 2011 the depots provision has been maintained at £7.3m, representing ongoing legal actions relating to planning consent issues expected to be incurred within four years.

During the year ended 2 July 2011 the onerous contract provision in the aviation services division reduced from £0.6m to £nil as a result of the sale of the remaining aviation services in the year. The onerous contract provision in the bus division reduced from £1.0m to £0.4m as the expected costs were incurred on operating lease commitments served by articulated buses being phased out. Onerous contracts provisions are expected to be incurred within three years, with £0.2m being classified as current.

Franchise commitments comprise £40.1m dilapidation provisions on vehicles, depots and stations across our three active rail franchises and £4.7m claims of other disputes. Of the dilapidation provisions, £1.4m are classified as current, and all of the £4.7m income claims are classified as current. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisers. The dilapidations will be incurred as part of a rolling maintenance contract over the next six years.

Following a management review, it was decided that uninsured claims be classified as provisions given the expected timing and nature of these claims. Of the uninsured claims, £15.6m are classified as current and £33.4m 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.

Provisions at 27 June 2009 have been increased by the uninsured claims liability of £40.2m and by £13.1m in respect of franchise commitments, previously included within trade and other payables. Provisions at 3 July 2010 have been increased by the uninsured claims liability of £40.0m and by £13.2m in respect of franchise commitments, previously included within trade and other payables. The accounting policies in note 2 describe the basis for this revised presentation.

26. Issued capital and reserves

	2011 £m	2010 £m
62.5 million 10p ordinary shares	**6.3**	6.3

	Allotted, called up and fully paid			
	Millions	2011 £m	Millions	2010 £m
As at 3 July 2010 & 2 July 2011	**46.9**	**4.7**	46.9	4.7

The Company has one class of ordinary shares which carry no right to fixed income.

Share capital

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

Reserve for own shares

The reserve for own shares is in respect of 4,034,657 ordinary shares (8.6% of share capital), of which 132,427 are held for Directors' bonus plans and LTIP arrangements.

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 2 July 2011 the Company has purchased 58,632 shares (2010: 26,447 shares) for potential LTIP awards that may vest in the future (and Directors' bonus plans 2010). A consideration of £0.8m (2010: £0.3m) including expenses was made for the shares purchased during the year. The Company has not cancelled any shares during the year (2010: no shares).

Other reserve

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

Hedging reserve

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

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

27. Commitments and contingencies

Capital commitments

	2011 £m	2010 £m
Contracted for but not provided	**68.8**	10.4

Operating lease commitments – Group as lessee

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

Future minimum rentals payable under non-cancellable operating leases as at 2 July 2011 are as follows:

As at 2 July 2011

	Bus vehicles £m	Bus property £m	Other non rail £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	**14.0**	**2.3**	**0.1**	**303.7**	**354.2**	**96.5**
In the second to fifth years inclusive	**35.7**	**2.2**	**0.1**	**785.3**	**1,017.2**	**231.2**
Over five years	**0.5**	**1.5**	–	–	–	–
	50.2	**6.0**	**0.2**	**1,089.0**	**1,371.4**	**327.7**

As at 3 July 2010

	Bus vehicles £m	Bus property £m	Other non rail £m	Rail rolling stock £m	Rail access charges £m	Rail other £m
Within one year	12.2	2.6	3.4	297.5	354.4	96.4
In the second to fifth years inclusive	30.6	5.3	8.9	728.1	898.2	190.0
Over five years	0.3	1.1	28.8	36.0	44.4	8.5
	43.1	9.0	41.1	1,061.6	1,297.0	294.9

Details of the lease cost for the period are shown in note 5 and note 8.

27. Commitments and contingencies continued

Operating lease commitments – Group as lessor

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

Future minimum rentals payable under non-cancellable operating leases as at 2 July 2011 are as follows:

	2011		2010	
	Land and buildings £m	**Other rail agreements £m**	Land and buildings £m	Other rail agreements £m
Within one year	**2.4**	**21.7**	2.8	18.5
After one year but not more than five years	**4.1**	**63.3**	5.5	48.8
More than five years	**–**	**–**	0.2	1.3
	6.5	**85.0**	8.5	68.6

Performance bonds

The Group has provided bank guaranteed performance bonds of £87.1m (2010: £111.0m), and season ticket bonds of £128.6m (2010: £116.7m) to the DfT in support of the Group's rail franchise operations.

These bonds are supported by a 65% several guarantee from The Go-Ahead Group plc and a 35% several guarantee from Keolis S.A.

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 2 July 2011 is £38.0m (2010: £35.0m).

28. Pensions

Retirement benefit obligations consist of the following:

	2011			2010		
	Bus & Aviation Services £m	**Rail £m**	**Total £m**	Bus & Aviation Services £m	Rail £m	Total £m
Pre-tax pension liabilities	**(59.9)**	**(17.0)**	**(76.9)**	(96.9)	–	(96.9)
Deferred tax asset	**15.6**	**4.4**	**20.0**	27.1	–	27.1
Post tax pension scheme liabilities	**(44.3)**	**(12.6)**	**(56.9)**	(69.8)	–	(69.8)
Actuarial gains/(losses) on defined benefit pension plans	**29.7**	**(16.8)**	**12.9**	(28.6)	6.1	(22.5)

Bus and aviation schemes

The Go-Ahead Group Pension Plan

For the majority of non-rail employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the 'Go-Ahead Plan'), which consists of a funded defined benefit scheme and a defined contribution section as follows:

The defined contribution section of The Go-Ahead Plan is not contracted-out of the State Second Pension Scheme and is open to new entrants. The expense recognised for the defined contribution section of The Go-Ahead Plan is £5.2m (2010: £5.4m) being the contributions paid and payable.

The defined benefit section of The Go-Ahead Plan is contracted-out of the State Second Pension Scheme and provides benefits based on a member's final salary. The assets of the scheme are held in a separate trustee-administered fund. Contributions to this section are assessed in accordance with the advice of an independent qualified actuary. The section is effectively closed to new entrants. As a result, it can be expected that the service cost will increase in future as a percentage of payroll. However, this percentage is likely to be applied to a reducing total pensionable payroll.

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

Wilts & Dorset Pension Scheme and Southern Vectis Group Pension Plan

Some employees of our Go South Coast operations participate in the Wilts & Dorset Pension Scheme or the Southern Vectis Group Pension Plan. These are defined benefit schemes which are externally funded and contracted-out of the State Second Pension Scheme. Contributions to the schemes are assessed in accordance with the advice of an independent qualified actuary. The schemes are closed to new entrants, however eligible employees can join the defined contribution section of The Go-Ahead Group Pension Plan.

The expense recognised for the defined contribution section of the Wilts & Dorset Scheme and Southern Vectis Group Pension Plan is £0.1m (2010: £01.m) being the contributions paid and payable.

Other pension plans
A defined benefit plan exists for a small number of employees who transferred from East Thames Buses. Similarly some employees of Plymouth Citybus have entitlement to a Devon County Council defined benefit plan. Both schemes are externally funded. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary. Both schemes are now closed to new entrants.

Other pension arrangements
A small number of employees in aviance had access to separate defined contribution pension arrangements as part of legacy agreements.

The expense recognised for this is £nil (2010: £0.1m), being the contributions paid.

Summary of year end assumptions

	2011 %	2010 %
Retail price index inflation	**3.7**	3.3
Consumer price index inflation	**2.7**	n/a
Discount rate	**5.6**	5.3
Rate of increase in salaries	**4.7**	4.3
Rate of increase of pensions in payment and deferred pension*	**2.7**	3.3

* In excess of any Guaranteed Minimum Pension (GMP) element.

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

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

	2011 Years	2010 Years
Pensioner	**19**	19
Non-pensioner	**20**	20

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (suggested by the yields available), and the views of investment organisations.

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

	2011	
	Pension deficit £m	Pension cost £m
Discount factor – increase of 0.1%	**(9.5)**	**(0.4)**
Price inflation – increase of 0.1%	**8.7**	–
Rate of increase in salaries – increase of 0.1%	**2.0**	**0.1**
Rate of increase of pensions in payment – increase of 0.1%	**5.4**	**0.3**
Increase in life expectancy of pensioners or non-pensioners by 1 year	**18.8**	**1.3**

Category of assets at the year end

	2011		2010 (Restated)	
	£m	%	£m	%
Equities	**177.6**	**37.8**	181.0	43.1
Bonds	**37.6**	**8.0**	39.1	9.3
Property	**31.5**	**6.7**	32.3	7.7
Cash/other*	**223.1**	**47.5**	167.6	39.9
	469.8	**100.0**	420.0	100.0

* This includes The Go-Ahead Plan's liability driven investing portfolio, which was previously recorded under 'bonds'.

28. Pensions continued

The weighted average expected long term rates of return were:

	2011 % p.a.	2010 % p.a.
Weighted average rate of return	**6.6**	6.8

Funding position of the Group's pension arrangements

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Employer's share of pension scheme:					
Liabilities at the end of the year	**(529.7)**	(516.9)	(428.7)	(436.2)	(404.5)
Assets at fair value	**469.8**	420.0	352.7	376.8	380.0
Pension scheme liability	**(59.9)**	(96.9)	(76.0)	(59.4)	(24.5)

Pension cost for the financial year

	2011 £m	2010 £m
Service cost	**6.7**	6.3
Interest cost on liabilities	**27.2**	26.6
Expected return on assets	**(28.7)**	(27.5)
Pension costs	**5.2**	5.4
Curtailment gain (exceptional items)	**–**	(2.2)
Total pension costs	**5.2**	3.2

Experience recognised in other comprehensive income

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Experience gains/(losses) on pension scheme liabilities	**9.6**	(68.6)	28.8	(10.5)	35.0
Experience gains/(losses) on assets	**20.1**	40.0	(49.7)	(39.6)	25.6
Total gains/(losses) recognised in other comprehensive income during the year	**29.7**	(28.6)	(20.9)	(50.1)	60.6

The Directors were unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and then taken directly to equity is attributable to actuarial gains and losses since the inception of the pension schemes. Consequently the Directors are unable to determine the amounts of actuarial gains and losses that would have been recognised in other comprehensive income before 3 July 2004.

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

	2011 £m	2010 £m
Employer's share of pension scheme liabilities – at start of year	**516.9**	428.7
Service cost	**11.8**	12.1
Interest cost	**27.2**	26.6
Actuarial (gains)/losses*	**(9.6)**	68.6
Benefits paid	**(16.6)**	(16.9)
Curtailments	**–**	(2.2)
Employer's share of pension scheme liabilities – at end of year	**529.7**	516.9

* The actuarial gain of £9.6m in the year to 2 July 2011 includes the impact of an actuarial gain of £12.6m relating to the change from RPI to CPI.

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

	2011 £m	2010 £m
Fair value of assets – at start of year	**420.0**	352.7
Expected return on assets	**28.7**	27.5
Actuarial gains on assets	**20.1**	40.0
Company contributions	**12.5**	10.9
Employee contributions (including age related rebates)	**5.1**	5.8
Benefits paid	**(16.6)**	(16.9)
Fair value of plan assets – at end of year	**469.8**	420.0

Estimated contributions for future

	£m
Estimated company contributions in financial year 2012	13.2
Estimated employee contributions in financial year 2012	4.5
Estimated total contributions in financial year 2012	17.7

Rail schemes

The Railways Pension Scheme (the RPS)

The majority of employees in our train operating companies are members of sections of the RPS, a funded defined benefit scheme. The RPS is a shared costs scheme, with assets and liabilities split 60%/40% between the franchise holder/employee respectively. The RPS sections are all open to new entrants and the assets and liabilities of each company's section are separately identifiable and segregated for funding purposes.

In addition to the defined benefit cost, BRASS matching AVC company contributions of £0.9m (2010: £1.2m) were paid in the year.

It is our experience that all pension obligations to the RPS cease on expiry of the franchises without cash or other settlement, and therefore the obligations recognised on the balance sheet under IAS 19 are only those that are expected to be funded during the franchise term. However, in spite of our past experience and that of other train operating companies proving otherwise, our legal obligations are not restricted. On entering into a franchise, the operator becomes the designated employer for the term of the contract and under the RPS rules is obliged to meet the schedule of contributions agreed with the scheme trustees and actuaries, in respect of which no funding cap is set out in the franchise contract.

Summary of year end assumptions

	2011 %	2010 %
Retail price index inflation	**3.7**	3.3
Consumer price index inflation	**2.7**	n/a
Discount rate	**5.6**	5.3
Rate of increase in salaries	**4.7**	4.3
Rate of increase of pensions in payment and deferred pension*	**2.7**	3.3

* In excess of any Guaranteed Minimum Pension (GMP) element.

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

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

	2011 years	2010 years
Pensioner	**20**	20
Non-Pensioner	**22**	22

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (suggested by the yields available), and the views of investment organisations.

Category of assets at the year end

	2011		2010	
	£m	**%**	£m	%
Equities	**916.5**	**89.7**	528.3	61.6
Bonds	**50.1**	**4.9**	96.9	11.3
Property	**49.0**	**4.8**	126.1	14.7
Cash	**6.1**	**0.6**	106.4	12.4
	1,021.7	**100.0**	857.7	100.0

The weighted average expected long term rates of return were:

	2011 % p.a.	2010 % p.a.
Weighted average rate of return	**8.0**	7.5

28. Pensions continued

Funding position of the Group's pension arrangements

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Employer's share of pension scheme:					
Liabilities at the end of the year	**(1,232.4)**	(1,195.2)	(937.1)	(1,026.5)	(652.0)
Assets at fair value	**1,021.7**	857.7	705.8	869.7	651.8
Gross deficit	**(210.7)**	(337.5)	(231.3)	(156.8)	(0.2)
Franchise adjustment	**193.7**	337.5	223.8	156.8	(2.1)
Pension scheme liability	**(17.0)**	–	(7.5)	–	(2.3)

Pension cost for the financial year

	2011 £m	2010 £m
Service cost	**42.9**	38.1
Interest cost on liabilities	**45.4**	40.8
Expected return on assets	**(38.7)**	(34.5)
Interest on franchise adjustments	**(17.8)**	(13.5)
Pension cost	**31.8**	30.9

Experience recognised in Other Comprehensive Income

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Experience gains/(losses) on pension scheme liabilities	**96.4**	(136.4)	89.6	(65.3)	4.8
Experience gains/(losses) on assets	**48.3**	41.9	(152.9)	(81.5)	36.4
Franchise adjustment movement*	**(161.5)**	100.6	57.3	152.3	(26.8)
Total (losses)/gains recognised in other comprehensive income during the year	**(16.8)**	6.1	(6.0)	5.5	14.4

* The franchise adjustment movement of £161.5m in the year to 2 July 2011 includes the impact of a franchise adjustment movement of £140.4m relating to the change from RPI to CPI.

The Directors were unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and then taken directly to equity is attributable to actuarial gains and losses since the inception of the pension schemes. Consequently the Directors are unable to determine the amounts of actuarial gains and losses that would have been recognised in other comprehensive income before 3 July 2004.

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

	2011 £m	2010 £m
Employer's share of pension scheme liabilities – at start of year	**1,195.2**	937.1
Franchise adjustment	**(337.5)**	(223.8)
	857.7	713.3
Liability movement for members' share of assets	**77.8**	71.1
Service cost	**42.9**	38.1
Interest cost	**45.4**	40.8
Interest on franchise adjustment	**(17.8)**	(13.5)
Actuarial (gains)/losses	**(96.4)**	136.4
Benefits paid*	**(32.4)**	(27.9)
Disposal of New Southern Railway Limited	–	(269.9)
Addition of Southern Railway Limited	–	269.9
Franchise adjustment movement	**161.5**	(100.6)
	1,038.7	857.7
Franchise adjustment	**193.7**	337.5
Employer's share of pension scheme liabilities – at end of year	**1,232.4**	1,195.2

* The actuarial gain of £96.4m in the year to 2 July 2011 includes the impact of an actuarial gain of £124.1m relating to the change from RPI to CPI.

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

	2011 £m	2010 £m
Fair value of assets – at start of year	**857.7**	705.8
Expected return on assets	**38.7**	34.5
Actuarial gains on assets	**48.3**	41.9
Company contributions	**31.6**	32.3
Benefits paid	**(32.4)**	(27.9)
Disposal of New Southern Railway Limited	**–**	(269.9)
Addition of Southern Railway Limited	**–**	269.9
Members' share of movement of assets	**77.8**	71.1
Fair value of plan assets – at end of year	**1,021.7**	857.7

Estimated contributions for future

	£m
Estimated company contributions in financial year 2012	32.4
Estimated employee contributions in financial year 2012	21.5
Estimated total contributions in financial year 2012	53.9

IAS 19 would require the Group to account for its legal obligation under the formal terms of the RPS and its constructive obligation under the terms of each franchise agreement. Following industry practice, the Group has concluded that the appropriate accounting policy for the RPS to ensure that the financial statements present fairly the Group's financial position, financial performance and cashflows, is to recognise its constructive but not its legal RPS defined benefit obligations. In all other respects the Group's accounting policy is consistent with IAS 19 and the treatment adopted for non-rail defined benefit schemes. In doing so, the Group has applied the provisions of paragraph 17 of IAS 1 and departed from the requirements of IAS 19 in order to achieve a fair presentation of the Group's obligations regarding its rail schemes and prevent gains arising on transfer of the existing RPS deficits to a new franchise owner at exit.

The total surplus or deficit recorded is adjusted by way of a 'franchise adjustment', which is that portion of the deficit or surplus projected to exist at the end of the franchise which the Group will not be required to fund or benefit from.

If the Group had accounted for the rail schemes in accordance with the full provisions of IAS 19 the following adjustments would have been made to the financial statements:

	2011 £m	2010 £m
Balance sheet		
Defined benefit pension plan	**(193.7)**	(337.5)
Deferred tax asset	**46.9**	89.7
Intangible asset	**13.3**	17.2
	(133.5)	(230.6)
Other comprehensive income		
Actuarial (losses)/gains	**(161.5)**	100.6
Tax on actuarial losses/(gains)	**42.0**	(28.2)
	(119.5)	72.4
Income statement		
Operating costs – franchise adjustment	**(17.8)**	(13.5)
Intangible asset amortisation	**3.9**	4.0
Deferred tax charge	**3.6**	2.7
	(10.3)	(6.8)

IAS 19 disclosures

All of the above plans have been accounted for under IAS 19 covering employee benefits.

29. Related party disclosures and Group undertakings

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

Name	Country of incorporation	% equity interest 2011	% equity interest 2010
Principal Subsidiaries			
Go-Ahead Holding Limited	United Kingdom*	**100**	100
Go North East Limited	United Kingdom	**100**	100
London General Transport Services Limited	United Kingdom	**100**	100
London Central Bus Company Limited	United Kingdom	**100**	100
Dockland Buses Limited	United Kingdom	**100**	100
Blue Triangle Buses Limited	United Kingdom	**100**	100
Metrobus Limited	United Kingdom	**100**	100
Brighton & Hove Bus and Coach Company Limited	United Kingdom	**100**	100
City of Oxford Motor Services Limited	United Kingdom	**100**	100
Go South Coast Limited	United Kingdom	**100**	100
Plymouth Citybus Limited	United Kingdom	**100**	100
Konectbus Limited	United Kingdom	**100**	100
Thames Travel (Wallingford) Limited	United Kingdom	**100**	–
New Southern Railway Limited	United Kingdom**	**65**	65
London and South Eastern Railway Limited	United Kingdom**	**65**	65
London and Birmingham Railway Limited	United Kingdom**	**65**	65
Southern Railway Limited	United Kingdom**	**65**	65
Govia Limited	United Kingdom**	**65**	65
Abingdon Bus Company Limited	United Kingdom	**100**	100
aviance UK Limited	United Kingdom	**100**	100
Reed Aviation Limited	United Kingdom	**–**	100
Meteor Parking Limited	United Kingdom	**–**	100
Nikaro Limited	United Kingdom	**–**	100
Go-Ahead Leasing Limited	United Kingdom	**100**	100
Go-Ahead Holding LLC	United States of America	**100**	100
Jointly controlled entities			
Go-Ahead North America LLC	United States of America	**50**	50

* Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.

** The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis S.A. and held through Govia Limited.

Transactions with other related parties

The Group meets certain costs of administering the Group's retirement benefit plans, including the provision of meeting space and office support functions to the trustees. Costs borne on behalf of the retirement benefit plans amounted to £0.4m (2010: £0.3m).

Compensation of key management personnel of the Group

The key management are considered to be the Directors of the Group.

	2011 £m	Restated 2010 £m
Salaries	**1.4**	1.3
Bonus	**1.0**	1.1
Pension contributions	**0.1**	0.1
Share based payments	**–**	–
	2.5	2.5

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GO-AHEAD GROUP PLC

We have audited the parent company financial statements of the Go-Ahead Group Plc for the year ended 2 July 2011 which comprise the parent company balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 80, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 July 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of the Go-Ahead Group plc for the year ended 2 July 2011.

Ernst + Young LLP

Kathryn Barrow (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

31 August 2011

Notes:

1. The maintenance and integrity of the Go-Ahead Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PARENT COMPANY BALANCE SHEET

AS AT 2 JULY 2011

	Notes	2011 £m	Restated 2010 £m
Fixed assets			
Tangible assets	2	**82.5**	83.3
Investments	3	**151.9**	151.9
Financial assets		**0.8**	4.3
		235.2	239.5
Current assets			
Debtors: amounts falling due within one year	4	**553.1**	559.4
Cash on deposit		**–**	–
Financial assets		**8.8**	3.3
		561.9	562.7
Creditors: amounts falling due within one year	5	**(121.0)**	(126.4)
Net current assets		**440.9**	436.3
Total assets less current liabilities		**676.1**	675.8
Creditors: amounts falling due after more than one year	5	**(199.9)**	(200.6)
Provisions for liabilities: deferred taxation	6	**–**	(0.1)
Provisions for liabilities: other	7	**(9.5)**	(8.5)
Net assets		**466.7**	466.6
Capital and reserves			
Share capital	9, 10	**4.7**	4.7
Share premium	10	**67.4**	67.4
Revaluation reserve	10	**10.3**	10.3
Other reserve	10	**8.8**	8.8
Capital redemption reserve	10	**0.7**	0.7
Reserve for own shares	10	**(69.8)**	(69.0)
Profit and loss account	10	**444.6**	443.7
Equity shareholders' funds		**466.7**	466.6

Keith Down, Group Finance Director
31 August 2011

FINANCIAL STATEMENTS
DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PARENT COMPANY FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Parent company accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006 and were approved for issue on 31 August 2011. They have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006 and the Company has taken the exemptions under FRS 1 to not present a cashflow statement.

The Company has taken advantage of the exemption available to parent companies under FRS 29 Financial Instruments: Disclosures so as not to provide the information otherwise required by the standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 Financial Instruments: Disclosures.

Tangible fixed assets

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives and the lease terms.

Depreciation is charged to the profit and loss account based on cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:

Short leasehold land and buildings	The life of the lease
Freehold buildings and long leasehold land and buildings	Over 10 to 100 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Pension benefits

The Company is a member of The Go-Ahead Group Pension Plan operated by The Go-Ahead Group plc for the majority of its employees. This defined benefit scheme is a multi-employer scheme for which the individual employer's share of the underlying assets and liabilities cannot be identified and accordingly the Company accounts for them as defined contribution schemes.

For the defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share based payments

Amendment to FRS 20

The amendment clarifies the accounting for Group cash-settled share based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the Group pays for those goods or services.

Adoption of the amendment to FRS 20 did not have a material impact on the financial performance or position of the Company.

The Company has taken advantage of the transitional provision of FRS 20 and has applied FRS20 only to those options granted after 7 November 2002. The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In valuing equity-settled options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of The Go-Ahead Group plc ('market conditions'), to conditions not related to performance or service ('non-vesting conditions') and to earnings per share criteria.

The cost of options is recognised in the profit and loss account over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the Directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided on all timing differences which have originated but not reversed at the balance sheet date. Except where otherwise required by accounting standards, no timing differences are recognised in respect of:

- property revaluation surpluses where there is no commitment to sell the asset;
- gains on sale of assets where those gains have been rolled over into replacement assets;
- deferred tax assets except to the extent that it is more likely than not that they will be recovered.

Deferred tax is calculated at the enacted rates at which it is estimated the tax will be payable. The deferred tax provision is not discounted to net present value.

Uninsured liabilities

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. A liability is recognised for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

The estimation of this liability is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company.

The Group has accumulated considerable experience in the evaluation and management of such claims and has historically classified this liability as an accrual within the current liabilities. As part of our regular review of reporting practices and policies, we have given full consideration to the classification of this liability in the balance sheet. In light of developing trends relating to the nature of claims and the increasing time involved in their resolution, the Group has determined that there is no longer a sufficient degree of certainty to classify all of this liability as an accrual rather than as a provision. As a result, this liability is now classified within provisions and accompanied by the disclosures relating to their creation, utilisation and re-measurement of these obligations. We believe that this change in presentation provides more relevant information and aids comparability with our peers in the industry. Comparatives have been restated to show the effect of these changes.

The impact of this reclassification on the balance sheet is set out in notes 5 and 7. There is no effect on amounts reported in the income statement.

Treasury shares

Re-acquired shares in the Company, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares. Any gain or loss on the purchase, sale, issue or cancellation of the Company's shares is transferred from the reserve for own shares to profit and loss.

Financial assets

Financial assets are accounted for in accordance with FRS 26. Financial assets are initially recognised at fair value, being the transaction price plus directly attributable transaction costs.

The Company uses energy derivatives to hedge its risks associated with fuel price fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently remeasured at fair value at each balance sheet date.

Changes in the fair value of financial instruments that are designated and effective as hedges of future cashflows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the profit and loss account. When the cashflow hedge results in the recognition of a non-financial asset or a liability, then at the time that asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of that non-financial asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the profit and loss account in the period in which the hedged item affects net profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the profit and loss account as they arise.

Hedge accounting is discontinued when the derivative expires or is sold, terminated or exercised without replacement or rollover, or otherwise no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, at which point it is taken to the profit and loss account or included in the initial carrying amount of the related non-financial asset as described above. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the profit and loss account.

Leasing commitments

Leases where a significant portion of all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, and the amortisation of lease incentives and initial direct costs in securing leases, are charged to the profit and loss account on a straight-line basis over the lease term.

Debt

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other derecognition of debt are recognised directly in the profit and loss account.

2. Tangible fixed assets

	Freehold land and buildings £m	Leasehold properties £m	Plant and equipment £m	Total £m
Cost or valuation:				
At 3 July 2010	78.5	5.8	11.3	95.6
Additions	1.1	0.2	1.9	3.2
Disposal of Meteor	(0.5)	–	–	(0.5)
At 2 July 2011	**79.1**	**6.0**	**13.2**	**98.3**
Depreciation:				
At 3 July 2010	7.5	1.3	3.5	12.3
Charge for the year	0.5	0.2	2.8	3.5
At 2 July 2011	**8.0**	**1.5**	**6.3**	**15.8**
Net book value:				
At 2 July 2011	**71.1**	**4.5**	**6.9**	**82.5**
At 3 July 2010	71.0	4.5	7.8	83.3

Freehold land and buildings include non-depreciable land amounting to £27.6m (2010: £27.8m).

The net book value of leasehold properties comprises:

	2011 £m	2010 £m
Leases with 50 or more years unexpired	**1.2**	1.2

3. Fixed asset investments

	Shares in Group companies £m
Cost or valuation:	
At 3 July 2010 & 2 July 2011	151.9
Provisions:	
At 3 July 2010 & 2 July 2011	–
Net carrying amount:	
At 3 July 2010 & 2 July 2011	**151.9**

For details of the principal operating subsidiary undertakings as at 2 July 2011, refer to note 29 of the Group financial statements. As permitted under Section 410 (1) and (2) of the Companies Act 2006, the information is given only for the undertakings whose results or financial position, in the opinion of the Directors, principally affect the figures shown in the financial statements.

4. Debtors

Amounts falling due within one year

	2011 £m	2010 £m
Amounts owed by Group companies	**543.9**	555.4
Corporation tax	**5.5**	0.5
Other debtors	**3.7**	3.5
	553.1	559.4

5. Creditors

Amounts falling due within one year

	2011 £m	Restated 2010 £m
Bank loans and overdrafts	**4.3**	5.1
Amounts owed to Group undertakings	**98.8**	103.5
Other creditors	**16.2**	9.7
Other financial liabilities	**1.7**	8.1
	121.0	126.4

Uninsured claims of £8.5m at 3 July 2010, previously included within creditors are now shown as provisions.

Amounts falling due after more than one year

	2011 £m	2010 £m
Sterling 7.5 year bond repayable:		
In more than one year but not more than two years	**–**	–
In more than two years but not more than five years	**3.8**	–
In more than 5 years	**195.7**	196.6
Other financial liabilities	**0.4**	4.0
	199.9	200.6

The Company has no security over its liabilities.

6. Deferred taxation

	Deferred tax £m
At 3 July 2010	(0.1)
Provided during the year	0.1
Provided directly to equity	–
At 2 July 2011	**–**

Deferred taxation provided at the enacted rate is as follows:

	2011 £m	2010 £m
Capital allowances in advance of depreciation	**(0.1)**	(0.2)
Other timing differences	**0.1**	0.1
	–	(0.1)

7. Other provisions

	Uninsured claims £m
As at 3 July 2010 (restated)	8.5
Provided	1.4
Utilised	(0.4)
As at 2 July 2011	**9.5**

Following a management review, it was decided that uninsured claims be classified as provisions given the expected timing and nature of these claims. It is estimated that the majority of uninsured claims will be settled within the next six years.

Uninsured claims of £8.5m at 3 July 2010, previously included within creditors are now shown as provisions.

8. Pension commitments

Defined contribution:

The Company participates in the defined contribution scheme of The Go-Ahead Group Pension Plan. This scheme is not contracted-out of the State Second Pension Scheme and is open to new entrants. The expense recognised in these accounts for the year is £0.2m (2010: £0.1m) being the contributions paid and payable.

Defined benefit:

The Company participates in a scheme which is part of The Go-Ahead Group Pension Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The most recent actuarial valuation of the scheme was at 31 March 2009 and was updated by Towers Watson LLP to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 2 July 2011 and 3 July 2010. The contributions paid to the scheme are paid in line with the schedule of contributions, being 13.3% and 11.2% of pensionable salaries paid to upper and lower tier sections respectively.

The defined benefit scheme is effectively closed to new entrants. As a result it can be expected that the service cost will increase in future, as a percentage of payroll. However, this percentage is likely to be applied to a reducing total pensionable payroll.

The scheme is a multi-employer scheme and in accordance with FRS 17, the Company has accounted for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the Company's share of the net assets and liabilities in the scheme on a consistent and reasonable basis due to the high volume of members/pensioners and the historic interaction between Group companies.

The following disclosures provide details of the entire defined benefit scheme.

The main assumptions are:

	2011 %	2010 %
Rate of increase in salaries	**4.7**	4.3
Rate of increase in deferred pensions	**2.7**	3.3
Discount rate	**5.6**	5.3
Retail price index inflation	**3.7**	3.3
Consumer price index inflation	**2.7**	n/a

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting deficit are:

	2011		2010	
	Long term rate of return expected %	**Value £m**	Long term rate of return expected %	Value £m
Equities	**7.9**	**139.2**	7.9	147.8
Bonds	**5.7**	**235.1**	5.3	190.4
Properties	**7.3**	**31.3**	7.4	32.3
Cash	**3.7**	**6.3**	3.9	0.7
Total market value of assets		**411.9**		371.2
Present value of scheme liabilities		**(456.3)**		(444.3)
Pension liability before deferred tax		**(44.4)**		(73.1)
Related deferred tax asset		**11.5**		20.5
Net pension liability		**(32.9)**		(52.6)

9. Called up share capital

	Allotted, called up and fully paid			
	Millions	**2011 £m**	Millions	2010 £m
As at 3 July 2010 & 2 July 2011	**46.9**	**4.7**	46.9	4.7

The Company has one class of ordinary shares which carry no right to fixed income.

10. Share capital and reserves

	Share capital £m	Share premium £m	Revaluation reserve £m	Other reserve £m	Capital redemption reserve £m	Reserve for own shares £m	Profit and loss reserve £m	Total capital & reserves £m
At 27 June 2009	4.7	67.2	10.3	8.8	0.7	(68.8)	443.3	466.2
Profit for the year	–	–	–	–	–	–	34.0	34.0
Dividends	–	–	–	–	–	–	(45.7)	(45.7)
Other recognised losses	–	–	–	–	–	–	12.2	12.2
Acquisition of own shares	–	–	–	–	–	(0.3)	–	(0.3)
Reserve transfer	–	–	–	–	–	0.1	(0.1)	–
Arising on shares issued for share options	–	0.2	–	–	–	–	–	0.2
At 3 July 2010	4.7	67.4	10.3	8.8	0.7	(69.0)	443.7	466.6
Profit for the year	–	–	–	–	–	–	16.3	16.3
Dividends	–	–	–	–	–	–	(23.8)	(23.8)
Other recognised losses	–	–	–	–	–	–	8.0	8.0
Acquisition of own shares	–	–	–	–	–	(0.8)	–	(0.8)
Share based payment charge	–	–	–	–	–	–	0.4	0.4
At 2 July 2011	**4.7**	**67.4**	**10.3**	**8.8**	**0.7**	**(69.8)**	**444.6**	**466.7**

The cumulative amount of goodwill written off to the profit and loss reserve of the Company at 2 July 2011 is £0.2m (2010: £0.2m).

The reserve for own shares is in respect of 4,034,657 ordinary shares (8.6% of total share capital), of which 132,427 are held for Directors' bonus plans and LTIP arrangements. The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for re-issue in appropriate circumstances. During the year ended 2 July 2011 the Company has repurchased 58,632 shares (2010: 26,447 shares) for potential LTIP awards and Directors' bonus plans that may vest in the future. A consideration of £0.8m (2010: £0.3m) including expenses was made for the shares purchased during the year, The Company has not cancelled any shares during the year (2010: no shares).

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is provided in the Directors' Report.

The audit fee payable in respect of the Company was £0.1m (2010: £0.1m).

11. Operating lease commitments

The Company's annual commitments under non-cancellable operating leases are as follows:

	Property	
	2011 £m	2010 £m
Within one year	**0.3**	0.9
In second to fifth years	**1.8**	1.2
	2.1	2.1

12. Capital commitments

There were no capital commitments at 2 July 2011 (2010: £nil).

13. Contingent liabilities

The Company provides guarantees in respect of bank and equipment finance borrowings of the subsidiaries of The Go-Ahead Group plc.

The Company has issued guarantees dated 30 March 2006 to participating subsidiaries of The Go-Ahead Group Pension Plan, Southern Vectis Group Pension Plan, and Wilts & Dorset Pension Scheme in respect of scheme liabilities arising. Total liabilities in respect of these guaranteed schemes were £44.4m as at 2 July 2011 (2010: £69.8m).

At 2 July 2011 letters of credit amounting to £38.0m (2010: £35.0m) were provided by a Company banker, guaranteed by the Company, in favour of one of the Group's insurers, to cover liabilities of the Company and its subsidiaries.

14. Share based payments

Sharesave Scheme

Full disclosures of the Group's sharesave scheme, SIP and LTIP are given in note 6 to the Group financial statements.

15. Related party transactions

The Company has taken advantage of the exemption under FRS 8, 'Related party disclosures', and transactions with 100% subsidiaries of The Go-Ahead Group plc have not been disclosed.

The Company owns 65% of the ordinary shares in Govia Limited. Thameslink Rail Limited, New Southern Railway Limited ('Southern'), London and Southeastern Railway Limited ('Southeastern') and London and Birmingham Railway Limited ('London Midland') are 100% owned by Govia Limited and hence the Company owns a 65% interest.

	GOVIA		LSER		London Midland		Thameslink		New Southern		Southern	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Dividends paid by related party	**9.0**	12.2	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Interest paid to related party	**0.3**	0.3	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Loans to related party	**(27.0)**	(66.4)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Repayment of loan from related party	**26.0**	58.2	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Management charges	**–**	–	**0.8**	0.7	**0.7**	0.8	**–**	–	**–**	0.2	**0.8**	0.7
Amounts owed from related party	**44.4**	42.8	**–**	–	**17.5**	24.8	**–**	–	**–**	–	**0.6**	2.3
Amounts owed to related party	**–**	–	**49.8**	37.1	**–**	–	**0.6**	0.7	**19.9**	31.9	**–**	–

During the year Southern, Southeastern and London Midland have traded with wholly owned subsidiaries of the Company; £4.4m (2010: £8.2m) of costs were incurred by Southern, Southeastern and London Midland on an arm's length basis.

SHAREHOLDER INFORMATION

Managing your shares

The Company's registrar, Equiniti, is responsible for maintaining the Company's register of members. Shareholders with queries relating to their shareholding should contact Equiniti directly using the details on page 140.

Shareholders can sign up for a Shareview portfolio which enables you to view information regarding your holding, change your address and bank details online, and even sell or purchase shares in the Company online. Go to www.shareview.co.uk and click on 'Register' in the top left corner to sign up for these services. When completing your details you will need your shareholder reference number which is the eleven digit number found on your latest tax voucher or share certificate. Please note that your share certificate may state an eight digit shareholder reference number which is now invalid.

Corporate website: www.go-ahead.com

Our corporate website provides a wealth of information on the Company and its activities. Information available on the site includes half year results and interim management statements, which are not sent to shareholders, as well as share price data, dividend information and the financial calendar. You can register to receive email alerts when new items are added to the website.

Electronic communications

As far as possible, Go-Ahead provides shareholder documents via the Company's website: www.go-ahead.com. Receiving the Company's communications electronically offers advantages in terms of speed and convenience; it is a secure method of delivering shareholder documentation and allows the Company to communicate with its shareholders in a more environmentally and cost effective way.

If you have not done so already, and now wish to register to receive future shareholder communications electronically, please sign up via Shareview (details under 'Managing your shares' above). The default option during this online registration is that your preferred method of delivery of Company communications is electronic.

Dividend payments

Dividends are paid in April and November each year. We recommend that all shareholders have their dividends paid directly into their bank or building society account. This is more secure than receiving your dividend by cheque which could be slow to arrive or get lost in the post. The dividend is paid into your account on the payment date which means you do not have to wait for a cheque to clear before the funds are available. We will send you a tax voucher following each dividend payment. To select this method of dividend payment, please contact Equiniti.

Duplicate documents

Many of our shareholders have more than one account on the share register, which means they receive duplicate documentation and split dividend payments. To request that your accounts be combined, please contact Equiniti.

Shareholder security

Shareholders are advised to be extremely cautious of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. The Company does not endorse any specific share dealing facilities and will not pass on shareholder information to any third party, however, the Company's register is, by law, open to public inspection. Any requests for access to the register are subject to 'proper purpose' requirements to ensure that the information is not used unlawfully.

Shareholder information

Shareholder profile by size of holding as at 2 July 2011

	No. of holdings	%	Shares held	%
1 – 10,000	3484	93.4	2,271,754	4.8
10,001 – 100,000	169	4.5	5,702,512	12.2
100,001 – 500,000	59	1.6	11,791,067	25.1
500,001 – 1,000,000	8	0.2	5,423,906	11.6
Over 1,000,001	10	0.3	21,716,739	46.3
Total	**3730**	**100.00**	**46,905,978**	**100.00**

Shareholder profile by category as at 2 July 2011

	No. of holdings	%	Shares held	%
Treasury shares	1	0.0	3,902,230	8.3
Directors	3	0.1	47,720	0.1
Other individuals	3,073	82.4	5,007,582	10.7
Institutional investors	653	17.5	37,948,446	80.9
Total	**3,730**	**100.0**	**46,905,978**	**100.0**

It should be noted that many private investors hold their shares through nominee companies, therefore the percentage of shares held by private holders is higher than that shown.

Financial calendar

Annual General Meeting	11am, 27 October 2011
Final dividend record date	4 November 2011
Final dividend payment date	18 November 2011
Half year end	31 December 2011
Half year results announcement	February 2012
Half year dividend payment	April 2012
Next financial year end	30 June 2012
Full year results announcement	September 2012

CORPORATE INFORMATION

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* Calls to this number are charged at 8p per minute from a BT landline; other telephone provider costs may vary. Lines are open 8:30am to 5:30pm Monday to Friday.

FOR MORE INFORMATION VISIT: **WWW.GO-AHEAD.COM**

Online Annual Report

The 2011 Annual Report and Accounts can be found on our website in PDF format.

Our Corporate Responsibilty Report

You can access a PDF of the Group Corporate Responsibility Report on the website at the end of September as well as additional information within Corporate Responsibility Centre.

Access the Notice of Meeting

The 2011 Notice of Annual General Meeting will be available online at the end of September.

Links to further information

You can find other useful information in the Investor Relations Centre on our website, including share price data, dividend information, our latest presentations and useful factsheets.

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BUREAU VERITAS

Verification of Corporate Responsibility data

For the third year Bureau Veritas UK Ltd has worked with the Go-Ahead Group plc (Go-Ahead) to verify and to provide an independent opinion on selected corporate responsibility (CR) key performance indicators (KPI) data contained within the Go-Ahead Group's Corporate Responsibility Report 2011.

The information and data reviewed for this verification process relates to the period of 4 July 2010 to 2 July 2011. The verification incorporated site visits, interviews, document review and checking of Group and operating company data.

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Go-Ahead