



**Our purpose is to be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world**

Operating profit  
(pre-exceptional items)

**£115.5m**

(2020: £76.4m, restated<sup>1</sup>)

Exceptional charge<sup>2</sup>

**£104.1m**

(2020: £93.7m, restated<sup>1</sup>)

Operating profit  
(post-exceptional items)

**£11.4m**

(2020: £(17.3m), restated<sup>1</sup>)

Headroom on facilities plus  
unrestricted cash

**£240.3m**

(2020: £229.8m)

Adjusted net debt/EBITDA<sup>3</sup>

**1.56x**

(2020: 1.98x, restated<sup>1</sup>)



To find out more visit:  
[www.go-ahead.com](http://www.go-ahead.com)

#### Announcement of full year results

- Publication of full year results for the year ended 3 July 2021 delayed as a result of matters relating to London & South Eastern Railway (LSER)
- Trading in Go-Ahead's shares and corporate bond suspended between 4 January 2022 and the publication of the results
- Waivers obtained from the Group's banks in relation to the information covenant requirements to submit accounts within a defined timeframe

#### Financial and operational performance

- Financial performance overshadowed by matters relating to LSER and challenges in International Rail
- Group operating profit<sup>4</sup> of £115.5m (2020: £76.4m, restated)
  - Regional Bus operating profit<sup>4</sup> of £17.9m (2020: £20.5m)
  - London & International Bus division operating profit of £68.5m (2020: £50.0m, restated)
  - UK Rail operating profit<sup>4</sup> of £56.7m (2020: £50.7m, restated)
  - International Rail operating loss<sup>4</sup> of £(27.6m) (2020: £(44.7m))
- Exceptional charge of £104.1m (2020: £93.7m) primarily relating to onerous contract provisions and asset impairments in Norway of £76.7m and a provision for a potential financial penalty in relation to LSER of £30.0m
- Leverage at lower end of target range of 1.5 to 2.5x at 1.56x (2020: 1.98x, restated)
- Passenger numbers had been recovering steadily in most markets and have returned to these levels after temporarily declining following emergence of the Omicron variant. Regional Bus volumes are now around 80 per cent of pre-pandemic levels.
- Around 90 per cent of revenues secured through contracts with no revenue risk from changes in passenger demand

#### London & South Eastern Railway Ltd

- Operator of Last Resort took over operation of Southeastern franchise on 17 October 2021 reflecting the Department for Transport (DfT)'s decision not to award a National Rail Contract to LSER as a consequence of matters regarding the calculation of historic profit share payments and treatment of certain overpayments made by the DfT to LSER
- Notwithstanding the complexity of LSER's franchise agreements, Go-Ahead accepts that serious errors were made in relation to the LSER franchise with respect to engagement with the DfT over several years
- A total of £49.2m has been paid by LSER to the DfT
- Acknowledging the DfT's power to impose a financial penalty, the Group has provided £30.0m in its financial statements

#### New leadership and a refreshed Board

- Christian Schreyer took over the role of Group Chief Executive Officer on 5 November 2021. He joined from global mobility company, Transdev, bringing a great depth of experience and expertise to address the challenges and opportunities ahead
- Well advanced recruitment process for new Group Chief Financial Officer
- David Blackwood and Dominic Lavelle were appointed Senior Independent Director and Audit Committee Chair, respectively, on 19 January 2022, having joined the Board as independent non-executive directors on 1 January 2022

#### An important purpose

- Public transport remains critical to environmental sustainability, economic recovery, the delivery of health and wellbeing outcomes, and keeping communities connected
- Climate change strategy launched alongside Science Based Target to reduce carbon emissions by 75 per cent by 2035 and become a net zero business by 2045

1. Prior year adjustments have been made, please see note 2 of the financial statements.

2. Exceptional charge consists of £0.2m for Regional Bus, £32.4m for UK Rail and £71.5m for International Rail.

3. On a pre-IFRS basis, in line with bank covenants. Adjusted net debt represents net cash less restricted cash.

4. Before exceptional charge.

N.B. The adjusted profit measures included here are defined and reconciled in the business and finance review on pages 40 to 55

# Strategic report

## Compliance with Section 172(1) of the Companies Act 2006

The directors are mindful of the duty they have under Section 172(1) to promote the success of the Company over the long term for the benefit of shareholders as a whole, having regard to the interest of a range of other key stakeholders. In doing so, the Board's desire to act fairly between members, maintain a reputation for high standards of business conduct, and consider the long term consequences of the decisions it takes, underpins the way it operates at every level of the business. For further information see pages 2 to 68 of the strategic report and pages 69 to 146 of the corporate governance report.

→ Read more about:

- Why and how we engage with our stakeholders, the key topics of engagement during the year and how we responded, pages 20 to 23
- The Group's goals, strategy and business model in the strategic report, pages 2 to 68
- The interests of the Group's employees, pages 28 and 29
- Our approach to sustainability including our impact on the community and environment, pages 28 to 39
- How we manage risks, pages 56 to 64
- How our corporate governance principles:
  - Underpin the decisions we take, page 84
  - Set the high standards that enable and support our culture, page 78
  - Ensure stakeholders are considered in the decision making process and their views are understood in the boardroom, pages 81 to 85
- Examples of key decisions taken by the Board during the year, page 85

## Non-financial information statement

We aim to comply with the Non-Financial Reporting Directive requirements. The table below sets out where relevant information can be found within this report\*:

Reporting requirement and policies and standards which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
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### Environmental matters

- |  |   |
|--|---|
| • Environment policy   | Cleaner environment, page 36            |
| • Group energy and climate change policy                     | TCFD, page 38                           |
| • Task-Force on Climate-related Financial Disclosures (TCFD) | Climate change strategy, page 26        |
| • Climate change strategy                                    | Our approach to sustainability, page 25 |
| • Sustainability within our strategic framework              | GHG emissions, page 283                 |

### Employees

- |   |                                      |
|---|--------------------------------------|
| • Whistleblowing policy                               | Better teams, page 28                |
| • Conflicts of interest policy                        | Culture, page 78                     |
| • Equal opportunities, diversity and inclusion policy | Nomination Committee report, page 93 |
| • Code of conduct policy                              | Directors' report, page 143          |
| • Health and safety policy                            |                                      |
| • Health and wellbeing policy                         |                                      |

### Human rights

- |                                    |                               |
|------------------------------------|-------------------------------|
| • Human rights policy              | Our business model, page 18   |
| • Modern slavery policy            | Better teams, page 28         |
| • Code of conduct policy           | Stronger communities, page 32 |
| • Sustainable supply chain charter | Culture, page 78              |

### Social matters

- |  |                               |
|--|-------------------------------|
| • Community and charitable investment policy | Our business model, page 18   |
| • Sustainable supply chain charter           | Stronger communities, page 32 |
| • Health and safety policy                   | Safer working, page 34        |

### Anti-bribery and anti-corruption

- |   |                       |
|---|-----------------------|
| • Anti-bribery and anti-corruption policy | Better teams, page 28 |
|---|-----------------------|

### Principal risks and impact on business activity

Risk management, page 56
Audit Committee report, page 98

### Description of the business model

Our business model, pages 18 and 19
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### Non-financial key performance indicators

Non-financial key performance indicators, pages 28 to 37
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\* Further details on our policies and procedures are available on our corporate website [www.go-ahead.com](http://www.go-ahead.com)

# We have a clear and important purpose

## Delivering vital services

**Delivering vital services essential to society and for economic growth**

- Bringing our communities together, providing key links to friends and family
- Critical importance of public transport reflected in ongoing government support during the pandemic
- Essential to economic recovery, enabling access to work, education, leisure and retail



## Part of the solution

**Integral part of climate change and air quality agendas in our towns and cities**

- Recognition by policy makers that mass transport is key to achieving air quality and climate-related targets
- Aside from walking and cycling, rail travel is the most carbon efficient mode of transport, followed by bus. An average journey by petrol car emits 120 per cent more CO<sub>2</sub> than the same journey by a diesel bus
- Leading industry change in transition to cleaner transport, introducing the UK's first all-electric bus depot and our own innovative air-filtering bus technology



## Experts in our field

**Extensive experience and expertise in bus and rail markets**

- Largest bus operator in London with strategically located depots providing competitive advantage
- Successful bus operations in Singapore and Ireland
- Well established regional bus operator with a focus on urban areas
- Leading change and transformation as the operator of the UK's largest rail franchise, GTR



**“Despite the challenges in International Rail and LSER our fundamental strengths have supported us well throughout the COVID-19 crisis. As we move into the Group’s next phase, we are well positioned to further establish our role as a leading operator of vital public transportation services.”**

Clare Hollingsworth  
Chair



## A proven approach

**Local customer focused management, innovative approach and engaged colleagues**

- Agile and responsive local management teams embedded in their local communities optimising performance and award-winning customer service
- Continual improvement driven by an innovative approach in all areas of the business
- Engaged colleagues promoting our inclusive culture which encourages diversity in all its forms, aiming to reflect the diverse communities which we serve



## An important partner

**Working collaboratively with transport authorities and policy makers**

- Around 90 per cent of revenue generated through contracts with transport authorities and industry partners
- A leading voice on the issues most critical to our business and industry
- Integral to major infrastructure change projects in UK rail delivered collectively with industry partners
- Actively supporting local authorities and communities in developing shared transport goals



## Financial profile

**Disciplined and sustainable decision making**

- Robust balance sheet; adjusted net debt to EBITDA at lower end of target range at 1.56x\*
- Positive cashflow and good liquidity; £240.3m of cash and available facilities
- Financial profile will support the resumption of dividend payments when appropriate to do so
- Disciplined approach to capital allocation and risk management

\* Presented on a pre-IFRS 16 basis, in line with our bank covenant. On an IFRS 16 basis adjusted net debt to EBITDA is 0.88x



# Rebuilding for the future



Clare Hollingsworth  
Chair

## Dear Shareholder

Without a doubt, this has been one of the most challenging periods in living memory; for individuals, communities, and businesses across the globe. The continuation of the COVID-19 pandemic has had a profound effect not only on our business, but on almost every aspect of our lives. We have been faced with lockdowns across all our markets, and even when the associated restrictions were eased, government guidance has often encouraged people to stay at home, causing significant disruption to our normal way of life.

We have also seen significant policy change in our industry, with the launch of new government strategies relating to both bus and rail in the UK. In March 2021, the UK Government published its Bus Back Better strategy, followed by the Williams-Shapps Plan for Rail in May 2021, both of which we welcomed.

At the same time, our business has been challenged by matters arising in relation to the London & South Eastern Railway (LSER) franchise and International Rail.

The scale of the challenges faced by our business cannot be overstated, and I have deep admiration for all our people who have demonstrated immense skill, resilience, and dedication throughout this time. I would like to thank every colleague across our business for their continued commitment to Go-Ahead and our customers.

Go-Ahead has an important purpose, supporting our communities even in the most challenging times. I am incredibly proud that we have truly lived up to this, more now than ever before.

## London & South Eastern Railway Ltd

As well as an important purpose, Go-Ahead has strong values. I am therefore very disappointed that these values were not reflected in the behaviours that contributed to failings in relation to LSER, resulting in the Department for Transport (DfT)'s decision to appoint the Operator of Last Resort to take over the operation of Southeastern services, at the end of the franchise term on 17 October 2021, rather than awarding LSER a National Rail Contract (NRC). This decision was as a consequence of discussions with the DfT regarding the calculation of profit share payable by LSER under franchise agreements and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements. Whilst the Group hoped to be awarded a NRC to continue operating Southeastern services beyond the contract end date of 17 October 2021, the Group's financial planning did not assume any such contract award or extension.

An Independent Committee, comprising the Chairs of LSER's shareholders (Go-Ahead and Keolis UK), commissioned an Independent Review, supported by external legal and accounting advisers, into LSER's performance of its contractual obligations under the franchise agreements. The findings of this review were shared with the DfT shortly after its completion. Go-Ahead has been focused on open, collaborative and constructive engagement with the DfT with a view to reaching a full and satisfactory settlement.

Notwithstanding the complexity of LSER's franchise agreements, the Group accepts that serious errors were made in relation to the LSER franchise with respect to engagement with the DfT over several years. In particular, the Group accepts that by failing to notify the DfT of certain overpayments or monies due, LSER breached its contractual obligations of good faith contained in the franchise agreements. Accordingly, the Group has apologised to the DfT.

The complexity around this matter resulted in Go-Ahead and its auditor, Deloitte, concluding that additional time was required to consider the implications of the findings of the Independent Review. Consequently, there was a delay to the announcement of the Group's full year results for the year ended 3 July 2021 and publication of the Annual Report and Accounts 2021. This delay resulted in a temporary suspension in trading of Go-Ahead's shares and corporate bonds from 4 January 2022. The Board has applied to the FCA for the restoration of the listing and trading in the Group's shares and corporate bonds. I sincerely apologise to our investors for the uncertainty and inconvenience these circumstances have caused.

Acknowledging the DfT's power to impose a financial penalty under the Railways Act 1993, but in the absence of a specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, has included a provision for £30.0m in the financial statements of the year, which reflects the Group's current best estimate of any penalty.



### Enhancing our corporate governance arrangements

The behaviours which contributed to the failings in relation to the management of LSER's franchise with the DfT do not reflect the values that the Group expects of its colleagues, nor do they meet the high standards of conduct and governance set by the Board.

In addition to the Independent Committee's review into the matters at LSER, a wider business review was conducted. Following this review the Board has identified a requirement to enhance corporate governance arrangements, particularly relating to the way in which we oversee our complex rail operations. Work is already underway in this area, particularly in GTR where measures are being taken to improve the ability of Go-Ahead and the Board of GTR to better safeguard and assure the compliance obligations of its complex contract. These steps include increasing the remit and scope of Internal Audit to include oversight of the compliance arrangements and ensuring deeper understanding and closer scrutiny of contractual obligations and commercial terms. The new Group Audit Committee Chair will be appointed to the Board of GTR in the event of a new contract award, to provide a clear line of sight to the Group Audit Committee and Group Board.

Further detail on these measures is provided on pages 98-107 of the Audit Committee Report.

In addition, the Group Chief Executive's review of the business, following his appointment in November 2021, is considering, among other things, the optimum division of roles and accountabilities between the Group's operating companies and its central functions.

→ Read more about the Group Chief Executive's review of the business on [pages 7 to 9](#)

### Board changes

Established plans to refresh our Board and leadership team have been accelerated. Following the retirement of Group Chief Executive, David Brown, in late 2021, Christian Schreyer was appointed as our new Group Chief Executive. Joining from global mobility company, Transdev, Christian has a strong background of building relationships and collaborating with public stakeholders and a solid record of driving efficiency and better service for passengers and clients. His experience of international markets, particularly in rail, and innovation in urban mobility, will enable our business to respond well to both the challenges and opportunities ahead.

To further bolster the senior leadership team, Christian has been supported by an experienced Interim Chief Financial Officer, Gordon Boyd, who will remain in the role until the end of March 2022, having been appointed in September 2021. His appointment followed the resignation of the former Group Chief Financial Officer, Elodie Brian. A process is well underway to recruit a permanent Group Chief Financial Officer.

As part of our plans to refresh and strengthen the Board, I was pleased to welcome David Blackwood and Dominic Lavelle to the Board on 1 January 2022. David and Dominic succeeded Adrian Ewer as Senior Independent Director and Audit Committee Chair respectively on 19 January 2022. Both bring significant insight and experience from numerous finance roles encompassing audit and risk. The step taken to separate the roles of Audit Committee Chair and Senior Independent Director adds greater robustness and independence to the roles and responsibilities of the Board.

The remuneration of all Board appointments and leavers was in accordance with the remuneration policy, details of which can be found on pages 117-128.

### Financial performance

A strong financial performance from our Bus and GTR businesses was overshadowed by the need to make provisions in respect of International Rail and LSER, resulting in an exceptional charge of £104.1m (2020: £93.7m restated). Despite these challenges, the Group's balance sheet remains robust.

→ Read more about the overall financial performance on [pages 40-55](#)

### Dividend

The Board understands the importance of dividends to Go-Ahead's shareholders, demonstrated by our record of attractive dividend payments for 24 consecutive years up until the unprecedented impact of COVID-19.

While the Board has concluded that it would not be prudent or right to resume dividend payments currently, it remains committed to doing so at the appropriate time.

I would like to thank our shareholders for their loyalty, patience and continued support.



## Chair's letter continued

**Our role in environmental sustainability**

Our ambition is to enhance the lives and wellbeing of the communities that we serve. An increasingly important component of this is the vital role we play in environmental sustainability, particularly in tackling climate change. In the wake of the UN Climate Change Conference (COP26) in Glasgow and governments around the globe setting ever more ambitious targets on carbon reduction, environmental responsibility is moving higher up the agenda. This is a global problem which requires a global solution, and we must all work together to fundamentally change the way things are done.

At Go-Ahead, we fully recognise our responsibility in this area and take this very seriously. We maintain a strong focus on the role we play in reducing society's environmental footprint, by promoting a modal shift from the private car to greener options like walking, cycling and public transport, as well as the actions we are taking to minimise the direct environmental impacts of our operations and supply chain.

This commitment is demonstrated by our ambitious Science Based Target to reduce carbon emissions by 75 per cent by 2035 as we strive to be a net zero business by 2045. This was announced in 2021 alongside our wider climate change strategy (see page 26). We have strong foundations upon which to deliver these targets, having already achieved an absolute reduction of 27 per cent since 2016.

Our endeavours are reflected in Go-Ahead's latest Carbon Disclosure Project (CDP) 2021 rating of 'A minus', the highest score of any transport operator in the UK. Our credentials in this area were also acknowledged in the Financial Times' European Climate Leaders list 2021, where Go-Ahead was one of only two bus and rail operators in Europe featured in the report.

→ [Read more on pages 26 and 27](#)

**Social importance of public transport**

The COVID-19 pandemic has emphasised that the provision of safe and convenient public transport services is critical for the health and wellbeing of our communities. By enabling social contact, enhancing environmental sustainability, supporting economic recovery, and maintaining vital links with employment, education, leisure and healthcare, public transport plays a huge role in the overall health of society.

At Go-Ahead, we are proud of the longstanding commitment of our people to our passengers and communities. The pandemic has presented our communities with enormous challenges and our people have risen to these, supporting and serving them in new ways throughout the crisis.

As societies and economies seek to recover, effective, safe, and reliable public transport networks will be vital. Go-Ahead has a strong belief in the value of partnerships and this means we work collaboratively towards social and economic recovery.

**Policy and partnership**

Our government and local authority partnerships, that have evolved and grown through the pandemic, have enabled the continued operation of safe, clean and socially distanced services. The financial support these services have received from governments reflects strong recognition of the essential nature of public transport.

These partnerships are more important than ever as we, along with the wider industry, navigate new developments in UK Government policy for both bus and rail.

Go-Ahead has a longstanding ethos of devolved local management teams which bring together an entrepreneurial mindset with deep knowledge of their markets and strong relationships with local stakeholders. This approach is proving to be particularly effective as we work with our industry partners to shape the future of our public transport networks across the UK.



**“Our priority over the coming months is helping passengers return to our services and welcoming new passengers who may be looking for a greener, value-for-money travel choice.”**

**Looking forward**

The Group has faced unprecedented challenges over the past two years. Our International Rail businesses remain challenging and the impacts of COVID-19 continue to be felt across our business. There is much work to do in the coming months and years, including rebuilding confidence in Go-Ahead that may have been undermined for some of our stakeholders following the matters in relation to LSER. This is a transitional period for Go-Ahead. We embrace new leadership and a refreshed Board to take the Group forward at a pivotal time for our industry, and our business.

Our priority over the coming months is helping passengers return to our services and welcoming new passengers who may be looking for a greener, value-for-money travel choice. Whilst the pace and nature of recovery from the pandemic is not yet clear, I have no doubt that public transport will play a crucial role.

We welcome the increased focus public transport is receiving, in the form of government reviews, strategies and funding, which are moving the provision of bus and rail services higher up the national agenda. We look forward to playing our role in shaping the future of public transport.

A handwritten signature in black ink, appearing to read 'Clare Hollingsworth'.

**Clare Hollingsworth**  
Chair

23 February 2022



# Important purpose supported by great people



Christian Schreyer  
Group Chief Executive

I have had a 25 year career in public transport and mobility services, and I have never been so proud to be part of the industry as throughout the COVID-19 pandemic. Transport workers all over the world stepped up and kept vital services moving at a time when much of the world appeared to stop. Working from home was not an option for these people and they continued to show up because they knew it was important. And they know it continues to be so as the challenges posed by the pandemic persist and an even greater challenge, climate change, looms large.

It is clear that we need to act now to minimise the potentially devastating impact of climate change. I truly believe that the public transport industry is vital in supporting the transition to net zero; providing efficient, reliable mobility solutions enabling people to make more sustainable transport choices and deliver a modal shift away from cars.

It is, therefore, with much enthusiasm and a great sense of responsibility that I take on the role of Group Chief Executive at a pivotal time for Go-Ahead, as we face global challenges and begin to rebuild from a global crisis.

Whilst I have the honour of leading this Group, it is our 27,000 colleagues who are responsible for the millions of journeys that take place on our services each week. Since I arrived in November, I have been fortunate to meet the teams running our bus and rail services, and I have been impressed by the energy and commitment demonstrated by everyone from customer-facing colleagues to senior leadership.

I place huge importance on strong relationships and transparent engagement with our stakeholders and was disappointed that failings in this regard resulted in the Department for Transport (DfT)'s decision to appoint the Operator of Last Resort, from 17 October 2021, to take over the operation of Southeastern services. Go-Ahead has made a valuable contribution to UK rail for 25 years and we continue to do so through our operation of the UK's largest franchise, GTR.

Since becoming Group Chief Executive, I have been conducting a review of the business's existing operations and exploring how we can maximise opportunities in a growing global public transport market. As part of this review, I take forward the lessons we have learned from the failings in relation to LSER and challenges in International Rail.

## A pivotal moment

This is a pivotal time, both for Go-Ahead and the wider public transport market. At the confluence of changing travel patterns and policy change, our business must evolve if it is to continue meeting the needs of all our stakeholders.

## COVID-19

The role of public transport during the COVID-19 pandemic has been fundamental in national responses to the crisis with its critical importance reflected in ongoing government support.

However, the scale of the global impact of the COVID-19 pandemic is something none of us could have anticipated and, while the pandemic is not yet over, its implications are far reaching in terms of travel patterns, with volumes still heavily

suppressed from their pre-pandemic levels. It will, of course, take time for these patterns to stabilise but in the meantime we cannot stand still. Now is the time for us to build a transport network for the future.

→ [Read about the impact of COVID-19 on travel patterns in Our Markets on pages 16 and 17](#)

## Policy change

In the UK, our core market, public transport is high on the Government's agenda, with 2021 seeing two major government announcements: the Bus Back Better National Bus strategy and the William-Shapps Plan for Rail. We are supportive of the broad objectives of both. We welcome the additional investment the UK Government is putting into local bus services. And we agree with the need for the creation of Great British Railways, providing an appropriate structure is in place to incentivise rail operating companies to bring innovation onto the network and to grow passenger numbers. More recently, the 'Levelling Up' White Paper emphasised the importance of public transport in enhancing regional economies. These policies will shape the future of public transport in the UK, and their significance should not be underestimated.

At the heart of both the bus and rail plans is the need for closer collaboration between government (central and local) and industry, between public bodies and private operators. Through decades of experience in our local markets, Go-Ahead knows that working collaboratively delivers better outcomes for everyone, particularly our customers.

## Group Chief Executive's review continued

### Policy change continued

While the need for reform in both bus and rail was present before the emergence of COVID-19, the current context of suppressed passenger volumes makes this more important than ever. Public transport has a huge role to play not only in economic recovery but also in addressing many of society's challenges, including climate change, physical and mental health, social isolation and loneliness, and equal access to education and employment. But to effect real change we need to truly shift the balance from today's dependence on private car use to the more sustainable options of bus and rail travel.

### The future of transport

Our industry is only going to become more important to society over the years ahead. A number of overarching societal trends will shape a broader, but evolving, role for public transport.

First and foremost, climate change is an issue that requires swift and global action. For industrialised countries to achieve their legally binding net zero goals, there will need to be a huge shift away from private cars to walking, cycling and public transport. Our role in this is significant – we must build on the momentum initiated by governments by promoting this modal shift. Simultaneously, we must minimise and mitigate the negative direct and indirect environmental impacts our operations have. Go-Ahead's first climate change strategy was published in July 2021, with a commitment to be net zero by 2045, five years before the UK Government's collective national target of 2050.

Meanwhile, digitalisation is radically changing the way customers make transport choices. People want to make smart decisions on how they get from 'A' to 'B' based on mapping apps and journey planners spanning bus, rail, bicycles and car clubs. They no longer necessarily want, nor expect, to purchase travel separately for each. Mobility is increasingly viewed as a consolidated service at the point of sale, and we intend to deliver. The UK is behind its continental neighbours in mobility as a service, and Go-Ahead needs to be at the forefront.

The steady urbanisation of societies is putting pressure on road space, increasingly creating both congestion and pollution. A double-decker bus can take 75 cars off the road, and a train can replace as many as 500 private vehicles. As a society we must encourage and incentivise greater use of public transport to maintain, and enhance, quality of life in towns and cities.

Demographics will shape our business, too. Ageing populations in our key markets will lead to greater demand for accessibility. For many, buses and trains will be vital in accessing key public services and we will see the emergence of an older generation which is less car reliant, and has more leisure time. We must work with transport authorities, therefore, to ensure a reliable and consistent provision of services across regions, as aspired to in the UK Government's 'Levelling Up' plans.

Finally, the long-term legacies of the COVID-19 pandemic are yet to become clear. We know that commuting patterns have changed for good, with hybrid working here to stay for many people. There will be other changes, too – in where people choose to live, and in the make-up of our high streets. Neighbourhoods are set to benefit from home working, with more money and time spent close by – which bodes well for local buses. To avoid a car-based recovery, we must, as a society, invest in local bus services, including bus priority measures to service this demand and support a resurgence in our neighbourhoods.

### Performance in the year

Despite the challenges posed by COVID-19, we delivered a strong financial performance in our Bus businesses and GTR, supported by limited exposure to changes in passenger demand with around 90 per cent of our revenues secured through contracts. This strong performance was, however, overshadowed by the need to make material provisions in respect of International Rail and LSER. Despite these challenges, our balance sheet remains strong and leverage has returned to pre-crisis levels, at the lower end of our target range of 1.5 to 2.5x at 1.56x, well below the 3.5x bank covenant.

Exceptional charges in the year of £104.1m (2020: £93.7m restated) included a provision for a potential financial penalty of £30.0m from the DfT in respect of the matters relating to LSER (full details of which can be found on pages 10 and 11) and an onerous contract provision of £66.2m in respect of our rail contract in Norway. We have been required to take this provision to cover potential losses resulting from a possible reduction in government support of rail services in Norway, while passenger volumes remain suppressed following the impact of COVID-19. Following the year end, constructive discussions have been ongoing with the Norwegian Railway Directorate and we are hopeful of reaching a more satisfactory outcome. In addition to the onerous contract provision, associated assets of £10.5m in Norway have been impaired.

The prior year exceptional charge has been restated by £37.1m. This was required due to an understatement in the onerous contract provision relating to rail contracts in Bavaria, Germany, in the 2020 financial year. Full details of which can be found on page 49.

To address the challenges we face in the Germany, we have appointed Fabian Amini, a highly experienced leader in international rail markets, as Chief Executive of our German rail operations. Fabian has an exceptional track record of delivery from his time with Deutsche Bahn and Transdev.

Based upon my review of the business to date, and reflecting on the challenges we have faced in International Rail and LSER, I will be introducing a new operating model across the Group which will enhance internal controls. Supporting the introduction of the new operating model will be our new Group Strategy and Transformation Director, Louis Rambaud. Drawing on his experience in similar roles at Roland Berger and Transdev, Louis will focus on cost drivers across all our businesses – labour, maintenance, energy, fleet and overheads – to optimise efficiency.

While our clear priority throughout the COVID-19 pandemic has been the delivery of safe and reliable services, we have continued to make progress against our other objectives, like delivering high standards of customer service.

We have also not lost sight of the things that make Go-Ahead a leading employer, which include increasing and improving diversity and inclusion, attracting and developing talent across the Group, and pursuing a culture of continuous improvement.



**“Our industry is only going to become more important to society over the years ahead. A number of overarching societal trends will shape a broader, but evolving role for public transport.”**

#### Looking forward

There is no doubt that the past two years have been the most challenging in the Group's history. I do not underestimate the task ahead. There is a lot of work to do; as a business, as an industry and as a society, to ensure that public transport continues on the trajectory of being part of the solution, improving health and wellbeing, creating opportunities for individuals and communities and addressing climate change.

Since my appointment, I have visited the Group's operating businesses across the UK and the rest of the world, and have found good fundamentals. We have highly motivated teams in place. The extent to which they are part of the communities they serve and the strength of their relationships with stakeholders is clearly evident – both of which are central to the delivery of good local transport solutions.

The new leadership team at Go-Ahead has established a strong dialogue with key stakeholders, including transport authorities and clients. I fully understand the importance of being a trusted and reliable partner to all our public stakeholders, and of regaining the confidence in Go-Ahead that some stakeholders may have lost in recent months. Acknowledging the challenges with LSER and our International Rail businesses, action is being taken to strengthen the Group's governance framework.

I am fortunate to be supported by a strong team, comprising longstanding Go-Ahead colleagues as well as others who are new to the Group.

Over the months ahead, positive changes will be introduced as a result of my business review. My priorities include enhancing the basics by focusing on performance improvement of the core business, building on our strengths by securing new business in existing markets and exploring new services and opportunities. I look forward to presenting my plans in greater detail in the coming weeks following the completion of my review.

I am committed to shaping a successful future for the Group which delivers value to customers, colleagues, partners, shareholders and all our other stakeholders, and I am excited by the opportunities we have as we move forward.

While none of us have a clear line of sight into the future, I am firmly of the belief that although travel patterns will change and public transport will evolve, it will continue to be vital to societies and economies long into the future. The environmental and societal trends that we are seeing are set to drive strong growth in the years ahead. I am excited about the role Go-Ahead will play in building a transport network for the future.

A handwritten signature in blue ink, appearing to read 'Schreyer'.

**Christian Schreyer**  
Group Chief Executive

23 February 2022

## London & South Eastern Railway

### Addressing key questions about the matters relating to London & South Eastern Railway (LSER)

#### Why is Southeastern no longer part of Go-Ahead?

On 28 September 2021, the Department for Transport (DfT) announced its decision to appoint the Operator of Last Resort to take over delivery of passenger services on the Southeastern franchise when LSER's existing contract expired on 17 October 2021. The DfT's decision not to award a National Rail Contract to LSER was a consequence of discussions with the DfT regarding the calculation of profit share payments under the terms of the relevant franchise agreements and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements.

#### What action did Go-Ahead take to address these matters?

In August 2021, an Independent Committee comprising the respective Chairs of Go-Ahead and Keolis UK, Clare Hollingsworth and Sir Derek Jones, commissioned an Independent Review, supported by external legal and accounting advisers, into LSER's performance of its contractual obligations under its franchise agreements.

Following the conclusion of the Independent Review, the findings were shared with the DfT and the Group's auditor, Deloitte.

Throughout the process, the Independent Committee has been focused on open, collaborative and constructive engagement with the DfT with a view to reaching a full and satisfactory settlement.

#### What did the Independent Review conclude?

The Independent Committee concluded that, notwithstanding the complexity of LSER's franchise agreements, serious errors had been made in relation to the LSER franchise with respect to engagement with the DfT over several years. In particular, by failing to notify the DfT of certain overpayments or monies due to the DfT, LSER breached contractual obligations of good faith contained in the franchise agreements.

#### What are the financial implications of the matters of concern at LSER?

The Independent Committee has determined that the following amounts are due to the DfT in connection with the matters of concern at LSER:

- £27.0m (previously disclosed as £25.0m) in respect of overpayments made by the DfT to LSER relating to HS1 Track Access and Depots in respect of the period 12 October 2014 and 29 February 2020. The amount had been accrued and no further adjustments to the financial statements are required.
- £17.3m in respect of overpayments of subsidy made by the DfT to LSER in respect of the period 1 April 2006 and 29 February 2020. This amount has been recognised as a prior year adjustment.
- £7.0m of interest payable in respect of the above overpayments. Of this amount, £6.1m has been recognised as a prior year adjustment.

Under the Railways Act 1993, the DfT has the power to impose a financial penalty. In the absence of specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, has included a provision for £30.0m in the financial statements of the year, which reflects the Group's current best estimate of any penalty.

#### Are there any other ongoing matters relating to LSER?

In addition to the matters of concern identified by the Independent Committee, there are other ongoing commercial negotiations under discussion with the DfT in relation to:

- a historic profit share dispute (recorded as a contingent liability of £8.0m in the 2020 Annual Report and Accounts), in respect of which an amount of £7.2m has been recognised in the current year financial statements.
- levels of affiliate trading in respect of the period 12 October 2014 to 29 February 2020, and the implications this has on the assessment of profit share payable to the DfT, in respect of which an amount of £14.1m has been recognised as a prior year adjustment.

N.B. London & South Eastern Railway Ltd is the name of the legal entity. Southeastern was the trading name used for this franchise during period of Govia's operation from 2006 to 2021.

**“As well as an important purpose, Go-Ahead has strong values. I am therefore very disappointed that these values were not reflected in the behaviours that contributed to failings in relation to London & South Eastern Railway. I sincerely apologise to our stakeholders who have been impacted by these failings, including our investors for the uncertainty and inconvenience these circumstances have caused.”**

Clare Hollingsworth  
Chair

#### How much has been paid to the DfT?

To date, a total of £49.2m has been paid by LSER to the DfT. If we settle the outstanding commercial discussions in line with our provisions, an estimated additional £23.4m will be payable to the DfT, which is expected to be paid from restricted cash.

#### Why was the publication of the financial results delayed and what impacts has the delay had?

The complexity around this matter resulted in Go-Ahead and its auditor, Deloitte, concluding that additional time was required to consider the implications of the findings of the Independent Review. Consequently, the announcement of the results and publication of the Annual Report and Accounts were delayed. This resulted in a temporary suspension in trading of Go-Ahead's shares and corporate bond from 4 January 2022. The Board has applied to the FCA for the restoration of the listing and trading in the Group's shares and corporate bonds.

Due to the delayed publication of the results, credit rating agency, Moody's, withdrew its rating of the Group in January 2022.

Waivers were obtained from the Group's banks in relation to the information covenant requirements in the Group's borrowing facilities to submit accounts within a defined timeframe.

#### What action has the Board taken in response to this situation?

The behaviours which contributed to the failings in relation to the management of LSER's franchise with the DfT do not reflect the values that the Group expects of its colleagues, nor do they meet the high standards of conduct and governance set by the Board.

In addition to the Independent Committee's review, the Group conducted a wider business review, and the new Group Chief Executive is taking forward the lessons learned in relation to the matters at LSER, as part of the review of the business he initiated after joining the Group in November 2021.

The Board has identified a need to enhance corporate governance arrangements, particularly relating to the way in which complex rail operations are overseen.

Specifically in GTR, measures are being taken to improve the ability of Go-Ahead and GTR's Board to better safeguard and assure the compliance obligations of complex long term rail contracts.

Measures include:

- the appointment of the Group Audit Committee Chair to the Board of GTR in the event of a new contract award. This will provide a clear line of sight to the Audit Committee and Group Board;
- the introduction of specific annual briefings/updates on contractual and compliance obligations; and
- the extension of the remit and scope of Group Internal Audit to include oversight of operating company compliance functions and closer scrutiny of contractual obligations and commercial terms.

Established plans to refresh the Board and leadership team have been accelerated. Christian Schreyer, who has 25 years' experience in international transport markets, was appointed as Group Chief Executive in November 2021. Having been supported by an Interim Group Chief Financial Officer since his appointment, Christian and the Board will welcome a new permanent Group Chief Financial Officer when the well-advanced recruitment process concludes.

The Board has been strengthened by the appointment of two new non-executive directors, both of whom have a strong financial background encompassing audit and risk. The roles of Senior Independent Director and Audit Committee Chair have been separated and the senior leadership team has been strengthened. Further details of senior leadership appointments are set out on page 9.

As described on pages 7 to 9, the new Group Chief Executive's review of the Group's businesses and operations is well underway. It includes robust consideration of the areas described above, with a particular focus on the roles and responsibilities of the Group's operating companies and its central functions to enhance corporate governance arrangements.

Acknowledging that this situation may have undermined the confidence Go-Ahead's stakeholders have in the Group, the Board is committed to rebuilding this through demonstrable action, under the Group's new leadership.

## Answering the topical questions we get asked by our stakeholders.



Is the Department for Transport (DfT)'s decision not to award Southeastern another contract likely to have implications for GTR or future rail contract tenders in the UK?

Discussions between GTR and the DfT regarding a potential National Rail Contract (NRC) following the expiry of the current contract on 31 March 2022 are ongoing, and Go-Ahead continues to engage in industry-wide discussions about the future of the industry following the publication of the William-Shapps Plan for Rail earlier in the year. The Group's financial planning does not assume the award of an NRC for GTR or extension of existing arrangements.

→ Read more about the matters relating to Southeastern on [pages 10 and 11](#) including measures taken to better safeguard and assure the compliance obligations of complex long term contracts



Why is there such a large provision for the rail contract in Norway?

We operate a contract which is structured to generate revenue largely through passenger fares. During the COVID-19 pandemic, rail services in Norway have received government support to ensure reliable service delivery. We have been required to take an onerous contract provision of £66.2m to cover potential losses resulting from a possible reduction in government support while passenger volumes remain suppressed following the impact of COVID-19. Following the year end, constructive discussions have been ongoing with the Norwegian Railway Directorate and we are hopeful of reaching a more satisfactory outcome. In addition to the onerous contract provision, associated assets of £10.5m in Norway have been impaired.



What does the 'Bus Back Better' strategy mean for buses in the UK?

We have been calling for a national bus strategy for a number of years and we are pleased to see regional bus provision on the Government's agenda. Having a Government who believes in buses creates a new impetus for change and we are ready to put our strong partnerships to the test in delivering even better services that will attract more customers. We are starting from a base of excellent customer experience, with an industry leading passenger satisfaction score of 91 per cent in the last independent Transport Focus bus survey in autumn 2019 (the most recent independent survey to be concluded).



**A lot more people are likely to work from home, at least some of the time. If volumes don't return to pre-crisis levels, what can you do to recover margins?**

It will take some time for travel patterns to stabilise and longer still for clear trends to be identified. The Government recognises this and is continuing to support the provision of regional bus services with the £255m Bus Recovery Grant announced in July 2021 running from September 2021 to March 2022. The bus industry is in discussion with the Government on potential further funding beyond March 2022.

Before the pandemic, through our devolved model, our skilled local management teams have always had the flexibility to adjust service frequency to best serve passenger demand. Going forward, we anticipate being able to work with our local authority partners to flex our service provision according to travel patterns. We have invested in systems which provide detailed analytics that enable our local management teams to make informed decisions about individual routes and to take quick action. The cost base of this division is largely semi-variable, giving us flexibility to make necessary adjustments to align with changes in revenue on a route by route basis.



**What does the creation of Great British Railways mean for the rail industry?**

Following the publication of the Williams-Shapps Plan for Rail in May 2021, the full scope of the role of Great British Railways is not known with certainty. However, it is widely expected that contracts will remain on a management contract basis, following the industry-wide introduction of this style of contract during the pandemic. We welcome the stated intention in the Plan that revenue incentives will be built into new contracts as this will help provide further impetus to customer recovery following the pandemic and enable best use of the commercial skills that exist within train operating companies. As a longstanding member of the rail community, Go-Ahead, along with other private operators, is engaging in discussions about how the future of UK rail will take shape. Since privatisation in the mid-1990s, rail passenger volumes have doubled, modern fleets have been introduced, innovative customer solutions have been developed and passenger satisfaction has risen. As we move forward, it is important that customers are at the forefront of decision making, with operators able to deliver continual improvements and innovation to enhance the overall experience of passengers and, ultimately, grow customer numbers. The skillsets private operators have honed, and the expertise we have acquired over the past two decades, can continue to bring value to the railway.





**Transport for London (TfL) has had financial challenges for some time, worsened by the crisis. Does this inevitably mean the overall size of the London bus market will reduce?**

Go-Ahead has worked closely with TfL for decades to provide good value for our client and deliver a high standard of service to Londoners and visitors to the Capital. We continue to work together through this challenging period to ensure London has the bus network it requires to be a thriving capital city. Even at the current time, when passenger numbers remain suppressed, bus travel continues to be the most popular mode of public transport in London. This is particularly evident in the suburbs where people rely most heavily on buses for their travel needs.

Passenger volumes are up to around 80 per cent of typical journeys in London and it is clear there is demand for bus travel, so maintaining a robust bus network is crucial for societal and economic recovery. And, as we look to the urgent call for action to tackle climate change, there is more need than ever to encourage a modal shift from private cars and taxis to greener alternatives such as walking, cycling and public transport. The Intergovernmental Panel on Climate Change report published in August 2021 points to human greenhouse gas emissions as the primary cause of global warming and leaves us in no doubt that change needs to take place now.

Bus networks do, and should, change. Routes are expanded or reduced in response to changing travel patterns and customer demand. We have seen this both before the crisis and since. It is difficult to foresee a circumstance, however, where the bus network that has for so long been the backbone of London, shrinks in a meaningful way. Population growth has always been a strong driver of demand for London bus services, and with population forecasts exceeding 10 million by 2035, this demand isn't expected to diminish. A core aim of the current Mayor's Transport Strategy is that, by 2041, 80 per cent of journeys in London will be made by walking, cycling or using public transport. This kind of ambition requires robust infrastructure and networks to be in place.



**COVID-19 will have lasting implications on a lot of businesses. What do you consider to be permanent changes for Go-Ahead and the public transport industry?**

Nobody yet knows for certain how we will live and work in the years following the pandemic but, with a hybrid approach to desk-based work commonly expected to become the new norm, a longer term shift in travel patterns is highly likely. We have already seen people using our services in different ways. Although people may not be commuting to the office five days a week any more, they may be taking a bus to their local high street on their lunch break, or after work to meet friends or family. It is, of course, too soon to comment on how changing patterns will translate into longer term trends but we can envisage a future with a flatter peak at the beginning and end of the working day and more off-peak journeys being taken.

Go-Ahead has always sought to improve the customer experience through innovation. The introduction of customer apps and real-time information has made travelling on our services even easier. While many customers used contactless payment methods before COVID-19, the pandemic has driven a material increase in this payment channel. On our regional bus services, over 40 per cent of journeys are now paid for using contactless, up from around 20 per cent in early 2020. This is not a change that we expect to reverse and we welcome the benefits it brings, which include speeding up journey times, customer convenience and reduced cash handling.

The period since March 2020 has brought societal issues and environmental concerns into sharper focus. As people seek to find alternatives to car travel that support their physical and mental health and are kinder to the environment, public transport can deliver many benefits to individuals, communities and society.



**We are already beginning to see consolidation in the industry. Do you see this as an opportunity for Go-Ahead?**

This is a pivotal time for our industry. We are beginning to emerge from the COVID-19 crisis, assessing what future travel patterns will look like, at the same time as shaping evolving structures and strategies for bus and rail. With change comes opportunity and Go-Ahead's approach has always been to assess opportunities on their own merits.

The Group's devolved structure naturally lends itself to bolt-on acquisitions that allow for synergies with existing businesses and we have had success adopting this approach in the past. We have also grown into new areas, most recently Manchester, and utilise internal knowledge, skills and experience to integrate new businesses and improve performance.

We have a strong balance sheet, which is now back to pre-pandemic strength, towards the lower end of our 1.5 to 2.5x target leverage range. This strength supports growth, giving the Board options to consider value adding opportunities in line with our strategy and appetite for risk.



There have been no recent international contract wins. Are you stepping away from this growth strategy?

Our international development strategy, which has been in place for a number of years, has guided our activities outside of our core UK market and has delivered some great successes, particularly in the regulated bus markets of Singapore and Ireland. Whilst contract tendering has continued throughout the pandemic, we believe travel restrictions as a result of COVID-19 may have impacted our ability to win work.

Having joined Go-Ahead in November 2021, new Group Chief Executive, Christian Schreyer, is conducting a review of the business which includes identifying optimal opportunities in international markets.



Your recently announced Science Based Target to reach net zero by 2045 is ambitious. With the majority of the bus fleet yet to be decarbonised, how should we think about the capital implications of the transition?

Climate change is a global problem that requires collaborative solutions and that is no different for decarbonising transport. We currently operate nearly 300 zero-emission buses in the UK, each one has been funded through a combination of Go-Ahead's financing and government grants or transport authority budgets, and we expect this collaborative model to continue to be the case as we work towards fully decarbonising our fleet. We expect the cost of zero-emission buses to continue to decrease over the years ahead, making the investment case more commercially attractive.



Your workforce doesn't demonstrate gender diversity. What are you doing to redress the balance across the business?

Public transport has historically been, and remains, a male dominated industry. We believe a diverse workforce that is representative of the communities we serve, is in the best interests of all of our stakeholders and over a number of years we have made great strides in attracting more women into a wide range of roles traditionally undertaken by men.

→ Read more on page 28

We are committed to increasing diversity, in all its forms, at all levels of the business. In terms of ethnic diversity, our overall workforce is more representative of the communities it serves but ethnic minority groups are not currently represented on the Board, or adequately across senior management. This is something we are committed to addressing. As well as sourcing the best senior talent, we believe it is important to tackle the underlying reason for under-representation at a senior level across the majority of UK PLCs. This is why we are driving forward initiatives, such as our apprenticeship and graduate schemes, and supporting development so people can build successful, long term careers with Go-Ahead. A high proportion of senior public transport executives began their careers in the industry. We believe that by increasing diversity in entry level jobs and putting the right processes in place to support development, we can grow our own diverse talent pool from which Go-Ahead's future leaders will come. It is for this reason we invest in our award-winning apprenticeship schemes.



You haven't paid a dividend since late 2019. When can we expect dividend payments to resume?

The Board remains committed to resuming the dividend when it is appropriate to do so. As a responsible business, it is important that we balance the needs and expectations of all our stakeholders and therefore the Board has concluded that it would not be prudent or right to resume dividend payments at the current time.



At 1.56x, your leverage ratio is close to the bottom of your target range. Could you be deploying capital more effectively within the business, or returning more to shareholders?

The strength of our balance sheet has been an attractive feature of our investment case over time. During the pandemic, protecting it has been of utmost importance to us and we are pleased that our decisive and disciplined action has resulted in such a strong position. While restrictions have eased, the crisis is not yet over and we continue to exercise great prudence over the allocation of capital. As societal and economic recovery continues and we gain greater insight into customers' travel patterns, and clarity around government policy, our approach to capital allocation may evolve. This will also be considered as part of the business review being undertaken by the new Group Chief Executive, Christian Schreyer.

# Public transport is central to recovery and a greener future

Bus and rail travel will be key to supporting economy-boosting activities and has a key role to play in many of the macro challenges society faces today, like climate change and public health.

## The new world

For almost two years, we have continued to witness the extraordinary effects of the COVID-19 pandemic. Fundamental changes to the way in which people live, work, and socialise have influenced trends which directly impact Go-Ahead and its operations.

Some trends, like increasing awareness of climate change (highlighted further by COP26, held in the UK during 2021) or a renewed focus on healthy living, have been emerging for some time, and our business has been evolving alongside them. Others, like the shift to home and hybrid working, have been accelerated by the pandemic. We are responding to these with agility, working alongside local, regional, and national authorities to serve communities in the best possible way.

## The impact of the pandemic

The world around us has changed, and while there remains some uncertainty around long term trends, some permanent shifts in attitudes and behaviours are expected. Many people across our core UK market experienced months of exclusive homeworking during 2020 and into 2021. However, as restrictions were lifted and people returned to offices or other places of work, hybrid working, where employees split their time between home and office, is emerging as the preferred choice for desk-based work for employers and employees alike.<sup>1</sup>

Recent research by the Office of National Statistics (ONS) shows that by mid-autumn 2021, around 67 per cent of working adults in Great Britain were travelling into work at some point within a seven-day period, and approximately 30 per cent stated that they were working

from home.<sup>2</sup> Reflecting this split between home and office-based working, a broader mix of public transport use, in terms of both mode and frequency, is likely to be maintained going forward. This will include subtle shifts in the busiest times of the day for commuters as flexible working is embraced, as well as an increase in local journeys as many continue to spend at least part of the working week closer to home. As restrictions on movement and travel eased earlier this year and hybrid working practices were adopted, Go-Ahead saw high numbers of people travelling midweek versus the start and end of the week, though such patterns are likely to fluctuate as new commuter norms emerge over a longer period.



**“Recent research by the Office of National Statistics shows that 85 per cent of those currently homeworking expect to split working time between their home and workplace in the future.”**

Also, phenomena experienced during the national lockdowns, such as huge surges in online retail and other digital variations of everyday activities, are beginning to slow. According to the British Retail Consortium

retail footfall saw an uplift in October<sup>3</sup> while data from the ONS showed the proportion of retail sales online falling to its lowest level since March 2020.<sup>4</sup>

Supported by the pace of the vaccination rollout and easing of pandemic-related restrictions, journeys on public transport steadily rose over the summer and into the autumn. The COVID-19 Omicron variant which emerged in late autumn resulted in a temporary dip in travel, which had, by February 2022, returned to pre-Omicron levels. Consumers returning to physical stores, restaurants, and other leisure facilities, has presented the opportunity to attract more people to bus and rail services.

And it is not only retail, hospitality and leisure that are experiencing an uplift. Despite changes to guidance around international travel, many people continue to book domestic holidays (compared with the same period in 2019, overseas visits by UK residents declined by 95 per cent between April and June 2021<sup>5</sup>).

More and more people are also embracing ‘active travel’ with its proven benefits to overall health, taking to the streets to walk or cycle. The UK Chief Medical Officer recommends that to stay physically and mentally healthy, adults should do at least 150 minutes of moderate or 75 minutes of vigorous activity per week<sup>6</sup>. Walking and cycling as part of routine travel, whether for an entire journey or to access public transport can help people increase activity levels; on average, those using public transport get 26 minutes more daily exercise than private car users. Many who have experienced deteriorating levels of fitness and subsequently, health, because of the pandemic are now more

1. ONS: Business and individual attitudes to the future of homeworking, UK: April to May 2021.

2. Coronavirus (COVID-19) latest insights: Work (published 19 November 2021).

3. BRC-KPMG retail Sales Monitor – May 2021.

4. ONS monthly business survey, retail sales inquiry.

5. ONS: Overseas travel and tourism: 2020.

6. Department of Health & Social Care.

determined than ever to embark on a more active lifestyle. This growing trend, combined with policy changes and local initiatives like extended congestion charging and low traffic neighbourhoods, supports the move closer to a world where the car is no longer seen as 'king'.

Public transport is also an essential service for those dealing with loneliness, a very real threat to public health, and one that has been exacerbated by the pandemic, with almost 24 per cent of adults saying that they had experienced feelings of loneliness and hopelessness at the end of 2020<sup>7</sup>. By facilitating social contact, vital for good mental health, public transport is instrumental to addressing this challenge, helping people connect more with the world around them. Since the start of 2021 levels of anxiety have been improving<sup>8</sup>, as unease around social interaction, brought around the pandemic, gradually subsides.

Sadly, as well as driving seismic changes to everyday life, the pandemic has also been a significant contributor to greater economic hardship for many individuals and families. In England, 24 per cent of families do not own a car<sup>9</sup> and rely heavily on public transport for essential journeys to work and education, and access to other services and social participation. It is vital for social mobility, with inadequate transport a key barrier to employment for many residents living in low-income neighbourhoods. Go-Ahead has a responsibility to continue to provide affordable, accessible and ever-improving public transport to the communities we serve.

We continue our work to reassure the public that travelling on buses and trains is safe, and are pleased to see that overall confidence in public transport is rising. A recent survey<sup>10</sup> shows that almost 90 per cent of those using trains feel safe doing so. We do recognise however that some of our passengers remain nervous about using public transport, and we continue to be vocal and transparent about our commitment to passenger safety, addressing misconceptions and bridging the gap between perception and reality.

We have an opportunity to adapt to changes driven by the pandemic in a positive way. We are facilitating and embracing the rise in local journeys driven by hybrid working and an increase in home-based small businesses, welcoming back returning commuters, and safely carrying people around the country for holidays, or to be reunited with loved ones.

#### Climate change at the forefront

The impact of climate change is already evident in our day-to-day lives. More frequent instances of hotter and wetter weather impacts infrastructure and disrupts passenger services. It is an issue that is top of the agenda for multiple stakeholders, from investors expecting ESG considerations in allocating capital, to consumers striving to make 'greener' choices in their daily lives. The pandemic has also driven a renewed awareness of air quality as people increasingly focus on mental health and wellbeing and head outdoors to walk or cycle.



**“Decisions to leave cars behind are also driving more supplementary journeys by bus or train and are also, perhaps, moving us closer to a world where the car is no longer ‘king’.”**

We, and many others, agree that public transport is a vital part of the solution to climate change, not only by taking more cars off the road, but by replacing those journeys with a greener alternative. The UK Government's Decarbonising Transport Plan includes a strategic objective to “accelerate modal shift to public and active transport”, and echoes a similar commitment in its wider Ten Point Plan for a Green Industrial Revolution.

Our commitment to reducing carbon emissions across our own operations is well-established and has been gaining momentum for some time. Since 2016, Go-Ahead has recorded an absolute reduction in carbon emissions of 27 per cent despite our international expansion.

With around 300 vehicles, we currently have the largest electric bus fleet in the UK, committing to a full zero-emission UK bus fleet by 2035. We also achieved an 'A minus' rating from the Carbon Disclosure Project (CDP) in 2021, the highest score ever achieved by a UK transport operator. We have publicly committed to becoming a net zero business by 2045 and achieving 75 per cent reduction in carbon emissions by 2035.

The pandemic has reinforced beyond doubt the benefits of fewer cars on the roads, with national lockdowns across the UK leading to an unprecedented 10 per cent<sup>11</sup> reduction in emissions in 2020. It is therefore vitally important that we remind people that buses and trains are an important part of the solution to climate change.

Transport accounts for a quarter of greenhouse gas emissions, but buses account for just 3 per cent, and trains, only 1 per cent. In terms of UK carbon emissions overall, rail accounts for just 0.5 per cent while private cars account for 55 per cent<sup>12</sup>; a fully loaded double decker bus can take 75 cars off the road, and a train can replace even more. In its sixth Carbon Budget, the Committee on Climate Change assessed that around 9-12 per cent of trips could be switched to buses by 2030, increasing to 17-24 per cent by 2050. We are therefore working alongside government and other public bodies to reinforce messaging that tells passengers to “walk and cycle if you can, use buses and trains, only take the car if you need to”, demonstrating how public transport can complement active travel.

Go-Ahead recognises that there is an opportunity to support and sustain the gradual modal shift away from private car use and play a part in building a decarbonised transport industry. We remain steadfastly committed to facilitating this.

7. Mentalhealth.org.

8. Office for National Health Improvement & Disparities Nov 2021.

9. Department for Transport.

10. Transport Focus.

11. Department for Business, Energy & Industrial Strategy, 2020 UK greenhouse gas emissions, provisional figures (25 March 2021).

12. ORR.

## Our business model

**Our purpose is to be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world**

**Delivered through our strategy**



→ Read about our strategy on page 24

### Supported by a strong financial profile

#### Revenue generation

We generate revenue in two main ways:

- Through contract payments we receive from our transport authority customers for which we operate services (around 90 per cent of total revenue).
- Through the fares we receive from our bus and rail passengers (around 10 per cent of revenue). During the COVID-19 pandemic, revenue has been supported by governments committed to maintaining essential transport networks.

#### Cost control

At local and Group levels we closely manage our costs without compromising on safety or quality. We have a particular focus on good cost control around employee utilisation, fuel efficiency, and contractual negotiations and management.

During the COVID-19 pandemic, we have taken action to reduce our cost base, with both temporary and permanent savings delivered.

#### Capital allocation

Our capital principles ensure our focus on maintaining an investment grade rating, safeguarding the interests of our shareholders and remaining within our target gearing range.

During the COVID-19 pandemic, we have maintained strong financial discipline and have limited the allocation of capital to preserve cash within the Group.

### How we achieve this

#### Approach

- ▶ Clear strategy
- ▶ Customer focused decision making
- ▶ Innovative and agile approach
- ▶ Long term focus on sustainable outcomes

#### Resources and relationships

- ▶ Empowered people
- ▶ A transparent operating model
- ▶ Expertise, experience and influence
- ▶ Strong relationships with strategic partners and stakeholders
- ▶ Investment in fleets and depots

#### Management

- ▶ Devolved structure with clearly defined responsibilities
- ▶ Financial discipline
- ▶ Risk appetite and management

#### Executive remuneration

Executive's remuneration is aligned to both shareholders' and other key stakeholders' interests and operates in line with our business model, long term strategy, culture and values. See page 108 for more details on the executive directors' remuneration.

# Creating financial and non-financial value for all our stakeholders

Financial value		Non-financial value
We look after our people, paying competitive salaries and offering attractive benefit packages.	 <p><b>Our people</b></p>	We create safe and enjoyable inclusive working environments in which people are empowered and enabled to develop personally and professionally. We offer occupational health and other wellness services for both physical and mental health.
Through our commercial operations, and on behalf of our transport authority clients, we provide value for money services, offering convenient alternatives to car travel against a backdrop of rising costs of private motoring.	 <p><b>Customers</b></p>	Our services facilitate our passengers' lives, connecting people with friends and family and enabling access to services, facilities, work and education. Our buses and trains provide safe and convenient places for people to use their travel time as they wish.
We support suppliers in the UK and internationally through the procurement of goods and services. Our payment practices are aligned with the Prompt Payment Code. Our target to allocate 33 per cent of our influenceable spend to SMEs by 2023 supports smaller businesses and local economies.	 <p><b>Strategic partners and suppliers</b></p>	Through our Sustainable Supply Chain Charter we demonstrate high standards of integrity, responsibility and professional conduct. We endeavour to support our suppliers to improve the sustainability of their business.
Our contribution to the Government includes corporation tax and National Insurance contributions.	 <p><b>Government</b></p>	Through our experience and expertise we help shape policies at national and local levels through our contribution to reviews and consultations. Through our activities we support government targets and objectives in areas such as climate change, diversity and social inclusion.
Our services enable and promote economic activity in our communities, providing access to retail and leisure facilities, work and education.	 <p><b>Communities</b></p>	We strive for our services to be accessible and inclusive. We promote social inclusion in our communities, often providing vital transport links to vulnerable people. We operate responsibly and are committed to maximising the role we play in slowing global climate change and improving air quality for our communities.
We aim to provide attractive total shareholder returns. We increased or maintained the dividend to shareholders every year between 1994 and 2019. While a dividend has not been declared for the current year, the Board is committed to resuming returns when it is appropriate to do so.	 <p><b>Investors</b></p>	Investor confidence in the long term sustainability of the Group is built through our approach to operating responsibly, such as measuring and reducing our impact on climate change.



## Our stakeholders

# Stakeholder engagement

Our relationships with our stakeholders are key to our success. By engaging meaningfully, we gain insights into their needs.

This feedback forms part of our decision making process at every level of the business, from the Board to our local management teams. The examples which follow demonstrate consideration of the matters set out in Section 172 of the Companies Act 2006. Further information on how we understand the views of stakeholders in the boardroom and consider them in our decision making framework, together with examples of key decisions taken during the year, is provided on pages 81 to 85.

Stakeholders	Why we engage	How we engage
 <p><b>Our people</b></p> <p>Our business is built by colleagues whose commitment, innovation and ambition help deliver the best possible transport service to our customers.</p> <p>We have an experienced, diverse and dedicated workforce who we recognise as a key asset of our business and to whom we have a strong commitment to personal development.</p>	<ul style="list-style-type: none"> <li>• To maintain a highly engaged and motivated workforce</li> <li>• To create a constructive, two-way dialogue, ensuring colleagues have a platform to have their voices heard</li> <li>• To promote wellbeing and ensure the safety of our people</li> <li>• To understand how we can best provide a supportive and collaborative workplace</li> <li>• To ensure alignment between people agenda and business strategy</li> <li>• To encourage equal opportunities and a more diverse workforce</li> <li>• To ensure we develop colleagues through professional development and training</li> </ul>	<ul style="list-style-type: none"> <li>• Colleague engagement surveys</li> <li>• Communication through the Group intranet, newsletters, forums and ad hoc meetings</li> <li>• Performance and development reviews</li> <li>• Colleague training programmes and workshops</li> <li>• Focus on development and succession planning</li> <li>• Lunch and learn sessions</li> <li>• Business update presentations</li> <li>• Board and senior management site visits</li> <li>• Annual management conference</li> </ul>
 <p><b>Customers</b></p> <p>Customers are at the heart of Go-Ahead and we are dedicated to providing them with safe, convenient and reliable services. We understand our local markets and strive to exceed our customers' expectations.</p>	<ul style="list-style-type: none"> <li>• To identify priority areas for improvement in order to maintain our high level of customer satisfaction</li> <li>• To respond quickly and effectively to meet changes in customers' needs and preferences</li> <li>• To fully understand the needs of our different and diverse customer groups</li> <li>• To improve or maintain a high quality, reliable and safe passenger transport service</li> <li>• To enable us to deliver new and innovative products and integrated, customer focused solutions</li> <li>• To maintain a reputation for high standards of business conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Online communications – website, newsletters, emails, social media and blogs</li> <li>• Customer satisfaction surveys</li> <li>• Continual review of customer feedback</li> <li>• Customer-facing colleague feedback</li> <li>• Customer panels and focus groups</li> <li>• Customer, industry and on-site events</li> <li>• Collaboration on product innovation and service design</li> </ul>
 <p><b>Strategic partners and suppliers</b></p> <p>Collaborative strategic partnerships are core to our business model. We build strong relationships with transport authorities and industry bodies to deliver efficient, high quality services. Our suppliers, which range from large multinational companies to small independently run businesses, partner with us in delivering innovative solutions for our customers.</p>	<ul style="list-style-type: none"> <li>• To develop strong relationships</li> <li>• To ensure closer alignment of values</li> <li>• To provide collaborative and innovative solutions to societal challenges</li> <li>• To ensure those with whom we work demonstrate a commitment to sustainability, employee wellness and diversity</li> <li>• To ensure the effective delivery of contracts</li> <li>• To enhance competitive advantage</li> <li>• To effectively monitor, manage and mitigate risks in our supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Joint membership of industry groups</li> <li>• Collaborative working with partners to deliver specific solutions</li> <li>• Engagement groups to build long term relationships</li> <li>• Periodic surveys of our current suppliers</li> <li>• A dedicated contract manager for each supplier</li> <li>• Regular meetings to discuss supplier performance and areas for improvement, identifying risk and mitigating plans</li> </ul>



Key topics of engagement during 2021 financial year	How we responded
<ul style="list-style-type: none"> <li>• Health, safety and wellbeing</li> <li>• Diversity and inclusion</li> <li>• Maintaining and continually improving colleague engagement</li> <li>• Development and training opportunities</li> <li>• Opportunities for progression</li> <li>• Opportunity to share ideas and make a difference</li> <li>• Flexible working</li> <li>• Modernising and transforming working environments</li> <li>• Colleague recognition and reward</li> <li>• Working throughout the COVID-19 pandemic, job security and pay</li> </ul>	<ul style="list-style-type: none"> <li>• Increased colleague engagement and communication</li> <li>• Development of health and wellbeing initiatives</li> <li>• Continued dialogue to understand likely scenarios around return to office working</li> <li>• Continued focus on diversity and inclusion, including the introduction of relevant KPIs</li> <li>• Introduced employee apps across operations for safer and more efficient working</li> <li>• Reshaped Executive Development and Senior Management Development Programmes</li> <li>• Support for remote working practices to balance childcare/home-schooling, etc. where appropriate</li> </ul>
<ul style="list-style-type: none"> <li>• Reliability and punctuality of services</li> <li>• Safety measures</li> <li>• Travel during the COVID-19 pandemic</li> <li>• Overall on-board experience</li> <li>• Value for money, including ticket price</li> <li>• Quality and amount of delay and disruption information including timetable changes</li> <li>• Station amenities</li> <li>• Route and timetable enquiries</li> <li>• Colleague helpfulness</li> <li>• Accessibility and passenger support</li> <li>• Active travel initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced safety features and cleaning regimes</li> <li>• Local interaction regarding timetable changes during lockdown to meet key worker needs</li> <li>• Improved experience for customers contacting us and our carrier partners through the provision of additional automation and live chat facilities</li> <li>• Continued rollout of tap-on/tap-off contactless ticketing, and increasing emphasis on non-cash transactions</li> <li>• Ongoing updates to bus app to improve journey planning</li> <li>• Worked with Rail Delivery Group to accelerate flexi season ticket rollout</li> <li>• Rail station improvements with significant cycle hubs to make active travel easier</li> <li>• Proactively contacting pre-booked passengers with accessibility requirements to tailor assistance</li> </ul>
<ul style="list-style-type: none"> <li>• Specific industry solutions</li> <li>• Long term partnerships</li> <li>• Collaborative approach</li> <li>• Raising standards and delivering long term goals</li> <li>• Delivering value, consistency, engagement and better planning</li> <li>• Sustainability challenges</li> <li>• Open terms of business</li> <li>• Fair contract and payment terms</li> <li>• Prompt payment</li> <li>• Brexit contingency plan</li> </ul>	<ul style="list-style-type: none"> <li>• Introduced key principles to our pre-qualification and tender documents in relation to ethical employment practices, the environment, health and wellbeing and community cohesion</li> <li>• Independently assessed as working in compliance with the sustainable procurement standard ISO 20400</li> <li>• Setting targets on payment performance and complying with the Prompt Payment Code</li> <li>• Enhanced our Sustainable Procurement Charter with a target of 33 per cent controllable spend on local businesses by 2023</li> <li>• Continued engagement with Network Rail and local transport authority provider at multiple levels</li> </ul>

## Our stakeholders continued

Stakeholders	Why we engage	How we engage
 <p><b>Government</b></p> <p>Policy and regulatory change affect our bus and rail businesses and create the framework through which we operate. Working closely with both central and local government enables us to contribute our private sector experience and expertise to the public agenda and produce better policy outcomes and service delivery.</p>	<ul style="list-style-type: none"> <li>• To secure recovery in passenger volumes that supports economic development, environmental targets and social priorities</li> <li>• To raise public transport higher up government agendas</li> <li>• To influence and inform policy making</li> <li>• To represent the views of other stakeholders: customers, colleagues, communities and shareholders</li> <li>• To formulate innovative and attractive bids as opportunities arise</li> <li>• We operate services on behalf of the Government via the DfT in the UK and other transport authorities and continually engage on matters relating to the contracts we operate</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing engagement with government bodies and clients, such as the Department for Transport (DfT)</li> <li>• Membership of the All Party Parliamentary Group on environment</li> <li>• Participating in various expert working groups, select committees and government consultations</li> <li>• Engaging in policy discussions over key industry topics and advising on delivery implementation</li> <li>• Ongoing dialogue with local MPs</li> <li>• Membership of the Zemo Partnership</li> <li>• Membership of International Association of Public Transport</li> <li>• Partnering with campaign groups such as Campaign for Better Transport and Sustrans</li> </ul>
 <p><b>Communities</b></p> <p>As an operator of public transport, we provide a vital service to communities, transporting passengers to work, education, facilities and services. We strive to provide the social and economic benefits of affordable and accessible travel in the towns and cities in which we operate.</p>	<ul style="list-style-type: none"> <li>• To maintain our role at the heart of our communities and play our part in helping communities thrive</li> <li>• To address economic, social and environmental issues and priorities</li> <li>• To find the best solutions for connecting people with family, friends, work and facilities</li> <li>• To enable us to respond appropriately to the needs of our communities</li> <li>• To maintain our focus on operating responsibly within society</li> <li>• To achieve our environmental objectives and targets</li> <li>• To support social inclusion and tackle isolation</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings with councillors, planning officers and other key officials to work in partnership for common community goals</li> <li>• Continual two-way communication with local businesses and organisations</li> <li>• Onsite community engagement events to understand the needs of the local community</li> <li>• Collaboration with local charities, participating in volunteering and fundraising initiatives</li> <li>• Regular updates through social media, our website and apps to keep communities informed</li> </ul>
 <p><b>Investors</b></p> <p>We provide investors with open and transparent information and encourage two-way communication. Feedback from our shareholders forms part of the strategic Board discussions. We operate our business responsibly and with strong financial discipline to protect the interests of our investors.</p>	<ul style="list-style-type: none"> <li>• To ensure that our long term strategy is aligned with the interests of shareholders</li> <li>• To explain how we aim to deliver sustainable growth and maximise the growth potential of the business</li> <li>• To provide updates relating to the financial performance and position of the business</li> <li>• To ensure the views of shareholders are considered in policy setting and aligned to their ESG investment criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Face-to-face meetings and phone calls</li> <li>• Trading updates including full year and half year results</li> <li>• Results presentations and webcasts</li> <li>• Investor roadshows and conferences</li> <li>• Annual General Meeting</li> <li>• Annual report</li> <li>• Investor section of the website</li> <li>• Independent disclosure platforms for investors such as the Carbon Disclosure Project</li> </ul>

Key topics of engagement during 2021 financial year	How we responded
<ul style="list-style-type: none"> <li>• Passenger volume recovery</li> <li>• Financial support for the provision of bus and rail services</li> <li>• Contractual arrangements and features</li> <li>• National Bus Strategy and rail reform</li> <li>• Regional bus service provision</li> <li>• Environmental policy and compliance, including climate change and transition to zero-emission</li> <li>• Active travel</li> <li>• Apprenticeships, skills and diversity</li> <li>• Proactive engagement with local authorities</li> <li>• Support for local economic plans and strategies</li> <li>• Sharing experience and expertise</li> <li>• LSER matters of concern (extended beyond year end) (read more on pages 10 and 11)</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with DfT and industry partners on rail reform: Williams-Shapps Rail for Rail and the National Bus Strategy</li> <li>• Response and participation at Transport Select Committee's enquiry into emergency measures for the rail industry</li> <li>• Campaigns on customer recovery and confidence, tackling loneliness, active travel and air quality, including through speaking engagements</li> <li>• Responses to consultations including on future of mobility (urban and rural), and on zero-emission vehicles</li> <li>• Ongoing engagement with transport authority clients in the UK and internationally regarding financial support for bus and rail services and contractual arrangements and features</li> <li>• Ongoing engagement with the DfT and in response to matters of concern at LSER an Independent Committee commissioned an Independent Review. The findings of the Independent Review were shared with the DfT (read more on pages 10 and 11)</li> </ul>
<ul style="list-style-type: none"> <li>• Effectively managing our environmental impact</li> <li>• Investment in local infrastructure</li> <li>• Engaging and responding to community needs</li> <li>• Direct contributions through utilising local suppliers, community volunteering, sponsorship and fundraising</li> <li>• Providing timely and accurate travel information to ensure safety and adherence to government guidelines on public transport</li> <li>• Investigating and investing in sustainable transport solutions</li> <li>• Providing safe and affordable public transport solutions to support social mobility</li> </ul>	<ul style="list-style-type: none"> <li>• Direct contributions through community volunteering, sponsorship and fundraising</li> <li>• Local meetings with MPs, the Chamber of Commerce and Local Economic Partnership Boards</li> <li>• Regular stakeholder newsletters</li> <li>• Active member of Business in the Community 'Place' campaign</li> <li>• Contributing to policy discussion</li> <li>• Developed active travel plans for customers at bus and rail stations</li> <li>• Open days at depots to educate local communities on the importance of public transport</li> <li>• Champions of the Government's 'Tackling Loneliness Network'</li> </ul>
<ul style="list-style-type: none"> <li>• Strategy and business model</li> <li>• Shareholder returns</li> <li>• Financial performance</li> <li>• Liquidity and balance sheet strength</li> <li>• Risk management</li> <li>• Passenger demand and travel pattern</li> <li>• Future of UK rail franchising</li> <li>• ESG performance</li> <li>• Growth potential</li> <li>• Succession planning</li> <li>• Executive remuneration</li> <li>• International development strategy</li> <li>• Political environment</li> </ul>	<ul style="list-style-type: none"> <li>• Commitment to transparent reporting with clear communication of the business model and strategic priorities</li> <li>• Regular equity market updates as COVID-19 scenarios evolved</li> <li>• Strong financial discipline and cash control</li> <li>• Increased engagement with investment community</li> <li>• Disciplined approach to growth in international markets</li> <li>• Recognised by FTSE4Good Index and the Green Economy Mark</li> </ul>

## Our strategy

### Our vision

# A world where every journey is taken care of

### Will be delivered by our strategy to



Protect and grow the core



Win new bus and rail contracts



Develop for the future of transport

### With responsibility as a business for

Better teams



Happier customers



Stronger communities



Safer working



Cleaner environment

### Underpinned by our core beliefs and attitudes



We believe in

Trusting people  
Being can-do people  
Building relationships  
Being one step ahead



We are

Accountable  
Down to earth  
Collaborative  
Agile

### To fulfil our purpose

To be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world.

## Sustainability lies at the heart of our strategy

Our five responsible business priorities: Better teams, Happier customers, Stronger communities, Safer working and Cleaner environment, underpin the delivery of our corporate strategic objectives.

As an international transport operator, our businesses have a far reaching impact on our customers, colleagues, suppliers, regulators, shareholders and the communities we serve. We aim to align our business values, purpose and strategy with the social, economic and environmental needs of our stakeholders, embedding responsible and ethical business policies and practices in everything we do.

### Our approach to sustainability



Our framework reflects how sustainability is at the centre of our strategy and drives our decision making in line with our purpose. Our five priorities build on our competitive strengths and underpin our investment and operational decisions so that we can continue creating value in a sustainable way into the future.

Businesses have a leading role to play in helping to deliver the UN Sustainable Development Goals (SDGs) and we have identified five for which we believe we can make a meaningful, positive impact and deliver long term value to all our stakeholders.



### External recognition



Awarded the London Stock Exchange Green Economy Mark, an accreditation which recognises businesses with at least 50 per cent green revenues



Received an A minus grade from the Carbon Disclosure Project Climate Change Survey – the highest score achieved by any UK transport operator



Various ISO accredited standards for our work processes include: ISO 50001 for energy management, ISO 45001 for occupational health and safety management system, and ISO 14001 for environmental management system at our UK train businesses. We are also aligned with ISO 20400 standard for sustainable procurement



Ranked 99 FTSE4Good percentile rating out of a maximum of 100



Achieved the top score for all transport companies in the category of 'Community and Environmental Responsibility' on the annual Britain's Most Admired Companies study



Awarded 'Prime' status as part of the ISS ESG corporate rating



Rated AAA by MSCI ESG Ratings assessment – the highest rating



Rated as 'Low Risk' by Sustainalytics, ranking in the top 8 per cent of companies in the transport sector

# Our climate change strategy

Public transport is part of the solution for combatting poor air quality and fighting climate change.

## Overview

Around the globe, we all have a responsibility to take action against climate change. As a responsible business, we understand the part we have to play in reducing our emissions and adapting to the impacts of our changing world. The most important role we can play is to enable people to reduce private car usage and make more use of greener public transport options, but we are also committed to reducing the impact our operations have on the environment.

Our approach to this commitment is addressed in our climate change strategy, published in July 2021, which outlines our key initiatives to reduce carbon emissions and mitigate the impacts of climate change in our business. This includes decarbonising our transport fleet, reducing the negative impact of our operations on air quality, reducing our water consumption and increasing our waste recycling rate. We have set a Science Based Target to reduce our carbon emissions by 2035 and to become a net zero carbon business by 2045, with ambitious milestones along the way.

→ Read more on [pages 281 - 284](#)

This strategy sets out how we will become a net zero business by 2045



### Climate change adaptation

Identify how climate change impacts our businesses, passenger services, premises and supply chains, and identify adaptation plans

1. Identify risks and vulnerabilities
2. Quantify costs and source funding
3. Identify risks to properties
4. Work with suppliers to identify and reduce exposure and vulnerabilities
5. Develop business cases for adaptation measures
6. Work with partners



### Mitigation: Decarbonisation

Decarbonise our fleet and operations

1. Bus fleet decarbonisation
2. Rail fleet decarbonisation
3. Ancillary fleet decarbonisation
4. Decarbonisation of properties
5. Develop net/carbon zero commitment

Net zero business by **2045**

Zero-emission bus fleet in the UK by **2035**

Non-diesel rail fleet by **2035**

By 2035 reduce carbon emissions by **75%**

Management principles and governance



At the heart of Go-Ahead's climate change strategy is a pressing need to reduce the greenhouse gas emissions generated by day-to-day bus and rail operations. This is a top priority for the business and will continue to inform our investment decisions.

Achieving these goals will require many smaller steps along the way. These will include investment in new technology – including purchasing zero-emission buses, electrifying bus depots and improving the power efficiency of railway rolling stock.

We also have plans to improve air quality and reduce wastage, whether through

water leaks, unnecessary use of energy, or idling of engines. Wherever possible we will reduce, reuse and recycle materials.

It is also vital to consider how we will be required to adapt to changes in the climate, and what this will mean for our business. We are identifying the ways in which climate change will impact our business and quantifying key climate risks, so we can take steps both to mitigate them, and to adapt to them. There will also be opportunities to improve our operations, attract new customers and talent to our teams.

Programmes to achieve these objectives will be embedded at all levels across our

business, with rigorous monitoring of targets through a robust accountability structure overseen by the Group's Executive Committee and the Board.

→ More information on the Board's approach to climate change can be found on [page 85](#)

Our approach to climate change is as important to our stakeholders as it is to us. As we progress towards our goals, we will listen to and engage with colleagues, customers, suppliers, investors and other stakeholders. We look forward to taking this journey together.

→ Visit [www.go-ahead.com](http://www.go-ahead.com) to read our climate change strategy in full



### Mitigation: Air quality

Reduce our negative impact on air quality by reducing emissions: CO, HCs, NOx, PM

1. Improve bus fleet by procuring electric vehicles
2. Purchase new buses at the latest emissions standards
3. Remove older, lower emissions standards vehicles from the fleet
4. Work on bus priority solutions with local authorities

By 2025, reduce:

Carbon monoxide (CO) by **17%**  
Hydrocarbons (HC) by **49%**  
Nitrogen oxides (NOx) by **63%**  
Particulate matter (PM) by **55%**



### Mitigation: Water

Reduce our water footprint by embedding responsible water management practices

1. Address leaks better
2. Reduce third party use of our water
3. Reduce water use
4. Improve water sourcing

By 2025, reduce water use by **25%**



### Mitigation: Waste

Reduce our overall waste volumes and increase reuse and recycling, by implementing waste initiatives

1. Improve rail and bus waste management contracts
2. Increase recycling rates
3. Behaviour change programmes for customers and colleagues
4. Reduce waste in supply chain and operational activities

By 2025, increase waste recycling rate to **60%**

Identify projects for investing, influencing stakeholders, driving behaviour change and finding external funding

Prioritise solutions by their impact on customers, colleagues, carbon and cost



## Responsible business pillars

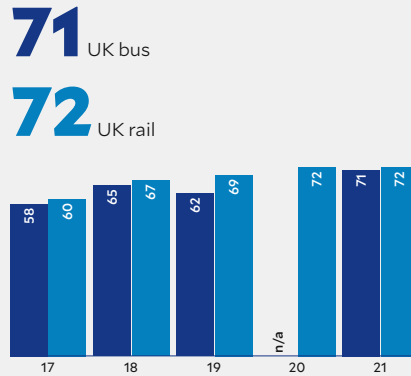
### Better teams

Our colleagues are the foundation of our business. Their dedication, innovation and ambition drive our success.



#### KPIs

##### Employee engagement index (%)\* <sup>R</sup>



\* Excludes international divisions.

<sup>R</sup> Linked to executive annual performance-related bonus, see pages 108 to 142

**Description:** We measure how engaged our people are through surveys across our businesses. The results provide a measure of colleague engagement and help us identify areas where we can improve as an employer.

**Performance:** Following the decision to suspend the 2020 bus employee engagement surveys in order to better align the timing of colleague feedback with action being taken, we introduced quarterly pulse surveys across our UK bus businesses in 2021. The results showed strong improvement compared with 2019, reflecting an increased focus on colleague engagement, health and wellbeing, personal development and performance management. In UK rail, where an annual survey approach is used, we were pleased to maintain high levels of colleague engagement despite the ongoing challenges associated with COVID-19.

At Go-Ahead, we believe in a world where every journey is taken care of. These journeys can only happen thanks to our 27,000 strong team, working across the UK, Ireland, Germany, Norway, Singapore and Australia.

#### Engagement

Throughout the COVID-19 pandemic, employee wellbeing has been more important than ever and has been at the heart of the Group's engagement strategy.

Across our UK bus businesses, we have introduced quarterly seasonal pulse surveys, enabling management to respond quickly to feedback and effect positive change. The first result of these pulse surveys was 71 per cent, whilst our annual engagement survey for UK rail was maintained at 72 per cent. These results showed how the increased level of engagement across our businesses, and additional levels of support provided to employees, played in achieving these results.

Across all operations, we were pleased to see that 77 per cent of employee participants noted that they enjoyed working for the Group and 79 per cent of people said that their managers treated them with respect.

During 2021, Go-Ahead's head office was reaccredited as Gold by Investors in People (IIP). The accreditation places Go-Ahead eighth out of 61 companies in the 'transportation and storage' category. The IIP assessment process, which involves interviewing and surveying colleagues, determined that 90 per cent of respondents believe Go-Ahead has a positive impact on society, and 100 per cent would recommend working for Go-Ahead.

#### Learning and development

Our colleagues are our most valuable assets, and we recognise the importance of investing in their development.

Equipping our leaders, and future leaders, with the skills to manage our businesses, lead our teams and deliver on our strategy is a key area of focus. Throughout the year, we reshaped our two talent programmes – the Executive and Senior Management Development Programmes – to more effectively

align with our business strategy. Both programmes, aimed at accelerating the development of our brightest talent, grew during the year, with an increase in the number of delegates and female representation within these programmes. We also rolled out an online 'Train the Trainer' behaviour-led programme, to allow nominated colleagues to run training at a local level for supervisors.

Despite the challenges posed by lockdown restrictions, GTR launched its first sector-based Work Academy Programme with East Sussex College in November 2021. Targeted at those who are long term unemployed and are not in training or education, the programme has given candidates the opportunity to develop essential employability skills whilst gaining qualifications. This new partnership builds on the success of the operator's established 'Get into Railways' programme with the Prince's Trust, which is now in its seventh year. So far, 89 per cent of participants have successfully completed the programme. In our international rail operations, 15 people who had sought asylum in Germany were recruited to become train drivers, successfully undertaking the year long training and securing permanent employment.

#### New talent

Our graduate programme is an important source of new talent, helping us identify the future leaders of our operations. The scheme, now in its tenth year, has been enhanced to expedite development and monitor personal performance more effectively, leading to better outcomes for participants and the Group. Investment in this scheme is worthwhile; retention rates following the scheme are very high, at 94 per cent, 7 per cent higher than industry average.

Go-Ahead is the only public transport operator registered as an approved provider of apprenticeships across both bus and rail. During the year, the Group received an official stamp of approval, passing the Ofsted New Provider Monitoring Visit.

Throughout the pandemic, Go-Ahead recruited more than 50 apprentices a month despite the disruption caused by COVID-19. Training was adapted to the challenges of the pandemic and our

teams pioneered new ways of remote working and social distancing in our academies to ensure colleagues were always safe. We hired more than 1,000 apprentices across bus and rail in 2021. The theme of the programme, 'Build the Future', focuses on the importance of training and retaining apprentices, delivering a return on investment.

### Health and wellbeing

There has been a sustained focus on health and wellbeing throughout the year, communicating with and signposting colleagues to the available support. Both rail and bus have increased the pool of health and wellbeing advocates, wellbeing champions and mental health first aiders to provide additional support to colleagues during this challenging year. And with health and wellbeing programmes now an integral feature of our day-to-day business, examples of best practice are evident across Group. Southeastern launched the railway industry's first ever Mental Health Charter in May 2021, which set out eight actions that can be taken by organisations to identify mental health hazards, address problems and train supportive managers. GTR recently won an 'Inside Out' award for its mental health initiatives. This includes a network of more than 100 'Wellbeing Champions' and a volunteer support group for colleagues.

Meanwhile, Go-Ahead is training mental health champions at all of its bus companies in the UK and Ireland. Champions are trained to spot triggers, reassure people in distress and seek support. Go-Ahead London is going one step further, setting a target to train every depot manager in mental health awareness, while Brighton & Hove was the first Go-Ahead bus company to launch the mental health first aider programme in 2020. Over a tenth of the workforce has since used the scheme, with the majority of calls regarding mental wellbeing.

### Diversity and inclusion

Gender diversity remains an issue for the transport sector and we are committed to driving change in the industry and promoting public transport as an attractive career choice for women. We want our workforce to be representative of the communities we serve and believe a more equal gender balance will deliver better outcomes for Go-Ahead's many stakeholders.

We have female-focused recruitment campaigns, open days and initiatives to showcase opportunities, each with the aim of increasing the opportunities available to women to work in the industry over the coming years. The Go-Ahead 'Women in Bus' network continues to offer online workshops focusing on topics that are pertinent to the members, including emotional resilience and building self-confidence. We maintain our initiatives to support, develop and empower women across our bus companies, with the main goal to increase female representation in bus to 20 per cent by 2025.

We also support the 'Women in Rail' initiative and are targeting female representation of 21 per cent across our rail business by 2025. GTR doubled the number of female train driver applicants in a year – from 413 in 2019 to 825 in 2020. Go-Ahead has launched numerous initiatives to promote careers in rail to women, including recruitment campaigns, such as working with Mumsnet, and launching unconscious bias training to help make the organisation a more inclusive place to work.

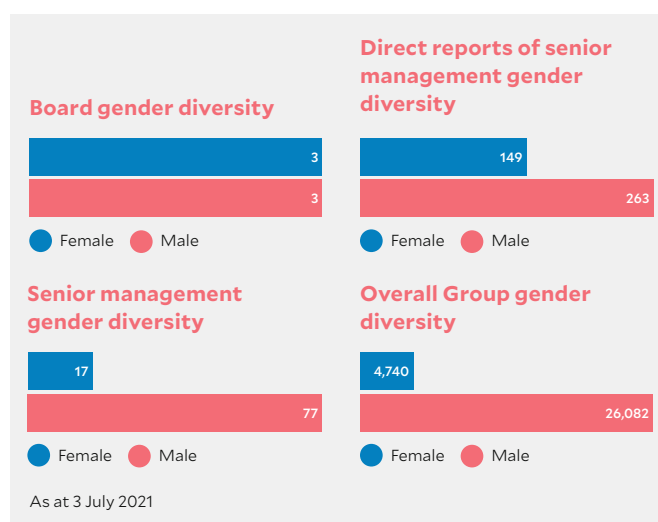
While our focus has been on increasing gender diversity across the Group for a number of years, we recognise the importance of diversity in all its forms. Building a diverse colleague base supported by an inclusive culture is key to our success.

We were pleased to learn that 80 per cent of colleagues surveyed as part of our employee engagement consider Go-Ahead's culture to be inclusive to all. Our apprentice intake has strong ethnic representation with 70 per cent of new apprentices from ethnic minorities backgrounds.

We are sharing best practice across the Group to make all our workplaces more inclusive. This includes introducing new ways to attract and recruit talented people from diverse backgrounds, reinvigorating the women's network group, rolling out unconscious bias training for all managers and updating relevant policies and practices to support our communities.

### Our policies

We have a comprehensive range of policies at Group and local levels. We believe in equal opportunities and apply fair and equitable employment practices. Our Code of Conduct states that all employees should be treated with respect and that their health and safety should be protected. Respect for human rights and ethical behaviour underpins this with our human rights policy setting out how we are committed to conducting our business in a manner that respects and upholds the rights of all of those people with whom we engage and who are affected by our actions. Go-Ahead has a zero-tolerance approach to bribery and corruption and all our colleagues are required to adhere to our anti-bribery and corruption policy. Conflicts of interest, which interfere with proper performance or independent judgement, are prohibited. We also have well established whistleblowing procedures where colleagues can, in confidence, raise legitimate concerns about wrongdoing within their workplace. In addition to the above, colleagues are required to comply with our equal opportunities, diversity and inclusion policy; health and wellbeing policy; and health and safety policy. Compliance with these policies is mandatory and is incorporated within all new joiner induction programmes.



→ The composition of the Board has changed since year end. See page 73 for the current composition of the Board.

Responsible business pillars continued

# Happier customers

Our passengers expect reliable, easy to use services wherever they may be travelling. Customer satisfaction is a top priority for us. We strive to continually improve all aspects of our services and constantly innovate to enhance the customer experience.

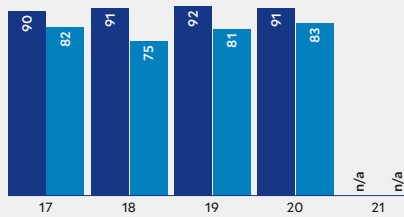


## KPIs

### Customer satisfaction (%)\* <sup>R</sup>

**91** UK regional bus

**83** UK rail



\* Transport Focus suspended its bus and rail passenger surveys during the COVID-19 pandemic. Therefore, the latest scores are from the March 2020 bus survey and July 2020 rail survey.

<sup>R</sup> Linked to executive annual performance-related bonus and LTIP awards, see pages 108 to 142

**Description:** Customer satisfaction is a strong measure of how well we are meeting our customers' needs. For regional bus and UK rail, customer satisfaction is measured by the independent passenger watchdog, Transport Focus.

**Performance:** Before COVID-19, independent surveys were conducted by Transport Focus biannually for rail franchises and annually for regional bus operations. Due to the pandemic, these surveys were suspended. The 2020 survey results are, therefore, the most recent independently verified scores assessing the level of satisfaction of customers.

## Continuous innovation

We provide high quality, locally focused services. This is enabled by our devolved structure, which facilitates a strong understanding of our customers in each region. Our aim is to deliver bus and rail travel that is as convenient and accessible as possible for customers, from ticketing and live running information to seat capacity forecasts and passenger assistance.

We are increasingly using app technology to make travelling on our buses and trains easier. During the year, all Go-Ahead bus operating companies have launched a new smartphone app in partnership with Passenger, a specialist provider of transport technology. These apps allow customers to plan journeys, view real-time information for arrival times, purchase tickets and create favourite stops or journeys. By providing this technology and information, we enable passengers to plan their journeys with confidence, and make informed decisions about which bus to take based on how busy each service is.

In rail, we introduced a new app with accessibility at its core. In addition to ticketing and up-to-date travel information, the app allows customers to check how busy the train is with a 'SeatFinder' function and to book assistance, for those with accessibility needs. 'SeatFinder' timetables also allow longer term journey planning. We offer on-demand information through popular social media apps such as WhatsApp and Facebook Messenger, providing real-time updates direct from the control rooms.

In response to changing working habits accelerated by the COVID-19 pandemic, flexible season tickets have been launched in Go-Ahead's rail operations. These use existing smartcard and app technology to provide an improved offering to commuters who are not travelling for the whole week. We launched a new online Season Ticket Calculator, providing passengers with greater transparency when it comes to choosing tickets and fares. The calculator enables commuters with flexible work schedules to identify and buy the right ticket for the number of days they wish to travel.

Acknowledging changing customer habits and travel patterns, Go-Ahead Nordic has launched the 'Sørpasset', an interrail-type ticket across its routes, which enables passengers to hop-on and hop-off the train for a week, significantly saving on purchasing a single ticket for each journey.

All of our buses accept contactless payment, and we are rolling out tap-on/tap-off technology across our network, which is currently available on around 60 per cent of our bus fleet. Not only does this simplify the payment process, it also provides customers with peace of mind that they are paying the best value fare for their trip.

There is a greater focus on health, fitness and wellbeing than ever before. As people begin to travel more following the pandemic, there is an opportunity to improve fitness and wellbeing, while building a more sustainable transport system. As part of Go-Ahead's commitment to sustainable living, we are increasingly including features on our apps that offer suggestions for active

travel. For example, Go South Coast's app links with regional bike hire services to show locations to pick up a bike on journey planning maps. Through a partnership with Arup, Go-Ahead is developing concepts for mobility hubs which will provide safe, accessible spaces for customers to switch from one mode of travel to another, bringing together facilities for cycling, shared vehicles and public transport.

### Keeping customers safe during the pandemic

The pandemic has posed unique challenges for public transport operators. Our priority has been to keep both our customers and colleagues safe through high quality cleaning regimes, highly visible passenger advice and enhanced training for our colleagues.

Our bus and rail companies have worked within government guidelines at every stage of the pandemic. We have introduced protective equipment for colleagues, restricted the use of seats on our vehicles to allow for social distancing, provided hand sanitiser and enhanced standards of hygiene in our premises and on our buses and trains. Where restrictions have been eased or lifted, our local teams have been running reassurance campaigns for returning and new customers. These have included online information, on-board signage, station and bus stop signage, advertising, videos showing cleaning routines and updates to apps on COVID-19 regulations and precautions.

### Customer satisfaction

We use a range of research methods to capture the voice of our customers across our bus and rail operations. This enables us to place the customer at the heart of all our decision making. Methodologies include an online passenger panel, a 'One Pulse' quick answer survey tool, brand tracking and mystery passengers who observe and report back on services.

We entered the pandemic with a strong base of satisfied customers. Pre-COVID-19, customer satisfaction according to Transport Focus was 81 per cent for GTR, while Southeastern delivered its best ever result of 83 per cent. On regional bus, we achieved the industry's highest level of customer satisfaction in 2020 for the sixth year running, scoring 91 per cent. With both the rail and bus Transport Focus surveys being paused during the pandemic, we introduced our own similar surveys to ensure customers' voices were being heard. With a regional bus score of 91 per cent, we are pleased to have maintained the high levels of satisfaction to which our regional bus passengers have become accustomed. In rail, Southeastern customers reported being happy with the service they received, up to 88 per cent, with satisfaction on GTR services being reported as 73 per cent.

### Accessibility

Our aim is to make our transport services as accessible as possible. While all our bus and rail services are accessible to passengers with wheelchairs, pushchairs and guide dogs, we also aim to equip colleagues to support passengers with hidden disabilities. Many of our customer-facing staff are trained in assisting people living with dementia and those who are blind or partially sighted.

Travelling can be a difficult experience for some people, so it is important to us that our passengers feel empowered to use our services with confidence. We rolled out our 'Helping Hand' card scheme across our bus operations, that enables the holder to discreetly advise the bus driver if they need further assistance. To make travelling as easy as possible for all customers, we are working towards introducing audio-visual 'next stop' technology on all our buses.

Brighton and Hove Buses were one of only two public transport providers in England to be given the 'Highest Leader' status under the Department for Transport (DfT)'s Inclusive Transport Leaders scheme. The bus company has improved its screens and audio announcements while ensuring its buses do not have black floors, which can be problematic for people who experience black-out seizures, and those with dementia.

In UK rail, we are a member of the 'Sunflower Lanyard' scheme whereby customers wearing the lanyard, can discreetly indicate to transport staff that they have a hidden condition and may require a little more time or support when travelling. GTR hosts 'Try a Train' sessions, which supports people who may encounter barriers when travelling – from buying a ticket, to identifying station facilities and looking at information boards.

We have passenger accessibility panels, made up of disabled passengers who frequently travel by train. This year, GTR retrained all 3,000 customer-facing colleagues in courses refreshed by experts who themselves have disabilities.

GTR has pledged to reduce the time needed to pre-book assistance, with a goal to reduce pre-booked assistance to two hours before travel in April 2022 and has plans to trial new 'turn up and go' services for 41 smaller, unstaffed or partly-staffed stations, where mobile support teams can reach stations within 20 minutes to give assistance to passengers who need a ramp to board.

→ [Read about our engagement with transport authority customers on pages 20 to 23](#)

## Responsible business pillars continued

# Stronger communities

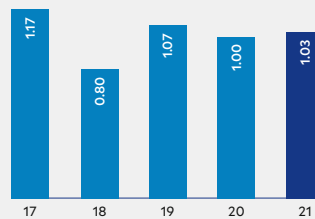
Our services provide vital links to work, education and health services. They enable social inclusion and connect people with friends, family and leisure activities.



### KPIs

#### Community investment (£m)

# 1.03



**Description:** We contribute to the communities we serve across the UK and internationally. Such contributions include cash donations, the value of time spent volunteering, gifts in-kind such as travel tickets, as well contributions made through salary sacrifice schemes.

**Performance:** Throughout the year, we contributed over £1m to our local communities. Through initiatives that include cash donations and time spent volunteering, we applied specific expertise to benefit communities through our involvement with Business in the Community and at a national level, contributed to the National Bus Strategy and William-Shapps Plan for Rail.

### Providing vital links

As a provider of an essential service, we know how important public transport is for our communities across the UK and overseas. Not only does it enable access to employment, education, essential facilities and amenities, and recreation, it also offers increased social inclusion by providing a means for people to stay connected. The Group's devolved operating model enables our local management teams to actively participate in the areas they serve and deliver services that are directly informed by the needs of those passengers.

In response to the Government's strategy on loneliness, in 2019, we launched an initiative called 'Chatty Bus', which was a company wide campaign that involved encouraging passengers to talk to someone new every day on one of our bus services. Since then, our operating companies have shaped and moulded the initiative to suit the passengers within their communities. This has included working with local charities and organisations to help spark conversations with passengers. This was adapted during the COVID-19 crisis, with some of our bus companies organising telephone calls with community members in need.

In 2021, we became a champion of the Government's 'Tackling Loneliness Network'; a group of high-profile charities, businesses and public figures formed to help connect groups of people at risk of isolation. Within this network, we represent the role public transport plays in preventing loneliness and social isolation, whilst also helping people to remain independent and access their communities.

### Supporting local communities

Public transport has continued to play a vital role in keeping essential services going and supporting communities throughout the pandemic. During the national lockdowns, we continued to provide services for those who needed to travel, particularly ensuring that timetables met the needs of those accessing local hospitals and other vital services. We continued to support wider community efforts such as bottling and distributing hand sanitiser for key workers, delivering food packages to those in need, and transporting medical equipment.

We supported the vaccination programme by partnering with the NHS to provide one of the UK's first mobile vaccination units in Crawley on one of our buses. We also provided on-bus vaccination centres in Newcastle, Brighton and Surrey. Free-to-use vaccination centre shuttle buses were operated in the North East in partnership with Nexus, and our train companies provided free car parking at train stations near to vaccination centres for volunteers, staff members and people receiving their vaccinations.

Go-Ahead's East Yorkshire Buses won the 'Heart of East Yorkshire' award and a Business in the Community prize for colleagues' efforts to enable communities and key workers to keep moving during the COVID-19 pandemic.

Go-Ahead is an active member of the Place Leadership Team with Business in the Community, looking at how businesses, local authorities and non-governmental organisations can come together to improve the health and wellbeing of local

communities across the country. We recognise that we have the ability to influence how our suppliers and partners operate their businesses, and we make every attempt to work with them to create positive outcomes.

Through our Code of Business Conduct and ethics, we set expectations for how we expect our partners to behave. We work in accordance with ISO 24001 for sustainable procurement, which has been independently verified and Go-Ahead has once again met the criteria to remain as signatories to the 'Prompt Payment Code' with 95 per cent of all invoices paid within 60 days.

We work closely with our suppliers to ensure continuous improvement. More than 3,200 of these suppliers are small and medium-sized enterprises (SMEs), which represent 75 per cent of the Group's suppliers. SMEs include smart ticketing software suppliers, independent rail station cafes, mobile app providers, infrastructure improvement suppliers and bus spare parts providers. SMEs form the backbone of our society, providing livelihoods and services to thousands of people every day. We know we can make a big difference to local economies and the communities we serve by increasing our proportion of spend with SMEs, especially those local to our operations. We have a target to allocate 33 per cent of our influenceable spend to SMEs by 2023 and have pledged to spend at least £250m with SMEs each year from 2022. In August, we set out our SME strategy on how we plan to achieve this.

→ [Read about our SME strategy on our website www.go-ahead.com](http://www.go-ahead.com)

This follows our 2019 industry first Sustainable Supply Chain Charter in the UK, which established minimum criteria in core areas of corporate responsibility and outlined our priorities within our supply chain and included SMEs as an area of focus.

### Doing our bit

We believe it is important that there is resonance between the work we do and our charity partners and a defined community and charitable investment policy is in place. In line with this policy, our businesses regularly join in national and local fundraising events and we support our colleagues in their volunteering activities within local communities.

Earlier this year, Go South Coast's Isle of Wight Community Bus Partnership received The Queen's Award for Voluntary Service, recognising the outstanding work by volunteer groups to benefit their local communities. The partnership provides essential bus services to areas across the Isle of Wight – using vehicles from Southern Vectis and volunteer drivers. These services are vital to those who may otherwise find it difficult to travel across the island. Every year, 33,000 journeys are taken on these three services.

Southeastern pioneered the 'Rail to Refuge' scheme with the charity Women's Aid, which was then rolled out nationwide over the pandemic. Under the scheme, train operators anywhere in mainland UK cover the cost of train tickets for women, men and children travelling to refuge accommodation. On average, four survivors a day have used the scheme to access free train travel since April 2020. Of those who have made use of Rail to Refuge, 62 per cent said they would not have travelled if the scheme had not been in place.

Go-Ahead's seven-year partnership with Transaid has gone from strength to strength. In April 2021, Go-Ahead London delivered virtual driver training sessions to Transaid's partner driver training schools in Africa. This enabled important knowledge sharing opportunities between Ugandan, Zambian and Tanzanian trainers, and a fantastic learning and development opportunity for our team. Go-Ahead's Managing Director of Business Development, Martin Dean, is a member of Transaid's Road Safety Advisory Board, which facilitates sharing industry best practice, supporting with efficiency, quality assurance and generating ideas.

We have long-standing partnerships with community organisations in the areas where our companies provide transport services. Our operating companies make a large contribution to their local communities and have built mutually beneficial relationships over time. Through our corporate donations, colleague fundraising and volunteering efforts, we have invested nearly £5m in our local communities over the last five years.



## Responsible business pillars continued

# Safer working

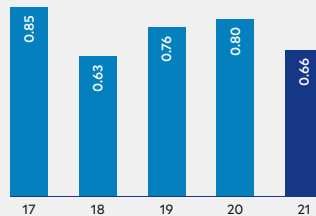
We have a responsibility to provide a safe and supportive working environment for our colleagues, and we understand that there is nothing more important to customers than us providing a safe way for them to travel. Our responsibilities around health and safety also extend to our communities, including other road users.



### KPIs

#### UK rail SPADs (per million miles)

# 0.66

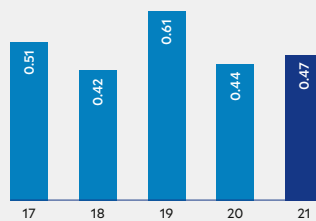


**Description:** Across the UK rail industry, train operating companies report signals passed at danger (SPADs). The majority of SPADs have little or no potential to cause harm.

**Performance:** SPADs saw an improvement of 21 per cent compared with last year, as a result of reduced services, tighter controls and exacting standards of driver training to minimise risks. We have very tight controls around safety and high standards of driver training which minimise the likelihood of SPADs and we investigate every SPAD that occurs on our services.

#### RIDDOR accidents (per 100 employees)\* <sup>R</sup>

# 0.47



**Description:** RIDDOR (reporting of injuries, diseases and dangerous occurrences regulations) relates to a workplace incident that results in any absence from work for over seven days or any legally reportable incident to the Health and Safety Executive across our UK operations.

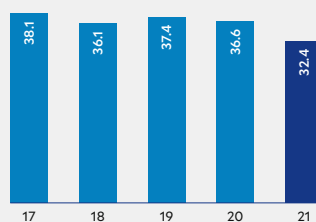
**Performance:** RIDDOR accidents increased slightly for the prior year but remain 30 per cent below five years ago reflecting our increased efforts to maintain the highest standards in health and safety, which included the provision of appropriate tools and training to colleagues.

\* Excludes Singapore bus and international rail.

<sup>R</sup> Linked to executive annual performance-related bonus, see pages 108 to 142

#### Bus accidents (per million miles)

# 32.4



**Description:** We monitor the number of bus accidents which result in a notification to a claims handler for every million miles we operate, including cases where we are not at fault.

**Performance:** An improvement of 13 per cent compared with last year, due to continual investment in training and monitoring the performance of our drivers as well as the reduced number of services and other road users during the height of the pandemic.



The health and safety of our passengers, colleagues, suppliers and those within our communities is of paramount importance to us. Go-Ahead's 27,000 colleagues, have a personal responsibility for their own health and safety and those around them, and for the wellbeing of everyone that is affected by our activities.

### **Safety culture**

Health and safety is a vitally important management focus. We have a culture of continual improvement and are always striving to reduce our exposure to safety risk, with the aim of eliminating all injuries and health concerns resulting from our operations.

Our policy and strategic framework set out the Group standards and expectations, which our local management teams put into practice effectively through their own health and safety management systems. Each of our operating companies' systems go through a bi-annual audit to ensure they meet legal requirements, are relevant for the risks faced by each business, and are linked to the specific operational needs of the respective bus and rail sectors, with which the results and lessons learned reported to the Group Board and the Audit Committee.

Senior leaders across all our bus and rail operations ensure they are accessible to their teams to discuss health and safety matters and they maintain a continual dialogue about the topic. This is often achieved through 'Safety Tours' or 'Director Audits'. The insights from these safety tours improve thematic analysis and trends across the Group and complement the assurance and auditing process by providing regular pulse checks, in-between audits. Additionally, we have achieved accreditation to the global ISO 45001 Health and Safety Management System Standard across a number of our UK bus operations, further demonstrating our commitment to provide safe and healthy workplaces.

### **Harnessing technology**

We are developing a wide-ranging Incident Management Process and a 'Go-Report-it' app for our bus division, which will enable colleagues and managers to report and log a wide variety of safety concerns and other types of incidents, allocate responsibility for their resolution and track progress. This will provide data at local and bus division level, so we can learn from, and pre-empt similar incidents. Our business analytics solution, Power BI, will be used to identify key data and significantly raise the profile of incidents and their management.

GTR has been at the forefront in the use of app technology through the pandemic, providing up to date information in real time across its operations, for customers and colleagues, including apps related to social distancing, cleaning and desk booking. With the use of apps being embraced by colleagues, development has continued at pace. GTR recently launched a safety reporting app enabling faster, more accurate reporting of all safety-related incidents. With instant notifications, the app has enabled initial responses to be managed quicker and subsequently be investigated in a more timely manner. From this, lessons are learned, shared and risks mitigated.

### **Continuous improvements and shared best practice**

Go-Ahead encourages an environment of continuous improvement. Through our 'Better Together Forums', insights are shared across the Group and best practice implemented. A clear example of this is the response to vehicle and pedestrian movement incidents, where 'Good Practice Guidance' was developed for our bus division to ensure that risk identification and controls were based on internal and external good practice. Each operating company has now conducted a gap analysis per depot and developed an action plan where new or amended controls can be implemented.

We have also implemented a new supplier pre-qualification process for our UK bus division, which has simplified and streamlined our onboarding process and is based on an external standard of pre-qualification developed by government, industry and the Health & Safety Executive (HSE), called Safety Schemes in Procurement (SSIP). Any supplier that undertakes on-site working will be required to satisfy the standard via one of the SSIP registered member schemes, saving time and financial cost.

### **COVID-19**

The health, wellbeing and safety of our colleagues and passengers has been our top priority during the pandemic. Building on an already strong safety culture, we have focused on safety measures, social distancing, cleaning regimes, guidance and information, and personal protective equipment to ensure that every possible step is being taken to minimise any harm to our colleagues and our passengers.

We have continued with the enhanced cleaning, disinfection and protection processes in vehicles, trains, and facilities. Through a robust process of adenosine triphosphate (ATP) testing, we are able to identify where additional measures are required. To ensure we remain at the forefront of available technologies, we launched a trial of a new fogging/misting product on our vehicles that is effective for longer, thereby enhancing protection for everybody onboard.

We continue to fully support our frontline bus and rail colleagues in every capacity. In line with the latest government guidance we are constantly evaluating our response. Many of the measures introduced or expanded at the height of the pandemic have been retained to protect our people and our customers, including facilitating contactless payments throughout our services, the wearing of face masks and retaining temporary screens in bus drivers' cabs. Our office-based colleagues have been supported as they have returned to our COVID-safe offices. We remain in regular contact with our colleagues about latest guidance and we continue to support them with their mental and physical health.

## Responsible business pillars continued

## Cleaner environment

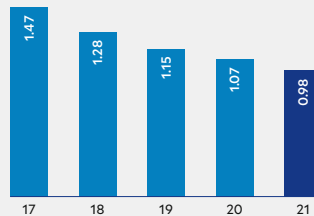
We manage our businesses in a responsible way, helping to create a thriving economy whilst aiming to reduce our impact on the environment.



### KPIs

#### Carbon emissions per vehicle mile (kgs) <sup>R</sup>

# 0.98



<sup>R</sup> Linked to executive LTIP awards, see pages 108 to 142

**Description:** We monitor all energy used within our operations and calculate our CO<sub>2</sub>e emissions (CO<sub>2</sub>e) which we divide by the number of vehicle miles operated to establish CO<sub>2</sub>e per vehicle mile.

**Performance:** A nine per cent year on year reduction in CO<sub>2</sub>e per vehicle mile was achieved in the year due to reduced road congestion throughout the COVID-19 period, improvements in the efficiency of our bus and rail fleet, investment in low-carbon vehicles and reduced energy used in our premises.

Go-Ahead aims to be a leader in the transition to a low-carbon economy. We continue to work to maximise the environmental benefits of mass transport while at the same time working to address and overcome the negative environmental impacts of our operations. We have a comprehensive environment policy and energy and climate change policy at Group and local levels. These set out the reasonable measures we are taking to tackle the environmental impacts caused by our activities including reducing our carbon footprint. Policies, objectives and performance are monitored and reviewed periodically, and colleagues are provided with information and training to help them contribute towards achieving our objectives and targets. Since 2016, the Group has achieved a 27 per cent absolute reduction in carbon emissions – during a period in which our operations have expanded into Ireland, Germany, Norway and Singapore.

In July 2021, we set out our strategy to lead the transport industry in carbon reduction by reducing our emissions by 75 per cent by 2035, and by becoming a net zero business by 2045. Approved by the Science Based Targets initiative (SBTi), the timetable is in keeping with an overall mission set under the Paris Agreement to limit global warming to 1.5°C by 2050.

→ [Read about our climate change strategy on page 26](#)

### Sustainable transport solutions

Go-Ahead is the largest operator of electric buses in the UK and we have a goal to run a zero-emission bus fleet by 2035. We opened the UK's first all-electric bus depot in Waterloo, preventing 1,918 tonnes of CO<sub>2</sub> emissions since the depot started operations in 2016. This was followed by a larger electric fleet in Northumberland Park in August 2020, with capacity for overnight charging of 117 buses. This depot is set to become a 'virtual power station', taking surplus energy from the batteries of parked buses and feeding it back into the grid. In November 2020, we launched the first fully electric bus fleet in the North East of England, providing 55,000 journeys a year and covering 300,000 miles across Newcastle and Gateshead each year. In September, work completed at Go-Ahead London's Merton depot, to enable 17 new electric buses to charge overnight.

We recognise the unique role that buses can play in combatting poor air quality and congestion and are committed to investing in pioneering technology with environmental objectives. In September 2018, our Bluestar bus company in Southampton unveiled the UK's first air filtering bus that removed ultrafine particles from the air, trapping them through a filter as the bus moved through the streets. We have now installed a filter on six buses of our Bluestar fleet, meaning we can remove 1.25kg of particulate matter from Southampton's air each year. The buses remove 99.5 per cent of ultra-fine particles and consume and filter the same amount of air as 6,000 people breathe an hour. In November 2020, the scheme won a UK Fleet Champions Award in the category 'Sustainable Journeys' recognising the work done to reduce risk and fuel.

In Brighton, we introduced the UK's first hybrid 'geo-location' electric bus route, where buses automatically switch to zero-emission mode when driving through the city centre. We now have a total of 54 of these buses covering 244,000 zero-emission miles a year.

We are piloting the use of solar panels on the roofs of our buses and depots, and are presently carrying out a feasibility study to identify further potential sites for solar PV across all UK bus premises so that we can increase the amount of self-generated, zero carbon electricity that we consume. Over the last 12 months, energy produced from these solar panels equated to over 1 million kWh of electricity. All the Group's UK premises – including rail stations and bus depots – are powered by zero-carbon electricity generated from fully renewable sources, such as solar, wind and hydro power.

In rail, we are showing what it is possible to achieve with electrification, alternate non-diesel technology operation, and zero-carbon energy. Go-Ahead is the UK's largest operator of electric trains, at the year end, 98 per cent of our fleet comprised electric trains. GTR's Class 700 fleet recycles 15.8GWh of energy each month from its braking system and returned it into the network. This equates to a 50 per cent reduction in energy demand compared with the previous fleet of trains.

One of the identified causes of carbon emissions in urban areas is the increase in traffic for delivery of online orders. To help reduce the numbers of stops required by delivery vans, we have installed Amazon

lockers at 51 locations across the Southern network, increasing convenience for our customers as well as reducing the environmental impact of deliveries. The lockers are placed in locations where customers can collect their goods while using the station or while in the local area. This scheme will be expanded across Thameslink and Great Northern stations in the coming months.

### Disclosure and verification

The recognition our progress has received reflects the focus and commitment Go-Ahead has to its environmental performance. We were proud to be named as one of Britain's Most Admired Companies, coming first place in the transport sector for 'Community and Environmental Responsibility', highlighting our position as a leader in sustainable transport. Go-Ahead has also been awarded with the London Stock Exchange Green Economy Mark, an accreditation which recognises businesses with at least 50 per cent green revenues.

In December 2021, we maintained our highest ever rating from the Carbon Disclosure Project's (CDP) Climate Change Survey for our commitment in reducing carbon emissions, keeping our A minus grade, the highest score of any UK transport operator. This year, Go-Ahead was named one of the top 300 'European Climate Leaders' by the Financial Times for our carbon cutting initiatives.

Notably, we have cut carbon emissions over a time period of meaningful national and international growth.

Go-Ahead was the first major public transport company to achieve the ISO 50001 certificate in 2018 for energy management for all of our UK operations. The certification independently verifies our energy management processes and data and supports compliance with mandatory disclosures.

### Performance and targets

Overall, in absolute terms, on a location-basis, our equivalent carbon dioxide (CO<sub>2</sub>e) emissions in 2021 were 8.35 per cent lower year on year and 27.1 per cent lower than 2017, our baseline year. The absolute reduction in CO<sub>2</sub>e compared to our 2017 baseline is partially due to the significant changes in the composition of the Group.

In 2019 we set ourselves a target to achieve a 25 per cent reduction on our CO<sub>2</sub>e per vehicle mile by 2021 from our 2017 baseline performance and not only achieved our target a year early, but also exceed it with an overall reduction of 33.4 per cent.

## Greenhouse gas emissions

### Our carbon footprint in tonnes of equivalent carbon dioxide (CO<sub>2</sub>e)

→ Read more on page 283

	2021 Tonnes CO <sub>2</sub> e	2020 Tonnes CO <sub>2</sub> e	2019 Tonnes CO <sub>2</sub> e	2018 Tonnes CO <sub>2</sub> e	2017 Tonnes CO <sub>2</sub> e
<b>Scope 1</b>					
Total	<b>366,372</b>	383,082	394,878	406,564	426,130
<b>Scope 2</b>					
Total Scope 2 – location	<b>318,099</b>	369,439	370,297	422,644	520,508
Total Scope 2 – market	<b>43,242</b>	67,279	61,971	63,306	61,037
<b>Scope 3</b>					
Electricity – transmission and distribution (total)	<b>27,945</b>	31,554	31,510	36,012	48,666
Out of scopes – biogenic content of bio-diesel	<b>20,144</b>	15,188	12,436	7,858	9,373
Total kWhs	<b>2,917,925,461</b>	3,032,726,257	2,983,369,795	3,042,437,920	3,207,016,101
<b>Scope 1, 2 &amp; 3 and out of scopes</b>					
UK – location	<b>642,572</b>	715,861	—	—	—
Non-UK – location	<b>89,987</b>	83,403	—	—	—
Total – location	<b>732,559</b>	799,263	809,121	873,078	1,004,677
UK – market	<b>350,386</b>	401,947	—	—	—
Non-UK – market	<b>107,318</b>	95,156	—	—	—
Total – market	<b>457,703</b>	497,104	500,795	513,740	545,207
Total vehicle miles operated	<b>749,034,991</b>	733,702,870	706,393,581	683,223,210	684,511,871
<b>Energy consumption</b>					
	2021 kWhs	2020 kWhs			
UK	<b>2,578,251,899</b>	2,728,037,565			
Non-UK	<b>339,673,561</b>	304,688,691			
Total kWhs	<b>2,917,925,461</b>	3,032,726,257			
<b>Total bus and rail mileage (locations)</b>					
	2021	2020	2019	2018	2017
All scopes kgs CO <sub>2</sub> e (location)/vehicle mile	<b>0.9780</b>	1.0894	1.1454	1.2779	1.4677
YoY % change	<b>-10.22%</b>	-4.90%	-10.37%	-12.93%	n/a
% change on 2017 baseline	<b>-33.37%</b>	-25.78%	-21.96%	-12.93%	n/a

→ For more information on methodology, scope and exclusions see page 284

Annual emissions figures for prior years have been restated to reflect the collation of subsequent changes in consumption data and the correction of emissions.

## Responsible business pillars continued

### Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), was set up to define how reporting could take account of climate-related issues. The Go-Ahead Group will incorporate the TCFD recommendations fully into reporting next year. The table below gives an overview of where we stand today.

#### Governance

Governance section, pages 71 to 146

##### Group Board

The Board is ultimately responsible for the Group's business strategy and long term performance, which includes climate change. The Board receives updates at least twice annually on progress against targets, changes in legislation, and risks and opportunities arising from climate change. The Group Chief Executive is responsible for leading discussion on climate-related topics at Board and Group Executive Committee meetings.

The Board has ultimate accountability for the Group's risk management, supported by the Audit Committee, to which the Board has delegated responsibility for reviewing the effectiveness of the Group's risk management and internal control systems. Strategic climate-related risks and opportunities are identified, assessed and responded to within this risk management process in the same way as all other risks to the Group. As such, the Board has full oversight on these risks, their current status and the measures being implemented to manage and mitigate them.

##### Group Executive Committee

The Group's Executive Committee, which includes the Group Chief Executive and Group Chief Financial Officer, recommends and oversees the Group strategy and targets (including targets for tackling climate change) and decides upon investment priorities for the Group.

##### Operating companies

Senior leadership teams in the Group's individual operating companies are responsible for implementing the climate change strategy within their business and reporting performance back to the Group Executive Committee. Through our business planning cycle reports, and our risk registers, our localised companies feed into the risk process, both of which are reported to the Group Board and reviewed on a regular basis. They also monitor the impact of climate change on their business and ensure this is communicated to the Group.

#### Strategy

Climate change strategy, pages 26 to 27

##### Climate change strategy

The Group's overarching target is to become a net zero carbon business by 2045. The strategy to achieve the target considers short, medium and long term horizons and focuses on five workstreams:

- Climate change adaptation – identifies how climate change impacts the business and develops plans to adapt to present and future climate-related changes
- Decarbonisation – works towards the decarbonisation of our fleet and operations
- Air quality – aims to reduce emissions of CO, HCs, NOx, and PM
- Water – aims to reduce our water usage
- Waste – aims to reduce our overall waste volumes and increase reuse and recycling

##### Climate Change Task Force (CCTF)

Data, metrics and detailed action plans are managed by our CCTF, a multi-functional team drawn from Go-Ahead's operating companies and the Group's head office. The CCTF formulates the plans which enable a programme of climate-related projects to be delivered across Go-Ahead's businesses and is responsible for monitoring its progress.

##### Scenario analysis

We conducted climate change scenario analysis, looking at scenarios of temperature increases of +2°C and +4°C by 2030 to test the organisation's robustness under a variety of future outcomes. For our study, the two scenarios chosen were: an 'aggressive mitigation' scenario whereby global warming is limited to 2°C by the end of the century; and a 'rapid warming' scenario whereby global GHG emissions continue on an upward trajectory and global warming reaches 4°C by the end of the century.

These scenarios were chosen because they represent two opposing pathways: one of rapid policy and technological change, which helps to limit the extent of the physical impacts of climate change; and another representing 'business as usual' from a policy perspective, such that rising GHG emissions result in significant physical climate impacts.

Our scenario analysis closely informed the work that we have carried out over the last 12 months to develop our Climate Change Strategy. We have built on the broad-brush risks and opportunities identified in the scenario analysis by conducting an in-depth climate change risk and opportunity assessment in line with the TCFD recommendations and have ensured that our strategy addresses the substantive risks and opportunities identified.

## Strategy continued

### Risks and opportunities

We have identified a range of risks and opportunities relating to the impact of climate change on our business. They have been incorporated into our risk registers and operating company business planning, which is reported to the Board on an annual basis. We consider the areas around which the most material risks and opportunities exist to be:

- Delivery of our operations and contractual obligations
- The infrastructure through which our buses and trains operate, e.g. premises, third-party infrastructure (such as roads and rail networks)

- Our colleagues and passengers
- Our reputation
- Our financial position and performance

## Risk management

Principal Risks, pages 60 to 64

### Our approach to risk management

Our approach to risk management combines a top-down strategic assessment of risk with a bottom-up operational identification and reporting process. All risks are assessed for their potential impact over the short, medium and long term in a multi-disciplinary, Group-wide risk management process. As previously mentioned, the ultimate accountability for risk management sits 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 systems.

### Monitoring climate-related risks

In 2020, as part of the work to develop our new climate change strategy, a complete review of climate-related risks and opportunities was carried out by the CCTF. This process identified over 100 risks and opportunities, which were scored qualitatively. The main output of this review is the 'Group Register of all Climate Change-related Risks and Opportunities', which is maintained, reviewed and updated as required twice annually by the CCTF, and enables the executive directors to look across the business and consider aggregate Group-wide risks, as well as to challenge any inconsistencies.

### Embedding and responding to climate-related risks

As the executive directors review the Group-wide strategic risks identified by the CCTF, they can include them within the Group's Risk Register Report and take them to be discussed at the Audit Committee and Group Board meetings.

The Group's response to climate-related risks is no different to other material risks identified by the Group.

## Metrics and targets

Climate change strategy, page 26 and GHG emissions table, page 283

### Climate-related KPIs

We have a range of KPIs to help us manage climate-related risks and opportunities, performance against targets, and monitor our scope 1, scope 2 and scope 3 GHG emissions, as well as the related risks. Performance-related KPIs such as fuel efficiency, ultra low emission vehicles, and carbon footprint are embedded into operating company monthly reporting and reviewed in more detail biannually, which allows clear oversight of progress and review of risks and opportunities against targets.

### Science Based Targets for scope 1 and 2

Go-Ahead intends to reduce emissions across all three scope categories. We have set a Science Based Target (SBT) to reduce our scope 1 and 2 CO<sub>2</sub> emissions by 75 per cent by 2035 as well as action plans to achieve these targets. We are currently in the process of developing our scope 3 emissions reduction activity. A scope 3 screening exercise was

carried out in 2021 to quantify these emissions as part of the work in setting a SBT, which established that our scope 3 emissions are under the 40 per cent threshold specified by the Science Based Targets initiative (SBTi). Therefore, we did not have to set reduction targets for our scope 3 emissions.

The baseline for the strategy is an independently verified measure of Go-Ahead's emissions for the financial year ended 27 June 2020. We used this reference to project future emissions over a 15 year horizon and calculated that, to meet the 1.5°C threshold, we must reduce emissions by at least 4.2 per cent on average annually. However, we can do more and have set a target to decarbonise our business by 75 per cent by 2035, and to become a net zero business for scopes 1 and 2 emissions by 2045, which considers that the residual carbon that cannot be removed, will be offset.

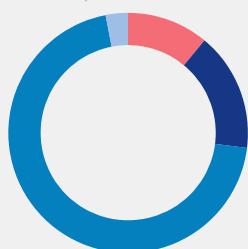
## Business and finance review



**Gordon Boyd**  
Interim Group Chief Financial Officer

Revenue  
**£4,058.5m**

(2020: £3,897.2m restated)

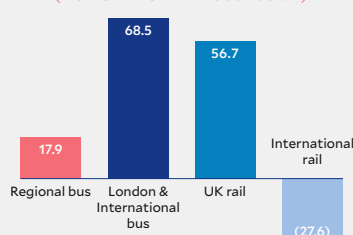


Regional bus: **£427.7m**  
London & International bus: **£660.9m**  
UK rail: **£2,829.7m**  
International rail: **£140.2m**

Operating profit pre-exceptional items\*

**£115.5m**

(2020: £76.4m restated\*)



Regional bus: **£17.9m**  
London & International bus: **£68.5m**  
UK rail: **£56.7m**  
International rail: **(£27.6m)**

\* Pre-exceptional items of £104.1m (2020: £93.7m restated).

Group operating profit/(loss)  
(post-exceptional items)

**£11.4m**

(2020: loss of (£17.3m) restated)

Regional bus: **£17.7m**  
London & International bus: **£68.5m**  
UK rail: **£24.3m**  
International rail: **(£99.1m)**

## Group overview

	2021 £m	2020 Restated £m	Increase/ (decrease) £m	Increase/ (decrease) %
<b>Group revenue</b>	<b>4,058.5</b>	3,897.2	161.3	4.1
Regional Bus operating profit	<b>17.9</b>	20.5	(2.6)	(12.7)
London & International Bus operating profit	<b>68.5</b>	50.0	18.5	37.0
<b>Total Bus operating profit</b>	<b>86.4</b>	70.5	15.9	22.6
UK Rail operating profit	<b>56.7</b>	50.5	6.2	12.3
International Rail operating loss	<b>(27.6)</b>	(44.6)	17.0	38.1
<b>Total rail operating profit</b>	<b>29.1</b>	5.9	23.2	393.2
<b>Group operating profit (pre-exceptional items)</b>	<b>115.5</b>	76.4	39.1	51.2
Exceptional operating items	<b>(104.1)</b>	(93.7)	(10.4)	11.1
<b>Group operating (loss)/profit (post-exceptional items)</b>	<b>11.4</b>	(17.3)	28.7	(165.9)
Results of equity accounted investments	<b>(0.2)</b>	(0.6)	0.4	(66.7)
Net finance costs	<b>(18.1)</b>	(21.6)	3.5	(16.2)
<b>Loss before tax</b>	<b>(6.9)</b>	(39.5)	32.6	(82.5)
Total tax expense	<b>(33.8)</b>	(11.4)	(22.4)	196.5
<b>Loss for the period</b>	<b>(40.7)</b>	(50.9)	10.2	(20.0)
Non-controlling interests	<b>(5.3)</b>	(15.0)	9.7	(64.7)
<b>Loss attributable to shareholders</b>	<b>(46.0)</b>	(65.9)	19.9	(30.2)
Profit attributable to shareholders (pre-exceptional items)	<b>46.6</b>	21.5	25.1	116.7
<b>Weighted average number of shares (m)</b>	<b>43.0</b>	43.0	—	—
Earnings per share (pre-exceptional items) (p)	<b>108.4p</b>	50.0p	58.4p	116.8
Loss per share (post-exceptional items) (p)	<b>(107.0)p</b>	(153.3)p	46.3p	30.2
Proposed dividend per share (p)	—	—	—	—



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# Financial performance

We continue to work closely with our clients and partners to operate essential transport services and plan for the future.

The Group's UK and International Bus operations delivered a solid set of results, however, challenges in International Rail and the circumstances relating to the end of the Southeastern franchise have overshadowed the Group's performance.

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All references to operating profit, EBITDA and margins are on a pre-exceptional basis unless otherwise detailed. A full reconciliation between pre and post-exceptional operating profit/loss is shown within the income statement and associated notes. The year ended 3 July 2021 was a 53 week period whereas the year ended 27 June 2020 was a 52 week period. Like-for-like comparatives have been referenced below where meaningful.

## Prior year restatements

A number of restatements and adjustments were identified during the year. Note 2 in the financial statements summarises the impact of the adjustments to each financial year and to each of the primary financial statements. As a result of the prior year adjustments, 2020 loss before tax increased by £39.3m, 2020 net assets decreased by £77.2m and 2020 opening retained earnings has decreased by £23.2m.

The misstatements can be aggregated based on their nature and cause into the following: i) London & South Eastern Railway Limited (LSER) matters of concern, other historic franchises, and affiliate trading; ii) correction of errors, including the German rail onerous contract provision; and iii) presentational adjustments and reclassifications.

The misstatements relating to LSER matters of concern, historic other franchises and affiliate trading reduced 2020 operating profit by £3.9m, profit after tax by £4.2m and profit attributable to the parent by £2.7m. Within the 2020 balance sheet, trade and other payables increased by £40.3m, current tax liabilities decreased by £0.9m, retained earnings reduced by £26.1m and non-controlling interests reduced by £13.3m.

In Germany, an understatement has been identified in respect of the accounting for the onerous contract provision in the rail contracts in Bavaria in the prior year and the Group's 2021 half year results. This reduced 2020 operating profit (after exceptional items) by £36.6m. Within the 2020 balance sheet, the 2020 provision was determined to be understated by £37.1m (including the £25.9m subsequently provided for in the 2021 half year results), retained earnings reduced by £36.6m and the translation reserve by £0.5m.

The correction of errors primarily relates to provisions and accruals balances which were not appropriate. These misstatements increased 2020 operating profit by £2.4m, and profit after tax and profit attributable to the parent by £2.0m. Within the 2020 balance sheet, there were restatements to multiple items, the net asset impact was a decrease of £0.7m.

The presentational adjustments and reclassifications primarily relate to balance sheet reclassifications, cashflow statement reclassifications and other presentational adjustments within the financial statements. Within the 2020 balance sheet, current assets and liabilities both increased by £22.0m.

## Financial overview

The Group delivered a solid financial performance in our Bus businesses and GTR, supported by limited exposure to changes in passenger demand, with around 90 per cent of our revenues secured through contracts. This performance was, however, overshadowed by the need to make material provisions in respect of International Rail and LSER.

Revenue for the year was £4,058.5m, up £161.3m, or 4.1%, on last year (2020: £3,897.2m restated). This increase includes the first full year of operating rail services in Norway. Higher revenue within London & International Bus reflects contract revenue growth in London and the timing benefit from a change in the recognition profiling of Quality Incentive Contract (QIC) revenue.

Loss before tax was £6.9m (2020: loss of £39.5m restated), including £104.1m of exceptional items (2020: £93.7m restated). The movement reflects higher exceptional costs, partly offset by higher profits in London & International Bus and reduced losses in International Rail. The loss attributable to shareholders for the year decreased, to a loss of £46.0m (2020: loss of £65.9m restated) and loss per share reduced by 30.2% to a loss per share of 107.0p (2020: loss per share 153.3p restated).

Exceptional items of £104.1m (2020: £93.7m restated) include £71.5m in International Rail, £32.4m in UK Rail and £0.2m in Regional Bus. They consist mainly of an onerous contract provision and an asset impairment in Norway, as well as a potential financial penalty from the Department for Transport (DfT) and associated costs relating to LSER matters of concern.

Excluding exceptional items, profit attributable to shareholders increased by £25.1m or 116.7% to £46.6m (2020: £21.5m restated), driven by performance in bus operations in London and GTR, with earnings per share (excluding exceptional items) increasing to 108.4p (2020: 50.0p restated).

Adjusted net debt (excluding restricted cash) on a pre-IFRS 16 basis was £305.9m at 3 July 2021 (2020: £321.6m) as reconciled in the cashflow statement on page 52. The decrease in net debt reflects improved EBITDA (excluding exceptional items) and continued measures taken to mitigate the impact of COVID-19 including limiting capital investment and the suspension of dividends. The pre-IFRS 16 adjusted net debt (excluding restricted cash) to EBITDA (excluding exceptional items) ratio of 1.56 times (2020: 1.98 times restated) is at the lower end of our target range of 1.5 times to 2.5 times, and well below our primary bank covenant of 3.5 times.

Prior to 2021, UK Rail and International Rail were reported together as one rail segment. They are now reported separately due to growth in the international businesses and in response to differences in characteristic and challenges between UK and international rail contracts.



## Business and finance review continued

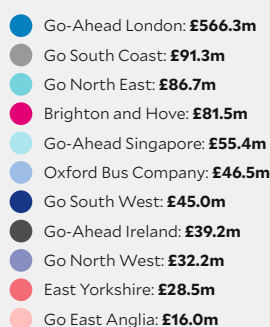
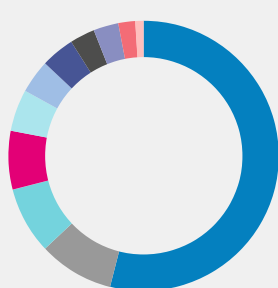
# Bus

Go-Ahead is a leading bus operator transporting passengers on our bus services across the UK, Ireland and Singapore.

## Our bus financial highlights

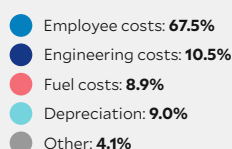
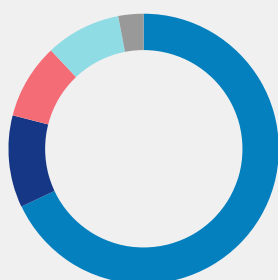
### Bus revenue

**£1,088.6m** (2020: £1,012.9m)



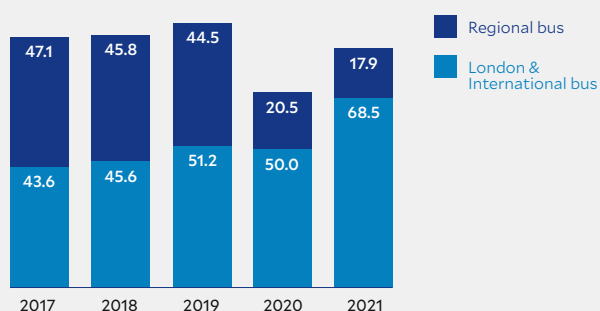
### Bus operating cost base

**£1,002.2m** (2020: £942.4m restated)



### Bus operating profit pre-exceptional items\*

**£86.4m** (2020: £70.5m restated)

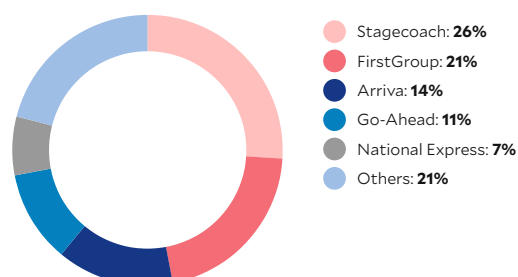


\* Exceptional costs of £0.2m (2020: £26.7m).

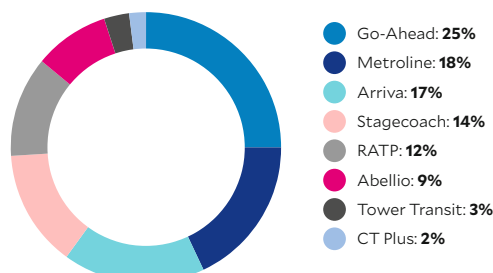
## Bus overview

	2021	2020 Restated	Increase/ (decrease) £m	Increase/ (decrease) %
<b>Total bus operations</b>				
Revenue (£m)	<b>1,088.6</b>	1,012.9	75.7	7.5
Operating profit <sup>1</sup> (£m)	<b>86.4</b>	70.5	15.9	22.6
Operating profit margin <sup>1</sup>	<b>7.9%</b>	7.0%	n/a	0.9ppt
<b>Regional Bus</b>				
Revenue (£m)	<b>427.7</b>	408.8	18.9	4.6
Operating profit <sup>1</sup> (£m)	<b>17.9</b>	20.5	(2.6)	(12.7)
Operating profit margin <sup>1</sup>	<b>4.2%</b>	5.0%	n/a	(0.8ppt)
<b>London &amp; International Bus</b>				
Revenue (£m)	<b>660.9</b>	604.1	56.8	9.4
Operating profit <sup>1</sup> (£m)	<b>68.5</b>	50.0	18.6	37.0
Operating profit margin <sup>1</sup>	<b>10.4%</b>	8.3%	n/a	2.1ppt
<b>Like for like revenue growth</b>				
Regional Bus <sup>2</sup>	<b>(1.9%)</b>	(11.4%)	n/a	9.5ppt
London & International Bus <sup>3</sup>	<b>6.7%</b>	3.0%	n/a	3.7ppt
<b>Like for like volume growth</b>				
Regional Bus passenger journeys <sup>4</sup>	<b>(42.1%)</b>	(24.7%)	n/a	(17.4ppt)
London & International Bus miles operated <sup>5</sup>	<b>3.8%</b>	0.4%	n/a	3.4ppt

## Regional bus market share (%)



## London market share (%)



1. Excluding exceptional items.
2. Like for like revenue is calculated after removing £23.2m from 2021 revenue and £4.3m of 2020 revenue relating to contracts started part way through the previous year. £7.6m was removed in 2021 to adjust for the 53 week year.
3. Like for like revenue is calculated after removing £4.7m from 2021 revenue and £0.6m of 2020 revenue relating to contracts started part way through the previous year. £12.4m was removed in 2021 to adjust for the 53 week year.
4. On a like for like basis, excluding the impact of the 53 week year in the current year.
5. On a like for like basis, excluding the impact of Go-Ahead Ireland's first year of operation and excluding the impact of the 53 week year in the current year.

### Overall bus performance

The Bus division had a strong year owing to good performance in London & International Bus. Regional Bus performance reflects the continued impact of COVID-19 and funding received for operating essential bus services.

Total Bus revenue increased by £75.7m, or 7.5%, to £1,088.6m (2020: £1,012.9m) reflecting an additional week of operations with 2021 being a 53 week financial year, contract revenue growth in London & International Bus and a full year of operating contracted bus services in Cornwall, which commenced in April 2020.

Operating profit was £86.4m (2020: £70.5m restated) and the operating profit margin increased by 0.9ppts to 7.9% (2020: 7.0% restated). This reflects a good performance in London & International Bus largely driven by a £14.0m timing benefit in London relating to a change in the recognition profile of Quality Incentive Contracts (QICs) and the COVID-19 related government receipts in Singapore.

### Regional Bus

Regional Bus performance reflected the continued impact of COVID-19 on travel patterns and the receipt of COVID-19 Bus Service Support Grant (CBSSG) funding which was in place to support the provision of essential bus services throughout the year. Services were operating at between 90% and 100% of pre-COVID-19 levels at the year end and more passengers were travelling on our services than at any point during the pandemic, with volumes increasing as restrictions eased recovering to around 70% of pre-COVID-19 levels by the year end.

Regional Bus revenue for the year was £427.7m (2020: £408.8m), up £18.9m, or 4.6%, reflecting the first full year of operation of contracts in Cornwall, a full year of CBSSG receipts and an element of prior year CBSSG funding recognised in the current year. Nine months of the 2020 financial year took place before the impact of COVID-19 was felt in our business, we estimate the profit in that financial year up to the end of February 2020 was £15.7m. 2021 has been impacted by the pandemic throughout the period with reductions in passenger revenue mitigated by government support and cost savings. Like for like revenue reduced by 1.9% (2020: reduction 11.4%).

Operating profit (excluding exceptional items) in Regional Bus reduced by £2.6m, or 12.7%, to £17.9m (2020: £20.5m) with the operating profit margin down 0.8 percentage points to 4.2% (2020: 5.0%). This reflects the breakeven performance of bus operations under the CBSSG mechanism, the one-off recognition of an element of prior year CBSSG reconciliation settlements and property income in respect of Go-Ahead owned facilities. Operating profit (excluding exceptional items) excluding prior year CBSSG of £7.2m was £10.7m.

The UK Government maintained CBSSG from its inception in March 2020 until the end of August 2021. The funding received was subject to a reconciliation process every 12-16 weeks. At the year end, the reconciliations for the periods to 21 December 2020 had been concluded providing greater certainty over revenue recognition. Following completion of the first reconciliation, £7.2m was recognised in the first half of the 2021 year in respect of services delivered in the second half of 2020.

Although some reconciliations are yet to be completed, improved clarity around the process and greater certainty over revenue recognition has resulted in £120.0m of expected CBSSG income being recognised in the year end result (2020: £20.1m). Overall the net increase in operating profit on operations covered by CBSSG was £1.2m, while costs not covered by CBSSG were £2.5m higher in 2021 than in 2020.

Local authorities across the country have largely continued to provide funding for services at pre-crisis levels, this is consistent with prior year. The Bus Service Operators Grant (BSOG), relating to fuel duty, was also maintained at pre-COVID-19 levels throughout the year.

Exceptional items relate to the profit on sale of previously impaired assets sold above their written down value and the reversal of a prior year exceptional provision. These credits were partially offset by the additional impairment of coaches relating to services not supported by CBSSG and provisions for loss making contracts. The net impact of these items is a £0.2m cost in the year, £26.5m lower than in the prior year.

## Business and finance review continued

### Bus continued

#### Regional Bus continued

The table below illustrates the key drivers of the movements in segmental operating profit which are summarised in the above following narrative:

	£m Post-exceptional	£m Pre-exceptional
<b>2020 operating profit/(loss)</b>	(6.2)	20.5
CBSSG not recognised in 2020 due to uncertainty	7.2	7.2
2020 including CBSSG recognised in 2021	1.0	27.7
Changes:		
Estimate of prior year profit for period pre-COVID-19	(15.7)	(15.7)
Operating profit movement on operations covered by CBSSG	1.2	1.2
Costs not covered by CBSSG	(2.5)	(2.5)
Exceptional items	26.5	—
<b>2021 excluding CBSSG recognised related to 2020</b>	<b>10.5</b>	<b>10.7</b>
Recognition of confirmed prior year CBSSG	7.2	7.2
<b>2021 operating profit</b>	<b>17.7</b>	<b>17.9</b>

Operating profit post exceptional items of £17.7m increased £23.9m from a prior year operating loss £6.2m with exceptional costs reducing by £26.5m in the year to £0.2m.

#### London & International Bus

London & International Bus, which includes our operations in London, Singapore and Ireland, performed well as a result of its resilient business model; Singapore up £1.9m and Ireland up £0.7m against the prior year.

Our contracts are operated on behalf of transport authority clients on a gross cost basis without exposure to changes in passenger demand and therefore revenue continued to be generated at pre-crisis levels. Like for like mileage increased by 3.8% mainly due to contract renewals and route wins in London.

Revenue grew by £56.8m or 9.4%, to £660.9m in the year (2020: £604.1m), reflecting a full year's operation of contracts in Ireland, contract revenue growth including route wins in London bus, timing benefits in London relating to the recognition profile of Quality Incentive Contract (QICs) and COVID-19 related government receipts in Singapore. An additional week of operation in the 2021 financial year also supported revenue growth.

Operating profit in London & International Bus was £68.5m (2020: £50.0m restated), up £18.5m, or 37.0%, resulting in an increase in operating profit margin to 10.4% (2020: 8.3% restated).

The most material movement in the year related to QICs income. During the year, Transport for London (TfL) moved from annual to quarterly settlement of QICs. This created greater levels of certainty and accelerated the recognition of this revenue, giving a significant timing benefit in the first half of the year and crystallising additional QICs in the second half of the year. As a result, QICs rose by £14.0m to £28.4m (2020: £14.4m).

The full year performance was also supported by good results in the international businesses, contract revenue growth including route wins in London and an additional week of operations generated a £2.0m benefit against the prior year. The contract revenue growth in London helped mitigate the impact of reduced commercial and ancillary revenue due to COVID-19.

The following table illustrates the key drivers of the movements in segmental operating profit which are summarised in the preceding narrative:

	£m
<b>2020 operating profit restated</b>	50.0
Changes:	
QICs	14.0
London contract revenue growth	1.9
Singapore	1.9
Ireland	0.7
<b>2021 operating profit</b>	<b>68.5</b>

#### Capital expenditure and depreciation

	2021 £m	2020 £m
Regional Bus fleet (inc. vehicle refurbishment)	<b>26.4</b>	31.2
London & International Bus fleet (inc. vehicle refurbishment)	<b>16.4</b>	13.5
Technology and other items	<b>4.9</b>	8.8
Depots	<b>2.3</b>	3.1
Intangible expenditure	<b>0.9</b>	4.4
<b>Total capital expenditure</b>	<b>50.9</b>	61.0

Total capital expenditure for Bus was £50.9m (2020: £61.0m). While this investment is materially below typical pre-pandemic levels, the average age of our buses remains low at 7.9 years (2020: 7.6 years). The majority of capital costs in the year related to previously committed purchases deferred from 2020 and essential expenditure to fulfil contractual requirements.

In London, the purchase of 41 new buses (2020: 39 buses) reflects the timing of contract wins and renewals. In Regional Bus, 98 new buses (2020: 133 buses) were purchased. Over half of the total buses

purchased were electric (74 buses) and the remainder comprised extended hybrid and Euro 6 buses. Vehicle procurement is aligned with our climate change strategy and target to operate a zero-emission bus fleet by 2035.

Depreciation on owned assets for Bus was £65.1m (2020: £66.2m), reflecting the net impact of prior year coach impairments and the higher cost of vehicles as we transition to a greener fleet. Depreciation on right of use assets was £25.5m (2020: £21.7m), slightly higher than the prior year, reflecting additional leased vehicles due to route wins in London and our bus contract in Cornwall which commenced operation in April 2020.

We expect total capital expenditure for Bus to be around £55.0m in 2022. Investment in Regional Bus is linked to availability of grants and government funding which reduces the net cash cost to the Group. Capital spend in London is driven by contract wins and renewals while we do not have any capital commitments for fleet replacement in Ireland or Singapore.

### Fuel

During the year, Bus required around 135 million litres of fuel, with a net cost of £89.4m. (2020: 135 million litres of fuel, with a net cost of £98.3m). Fuel costs and the cost per litre were lower in the year due to lower market rates for fuel as preferable hedging prices were obtained in the prior year, in particular during the final quarter of the 2020 financial year as market rates dropped.

### Bus fuel hedging prices

Our bus fuel hedging programme has continued, using fuel swaps to fix the price of our diesel fuel in advance. As shown in the table below, the year end position was aligned with our core policy to be fully hedged for the next financial year before that year begins, and 50% and 25% hedged for the two following years respectively.

	2022	2023	2024
% hedged	fully	50%	25%
Price (pence per litre)	32.8	32.1	31.2

This hedging profile is then maintained on a month by month basis. The position as at February 2022 is as follows:

	2022	2023	2024
% hedged	fully	77%	39%
Price (pence per litre)	32.8	34.0	34.1

At each period end, the fuel hedges are marked to market price.

### Bus financial outlook

#### Regional Bus

Following year end, passenger volumes increased over the first five months of the 2022 financial year, with a slowing in the recovery towards the end of 2021 following the emergence of the COVID-19 Omicron variant, in line with the industry. Since the lifting of the UK

Government's "Plan B" restrictions, passenger volumes have returned to pre-Omicron levels.

While we are reassured by the extent of the recovery to date, the remaining uncertainty regarding the speed and extent of recovery over the remainder of the financial year could impact the full year performance of Regional Bus, assuming particularly if BRG funding ceases in March 2022 as planned.

We expect passenger numbers to continue to increase over the medium term as workers return to offices, airport travel accelerates and self-isolation rules are relaxed. Longer term, we remain confident that Regional Bus will deliver attractive margins and returns given its strong local market positions and networks.

The Department for Transport (DfT) maintained Regional Bus funding throughout the year and has continued to support the provision of services in line with its August 2020 commitment that support would continue until no longer required. As the number of journeys taken on our bus services has grown, the required level of government support for these services has reduced.

We have worked with the DfT to establish a framework to transition back to a commercial operating model. CBSSG ended on 31 August 2021 and was replaced by the Bus Recovery Grant (BRG), with £255m of funding being made available for bus services in England until March 2022. The bus industry is engaging with the DfT regarding a potential continuation of funding beyond this date, to ensure vital bus services remain in place for our communities.

Following the publication of the UK Government's first national bus strategy in March 2021, our local management teams have worked in close collaboration with their local authorities to produce Bus Service Improvement Plans focused on providing high quality, reliable and value-for-money bus services which support climate change targets in our towns and cities. These plans will form the basis of Enhanced Partnerships in the majority of our bus markets.

As we emerge from the pandemic, and in the context of ambitious national climate change targets, it is more important than ever for bus travel to be on the Government's agenda and receive the focus and investment it warrants.

#### London & International Bus

Through its robust business model we have already secured our expected contractual revenue for the 2022 financial year through successful contract bidding. In London, while the market remains challenging and competitive, quarterly QICs settlements will continue until the end of March 2022, which provides greater visibility of income.

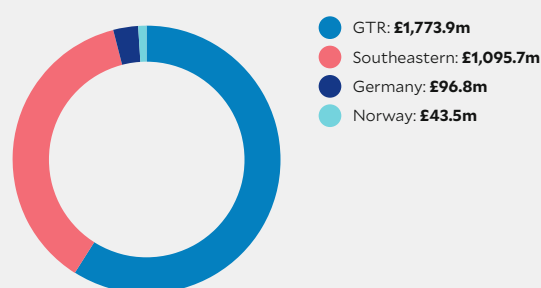
# Rail

Go-Ahead operates rail services in the UK, Germany and Norway.

## Our rail financial highlights

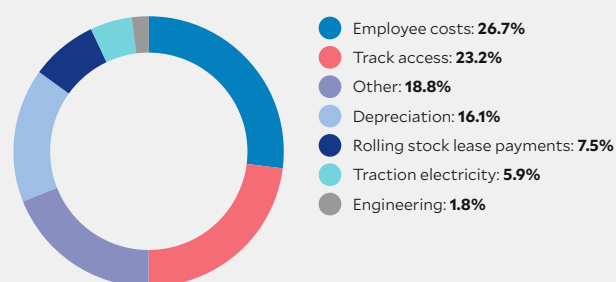
### Rail revenue

**£2,969.9m** (2020: £2,884.3m restated)



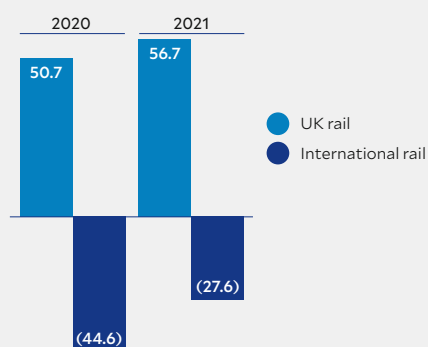
### Rail operating cost base

**£2,940.8m** (2020: £2,878.4m restated)



### Rail operating profit pre-exceptional items\*

**£29.1m** (2020: £5.9m restated)



\* Exceptional items of £71.5m (2020: £67.0m).

Throughout the year, UK franchises were operated by Govia, a 65% owned subsidiary, while our international contracts are 100% owned by Go-Ahead.

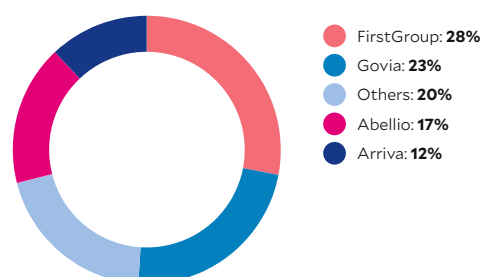
The Department for Transport (DfT) appointed the Operator of Last Resort to take over the operation of Southeastern services at the end of the franchise term on 17 October 2021.

### Rail overview

	2021	2020 Restated	Increase/ (decrease) £m	Increase/ (decrease) %
<b>Total Rail operations</b>				
Total revenue (£m)	<b>2,969.9</b>	2,884.3	85.6	3.0
Operating profit* (£m)	<b>29.1</b>	5.9	23.2	393.2
Operating profit margin*	<b>1.0%</b>	0.2%	n/a	0.8ppt
<b>UK Rail</b>				
Total revenue (£m)	<b>2,829.7</b>	2,814.3	15.4	0.5
Operating profit* (£m)	<b>56.7</b>	50.5	6.2	12.3
Operating profit margin*	<b>2.0%</b>	1.8%	n/a	0.2ppt
<b>International Rail</b>				
Total revenue (£m)	<b>140.2</b>	70.0	70.2	100.3
Operating profit* (£m)	<b>(27.6)</b>	(44.6)	17.0	38.1
Operating profit margin*	<b>(19.7%)</b>	(63.7%)	n/a	(44.0ppt)

\* Excluding exceptional items.

### UK rail market share (%)\*



\* During the 2021 financial year

### Prior year restatements

As detailed on page 188, a number of restatements and adjustments were identified during the year and the 2020 financial statements have been restated accordingly. The 2019 consolidated balance sheet has also been restated as some of these adjustments affect the opening reserves of the comparative balance sheet given the historical period to which they relate.

The misstatements can be aggregated based on their nature and cause and grouped into the following: i) LSER matters of concern, other historic franchises, and affiliate trading; ii) correction of errors, including the German rail onerous contract provisions; and iii) presentational adjustments and reclassifications.

The misstatements relating to LSER matters of concern and historic other franchises and affiliate trading reduced 2020 operating profit by £3.9m, net assets reduced by £39.4m and retained earnings reduced by £26.1m.

It was noted that under-provisions had been made in LSER in respect of the Southeastern franchise agreements. In the 2020 financial statements, this has resulted in a £0.1m decrease of profit before tax and a £2.3m decrease to net assets which also reflects adjustments to opening reserves.

In GTR, certain balances with the DfT and Network Rail had been presented as net rather than as gross payables and receivables. Both current trade and other receivables and current trade and other payables increased by £22.0m in the 2020 consolidated balance sheet and by £2.4m in the 2019 consolidated balance sheet.

In addition to the Independent Committee's review into the matters at LSER, a wider business review was conducted which identified a matter relating to a historic closed rail franchise. This relates to amounts totalling £3.5m which should have been reflected in the end of franchise settlement with the DfT. The amounts noted above in relation to LSER matters of concern and other historic franchises and affiliate trading includes this amount and a prior year adjustment in the financial statements with £3.5m to be paid to the DfT in the 2022 financial year in respect of this matter. Interest of £0.1m has also been recognised in relation to this.

In Germany, an understatement has been identified in respect of the accounting for the onerous contract provision in Bavaria in the prior year and the Group's 2021 half year results. The 2020 provision was determined to be understated by £37.1m (including the £25.9m subsequently provided for in the 2021 half year results) and has been restated in the prior year figures in the 2021 results. This has a corresponding impact of £36.6m to 2020 exceptional operating items and £0.5m to the translation reserve.

### Overall Rail performance

There have been changes in how Rail is reported from 2021. Due to the growth of the German and Norwegian businesses, and also due to the different characteristics and challenges faced between International and UK Rail franchises, we now report under two segments – UK Rail and International Rail. Due to the different contractual arrangements in UK Rail between the current and prior years and the start of the Norwegian contract in the prior year, no like for like comparison adjusting for just the 53 week year is presented.

Challenges in International Rail and the circumstances relating to LSER have dominated the financial performance of our rail operations.

Total Rail revenue increased by 3.0%, or £85.6m, to £2,969.9m (2020: £2,884.3m) which included a full year of operating rail services in Norway. Operating profit excluding exceptional items was up £23.2m or 393.2% at £29.1m (2020: £5.9m restated) as a result of lower losses in Germany due to improved operational and financial performance. Overall rail operating profit margin increased by 0.8 percentage points to 1.0% (2020: 0.2%).

Including exceptional items of £103.9m, Rail made an operating loss of £74.8m (2020: loss of £61.1m restated). International Rail recognised exceptional items of £71.5m (2020: £67.0m restated) relating to an onerous contract provision and asset impairments in Norway. UK Rail recognised £32.4m (2020: nil) relating to the £30.0m provision for a potential financial penalty from the DfT in respect of LSER along with legal and professional fees associated with these matters.

	2021	2020 Restated	Increase/ (decrease) £m	Increase/ (decrease) %
<b>Passenger revenue</b>				
GTR	412.2	1,242.7	(830.5)	(66.8)
Southeastern	249.4	666.3	(416.9)	(62.6)
Germany	33.2	28.9	4.3	14.9
Norway	17.6	11.1	6.5	58.6
<b>Total passenger revenue</b>	<b>712.4</b>	1,949.0	(1,236.6)	(63.4)
<b>Other revenue</b>				
GTR	87.5	151.0	(63.5)	(42.1)
Southeastern	9.0	19.5	(10.5)	(53.8)
Germany	5.8	4.6	1.2	26.1
Norway	1.5	—	1.5	n/a
Other	—	0.9	(0.9)	n/a
<b>Total other revenue</b>	<b>103.8</b>	176.0	(72.2)	(41.0)
<b>Subsidy and revenue support</b>				
GTR EMA & ERMA <sup>1</sup>	1,234.2	375.5	858.7	228.7
Southeastern EMA	837.3	359.4	477.9	133.0
Germany subsidy	57.8	17.9	39.9	222.9
Norway subsidy	24.4	7.4	17.1	229.7
Other	—	(0.9)	0.9	n/a
<b>Total subsidy and revenue support</b>	<b>2,153.7</b>	759.3	1,394.4	183.6
<b>Total revenue</b>	<b>2,969.9</b>	2,884.3	85.6	3.0

1. Emergency Measures Agreement (EMA); Emergency Recovery Measures Agreement (ERMA).



## Business and finance review continued

### Rail continued

#### Operating profit

##### UK Rail

Operating profit excluding exceptional items was up £6.2m or 12.3% at £56.7m (2020: £50.5m restated) mainly due to pre-EMA items in GTR of £14.7m, a GTR contract benefit of £3.8m and a reduction in head office and bid costs of £8.1m. This was partially offset by Southeastern's margin reducing under the EMA contract, with a £13.8m reduction in operating profit, and non-recurring gains of £6.8m in the prior year from the close out of balances on previous rail contracts. The UK Rail operating profit margin increased by 0.2 percentage points to 2.0% (2020: 1.8%).

The following table illustrates the key drivers in of the movements in segmental operating profit which are summarised in the narrative following:

	Post-exceptional £m	Pre-exceptional £m
<b>2020 operating profit restated</b>	50.5	50.5
Changes:		
GTR	3.8	3.8
GTR pre-EMA items	14.7	14.7
Southeastern	(13.6)	(13.6)
Head office & bid costs	8.1	8.1
Historic franchises	(6.8)	(6.8)
Exceptional items - LSER and other matters of concern	(32.4)	—
<b>2021 operating profit</b>	<b>24.3</b>	<b>56.7</b>

Operating profit including exceptional items was down £26.4m at £24.3m (2020: £50.5m) due to exceptional costs of £32.4m (2020: nil) relating to LSER matters of concern.

#### Individual franchise performance

##### GTR

GTR began the financial year operating under an Emergency Measures Agreement (EMA) which commenced in April 2020 and, along with the majority of UK rail franchises, transitioned to an Emergency Recovery Measures Agreement (ERMA) on 19 September 2020. Like the EMA, GTR's ERMA is a management contract with no revenue risk.

While the maximum margin under the EMA was 2.0%, comprising a 1.5% fixed management fee and 0.5% performance based fee, the ERMA's margin is capped at 1.5% comprising a 0.5% fixed management fee and 1.0% performance based fee.

GTR delivered a strong operational performance through its EMA, with good levels of customer satisfaction, resulting in the achievement of the majority of the 0.5% performance fee. The DfT confirmed the award of the EMA performance payment of £3.8m in December 2020.

The ERMA performance fee recognised in the year was £11.6m. This included £8.3m of performance payments confirmed up until March 2021 and £3.3m of accrued performance fee at year end. The accrued income has subsequently been confirmed by the DfT after year end.

Pre-EMA settlements of £14.7m in the year have also improved performance.

GTR was not subject to any termination sum payable to the DfT on transition to the ERMA agreement. In June 2021, the DfT extended GTR's ERMA under the same contractual terms, from its original end date of September 2021 to March 2022.

##### Southeastern

Throughout the period, the Southeastern franchise was operated by LSER under an EMA contract, which commenced in April 2020 and ended on 17 October 2021. Unlike the majority of UK rail franchises, which moved to ERMA contracts, the franchise continued to operate under EMA terms, with operating profit margins capped at 2.0%.

Operating performance was strong throughout the period resulting in the achievement of £3.9m in EMA performance fee in the year.

The DfT appointed the Operator of Last Resort to take over the operation of Southeastern services at the end of the franchise term on 17 October 2021. The DfT's decision not to award a National Rail Contract to LSER was as a consequence of discussions with the DfT regarding the calculation of profit share payments under the terms of the relevant franchise agreements and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements.

##### Matters of concern

The Independent Committee has determined that the following amounts are due to the DfT in connection with the matters of concern at LSER:

- £27.0m (previously disclosed as £25.0m) in respect of overpayments made by the DfT to LSER relating to HS1 Track Access and Depots in respect of the period 12 October 2014 and 29 February 2020. The amount had been accrued and no further adjustments to the financial statements are required.
- £17.3m in respect of overpayments of subsidy made by the DfT to LSER in respect of the period 1 April 2006 and 29 February 2020. This amount has been recognised as a prior year adjustment.
- £7.0m of interest payable in respect of the above overpayments. Of this amount, £6.1m has been recognised as a prior year adjustment.

##### Commercial negotiations

In addition to the matters of concern identified by the Independent Committee, there are other ongoing commercial negotiations under discussion with the DfT in relation to:

- The historic profit share dispute (recorded as a contingent liability of £8m in the 2020 Annual Report and Accounts) in respect of which an amount of £7.2m has been recognised in the current year financial statements.
- Levels of affiliate trading in respect of the period 12 October 2014 to 29 February 2020, and the implications this has on the assessment of profit share payable to the DfT in respect of which an amount of £14.1m has been recognised as a prior year adjustment, in respect of a sum under dispute with the DfT of £23.6m.

#### Payments made to the DfT

To date, a total of £49.2m has been paid by LSER to the DfT. This includes £22.2m relating to an initial assessment in respect of historic profit share and associated matters. If we settle the outstanding commercial discussions in line with our provisions then an estimated additional £23.4m will be payable to the DfT which is expected to be paid from restricted cash.

#### Provision for potential financial penalty

Under the Railways Act 1993, the DfT has the power to impose a financial penalty. In the absence of specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, has included a provision for £30.0m in the financial statements of the year, which reflects the Group's current best estimate of any penalty.

#### Historic closed franchises

In addition to the Independent Committee's review into the matters at LSER, a wider business review was conducted which identified a matter relating to a historic closed rail franchise. This relates to amounts totalling £3.5m which should have been reflected in the end of franchise settlement with the DfT. Prior year adjustments have been made in the financial statements and £3.5m will be paid to the DfT in the 2022 financial year in respect of this matter. Interest of £0.1m has been recognised in relation to this.

#### International Rail

Operating loss excluding exceptional items reduced by £17.1m to £27.6m (2020: £44.7m) as a result of lower losses in Germany due to improved operational and financial performance. Germany was up £14.8m on the prior year, with Norway up £1.4m and head office and bid costs £0.9m better.

Operating loss including exceptional items decreased by £12.7m to a loss of £99.1m (2020: £111.8m restated) due to exceptional costs of £71.5m (2020: £67.0m restated). Exceptional costs relate to an onerous contract provision of £66.2m and asset impairments of £10.5m in Norway.

The following table illustrates the key drivers in of the movements in segmental operating profit which are summarised in the preceding narrative:

	Post-exceptional £m	Pre-exceptional £m
<b>2020 operating (loss)</b>	<b>(111.6)</b>	<b>(44.6)</b>
Changes:		
Germany	14.7	14.7
Norway	1.4	1.4
Head office & bid costs	0.9	0.9
Exceptional items – Onerous contract provision	(32.9)	—
Exceptional items	28.4	—
<b>2021 operating (loss)</b>	<b>(99.1)</b>	<b>(27.6)</b>

#### Germany

The German rail business operates under management contracts and is not exposed to changes in passenger demand. As a result, the impact of COVID-19 on the financial performance of the business has been limited.

Financial performance for our rail operations in Baden-Württemberg was broadly in line with our expectations in the year and operational results were in line with our structured improvement plan. Operational and financial performance has improved with a new train fleet in full operation, improved driver recruitment, lower and stable levels of operational penalties and improved cost controls. As previously guided, losses from these operations diminished in the year and are expected to reduce further in the 2022 financial year.

Following the year end, we performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract. The review identified an understatement of £37.1m in respect of the accounting for the onerous contract provision in the rail contracts in Bavaria. The provision has been restated to reflect these findings resulting in a £10.6m increase to the total value which has been treated as a prior year adjustment, as well as the re-allocation of the £25.9m reported in the Group's 2021 half year results to the prior year. The calculation of the understatement was determined based on the assessment of information available that should reasonably have been included in the assumptions underpinning the 2020 provision.

Having become aware of the issue, we have identified a number of control weaknesses that are being addressed as part of the broader controls review referred to on page 56. No onerous provision has been recognised for the Baden-Württemberg contracts.

Whilst a significant proportion of the cost base of these contracts is fixed, providing visibility and certainty, we continue to manage risk and seek to reduce the extent of expected losses. The level of provision will remain under review as we progress through the remaining mobilisation period and into the start of operations. The provision is included within franchise commitments and further details can be found in note 24 of the financial statements.

## Business and finance review continued

### Rail continued

#### Norway

In December 2019, we began operating rail services in Norway; our first contract in this market and the first commercially run network in the country. The effects of the pandemic were felt just three months into this contract.

As the original contract included exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis, resulting in a broadly breakeven operating performance. Losses were covered in full at the start of the year and this support reduced slightly to 90-95% by the end of the year.

We have been required to record an onerous contract provision charge of £66.2m to cover potential losses resulting from an expected reduction in government support of rail services, while passenger volumes remain suppressed following the impact of COVID-19. Following the year end, constructive discussions have been ongoing with the Norwegian Railway Directorate and we are hopeful of reaching a more satisfactory outcome. In addition to the onerous contract provision, associated assets of £10.5m have been impaired.

The model upon which the provision is based is most sensitive to: passenger demand, government support, service performance, energy costs, employee costs and the exercise of the contract's two extension years.

The level of the contract provision involves inherent uncertainties, and the directors are taking every possible measure to mitigate the expected losses associated with the contract. The provision will remain under review as we progress through the discussions with the Rail Directorate as we aim to renegotiate this contract to reflect post-pandemic passenger demand levels.

#### Capital expenditure and depreciation

Total capital expenditure for UK and International Rail was £4.2m (2020: £30.0m), predominantly relating to short term improvement programmes in Southeastern and software costs in Norway.

Depreciation on owned assets for UK and International Rail was £16.4m (2020: £17.9m), reflecting the timing of capital expenditure which is being depreciated over the lives of the franchises.

Depreciation on right of use assets was £461.0m (2020: £353.8m). The increase reflects the full year of IFRS 16 leases in Southeastern which came into the scope of IFRS 16 in April 2020 following receipt of the previous year's direct award contract.

In 2022, capital expenditure for the UK and International Rail is expected to be around £5.0m.

#### Rail outlook

##### UK Rail

The DfT extended GTR's ERMA under the same contractual terms, from its previous end date of 20 September 2021 to 31 March 2022. This provides visibility of financial performance for the remainder of the contract, transferring full revenue risk to the DfT in return for a tight operating profit margin range. Discussions relating to a potential National Rail Contract (NRC), to follow the current GTR contract, are taking place with the DfT.

In May 2021, we welcomed the publication of the Government's "Williams-Shapps Plan for Rail" White Paper detailing its blueprint for the future of UK rail and establishing a direction of travel for the industry. As the operator of the UK's largest rail contract, we are actively working with the Government to shape the future of the industry.

##### International Rail

In Germany, we continue to deliver against our improvement plans to reduce financial penalties and costs in Baden-Württemberg. Our financial expectations relating to the Baden-Württemberg contracts remain unchanged and we forecast losses will diminish in 2022.

The first of two contracts in Bavaria started on 12 December 2021 and the second will commence in December 2022. Following the successful mobilisation of the first contract, work is underway to ensure a smooth introduction of the remaining contract.

The successful mobilisation contains risk and it depends on many factors, including driver recruitment. The estimation involved when assessing these factors contains inherent uncertainties. The contracts are performing in line with our current financial expectations which reflect the impairments and provisions recognised. As the mobilisation process progresses, the visibility of future income and costs increases.

In August 2021, an agreement was reached with the rolling stock provider in relation to liquidated and consequential damage claims resulting in a post-year end settlement of €10m. €5m has been paid in the 2022 financial year and the balance will be settled over the next three years.

In Norway, where passenger volumes are currently at around 65% of pre-crisis levels, the recently elected Government has confirmed that financial support for rail services will remain in place until at least March 2022, covering 85% of losses.

Although COVID-19 restrictions were removed in Norway in February 2022, the speed and extent of passenger recovery remains unclear.

# Financial review

## Profit/(loss) before taxation

Profit before tax excluding exceptional items of £97.2m (2020: £54.2m restated) increased due to higher profits in London & International Bus and reduced losses in International Rail. Loss before tax was £6.9m (2020: loss of £39.5m restated), the movement reflects the increase in exceptional costs to £104.1m (2020: £93.7m restated).

## Earnings per share

Excluding exceptional items, earnings attributable to the equity shareholders of the parent was £46.6m (2020: £21.5m restated), resulting in an increase in pre-exceptional earnings per share from 50.0p (restated) in 2020 to 108.4p. Losses, including exceptional items, were £46.0m (2020: loss of £65.9m restated), resulting in an improvement in loss per share from 153.3p (restated) in 2020 to a loss per share of 107.0p in 2021. The weighted average number of shares was 43.0 million and the number of shares in issue, net of treasury shares, was 43.0 million.

	2021	2020*	2019*	2018*	2017
Earnings per share pre-exceptional items	<b>108.4p</b>	50.0p	169.4p	181.6p	207.7p
Earnings per share after exceptional items	<b>(107.0p)</b>	(153.3p)	136.8p	207.2p	207.7p

\* Restated.

## Dividends

Whilst the Board has concluded that it would not be prudent or right to resume dividend payments currently, it remains committed to doing so at the appropriate time. No interim dividend was paid in the current year (2020: £nil).

Dividends paid to non-controlling interests were £3.8m (2020: £14.0m restated). This represents the 35% share of the UK Rail business owned by Keolis UK through our subsidiary, Govia Ltd.

## Cashflow

	2021 £m	2020 Restated £m	Increase/ decrease £m
Net cashflows from operating activities	<b>677.2</b>	464.8	212.4
Net cashflows used in investing activities	<b>(37.7)</b>	(82.8)	45.1
Net cashflows used in financing activities	<b>(576.9)</b>	(443.0)	(133.9)
Effect of foreign exchange rate changes	<b>(1.8)</b>	—	(1.8)
Net increase/(decrease) in cash and cash equivalents	<b>62.6</b>	(61.0)	123.6

The Group's cash increased by £62.6m to £630.6m (2020: £569.8m), however restricted cash increased by £68.9m to £543.7m (2020: £474.8m) meaning unrestricted cash in the Group reduced £8.1m to £86.9m (2020: £95.0m).

Cash flow from operating activities increased by £212.4m to cash generated of £677.2m (2020: £464.8m restated). The increase is mainly due to favourable working capital movements and the reclassification of cash flows. Southeastern had a full year of reporting leases under IFRS 16, this resulted in the change in the classification of cashflows from operating activities to financing activities.

Cash flow from investing activities reduced by £45.1m to a cash outflow of £37.7m (2020: £82.8m) due to lower net capital expenditure as the Group continues to manage carefully its capital requirements following the impact of COVID-19.

Net cashflow from financing activities increased by £133.9m to a cash outflow of £576.9m (2020: £443.0m) with payment of lease liabilities £534.5m (2020: £374.3m). The increase is largely due to the reclassification of Southeastern lease payments from operating activities to financing activities.

The Group's cashflow statement is significantly impacted by UK Rail's working capital movements and restricted cash. In addition, the Group's banks covenants are reported on a pre-IFRS 16 basis.

## Business and finance review continued

## Financial review continued

## Summary cashflow

	2021		2020 Restated		Increase/(decrease)	
	IFRS 16 basis £m	pre-IFRS 16 basis £m	IFRS 16 basis £m	pre-IFRS 16 basis £m	IFRS 16 basis £m	pre-IFRS 16 basis £m
EBITDA excluding exceptional items	695.6	195.7	546.3	162.4	149.3	33.3
Movement in restricted cash**	(68.9)	(68.9)	(45.7)	(45.7)	(23.2)	(23.2)
Working capital and other operating cashflows	(6.5)	(48.5)	2.5	(0.9)	(9.0)	(49.4)
Cashflow generated from operations (excluding restricted cash movements)	620.2	78.3	503.1	117.6	117.1	(39.3)
Tax paid	(12.1)	(12.1)	(28.2)	(28.2)	16.1	16.1
Net interest paid	(19.2)	(10.2)	(19.9)	(6.2)	0.7	(4.0)
Net capital investment	(47.2)	(47.2)	(88.3)	(88.3)	41.1	41.1
Dividends paid – minority partner	(3.7)	(3.7)	(13.9)	(13.9)	10.2	10.2
Free cashflow	538.0	5.1	352.8	(19.0)	185.2	24.1
Net cash on issue/purchase of shares	(0.6)	(0.6)	(0.7)	(0.7)	(0.1)	(0.1)
Dividends paid	—	—	(30.9)	(30.9)	30.9	30.9
Inception of new leases & lease modifications	(198.3)	—	(235.0)	—	36.7	—
IFRS 16 ROU asset on to balance sheet	—	—	(781.1)	—	781.1	—
Other	11.2	11.2	(1.2)	(1.2)	12.4	12.4
Movement in adjusted net debt*	350.3	15.7	(695.6)	(51.3)	1,045.9	67.0
Opening adjusted net debt*	(965.9)	(321.6)	(270.3)	(270.3)	(695.6)	(51.3)
Closing adjusted net debt*	(615.6)	(305.9)	(965.9)	(321.6)	350.3	15.7

\* Adjusted net debt is net cash less restricted cash.

\*\* Restricted cash changes in the summary cashflow has been updated to be shown in the movement in the restricted cash line only. Last year, on commencement of the EMA, £45.7m of restricted cash was reported separately in its own line in the summary cashflow. This was to distinguish it from the restricted cash movement resulting from working capital changes which was reported in working capital and other operating cashflows.

## Summary cashflow

Cash generated from operations before tax and excluding movements in restricted cash was £620.2m (2020: £503.1m). The increase of £117.1m is largely due to the impact of IFRS 16 and a full year of leases in Southeastern which contributed to the £146.5m increase in EBITDA (excluding exceptional items).

Cashflow generated from operations on a pre-IFRS 16 basis was £78.3m (2020: £117.6m). The reduction of £39.3m is due to increased restricted cash in UK Rail and working capital movements offset by strong performance in London & International Bus and reduced losses in International Rail.

Free cashflow on a pre-IFRS 16 basis was £5.1m, which is an increase of £24.1m compared to prior year. This was due to continued measures taken to mitigate the impact of COVID-19 and conserve the Group's cash including limited capital investment.

Tax paid of £12.1m (2020: £28.2m) comprised payments on account in respect of the current and prior years' liabilities. Net interest paid of £19.2m (2020: £19.9m) was higher than the net charge for the period of £18.1m (2020: £21.6m restated) due to the timing of interest payments.

Total capital expenditure, net of sale proceeds and including spend on intangible costs was £47.2m (2020: £88.3m). The £41.1m reduction reflects continued disciplined capital expenditure since the outset of the pandemic with the Group continuing to conserve cash. The reduction related to a lower spend in Rail and Regional Bus where capital expenditure is typically more discretionary, unlike London Bus where capital expenditure is driven more by contractual requirements.

Group capital investment is expected to be around £60.0m in 2022 with investment in our London bus fleet to meet contractual requirements. The net cash cost to the Group is expected to be lower as investment in Regional Bus is linked to the availability of grants and government funding.

### Net debt/cash

Net debt of £71.8m (2020: £491.1m) and adjusted net debt of £615.6m (2020: £965.9m) have decreased primarily due to the reduction in IFRS 16 lease liabilities as we approach the end of the GTR contract and the end of the Southeastern contract.

In line with our covenants, adjusted net debt is calculated using the outstanding principal value of debt and does not include accrued interest and is gross of debt issue costs.

Adjusted net debt comprised debt arising from the £250m sterling bond, amounts drawn down against the £280m syndicate facility of £126.6m (2020: £147.4m), amounts drawn down against the euro loan facilities of £13.2m (2020: £14.9m), and lease agreements of £312.6m (2020: £648.6m), offset by cash and short term deposits of £630.6m (2020: £569.8m) including £543.7m of restricted cash in rail (2020: £474.8m). There were no overdrafts in use at the year-end (2020: £nil).

Our primary financial covenant under the syndicated facility is a ratio of adjusted net debt to EBITDA (excluding exceptional items and on a pre-IFRS 16 basis) of no more than 3.5x.

Adjusted net debt on a pre-IFRS 16 basis of £305.9m (2020: £321.6m) has decreased with the Group generating positive free cash flow.

Adjusted net debt (excluding restricted cash) to EBITDA (excluding exceptional items) of 1.56 times, (2020: 1.98 times restated) is at the lower end of our target range of 1.5 times to 2.5 times reflecting both an increase in EBITDA (excluding exceptional items) and a reduction in net debt due to continued measures taken to mitigate the impact of COVID-19.

Following the further delayed announcement of the Group's year end results, waivers were obtained providing an extension to the Group's covenant reporting requirements which are now required to be supplied by the end of February 2022. There were no additional terms applied as a result of this extension.

Waivers have also been obtained in relation to the half year covenant reporting requirements which are now required to be delivered by the end of April 2022. As for previous extensions, no additional terms have been applied.

### Capital structure

	2021 £m	2020* £m
Syndicated facility 2025	280.0	280.0
7-year £250m 2.5% sterling bond 2024	250.0	250.0
Euro financing facilities	13.2	17.1
Total core facilities	543.2	547.1
Amount drawn down at 3 July 2021	389.8	412.3
Balance available	153.4	134.8
<b>Net debt</b>		
Total borrowing	389.8	412.3
Total lease liabilities	312.6	648.6
Total cash	(630.6)	(569.8)
<b>Net debt</b>	<b>71.8</b>	491.1
<b>Adjusted net debt</b>		
Net debt/(cash)	71.8	491.1
Restricted cash	543.7	474.8
<b>Adjusted net debt</b>	<b>615.6</b>	965.9
EBITDA (excluding exceptional items)	695.6	546.3
Adjusted net debt/EBITDA (excluding exceptional items)	0.88x	1.77x
<b>Adjusted net debt (pre-IFRS 16)</b>		
Adjusted net debt	615.6	965.9
IFRS 16 lease liabilities	(309.7)	(644.3)
<b>Adjusted net debt (pre-IFRS 16)</b>	<b>305.9</b>	321.6
EBITDA (excluding exceptional items) (pre-IFRS 16)	195.7	162.4
Adjusted net debt/EBITDA (excluding exceptional items)	1.56x	1.98x

\* Restated.

At the year end, significant medium term finance was available through a £280.0m syndicated facility and a £250.0m sterling bond. The £280.0m syndicated loan facility has had a number of extensions, the most recent of which was agreed in July 2021, extending the maturity to July 2025 with a value of £240.0m in the final year.



## Business and finance review continued

### Financial review continued

#### Exceptional items

Exceptional costs of £104.1m (2020: £93.7m restated) were recognised in the year relating to International Rail (£76.9m), UK Rail (£32.4m) and Regional Bus (£0.2m).

	2021 £m	2020* £m
German Bavaria franchise onerous contract provision	—	43.8
Norway franchise onerous contract provision and asset impairment	76.7	—
DfT potential financial penalty and associated costs relating to LSER	32.4	—
Asset impairments and restructuring costs – International Rail	(5.2)	23.2
Asset impairments, provisions and restructuring costs – Regional Bus	0.2	26.7
Exceptional operating items	104.1	93.7

Following the year end, a detailed review of all material contracts across the Group was performed to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to 2020 and the Group's 2021 half year results. An understatement has been identified in respect of the accounting for the onerous contract provision in the rail contracts in Bavaria in the prior year and the Group's 2021 half year results. The 2020 provision was determined to be understated by £37.1m (including the £25.9m subsequently provided for in the 2021 half year results) and has been restated in the prior year figures in the 2021 results. The calculation of the understatement was determined based on the assessment of information available that should reasonably have been included in the assumptions underpinning the 2020 provision.

In Norway, as a result of the potential cessation of government support, £66.2m was provided as this contract is now deemed to be onerous. Intangible asset impairments of £10.5m were also recognised.

In UK Rail, the DfT has confirmed that it is considering its options for enforcement action including imposing statutory financial penalties under the Railways Act 1993. This follows the failure of LSER to notify the DfT of its rights to recover certain overpayments or monies due to the DfT and in so doing breached the contractual obligation of good faith contained with the relevant franchise agreements. In the absence of specific guidance or precedent, it is difficult to precisely estimate the likely quantum. However, the Group has included a provision of £30.0m in its financial statements which reflects the Group's current best estimate of any potential financial penalty.

The Group has also recognised legal and professional fees in relation to this matter as exceptional.

In Germany, an exceptional gain of £5.2m was recognised relating to the sale of previously impaired assets at a higher than expected recoverable value. The asset impairments were in respect of planning and land related to the construction of a depot in Bavaria.

In Regional Bus, exceptional items reflect the profit on sale of assets previously impaired and sold at a price above their written down value as well as the reversal of prior year exceptional restructuring costs. These were offset by the additional impairment costs relating to coaches which were not covered by CBSSG, therefore the carrying values were impaired as services were either reduced, suspended or terminated and future losses in relation to specific contracts. The net impact of these items is an exceptional cost of £0.2m.

In addition to the exceptional items recognised in the current year, a number of prior year adjustments have also been made in relation to LSER. Further detail can be found in note 2 of the financial statements.

#### Bidding and international developments

Total bidding and international development costs in the year were £6.0m (2020: £7.4m), primarily relating to bidding in the Nordic and Australasian markets.

#### Amortisation

The amortisation charge for the year was £6.3m (2020: £9.4m), relating to software, franchise mobilisation and customer contracts. The prior year amortisation charge contained an accelerated amortisation charge of £2.0m in relation to franchise set-up costs following an IFRIC update in March 2020.

#### Net finance costs

Net finance costs for the year were lower than the prior year at £18.1m (2020: £21.6m restated).

Finance costs of £20.2m (2020: £27.0m restated) reflects lower IFRS 16 interest charges as we approach the end of the UK rail contracts and IFRS 16 lease liabilities diminish. The average interest rate for finance costs for the period was 2.2% (2020: 2.1%).

Finance revenue of £2.1m (2020: £5.4m) reflects lower interest rates and reduced cash held on deposit with more cash held in instant access accounts. The average interest rate for finance revenue for the period was 0.1% (2020: 0.3%).

### Taxation

Net tax for the year was £33.8m (2020: £11.4m restated) and the Group made a post-exceptional loss before tax of £6.9m resulting in an effective tax rate of 489.9%.

The tax charge includes a £14.4m charge in relation to the UK corporation tax rate change and a current tax charge of £20.5m.

The loss before tax was due to the Group recognising £104.1m of exceptional costs, as detailed in note 7 of the financial statements. Tax on the exceptional items was immaterial as exceptional UK Rail costs were non-deductible and there was no deferred tax asset in respect of losses incurred in Germany and Norway.

The pre-exceptional effective tax rate is 35.3% (2020: 32.7%), which includes a charge in relation to the change in the UK deferred taxation rate from 19% to 25%. Excluding this, the effective tax rate is 20.3% (2020: 22.4% restated).

### Non-controlling interests

Non-controlling interests in the income statement of £5.3m post exceptional (2020: £15.0m restated) arise from our 65% holding in Govia Limited, which owns our UK Rail operations and therefore represents 35% of the profit after taxation of these operations.

### Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the year of £41.2m (2020: £37.7m) consisting of bus costs of £2.3m (2020: £0.9m) and rail costs of £39.0m (2020: £35.6m). Group contributions to the schemes totalled £47.5m (2020: £44.1m).

### Bus pensions

Under accounting valuations, the net surplus after taxation on the bus defined benefit schemes was £27.0m (2020: £42.9m), consisting of pre-tax assets of £36.0m (2020: £53.0m) less a deferred tax liability of £9.0m (2020: £10.1m). The pre-tax asset consisted of assets of £906.0m (2020: £934.4m) less estimated liabilities of £870.0m (2020: £881.4m). The percentage of assets held in higher risk, return seeking assets was 31.1% (2020: 33.8%).

### Rail pensions

As the long term responsibility for the rail pension schemes rests with the DfT, the Group only recognises the share of surplus or deficit expected to be realised over the life of each franchise. As a result, our pre-tax liability continues to be £nil (2020: £nil).



**Gordon Boyd**  
Interim Group Chief Financial Officer

23 February 2022

# Identifying and managing our risks and uncertainties



**Dominic Lavelle**  
Audit Committee Chair

## How we manage risk

### Our governance

The successful delivery of the Group's strategic objectives depends on effective identification, understanding and mitigation of its principal risks and uncertainties. Ultimate accountability for risk management lies with the

Board, supported by the Audit Committee, sub-committees and executive directors. The Board's means of mitigating and managing these risks are set out within the Group's Policies and Procedures Manual. Compliance with these policies and procedures is mandatory, with local senior management tasked with ensuring compliance, and confirming this as part of their biannual risk reporting to the executive directors.

The financial year ended 3 July 2021 was one of unprecedented disruption and uncertainty, primarily due to the ongoing COVID-19 pandemic. Restrictions introduced to combat the pandemic, including country-wide lockdowns, adversely affected passenger volumes within the public transport sector. Against such a backdrop, robust risk management has remained critical in protecting the Group's core strategic objectives.

The pandemic has also highlighted the importance of understanding the inter-connectivity of principal risks. The majority of our principal risks have been impacted by COVID-19, with a number of them consequently seeing an increase in their risk profile. The operational principal risk 'catastrophic incident, severe infrastructure failure or extreme weather' has been most acutely impacted. For further details on this principal risk, as well as the Group's other principal risks, please see pages 60 to 64.

As an outcome of the Independent Review into LSER, work is already underway to enhance corporate governance and internal controls, particularly in GTR where measures include increasing the remit and scope of Internal Audit to include oversight of the compliance arrangements and ensuring deeper understanding and closer scrutiny of contractual obligations and commercial terms. I will also be appointed to the Board of GTR in the event of a new contract award, to provide a clear line of sight to the Group Audit Committee and Group Board. Furthermore, the Group recognises the need to enhance its financial reporting and processing controls and this will be one of the key responsibilities of our permanent Group Chief Financial Officer, once appointed.

Go-Ahead has a system of internal control, including financial, operational and compliance controls, and risk management, designed to safeguard shareholders' investments, our assets and our reputation. The systems and processes we have developed to identify and manage the key risks facing each of our businesses and the Group as a whole, were reviewed and a number of improvements have been implemented, including Board and leadership changes, improving bid investment decision making and ongoing contract compliance monitoring. Our risk management policies, systems and processes align to the guidance contained within the UK Corporate Governance Code.

### Our risk management framework

Our approach combines a top-down strategic assessment of risk and risk appetite, with a bottom-up operational identification and reporting process. The risk management framework includes a robust means of measuring risks in a way that informs the Board's decision making in support of creating value in a sustainable way.

Through our purpose, values and strategy, we empower all our colleagues to manage risk. This approach is designed to highlight potential problems at an early stage, enabling prompt action to be taken, minimising any negative impact to our customers and stakeholders.

### Our risk appetite

Risk appetite is the level of risk the Group is willing to take to achieve its strategic objectives, together with the level of risk shock that it can withstand. The Board is responsible for setting and monitoring the Group's risk appetite, as set out in its risk appetite statement outlined on page 59. The Group's risk appetite statement also provides a reference point against which our operating companies can benchmark their biannual risk management reporting, with any key risks being identified by management and discussed with the Audit Committee and Board. Those key risks are aggregated and reported as the Group's principal risks, as outlined on pages 60 to 64.

The Group's risk appetite statement remains an active benchmark through which the Board's strategic objectives are determined and maintained. The Board reviews its risk appetite on at least an annual basis, in the context of the regulatory and economic environment, particularly as it affects the sectors in which we operate, but also within the broader framework of our strategic ambition and the culture of the business. The Board also discusses capital allocation, hierarchy and principles and whether its approach is fit for purpose in the context of risk appetite and the current business environment. Following the review this year, which was in conjunction with the review of the Group's principal risks and uncertainties as at the period ended 3 July 2021, the Board confirmed that there were no changes to the Group's risk appetite statement.

### Emerging risks

An important component of the Group's risk management process is the consideration of potential emerging risks and whether any of those identified have the potential to become a principal risk in the medium to long term. The greater uncertainty attached to these risks means it can be more difficult to predict their likelihood, timing and impact. Emerging risks are discussed at operating company board meetings on an ongoing basis. These assessments are consolidated before review and then more formally reported to the Board on a biannual basis, with reporting including an explanation of the plans in place to mitigate and manage these risks.

### Focus during the year COVID-19

The impact of COVID-19 on the business and its recovery has been a factor in the Board's consideration and assessment of risk during the year. It has continued to inform the Board's conversations around the long term sustainability of the business and, in particular, the decisions the Board takes around its three strategic pillars: protect and grow the core; win new bus and rail contracts; and develop for the future of transport.

During the year, the Board undertook a detailed review of the lessons learnt from COVID-19. As part of that review, consideration was given to the insights and lessons drawn from the pandemic, as well as the actions in place to capitalise on the experience gained to mitigate against related risks or to capture future opportunities. For further details on how the Board sought to mitigate and manage the principal risks associated with the pandemic, as well as its recovery plan for the future, please see pages 4 to 6 and 60 to 64.

### Climate change

The risks and opportunities associated with climate change have remained a key focus for the Board again this year, with regular updates received from the Group's climate change task force (Task Force). This Task Force, drawn from across the Group's Operations, Engineering, Finance, Facilities, Procurement and Communication teams, has continued to develop measures in line with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). It has identified five key workstreams and defined achievements, priorities, and plans. This has formed the structure of the Group's climate change strategy, launched in July 2021, and developed to articulate and quantify the climate change related costs currently impacting the Group, as well as to prepare for future climate related risks. Further information on our climate change strategy can be found on pages 26 and 27.

Through a rigorous risk assessment and prioritisation process, the Task Force developed the "Four Cs" framework to assess each element of the Group's response to climate change: the impact on 'Customers', the impact on 'Colleagues', the benefit in 'Carbon reduction' and the 'Cost' to the business. The Task Force also classified and articulated the Group's top strategic risks (technology and dependencies) and strategic opportunities (modal shift, emerging resource efficiencies and enhancing the resilience of the Group).

Sustainability and climate change are very much a part of Go-Ahead's third strategic pillar, developing for the future of transport. During its annual strategy meeting, the Board also discussed climate change in the context of the Group's broader sustainability strategy, in addition to the impact of COVID-19 on its plans. Topics included environmental reporting, consumer behaviour, decarbonisation, air quality and climate change adaptation, with the Board receiving updates on each of these against the previously agreed roadmap developed by the Task Force.

Climate change will remain a key priority for the Board over the year ahead as we not only look to manage and mitigate the emerging risk but also take advantage of the opportunities this provides. To read more about the Group's response to the TCFD, climate change related risks and opportunities, as well as the Group's adaptation plans and climate change strategy, please see pages 26, 27, 38 and 39.

### German rail bidding and mobilisation

During the year, the Board undertook a governance review of the German bid and mobilisation processes. The review included a robust assessment of the assumptions and judgements taken on the risk profile of the Baden-Württemberg bid, including the impact of cancellations on the performance regime and the challenges around driver recruitment. The lessons learnt following that review have been categorised into future bid processes and contract mobilisations, including the ongoing contract mobilisation in Bavaria. All future bidding now benefits from a supplementary review process, through a new Board Sub-Committee, established to review major tenders and contracts and their associated mobilisation plans. This Board Sub-Committee meets the teams working on the bid and probes the judgements behind key judgements.

### Cyber security

Go-Ahead has continued to strengthen its cyber security position within its UK Rail and Bus companies, with cyber security risk remaining a key focus area for the Board over the last year. In addition to the regular briefings received, the Board analysed the findings from the prior year's external independent cyber security assessment. Work is underway to embed the assessment's

recommendations and the Board will continue to monitor the progress over the year ahead. The Board also discussed the main cyber security risks that threaten the Group, including e-commerce fraud, phishing, data loss, hacking, inappropriate access to data and malware infection. These risks were articulated in detail, with risk reduction plans agreed for each. Additionally, an assessment of the international businesses was undertaken with a consistent approach now adopted to embedding centralised systems and platforms across all our operating companies.

The Group's Information Security Governance Board (InfoSec Governance Board), which meets regularly and reports to the Board, has been established to provide oversight on cyber related risks and strengthen the Group's cyber related governance structures. The InfoSec Governance Board's members include the Group IT Director, Head of Information Security and Data, Information Security and Compliance Manager, Group Head of Internal Audit, Group Legal Director and the Group Data Protection Officer in addition to three business representatives being the Group People Director, Go South Coast Finance Director and GTR Head of IT. The InfoSec Governance Board receives regular updates from key internal stakeholders, including operational and assurance teams, legal, and operating company finance directors. The Group IT Director keeps the Interim Group Chief Financial Officer informed on all cyber-related matters.

During the year ended 3 July 2021, resource within the Group's cyber security team was bolstered, which has further contributed to the effectiveness of the InfoSec Governance Board's oversight of cyber security.

### Health and safety

Health and safety remained a focus area for the Audit Committee and Board during the year, with safeguarding the health and wellbeing of our colleagues and customers a key priority during the pandemic. The Board reviews the Group's health and safety policy and bus and rail health and safety targets annually. This year, the Board also undertook a review of the safety cultures within both rail and bus. It considered the incremental changes brought about through the operating companies' health and safety audits, as well as how enhancements to processes might be embedded within the Group. The implementation of the review recommendations is underway, with an action and recommendations tracker implemented during the year. The tracker will further encourage and facilitate colleague engagement and reporting, ensuring a robust Group wide health and safety culture is maintained. In parallel, work was also undertaken during the year to ensure that the Group's international safety cultural programme was aligned with the UK, with consistent metrics in place across the UK and internationally.



**Dominic Lavelle**  
Audit Committee Chair

23 February 2022

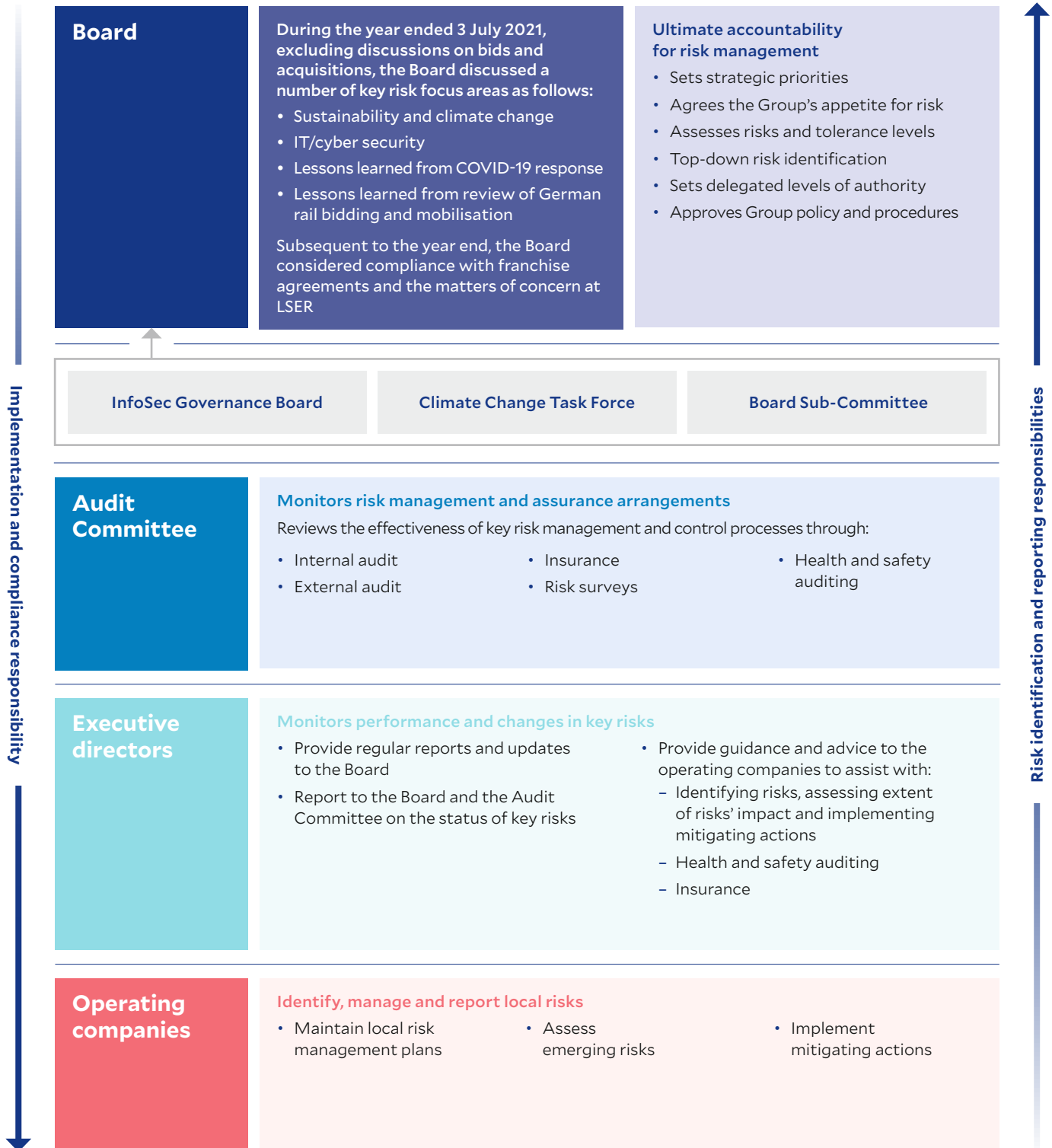
### Focus for the 2022 financial year

#### In-depth risk areas for the Board will include:

- UK Rail franchise compliance to include lessons learned from LSER
- Cyber security and data protection
- German operations and Bavarian mobilisation
- National Rail Contract terms
- Regional Bus passenger demand recovery
- Enhanced partnerships
- Climate change and sustainability
- Norway operations and review of contractual arrangements
- Governance, financial reporting processes and reporting

## Risk management continued

### Risk management framework



## Risk appetite

Our risk appetite statement below sets out how we balance risk and opportunity in pursuit of achieving our strategic objectives. It forms an integral part of the development of our corporate strategy, governance and reporting framework. During the year, the principal risks were reviewed by the Board in the context of the Group's risk appetite statement, which helped determine the level of mitigation and resource required to reduce the potential impact of each principal risk. For further information on the Board's assessment of the risk appetite for each of the Group's principal risks, please see pages 60 to 64.

### Go-Ahead's risk appetite statement:

In light of the impact of the COVID-19 crisis on the business, the Group recognises the distinction between risks which are outside of the Group's control or against which mitigations are limited, such as a pandemic or other extraordinary events, and the risks the Group has an appetite for, which are categorised in this statement.

#### Safety and security

The Group has no tolerance for certain safety risk exposures, including an incident such as a major passenger accident or an act of terrorism.



#### Protect and grow the core

The Group will only tolerate low risk with regards to the management of its core activities.



#### Win new bus and rail contracts

The Group is willing to accept moderate risk within stable and regulated markets as it bids for new bus and rail contracts.



#### Develop for the future of transport

In pursuit of its objective to develop the future of transport, the Group recognises that innovation and striving to be one step ahead of our competitors comes with some inherent risk. Moderate risks, in some circumstances, will be accepted in pursuit of objectives.

#### Definitions



**Zero** tolerance for risk which may impact the safety of employees, customers or general public; reputation and brand; and/or legal and regulatory compliance.



**Low** tolerance of risk within the Group's core operations.



**Moderate** level of risk in investing and adopting technologies, pursuing new markets and opportunities, etc.

## Our principal risks

A robust assessment has been undertaken by the Board to assess the principal risks facing the Group that could seriously affect the Group's prospects or reputation. As part of this assessment, consideration was given to those that threaten our business model and could impact on our future performance, solvency or liquidity as well as our strategic objectives.

This heat map shows the relative position of our principal risks to each other and their movement during the financial year ended 3 July 2021. Further details of the key risks within each of the Group's principal risk areas are shown on pages 60 to 64.

#### External risks

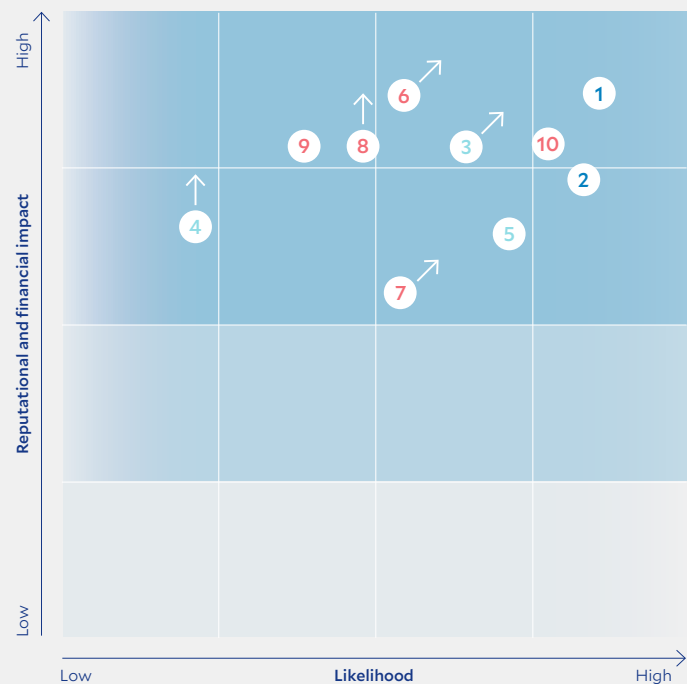
- 1 Economic environment and society post-COVID-19
- 2 Political and regulatory framework

#### Strategic risks

- 3 Sustainability of UK Rail profits or loss of franchise
- 4 Inappropriate investment
- 5 Competition

#### Operational risks




- 6 Catastrophic incident, severe infrastructure failure or extreme weather
- 7 Employee relations, resource planning and talent management
- 8 Information technology failure/interruption/security breach
- 9 Mobilisation of international rail contracts
- 10 Rail contract compliance (new risk)



↑ Increase in risk during the year



## Risk management continued

Key:  Protect and grow the core  Win new bus and rail contracts  Develop for the future of transport

## External risks

## 1. Economic environment and society post-COVID-19

Slow recovery from the COVID-19 pandemic. Reduction in economic activity and passenger demand accelerated by the pandemic.

Risk movement:  No change Business objective:   Risk tolerance:  Low

**Potential impact**

Slow and partial rebuild of revenue and margin erosion as:

- Lockdown gradually eases and non-essential travel slowly recovers, stifled by social distancing
- Customers make fewer journeys (higher level of unemployment, flexible working, online shopping, slow resumption of leisure activities)
- Customers switch mode (to walking, cycling, private car, etc.), accelerated by fear of public transport
- Social distancing requirements generate inadequate demand to cover the cost base
- Contractual indexation mechanisms may not reflect reality of cost base in London & International Bus
- Volatility of oil prices impacting the cost base

**Mitigating actions**

- 90 per cent of revenue is contract-based; discussing continuation of funding with clients and governments. Main areas of exposure are Regional Bus and Norwegian rail
- Take all required actions to provide a safe environment, reassure about public transport and promote it as a safe and accessible form of travel
- Continue to focus our operations in more resilient geographical areas
- Constantly assess the needs of local markets and design services and products accordingly
- Optimise the network and cost base through route rationalisation, proactive cost control and back-office synergies; supported by robust scenario modelling in Regional Bus
- Group fuel hedging in place

**Opportunity**

- Maximise opportunities arising from “localism” and “staycations”
- Climate change and environmental agenda driving modal shift towards public transport
- Bus Back Better national bus strategy and Bus Services Improvement Plans
- Opportunities for market consolidation once government support rescinds

**Change in risk in the year**

No change in risk during the year due to the continuation of the COVID-19 pandemic, uncertain recovery and economic impact of Brexit. Publication of the Bus Back Better national bus strategy and increasing awareness of environmental agenda provide future prospects.

## 2. Political and regulatory framework

Changes to the legal and regulatory framework, impact of the UK leaving the EU, momentum around climate change adaptation, air quality and decarbonisation agenda, and Bus Back Better national bus strategy. Increased state control of transport.

Risk movement:  No change Business objective:    Risk tolerance:  Low

**Potential impact**

- Increased state control in the UK of bus and rail through the national bus strategy and Williams-Shapps reform
- Ceasing of public funding ahead of passenger demand recovery (Regional Bus and Norway) and change in government policy towards private operators (Norway)
- Williams-Shapps rail reform focused on cost control rather than passenger demand recovery
- Reduced funding for public transport, including reduction in bus concessionary rates or the Bus Service Operators Grant (BSOG), as local authorities come under pressure to reduce spend
- Additional investment requirements to comply with air quality and decarbonisation requirements
- The impact of Brexit on economic growth, material supply and availability of employees
- Pressure on Transport for London's finances

**Mitigating actions**

- Maintain strong levels of punctuality and customer satisfaction
- Limit exposure to local authority funding through optimisation of network and cost base and stimulation of passenger demand
- Active participation in key industry, trade and government steering and policy development groups, including the Williams-Shapps Plan for Rail, Bus Back Better national bus strategy and bus franchising
- Collaboration and partnership working with local authorities
- Strong track record on air quality initiatives: electric bus depots in London, air filtering bus, Climate Change Task Force, fleet conversion to cleaner emission standards
- The climate change strategy which plans how we will both decarbonise and adapt to climate change
- Brexit contingency measures in place including increased stock levels of spare parts maintained across bus and rail, apprenticeships and colleague engagement plans to support recruitment and retention

**Opportunity**

- Influence decisions through close dialogue with the Government, local authorities and other key parties
- The Bus Services Act 2017 could provide business opportunities in new markets, and facilitate the consolidation of existing relationships
- Working closely with local authorities on Bus Services Improvement Plans
- Proven ability to run profitable regulated bus contracts
- Political momentum around air quality: large number of cities announcing transition to clean air zones and zero-emission zones, further momentum for modal shift from cars to public transport
- Being able to showcase our expertise and decarbonisation and adaptation plans can enable further strategic conversations with customers

**Change in risk in the year**

No change in risk during the year due to:

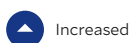
- Bus Back Better national bus strategy, Decarbonisation of Transport review, and Williams-Shapps Plan for Rail published during the year all reinforce the importance of public transport, and Go-Ahead's role, in supporting the Government's agenda
- Although there continues to be budget pressure for our major client, Transport for London, and emerging pressures on other clients and local authorities as economies recover from COVID-19, the Government's agenda indicates that there is likely to be continued support of public transport albeit the degree remains uncertain.

## Strategic risks

### 3. Sustainability of UK Rail profits or loss of franchise

Failure to retain UK Rail franchises on acceptable terms.

Risk movement:



Increased

Business objective:



Risk tolerance:



Moderate

#### Potential impact

- Group profitability and cashflow could fall over the next three years
- Lower risk contract leading to lower margins as part of the Williams-Shapps Plan for Rail; impact on profit of disallowable costs and suboptimal performance payments
- Loss of UK Rail franchises could damage Go-Ahead's credibility as an operator in other markets

#### Mitigating actions

- EMA/ERMA and potential National Rail Contracts (NRCs) withdrawing revenue and cost risk
- Flexible and experienced management team which responds quickly and expertly to changing circumstances
- Shared risk through the Govia joint venture, which is 65 per cent owned by Go-Ahead and 35 per cent by Keolis UK
- Close involvement through RDG and GTR to influence shape of NRCs
- The Group does not assume renewal of franchise agreements in its corporate plan

#### Opportunity

- NRC of up to six years in GTR, leading to Passenger Services Contract tender

#### Change in risk in the year

Increase in risk:

- Operator of Last Resort appointed to take over delivery of passenger services at Southeastern when franchise expired in October 2021
- Although GTR is operated as a standalone operation there is the risk of reputational damage arising from the LSER franchise loss
- Risk to rail profitability from split ticketing, boundary fare zone claims and other historic claims

### 4. Inappropriate investment

Failure to deliver strategy or make appropriate investment decisions.

Failure to deliver expected returns in International Rail.

Failure to build sufficient investment capability to manage decarbonisation of the bus fleet and priority adaptation mechanisms to climate change.

Risk movement:



Increased

Business objective:



Risk tolerance:



Moderate

#### Potential impact

- Insufficient recovery of shareholder value and reputational damage
- Impact on the Group's cashflow generation and ability to distribute dividends
- Potential impact on asset value

#### Mitigating actions

- Comprehensive strategic discussions with the main Board and advisors
- Extensive valuation and due diligence, supported by external expertise, and strong financial discipline when assessing viability of opportunities
- Restructure of the German business; early focus on Bavarian mobilisation; decision to cease business development activities in Germany and rail business development in new geographies; negotiating share of revenue risk with Norwegian authorities
- Seek to renegotiate changes to the contractual arrangements in our Norwegian rail operations with a view to reducing the Group's exposure
- Cautious approach to investment opportunities overseas and outside our core operating areas; clear risk appetite statement that governs the acceptable level of risk in pursuit of strategic objectives
- Decarbonisation plan informing discussions with industry partners, and climate change adaptation plans identifying priority impacts and mitigating actions

#### Opportunity

- Strong ESG positioning with investors supporting investment case and growth story
- Continual focus on and review of strategy ensures the Board is well placed to assess value-adding opportunities as they arise
- Growth opportunities in the UK, Singapore, Ireland, Australasia and Nordic region
- Improved decision making based on lessons learnt from Germany
- Strategic opportunities to provide expertise to clients on impact of climate change on asset management, route planning and infrastructure development

#### Change in risk in the year

Increase in risk during the year due to decarbonisation agenda and continued challenges in Germany. In addition, subsequent to the year end a new government was elected in Norway which is not supportive of private companies operating rail services in Norway.

# Risk management continued

Key:  Protect and grow the core  Win new bus and rail contracts  Develop for the future of transport

Strategic risks continued	Operational risks
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## 5. Competition

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

Risk movement:  No change      Strategic objectives impacted:         Risk tolerance:  Moderate

### Potential impact

- Loss of revenue and profits
- Reputational damage
- Rapid change required to business model and structure
- Fear of public transport in the context of the pandemic impacting ability to drive modal shift

### Mitigating actions

- Promote safe use of public transport
- Disciplined and focused bidding
- Adapt to changing customer requirements and technological advancements
- Foster close relationships with stakeholders to ensure we are meeting requirements including service quality and price and offering climate change (decarbonisation and adaptation) solutions
- Work in partnership with local authorities and other operators, including through interoperability
- Promote multi-modal travel, improving the overall door-to-door experience for passengers
- Focus on customer needs and expectations, including improved channels for ticket purchase and journey planning

### Opportunity


- Strategic partnerships provide opportunities and aim to improve the passenger experience and perception of public transport as a whole
- Increased competition in the market encourages innovation which improves the customer experience
- The economic crisis and shareholder drive for better sectoral returns could lead to further consolidation opportunities

### Change in risk in the year

No change in risk during the year.

## 6. Catastrophic incident, severe infrastructure failure or extreme weather

An incident, such as a major accident, an act of terrorism, a pandemic or a severe failure of rail infrastructure. Extreme weather impacts the reliability of services, the level of passenger demand or the cost of maintaining our infrastructure.

Risk movement:  Increased      Strategic objectives impacted:       Risk tolerance:  Zero

### Potential impact

- Risk of a lasting impact of the pandemic on economic recovery and use of public transport
- Serious injury to the public, our passengers or our people
- Service disruption with financial losses and reputational damage
- Acts of terrorism, while not directly targeting rail/bus public transport, may discourage travel and tourism
- Extreme weather impacting the reliability of services, the level of passenger demand or the cost of maintaining our infrastructure

### Mitigating actions

- Rigorous, high profile health and safety programme throughout the Group; high levels of safety performance; promotion of safety culture; and reassurance over the use of public transport
- Crisis management policy updated and rolled out across the operating companies
- Appropriate and regularly reviewed and tested contingency and disaster recovery plans
- Thorough and regular training of colleagues
- Working closely with our industry partners, such as rail infrastructure provider Network Rail and government agencies
- COVID-19 has created a precedent for strong government support to the industry and reinforced its role within local communities
- Adaptation of workstreams as part of Climate Change Task Force

### Opportunity

- COVID-19 has tested our response. Colleagues are now better trained and prepared as a result
- Continuous review of processes and procedures can identify areas for operational improvement and improve overall safety on our networks
- Vital role of public transport in local communities reinforced by the COVID-19 crisis
- Environmental awareness drives modal shift towards public transport; our preparedness can drive strategic conversations with customers ahead of competitors

### Change in risk in the year




Increase in risk during the year reflecting the risk of extreme weather.

## Operational risks

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

Failure to effectively engage with our people and trade unions in providing reassurance, managing costs and driving change. Requirement to drive rail workforce reform could lead to industrial dispute and service disruption.

Failure to attract, retain and develop talent.

Risk movement:  Increased Strategic objectives impacted:  Risk tolerance:  Low

#### Potential impact

- Failure to attract, retain and develop the diverse talent required for robust succession planning
- Ageing workforce, reduction in European labour resource, fear of public transport and shielding requirements leading to a shortage in labour supply, skills and knowledge
- Wage costs increase higher than necessary or affordable in light of higher inflation exacerbated by tightening labour market as we emerge from pandemic
- Service disruption, costs and reputational damage arising from industrial action
- Rail workforce reform leading to industrial action
- Low levels of morale and engagement lead to inadequate customer service or inability to deploy new technology and work practices for the benefit of customers
- Inability to recruit enough employees in Go-Ahead Singapore to meet required ratios set by the Land Transport Authority
- Inability to recruit and retain enough drivers for German operations
- Expansion in bus services leading to shortage of drivers in Go-Ahead London and Go-Ahead Ireland

#### Mitigating actions

- People Strategy focusing on leadership, talent & succession, management, culture & organisation, diversity & inclusion and employee experience
- Succession planning exercise carried out annually
- Apprenticeship, graduate and leadership development programmes
- High level of colleague engagement across our businesses supported by regular pulse surveys and action planning; strong response and relationships during the COVID-19 crisis
- Robust and regularly reviewed recruitment and retention policies, training schemes, resource planning and working practices
- Experienced approach to wage negotiations and proactive engagement on driver fatigue
- Proactive management of pension risks including active engagement with The Pensions Regulator and DfT over the review of the Railways Pension Scheme
- Widening the recruitment pool through initiatives aimed at attracting diverse talent, for example through apprenticeships, the Women in Bus network, active recruitment of female drivers and defining our employee proposition around ESG and climate change

#### Opportunity




- Through fostering positive employee relations and offering good employment packages we have a motivated and committed workforce, and offer a good employee value proposition
- The economic situation could ease recruitment challenges as the employment market softens
- Workforce planning and identification of critical skills shortage improves visibility and ability to plan
- Access to a wider recruitment pool through our focus on diversity and inclusion and a purpose-driven employee proposition

#### Change in risk in the year

Increase in risk during the year due to expected rail workforce reform.

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

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

Risk movement:  Increased Strategic objectives impacted:  Risk tolerance:  Low

#### Potential impact

- Disruption to trading and/or operational service delivery
- Reputational damage and regulatory breach from misuse of data
- Enforcement action against rail companies under the Networks & Information Systems (NIS) framework
- Financial loss

#### Mitigating actions

- Data protection officers in place in all operating companies to monitor Group-wide GDPR compliance and full time Group Data Protection Officer
- Robust processes and procedures in place to ensure compliance with the relevant laws and best practices; process standardisation and continued investment in best practice systems
- IT function focused on operational delivery; continued investment in and maintenance of IT systems across the Group
- Design Authority Board in place for change control
- Clear and tested business continuity plans; test scenarios conducted across the Group
- Achieved Cyber Essentials standard; GTR and Southeastern successfully audited against the NIS framework during the year
- Adoption of a cyber security strategy and Information Security Management System (ISMS) framework across the Group, with the publication of monthly KPIs measuring mitigating measures




#### Opportunity

- Ensuring our systems and processes are efficient and reliable strengthens day-to-day operations across the Group

#### Change in risk in the year

Increase in risk during the year considering significant cyber-attacks, including ransomware attacks, across the public and private sector during the year, especially during the COVID-19 period and heightened levels of remote working. Mitigations have also improved accordingly.

## Risk management continued

Key:  Protect and grow the core  Win new bus and rail contracts  Develop for the future of transport

## Operational risks continued

## 9. Mobilisation of international rail contracts

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

Risk movement:  No change Strategic objectives impacted:   Risk tolerance:  Moderate

**Potential impact**

- Significant financial losses
- Reputational damage impacting future international business opportunities
- Safety incident

**Mitigating actions**

- Experienced local teams; ability to mobilise internal UK Rail and Bus expertise
- Strengthening of senior leadership team with the appointment of a new Group Strategy and Transformation Director
- Building strong relationships with local authorities
- Compliance with local regulation; established Safety Management Systems and Group Safety Audits
- Governance review of the German bid and mobilisation processes undertaken, with all lessons learnt categorised into future bid processes and contract mobilisations
- Chief Executive of Go-Ahead's German rail operations and restructuring consultancy have transformed operational performance and delivery in Germany
- Remit and scope of Internal Audit is to be expanded, with a clear responsibility for the compliance functions within our rail businesses

**Opportunity**

- Further international opportunities arising from strong reputation based on successful mobilisation and operation of services

**Change in risk in the year**

No change in risk during the year.

## 10. Compliance with rail franchise agreements

Failure to comply with contractual obligations.

Risk movement:  New risk introduced during the year Strategic objectives impacted:   Risk tolerance:  Zero

**Potential impact**

- Financial penalties
- Loss of franchise
- Reputational damage

**Mitigating actions**

- Specific annual briefings/updates of key commercial terms to wider management team
- Strengthening of senior leadership team with the appointment of a new Group Strategy and Transformation Director
- Develop KPIs to monitor contract performance
- Increase role of group assurance to complement assurance undertaken at local level
- Group Audit Committee Chair to be appointed to rail operating company board
- Open and transparent dialogue with contractual counterparty
- Remit and scope of Internal Audit is to be expanded, with a clear responsibility for the compliance functions within our rail businesses

**Opportunity**

- Deploy lessons from LSER issues
- Work collaboratively with contractual counterparty

**Change in risk in the year**

New risk introduced in the year due to LSER matters of concern.

## Viability statement

In accordance with the provision of the revised UK Corporate Governance Code published in July 2018, and having considered the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the Financial Reporting Council (FRC) in September 2014, the directors are required to state whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

**Time horizon**

The directors have assessed the Group's viability over the period to June 2024. This is consistent with the period covered by the Group's annual detailed three-year Corporate Plan which is the basis for strategic planning. Beyond three years, forecasts may be affected by changes in government transport policy and/or major contract wins and losses. The Group assumes that any contracts due to end in this period do not continue.

**Viability**

In making its assessment, the Board took account of the Group's current financial position, operational performance, banking covenants, other key financial ratios (including those maintaining the Group's existing investment grade status), committed and future funding and both its contracted and anticipated capital expenditure.

The directors assessed the potential financial and reputational impacts arising from the matters of concern identified with respect to LSER along with the principal risks and uncertainties arising from the COVID-19 pandemic.

In assessing the future prospects of the Group in the current situation, the Board has relied on a base case financial forecast which has been stress tested by overlaying severe but plausible scenarios of the principal risks and uncertainties set out on pages 59 to 64, and the likely effectiveness of mitigating actions.

It is assumed that Regional Bus will continue to recover reaching close to pre-pandemic passenger levels, relative to services run, by the end of the forecast period and that contracts in London and International Bus, which comprise contractual income from government bodies, will operate in a similar manner to the pre-pandemic environment. Within UK Rail, the GTR contract is assumed to operate under the Emergency Recovery Measures Agreement (ERMA) contract until the current contract ends in March 2022 with no further extension, after which, as with previous franchises, the usual settlement of outstanding liabilities will occur. Contracts in International Rail, in Norway and Germany, are assumed to continue. In Norway temporary support was in place until December 2021, the recently elected Norwegian Government has since announced that financial support will be in place has been extended until at least March 2022.

The forecast assumes continued operations in all four segments: Regional Bus, London & International Bus, UK Rail, albeit only until the end of the current contract, and International Rail. Although forecasts assume ongoing costs of bidding for various international contract opportunities, no contract wins are assumed.

While Regional Bus largely operates routes on a commercial basis, contracts to operate services are also secured of varying size and length with local authorities and other 3rd parties varying in scope from annual contracts to run particular services to the 8 year contract secured by Go South West running services in Cornwall from April 2020.

Within London & International Bus the London bus contracts are awarded in a rolling programme on a route basis and are generally of 5-7 years in length, dependent on extensions. Ireland has two 5 year contracts which began in 2018 and 2019 while Singapore secured a 2 year extension on its 5 year contract which is now due to end in 2023.

Within UK Rail GTR's current contract is due to end in March 2022.

Within International Rail Germany has five contracts, three of which started in 2019, one which started in 2021 and a fifth contract starting in 2023. These contracts are generally of 12-13 years duration. Norway has an 8 year contract with a potential 2 year extension which started in December 2019.

Funding for the Group is assumed to be reasonably available in the form of capital markets debt, bank debt or alternatives. Sufficient funding is also assumed to be available in all plausible market conditions, including if required, additional finance facilities.

The scenarios reflected the following risks:

#### Regional Bus

- Slower recovery of passenger demand in regional bus with passenger demand rising at half the rate assumed in the base case.
- No government support for regional bus services, outside of the Bus Services Operators Grant (BSOG) and concessionary travel income, with BRG (Bus Recovery Grant) funding ending in March 2022.
- Services are maintained within the range required to qualify for BRG funding up to the end of March 2022 after which they move towards alignment with passenger demand.

#### London & International Bus

- Reduced margin due to lower contractual income and Quality Incentive Contract income in London Bus as a result of lower passenger demand, financial pressures on Transport for London and increased staff sickness.

#### UK Rail

- Acknowledging the DfT's power to impose a financial penalty under the Railways Act 1993 in respect of the matters relating to LSER, but in the absence of a specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having taken independent legal advice, has included a provision for £30.0m in the financial statements of the year, however additional stress testing has been performed to assess the impact of a higher penalty.

#### International Rail

- Operational issues in our German operations leading to higher operational losses than those already included in the base case.
- Government support for our Norwegian operations ends and passenger demand recovering more slowly than our base case assumes. While discussions with the Norwegian Government continue our base case assumes the cessation of support for ongoing operation on current terms. Within our base case an onerous contract provision has been recognised based on the expected losses from ongoing operation in Norway, however, a slower recovery than assumed within the model that underpins that provision would lead to a greater cash outflow.

#### Liquidity and covenant headroom

Under all the modelled scenarios, positive liquidity headroom exists throughout the going concern period and the Group remains in compliance with its covenants. There is significant availability of liquidity, as explained on page 53 of this Annual Report with committed bank facilities in place for the period to June 2025 assuming an option to extend existing facilities by 12 months is exercised.

The Group also has a £250m bond which matures in July 2024. It is expected that the Group would seek to refinance the bond within the period covered by the viability assessment, prior to its maturity in 2024, however, given the level of headroom on existing covenants and forecast levels of net debt, there is no reason not to assume that this could be done. Subsequent to the year end, and following the delays in the announcement of the Group's results and the subsequent suspension of its shares, Moody's have announced that they have withdrawn their rating. S&P reaffirmed its credit rating but considers the Group's outlook to be under review. Neither change is expected to have an impact on viability.

#### Viability statement

Based on their assessment of the prospects and viability of the Group, the directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet all its liabilities as they fall due during the viability review period and that the likelihood of extreme scenarios which would lead to a breach of covenant is remote. The directors also confirm that in making this statement they carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.



## Going concern

### UK Corporate Governance Code 2018

The revised UK Corporate Governance Code published in July 2018 (the Code) requires the Board to state whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties to the Group's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.

The financial statements for the year ended 3 July 2021 were approved by the Board on 23 February 2022.

We also have responsibilities in relation to going concern under UK legislation, the Financial Conduct Authority's Listing Rules and International Accounting Standard 1 Presentation of Financial Statements.

The Code further suggests that the Board should state whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a longer period of assessment, drawing attention to any qualifications or assumptions as necessary.

It suggests that, taking account of the Group's current position and principal risks, the Board should explain how it has assessed the prospects of the Group, over what period it has done so and why it considers that period to be appropriate.

### Background

The Group understands the importance of rebuilding confidence in Go-Ahead that may have been undermined for some stakeholders as a result of the matters at LSER. New leadership and a refreshed Board look to take the Group forward at a pivotal time for our industry, and our business. A priority over the coming months is helping passengers return to the Group's services and welcoming new passengers who may be looking for a greener, value-for-money travel choice. Whilst the pace and nature of recovery from the pandemic remains uncertain, the Group considers that public transport will play a crucial role.

The Group has a resilient business model, with exposure to changes in passenger demand limited to Regional Bus and Norway, and has received various forms of government support across the business. Our businesses are key parts of the communities they serve and have played a fundamental role in supporting them through the pandemic.

Both governments and our clients recognised that it was critical to maintain essential services for key workers to get to their places of work and to provide appropriate funding to sustain services. This funding has been testament to the importance of our business and wider industry. In the UK support for Regional Bus took the form of CBSSG (COVID-19 Bus Service Support Grant) up to August 2021 and BRG (Bus Recovery Grant) thereafter, with a current end date for support of March 2022. In Norway, temporary support was in place until December 2021, the recently elected Norwegian Government have since announced that support has been extended until at least March 2022.

In all our geographies the rollout of vaccination programmes and subsequent relaxation of restrictions has triggered a recovery in passenger demand but the pace and nature of the recovery remains uncertain. Governments have begun to reduce or withdraw the more generalised COVID-19 support packages but funding packages to rebuild demand, grow public transport and encourage de-carbonisation continue to develop. In the UK the Government has maintained an ongoing dialogue with operators with respect to extending some form of BRG support beyond March 2022 while in Norway discussions with the Norwegian Government continue regarding the future of rail services as a consequence of the cessation of support for ongoing operations.

In UK Rail, Acknowledging the DfT's power to impose a financial penalty under the Railway's Act 1993 in respect of the matters relating to LSER, but in the absence of a specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having taken independent legal advice, has included a provision for £30.0m in the financial statements of the year, which reflects the Group's current best estimate of any penalty.

### Going concern assessment

The Board used the financial forecasts prepared for business modelling and liquidity projection purposes as the basis for its assessment of the Group's ability to continue as a going concern for at least 12 months from the date of approval of the financial statements.

As part of this assessment, the Group has also considered the FRC Company Guidance (updated 4 December 2020) (COVID-19), which has encouraged companies to assess current forecasts (corporate plans) with more vigour, consider the impact of different potential scenarios along with a likelihood assessment, and consider both the uncertainty and the likely success of any realistic mitigations.

The Board has recognised the impact of the matters of concern relating to LSER and the challenge of reliably forecasting the pace and nature of the recovery from the pandemic.

Key areas of forecasting uncertainty include:

- The pace and nature of the recovery from the pandemic in the UK and across the world as vaccination coverage improves and the final restrictions are removed.
- The outcome of ongoing discussions with the DfT around the matters of concern with respect to LSER including any potential financial penalty, settlement and potential impact on debt covenants.
- Revenue recovery rates in Norwegian operations along with the duration and scale of government support and the potential to renegotiate or exit the contract.
- Recovery rates in Regional Bus revenue, including airline and coach services, and the size of the network required to support passenger demand after BRG funding ceases.
- Further losses on our German contracts following the challenging operational performance which has impacted the Baden-Württemberg franchise since its commencement and the start of our Bavarian operations in December 2021.

The forecasts were modelled using the base case described in the viability assessment and based on the Group's three-year Corporate Plan updated, where relevant, with revised forecasts. This included updated assessments of performance, changes in government support and funding and an updated assessment of wider political, environmental and market risks since the preparation of the Corporate Plan.

### The base case

The Regional Bus forecast assumes that:

- Regional Bus services are maintained at the level required to qualify for BRG (Bus Recovery Grant) funding until the end of March 2022 and, thereafter, at a level commensurate with passenger demand.
- With passenger levels now recovered to the level obtained prior to the impact of Omicron, and the associated changes to guidance and restrictions, they continue to recover through to 2023/24.
- Government support for Regional Bus services, outside of the Bus Services Operators Grant (BSOG) and concessionary travel, from BRG (Bus Recovery Grant) funding through to March 2022.

In London & International Bus, passenger demand risk is borne by our transport authority clients. Whilst all clients are expected to come under some financial pressure, there is currently no evidence of any impact on contractual payments or financial support. Consequently, the base case for the London & International Bus is consistent with pre-COVID-19 operational performance.

In UK Rail, Southeastern remained under its EMA through to the end of the contract in October 2021. GTR is contracted to remain under an Emergency Recovery Measures Agreement (ERMA) through to the end of the contract in March 2022. No assumption is made regarding the award of a National Rail Contract to GTR or an extension to the existing arrangements on expiry of the ERMA.

In International Rail our German operations contractual payments are protected and passenger revenue risk is borne by the transport authority client.

In Norway, temporary support was in place until December 2021, the recently elected Norwegian Government have since announced that support has been extended until at least March 2022. After this period there can be no guarantee that such support will be available with future infection levels and imposed restrictions unknown. As a result, an onerous contract provision has been recognised based on expected losses from ongoing operations which is also sufficient to cover the level of performance bonds and parental guarantees.

In UK Rail, acknowledging the DfT's power to impose a financial penalty under the Railways Act 1993 in respect of the matters relating to LSER, but in the absence of a specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having taken independent legal advice, has included a provision for £30.0m in the financial statements of the year, which reflects the Group's current best estimate of any penalty.

In reaching its conclusion on the going concern assessment, the Board considered the findings of the work performed to support the statement on the long term viability of the Group.

### Reasonable worst case scenario

As noted in the viability statement, this included assessing forecasts of severe but plausible downside scenarios related to our principal risks, notably the extent to which the recovery in passenger demand and levels of government support are less favourable than assumed in our base case forecasts. The reasonable downside scenario assumptions, which together reduce pre-IFRS 16 EBITDA by c. 20 per cent per annum were:

#### Regional Bus

- Slower recovery of passenger demand in Regional Bus with passenger demand rising at half the rate assumed in the base case with a resultant pre-IFRS 16 EBITDA reduction of c. 20 per cent in 2022/23 and c. 13 per cent in 2023/24.
- Reduction of capex compared to the base case in 2022/23 and 2023/24 by fifty and twenty-five per cent respectively.

#### London & International Bus

- Reduced margin due to lower contractual income and Quality Incentive Contract income in London Bus as a result of lower passenger demand, financial pressures on Transport for London and increased staff sickness with a resultant pre-IFRS 16 EBITDA reduction of c.12 per cent in 2022/23 and 2023/24.

#### UK Rail

- No downside was included for UK Rail in the reasonable worst case scenario, however, as set out below, consideration was given to potential outcomes during the reverse stress tests.

#### International Rail

- Operational issues in our German operations leading to higher operational losses than those already included in the base case.
- Slower recovery in passenger demand in Norway but in the absence of additional government support.

### Liquidity and covenant testing

The Group has no debt maturities ahead of July 2024. We have a strong balance sheet and good liquidity with adjusted net debt at 3 July 2021 of £615.4m (£305.9m on a pre-IFRS 16 basis) and unutilised facilities and cash of £240.4m at the year end.

Funding is covered by a £250m corporate bond, which matures on 6 July 2024, and a Revolving Credit Facility of £280m which matures in July 2025. Although these arrangements extend beyond the viability review period, we would expect to refinance prior to the end of the current viability period and, given the level of headroom on existing covenants and forecast levels of net debt, there is no reason not to assume that this could be done.

We maintain a positive dialogue with our lenders and keep our current facilities under review. Subsequent to the year end, and following the delays in the announcement of the Group's results and the subsequent suspension of its shares, Moody's have announced that they have withdrawn their rating. S&P reaffirmed its credit rating but considers the Group's outlook to be under review.

## Going concern continued

### Liquidity and covenant testing continued

Our primary bank covenant continues to be assessed on a pre-IFRS 16 basis. At the year end, adjusted net debt was £305.9m on a pre-IFRS 16 basis (2020: £321.6m). Consequently, adjusted net debt to pre-IFRS 16 EBITDA (excluding exceptional items) was 1.56 times, towards the bottom of our target range of 1.5 times to 2.5 times and allowing adequate headroom on our primary bank covenant of 3.5 times. Our covenants are measured twice a year, at year end and half year.

Due to the delay in publishing our financial results for the year ended 3 July we sought, and obtained, waivers from our banking group to extend the period by which we had to present our results to 28 February 2022. Therefore, as at the date of the publication of this annual report, we are in compliance with this requirement.

Under the modelled scenarios as detailed above, positive liquidity headroom exists throughout the going concern period and the Group is forecasting to remain in compliance.

In addition to the base case and the reasonable worst case scenario, the Board has reviewed reverse stress tests, in which the Group has assessed the set of circumstances that would be necessary for the Group to breach the limits of its covenant tests. This includes the impact of potential penalties imposed by the DfT in respect of LSER in range of up to a cash outflow of £110m and further downside in Regional Bus and International Rail.

Even in the most severe of the downside scenarios as detailed above, there remains sufficient liquidity with minimum thresholds achieved throughout the going concern period after taking account of controllable mitigating actions.

In applying the reverse stress tests, the directors have concluded that the set of circumstances required to exhaust this level of liquidity are remote.

### Mitigating action

The Board has considered all mitigations that would be within their control if faced with a short term material EBITDA reduction that would reduce covenant headroom. These include cost efficiencies, additional restructuring, reduction or postponement of capital expenditure, extended suspension of dividend payments, and sale of other assets. Whilst these mitigating actions cover the entire business, they are particularly focused on Regional Bus where, under the current government funding arrangement, revenue risk has been reintroduced. Within International Rail Norway is also subject to revenue risk and active discussions of potential amendments to the contractual arrangements with counterparties continue, however, the outcome of these discussions remain uncertain.

Other mitigations could be considered in more severe circumstances, including requests for amendments or waivers of covenants, raising further equity, sale and leaseback of vehicles, disposal of properties and disposal of investments or other assets.

### Restructuring

All Regional Bus businesses have been considering optimal solutions to respond to passenger demand levels between current and pre-COVID levels, delivering variable cost reductions along with specific targeted restructuring of parts of the business as required. These mitigations would include a reduction in service levels across the network to match demand, cessation of operation of marginal cost routes, back office and discretionary spend reductions and specific actions such as depot and outstation closures. All of these are within the control of the business once BRG funding ends and the associated restrictions on service changes are removed.

### Capital expenditure

Consideration was given to altering existing capital expenditure plans by leasing or deferring purchase of vehicles planned to be purchased during the 2022 financial year with minimal short term impact on operational performance. Beyond year one of our Corporate Plan, £50m–£60m of capital expenditure is forecast in Regional Bus each year which could be postponed or leased, reducing the overall levels of debt.

### Going concern statement

The directors have assessed the Group's ability to continue as a going concern, in light of current and anticipated economic conditions. The directors confirm they are satisfied that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

# Governance

## In this section

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# Promoting the long term sustainable success of the Group

## 2021 UK Corporate Governance Code compliance statement

The Group is subject to the principles and provisions of the UK Corporate Governance Code (the Code), issued by the Financial Reporting Council (available from [www.frc.org.uk](http://www.frc.org.uk)). The table below outlines how the Group has structured the governance section of this Annual Report and Accounts around the principles of the Code.

Throughout the year ended 3 July 2021, the Board considers that it has complied with the provisions of the Code except for Provision 36\* and Provision 41\*\*, and has consistently applied the principles.

<b>Board leadership and Group purpose</b>	Chair's introduction to governance Board overview Board of directors Key focus areas of the Board including: <ul style="list-style-type: none"> <li>• Culture</li> <li>• Board activities during the year</li> <li>• Stakeholder engagement including:               <ul style="list-style-type: none"> <li>– Understanding views of stakeholders</li> <li>– Our decision making framework</li> <li>– Examples of key decisions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➔ Read more <a href="#">page 71</a></li> <li>➔ Read more <a href="#">page 73</a></li> <li>➔ Read more <a href="#">page 74</a></li> <li>➔ Read more <a href="#">page 76</a></li> <li>➔ Read more <a href="#">page 78</a></li> <li>➔ Read more <a href="#">page 80</a></li> <li>➔ Read more <a href="#">page 81</a></li> <li>➔ Read more <a href="#">page 82</a></li> <li>➔ Read more <a href="#">page 84</a></li> <li>➔ Read more <a href="#">page 85</a></li> </ul>
<b>Division of responsibilities</b>	How our governance framework operates Roles and responsibilities Board and Committee meetings Board training, development and induction	<ul style="list-style-type: none"> <li>➔ Read more <a href="#">page 89</a></li> <li>➔ Read more <a href="#">page 91</a></li> <li>➔ Read more <a href="#">page 92</a></li> <li>➔ Read more <a href="#">page 92</a></li> </ul>
<b>Board composition, succession and evaluation</b>	Board evaluation Nomination Committee Report including: <ul style="list-style-type: none"> <li>• Chair letter including Board composition and succession planning</li> <li>• Committee's responsibilities and activity during the year</li> <li>• Search and recruitment process for the Group Chief Executive</li> <li>• Board diversity policy</li> <li>• Independence and time commitments</li> <li>• Annual re-election of directors</li> <li>• Gender pay gap</li> </ul>	<ul style="list-style-type: none"> <li>➔ Read more <a href="#">page 86</a></li> <li>➔ Read more <a href="#">page 93</a></li> <li>➔ Read more <a href="#">page 93</a></li> <li>➔ Read more <a href="#">page 94</a></li> <li>➔ Read more <a href="#">page 95</a></li> <li>➔ Read more <a href="#">page 96</a></li> <li>➔ Read more <a href="#">page 97</a></li> <li>➔ Read more <a href="#">page 94</a></li> <li>➔ Read more <a href="#">page 97</a></li> </ul>
<b>Audit, risk and internal control</b>	Risk management Viability statement Going concern Audit Committee Report including: <ul style="list-style-type: none"> <li>• Chair letter</li> <li>• Committee's responsibilities and activity during the year</li> <li>• Risk management and internal controls</li> <li>• Internal Audit</li> <li>• Key financial and internal control matters</li> <li>• Fair, balanced and understandable</li> <li>• External Audit</li> </ul>	<ul style="list-style-type: none"> <li>➔ Read more <a href="#">page 56</a></li> <li>➔ Read more <a href="#">page 64</a></li> <li>➔ Read more <a href="#">page 66</a></li> <li>➔ Read more <a href="#">page 98</a></li> <li>➔ Read more <a href="#">page 98</a></li> <li>➔ Read more <a href="#">page 100</a></li> <li>➔ Read more <a href="#">page 101</a></li> <li>➔ Read more <a href="#">page 101</a></li> <li>➔ Read more <a href="#">page 102</a></li> <li>➔ Read more <a href="#">page 104</a></li> <li>➔ Read more <a href="#">page 105</a></li> </ul>
<b>Remuneration</b>	Directors' Remuneration Report including: <ul style="list-style-type: none"> <li>• Annual statement</li> <li>• Committee's responsibilities and activity during the year</li> <li>• Remuneration at a glance</li> <li>• Remuneration policy</li> <li>• Alignment of remuneration policy with the Code</li> <li>• Annual report on remuneration</li> </ul>	<ul style="list-style-type: none"> <li>➔ Read more <a href="#">page 108</a></li> <li>➔ Read more <a href="#">page 108</a></li> <li>➔ Read more <a href="#">page 112</a></li> <li>➔ Read more <a href="#">page 114</a></li> <li>➔ Read more <a href="#">page 117</a></li> <li>➔ Read more <a href="#">page 118</a></li> <li>➔ Read more <a href="#">page 129</a></li> </ul>

\* Provision 36 – as reported last year, a formal policy for post-employment shareholdings has been introduced in conjunction with the new remuneration policy which will be put to shareholders for approval at a General Meeting of shareholders to be convened in March 2022, further details of which can be found in the Directors' Remuneration Report on pages 108 to 142.

\*\* Provision 41 – in conjunction with both the implementation of our new remuneration policy and the resumption of the Board's rolling programme of visits to operating companies which were postponed at the start of the pandemic, we are developing our remuneration-related engagement with the workforce over the year ahead.

# Chair's introduction to governance



Clare Hollingsworth  
Chair

### Dear Shareholder

On behalf of the Board, I am pleased to present Go-Ahead's Corporate Governance Report for the year ended 3 July 2021.

You will have read in last year's report how the Board adapted quickly to the unprecedented external influences created by the COVID-19 pandemic. The priorities we set at the outset of the crisis to safeguard the health and wellbeing of our colleagues and customers, to play our role in society and to protect our business have remained at the top of the Board's agenda. We had wide-ranging discussions during the year covering the health and wellbeing of colleagues, safety and risk management and operational and financial performance both in the UK and our international businesses. You can read more about our key areas of focus throughout this Corporate Governance Report.

I am proud of what our people have achieved throughout the pandemic and I thank all of our colleagues for the efforts they have made to respond to the challenges.

Another key area of focus for the Board has been the circumstances relating to London and South Eastern Railway (LSER). As I mentioned in my introduction to the Strategic Report, the behaviours which contributed to the failings in relation to the management of LSER's franchise with the DfT do not reflect the values that the Group expects of its colleagues, nor do they meet the high standards of conduct and governance set by the Board.

The Board has identified a requirement to enhance corporate governance arrangements, particularly relating to the way in which we oversee our complex rail operations. Work is already underway in this area, particularly in GTR where measures are being taken to improve the ability of Go-Ahead and the Board of GTR to better safeguard and assure the compliance obligations of its complex contract. These steps include increasing the remit and scope of Internal Audit to include oversight of the compliance arrangements and ensuring deeper understanding and closer scrutiny of contractual obligations and commercial terms. The new Group Audit Committee Chair will be appointed to the Board of GTR in the event of a new contract award, to provide a clear line of sight to the Group Audit Committee and Group Board.

Further detail on these measures is provided on pages 98 and 107 of the Audit Committee Report.

In addition, the Group Chief Executive's review of the business, following his appointment in November 2021, is considering, among other things, the optimum division of roles and accountabilities between the Group's operating companies and its central functions.

### Board changes and succession planning

The Nomination Committee reviews Board composition and succession planning on behalf of the Board to ensure that we have a diverse balance of skills, experience, independence and knowledge to enable the Board to discharge its duties effectively.

Established plans to refresh our Board and leadership team have been accelerated. Following the retirement of Group Chief Executive, David Brown, in late 2021, Christian Schreyer, was appointed as our new Group Chief Executive. To further bolster the senior leadership team, Christian has been supported by an experienced Interim Group Chief Financial Officer, Gordon Boyd, who was appointed to the Board in September 2021 following the resignation of the former Group Chief Financial Officer, Elodie Brian. Gordon will remain in the role until the end of March 2022 and a process is well underway to recruit a permanent Group Chief Financial Officer.

We were also pleased to welcome David Blackwood and Dominic Lavelle to the Board as Non-Executive Directors on 1 January 2022. David and Dominic succeeded Adrian Ewer as Senior Independent Director and Audit Committee Chair respectively on 19 January 2022.

As announced on 19 January 2022, Adrian Ewer stepped down from the Board with immediate effect in light of the discovery of an error made by Equiniti, in their collection of certain proxy votes submitted in relation to his reappointment at the 2021 AGM. The Board was very disappointed at the consequences of this mistake and the manner of Adrian's departure, given his extensive commitment and valuable contribution over many years.

At the 2020 AGM, the Board gave thanks to Katherine Innes Ker who, after over ten years, stepped down as Non-Executive Director having remained on the Board for an additional year to oversee the transition of my leadership as Chair.

Full details for all new appointments and leavers can be found in the Nomination Committee Report from page 93 and in the Remuneration Committee Report from page 108.



## Board leadership and Group purpose continued

### Purpose, values and culture

The Board oversees and monitors culture in a number of ways to ensure it is aligned to our purpose, values and strategy. Our devolved operating model facilitates this by enabling senior leadership to provide valuable insight into how our purpose and values are brought to life across our business operations. The Board has missed having the opportunity to make regular visits to operating companies during the pandemic and we are pleased that these have now resumed, enabling us to meet colleagues again and experience personally the working practices and culture that exist at the heart of our businesses. You can read more about the Board's oversight of culture on pages 78 and 79.

Our core values and safety culture have been pivotal to safeguarding the health and wellbeing of our people, customers and communities. During the year, the regular safety updates provided to the Board were complemented with additional in-depth reviews around the safety, health and wellbeing of our colleagues. A review of health and safety reporting was also undertaken, supported by one of the Board's non-executive directors Harry Holt.

We remain committed to increasing diversity across all levels of the business. We believe that a diverse and inclusive workforce underpins success. It improves our decision making by bringing more diverse perspectives, it creates an inclusive culture that attracts and retains the best talent and it meets the needs of our customers by representing the communities we serve. You can read more about the Nomination Committee's work in this important area on page 96.

**“We remain committed to enhancing diversity across all levels of the business.”**

### Stakeholder engagement

We know that engaging with our stakeholders to understand their views is central to ensuring the Board makes inclusive and responsible decisions.

While it was not possible for the Board to meet with colleagues across the business during the year, our local management teams were empowered to drive forward their own engagement agendas. The feedback generated was shared with the Board so that we could understand and respond to the issues that matter most to our colleagues.

I have also appreciated my own engagement with shareholders, particularly on environmental, social and governance (ESG) matters, Group Chief Executive succession and more latterly on the LSER matters of concern. I thank shareholders for sharing their views and insights.

During the year, Leanne Wood, Remuneration Committee Chair, welcomed the feedback received from her consultation with shareholders and shareholder representative bodies on the new remuneration policy to be proposed for approval by shareholders at the General Meeting in March 2022. Full details of the new policy can be found on pages 117 to 128.

An overview of how and why we engage with our stakeholders and the key topics raised, together with examples of how we responded, can be found on pages 20 to 23. You can also find out more about how the Board considers stakeholders in decision making, how their views are understood in the boardroom and examples of key decisions taken during the year on pages 81 to 85.

**“Engaging with our stakeholders to understand their views is central to ensuring the Board makes inclusive and responsible decisions.”**

### ESG

ESG is another integral part of Board discussions and covers the broad range of matters that are key to our business strategy and long term success. The Group Chief Executive is responsible for developing and delivering climate change strategy and leads Board discussions on climate-related risks and opportunities. In July 2021, we also published our first climate change strategy and you can read more about this on pages 26 and 27.

### Evaluation

The Board welcomes its annual effectiveness reviews as an opportunity to review its performance. Both the external review, completed during 2020 and the subsequent internal review completed in completed during 2021, concluded that the Board continued to operate effectively and had responded quickly, decisively and appropriately to the challenges posed by COVID-19. In particular, we found that the Board's management of the pandemic acted as a vehicle to enhance our culture, with our governance framework being a critical component of the Group's resilience. For more information, please read pages 86 to 88. The matters relating to LSER, which took place after the most recent interim review, will form a substantive part of the Board's next effectiveness review.

### Looking forward

I am very disappointed that Go-Ahead's strong values were not reflected in the behaviours that contributed to failings in relation to LSER. There is much work to do in the coming months and years, including rebuilding confidence in Go-Ahead that may have been undermined for some of our stakeholders. This is a transitional period for Go-Ahead. We embrace new leadership and a refreshed Board to take the Group forward at a pivotal time for our industry, and our business.

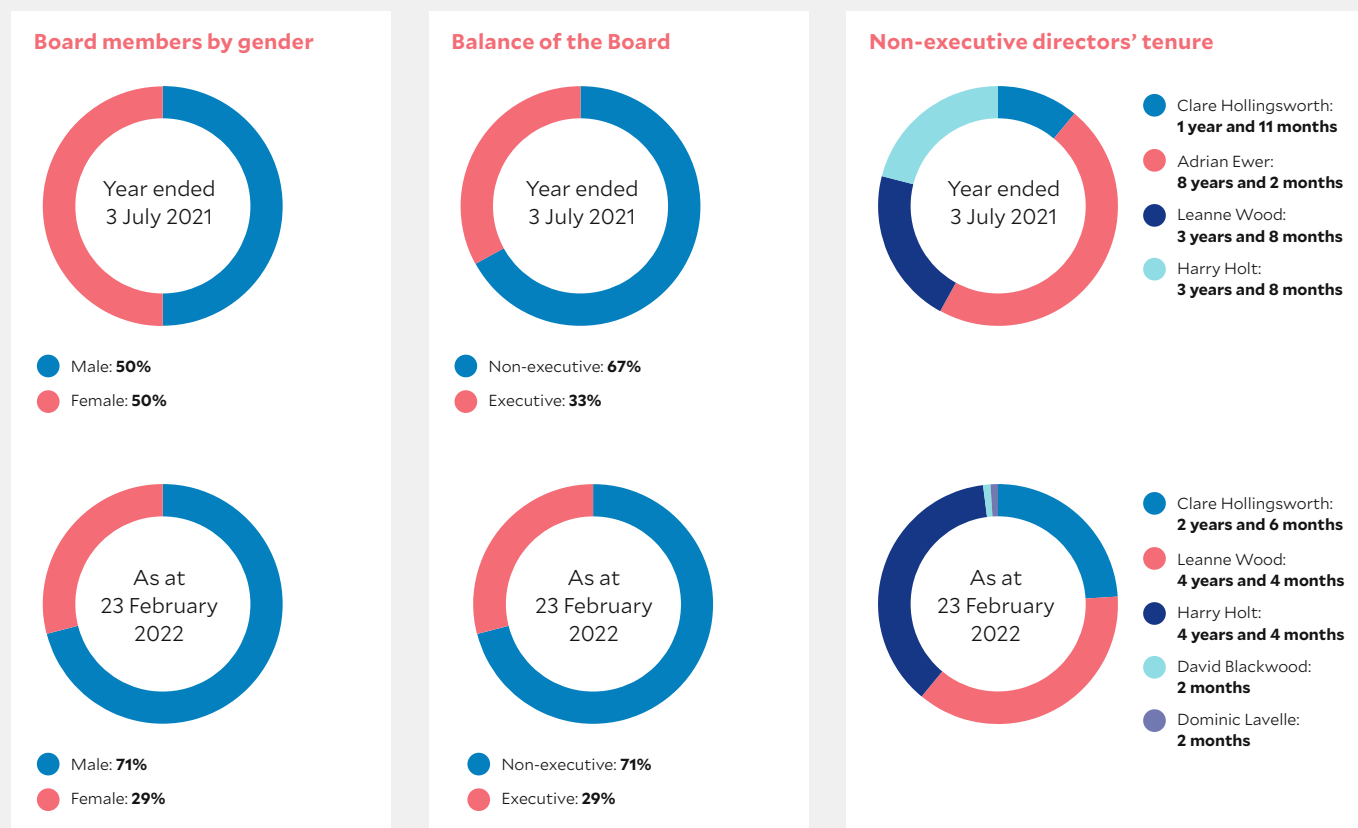
I would like to thank our shareholders for their loyalty, patience and continued support.



**Clare Hollingsworth**  
Chair

23 February 2022

## Board overview



### Board and committee meeting attendance

The following table shows the directors' attendance at scheduled meetings they were eligible to attend for the year ended 3 July 2021:

	Board <sup>4</sup>	Audit Committee <sup>5</sup>	Remuneration Committee <sup>6</sup>	Nomination Committee <sup>7</sup>
Board attendance	Scheduled	Scheduled	Scheduled	Scheduled
<b>Total meetings</b>	<b>9</b>	<b>5</b>	<b>5</b>	<b>3</b>
Clare Hollingsworth <sup>1</sup>	●●●●●●●●	—	●●●●●	●●●
David Brown <sup>2</sup>	●●●●●●●●	—	—	—
Elodie Brian <sup>2</sup>	●●●●●●●●	—	—	—
Adrian Ewer	●●●●●●●●	●●●●●	●●●●●	●●●
Leanne Wood	●●●●●●●●	●●●●●	●●●●●	●●●
Harry Holt	●●●●●●●●	●●●●●	●●●●●	●●●
Katherine Innes Ker <sup>3</sup>	●●●	—	—	●●●

- The Chair attended Audit Committee meetings by invitation as appropriate, which have not been included.
- The executive directors attended committee meetings by invitation as appropriate, which have not been included.
- Katherine Innes Ker retired as Non-Independent Non-Executive Director with effect from the conclusion of the 2020 AGM. She was eligible to attend three scheduled Board meetings between 28 June 2020 and this date. Katherine also attended Audit and Remuneration Committee meetings by invitation which have not been included.
- Unscheduled Board meetings were held on 22 September 2020, 11 February 2021, 6 April 2021, 7 April 2021, 9 April 2021 and 21 April 2021 with these meetings relating to the consideration of bid submissions and strategic related matters.
- An unscheduled Audit Committee meeting was held on 16 September 2020 to discuss outstanding audit related matters for the year ended 27 June 2020.
- An unscheduled Remuneration Committee meeting was held on 19 May 2021 in respect of the executive remuneration policy review.
- Unscheduled Nomination Committee meetings were held on 5 November 2020, 26 April 2021 and 10 May 2021 to discuss non-executive and executive succession planning, including the retirement of the Group Chief Executive and the search for his successor.

## Board leadership and Group purpose continued

## Board of directors

## Clare Hollingsworth, Non-Executive Chair



**Appointment:** Clare Hollingsworth joined the Board as Non-Executive Chair Designate on 1 August 2019 before becoming Non-Executive Chair of the Group on 31 October 2019.

**Independent:** On appointment.

**Relevant skills, experience and contributions:** Extensive board experience both at executive and non-executive level across a range of sectors, including safety critical businesses in rail, aviation

and healthcare. Worked nationally and internationally, and within different ownership models. Significant stakeholder management experience, including across regulators and UK Government. Former Non-Executive Chair of Eurostar International Ltd, Non-Executive Director at UK Government Investments, Savills plc and Assura plc and Chief Executive Officer of Caledonian Airways Ltd, Bupa Hospitals Ltd and Spire Healthcare Ltd.

**Other appointments:** None.

## Christian Schreyer, Group Chief Executive



**Appointment:** Christian was appointed to the Board on 1 November 2021 and became Group Chief Executive with effect from 5 November 2021.

**Independent:** Not applicable.

**Relevant skills, experience and contributions:** A post-graduate of Harvard Business School, Christian is a highly experienced transport leader. As a former senior executive of Transdev, he oversaw large scale bus and rail operations at an international level with accountability for seven countries and more than

26,000 people. Prior to that, he worked at Deutsche Bahn where he held several senior roles including Head of Corporate Strategy. He brings to the Board a high level of corporate strategy and strategic awareness, significant experience in sustainability and decarbonisation, a deep understanding of the relationships between government and public transport and a wealth of experience of delivering outstanding transport services to customers.

**Other appointments:** None.

## Gordon Boyd, Interim Group Chief Financial Officer



**Appointment:** Gordon Boyd was appointed to the Board as Interim Group Chief Financial Officer to Board on 28 September 2021.

**Independent:** Not applicable.

**Relevant skills, experience and contributions:** A fellow member of the Chartered Institute of Management Accountants, Gordon is also a graduate of Edinburgh University, has an MBA, holds a

treasury qualification and has completed the Advanced Management Programme at Harvard Business School.

He has held a number of FTSE 250 Chief Financial Officer roles, with a focus on interim roles in recent years, the latest of which was Interim Chief Financial Officer of Capita plc.

**Other appointments:** None.

## David Blackwood, Senior Independent Director



**Appointment:** David Blackwood joined the Board as Independent Non-Executive Director and Senior Independent Director Designate with effect from 1 January 2022 and became Senior Independent Director with effect from 19 January 2022.

**Independent:** Yes.

**Relevant skills, experience and contributions:** David has extensive business and listed company experience, notably in Finance, Audit and Risk. He has previously been Audit Committee Chair and Senior Independent Director of Scapa plc and Dignity plc, and, for both, served on the Nomination and Remuneration Committees. David was formerly Chief Financial Officer of Synthomer plc, prior to which he was Group Treasurer and Group

Financial Controller at Imperial Chemical Industries plc (ICI). David has previously served as a member of the Cabinet Office Audit and Risk Committee and on the Board for Actuarial Standards. He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and a Fellow of the Association of Corporate Treasurers (ACT).

**Other appointments:** Non-Executive Chair of Smiths News plc (Chair of the Nomination Committee and a member of the Remuneration Committee) and Deputy Chairman and Senior Independent Director of FTSE SmallCap Esken Limited (previously Stobart Group Limited)(Chair of the Audit Committee and member of the Remuneration and Nomination Committees).

## Key

Executive directors

Chair and non-executive directors

Group Company Secretary and Committee Secretary

Nominations Committee

Audit Committee

Remuneration Committee

Committee Chair

## Dominic Lavelle, Non-Executive Director



**Appointment:** Dominic Lavelle joined the Board as Independent Non-Executive Director and Audit Committee Chair Designate with effect from 1 January 2022 and became Audit Committee Chair with effect from 19 January 2022.

**Independent:** Yes.

**Relevant skills, experience and contributions:** Dominic has extensive corporate and financial knowledge, with previous positions including Chief Financial Officer of SDL plc, Group

Finance Director of Alfred McAlpine plc and Group Finance Director of Allders plc.

**Other appointments:** Non-Executive Director of McColls Retail Group plc (Chair of the Audit and Risk Committee); Non-Executive Director of AIM quoted company FIH group plc (Chair of the Audit Committee); and Senior Independent Non-Executive Director of AIM quoted company Fulcrum Utility Services Limited (Chair of the Audit Committee).

## Leanne Wood, Non-Executive Director



**Appointment:** Leanne Wood joined the Board on 23 October 2017 and was appointed as Remuneration Committee Chair on 31 October 2019.

**Independent:** Yes.

**Relevant skills, experience and contributions:** Leanne's contribution to the Board is enhanced by her broad expertise in leading corporate strategy and organisational transformation obtained while working in senior roles at major consumer brands, including Vodafone, Burberry and Diageo. She has a particular strength for customer insight, which is key in leading Board discussions on stakeholder engagement and considering the views of the workforce. Her ability to consider the consequences

of remuneration decisions, drawing on her understanding of the employee and wider business perspectives, allows her to be an effective Remuneration Committee Chair.

Leanne has extensive corporate experience working in several international executive roles. She is a graduate of the University of Cambridge, holding both a Master of Arts in law and economics and an MBA from Institut Européen d'Administration des Affaires (INSEAD).

**Other appointments:** Chief Human Resources Officer at Vodafone Group plc and non-independent Non-Executive Director of Vodacom (member of the Remuneration, Nomination and Social and Ethics Committees).

## Harry Holt, Non-Executive Director



**Appointment:** Harry Holt joined the Board on 23 October 2017 and is the non-executive director responsible for workforce engagement.

**Independent:** Yes.

**Relevant skills, experience and contributions:** After a distinguished career in the British Army, Harry is now a proven business leader having fulfilled a number of senior executive positions at Rolls-Royce including President of its Nuclear Business Division and, most recently, as Chief People Officer, where he led an ambitious transformation and restructuring programme across the company before stepping down at the end of 2021 and taking up the post of Chief Operating Officer at Vertical Aerospace. He is skilled in all

aspects of leadership, with a deep and practical experience of leading large organisations through change to successful attainment of their strategic ambitions. Harry brings to the Board a broad range of experiences and capabilities including: operational management, strategy, health and safety, employee engagement and cultural transformation.

Harry previously served eight years as Chairman of the Royal Foundation's Endeavour Fund, complementing his listed company experience with a non-corporate perspective.

**Other appointments:** Chief Operating Officer at Vertical Aerospace.

## Carolyn Ferguson, Group Company Secretary



**Appointment:** Carolyn Ferguson was appointed as Group Company Secretary on 1 July 2006.

**Independent:** Not applicable.

**Relevant skills, experience and contributions:** Carolyn is an experienced Company Secretary and governance professional with a proven track record of working with the Group Board and senior leadership team to the highest of ethical and professional standards, supported by robust corporate governance principles.

She is also an effective driver of pensions de-risking strategy for the Group's defined benefit bus schemes. She is a fellow of The Chartered Governance Institute and a qualified and practising coach and mentor. Carolyn began working for the Group as Assistant Company Secretary in 2001, before being appointed to Group Company Secretary in 2006. Her previous employment includes working for Northern Electric, predominantly in the field of pensions.

**Other appointments:** Non-Executive Director of Better Boards Ltd and Trustee Director of The Go-Ahead Group Pension Plan.

## Board changes

Adrian Ewer (Senior Independent Director and Audit Committee Chair), David Brown (Group Chief Executive), Elodie Brian (Group Chief Financial Officer) and Katherine Innes Ker (Non-Executive Director) all served as directors of the Board during the year ended 3 July 2021. They stepped down from the Board with effect from 19 January 2022, 5 November 2021, 27 September 2021 and 24 November 2020 respectively.

## Board leadership and Group purpose continued

# Key focus areas of the Board

The Board held nine scheduled meetings during the year ended 3 July 2021, two of which were dedicated exclusively to discussing the Group's strategy. The majority of meetings took place via video conference as a result of COVID-19 restrictions. Meetings were attended by all Board members and attendance details can be found on page 73. A schedule of the Board's activities during the year ended 3 July 2021 can be found on page 80.

### Rebuilding from the impact of COVID-19

Recovery from the pandemic has naturally been at the forefront of the Board's agenda, shaping our conversations around the health and wellbeing of colleagues, safety and risk management, stakeholder partnerships and the long term sustainability of the business.

During the year, the Board undertook two reviews to identify insights and lessons learned from the pandemic. The first was to assess management's crisis response, including the initial actions taken in the first wave, lockdown and recovery, in addition to leadership capability. A key outcome of this review was that our senior leadership teams and colleagues alike had worked incredibly hard, demonstrating commitment and professionalism in responding to the challenges. Our devolved operating model also proved particularly invaluable in enabling our businesses to work in partnership with national and local stakeholders to continue to provide vital transport services to customers and communities.

The second review, which was undertaken as part of the annual board effectiveness review, assessed the Board's role in the pandemic. Importantly, both reviews provided the Board with assurance that its decisions and those of our senior leadership teams, continued to be guided by our three strategic priorities, underpinned by our core values and supported by our governance framework. You can read more about both of these reviews on pages 86 to 88.

### ESG

Environmental, social and governance (ESG) matters are integral to our long term strategy, particularly in the context of how our business responds to changing environmental and societal trends.

Climate change has remained a key focus area for the Board during the year, with an increase in the number of in-depth reviews undertaken. The Group Chief Executive is ultimately responsible for delivering our climate change strategy and a governance framework has been put in place to support clear accountability and transparent reporting structures. The Group Chief Executive leads discussion on climate change response, risks and opportunities at Board meetings and, in July 2021, the Board approved its first climate change strategy for publication. This sets out how we will play our part in reducing emissions to become a net zero business by 2045.

The Board acknowledges the importance of working in collaboration with government, partners and suppliers in order to deliver our strategy and we will be monitoring our performance against the targets we have set. You can read more about our climate change strategy on pages 26 and 27.

### Strategy

Last year, in response to the challenges with our German rail operations, the Board took the decision to pause development activities in new international rail markets. The lessons learned from the supplementary governance review undertaken at that time have now also been embedded into the bidding process. A new Board Sub-Committee has been established, to ensure that appropriate time and focus is given to assessing investment opportunities with management and bid teams, in support of a wider Board discussion. The Board is satisfied that these enhanced arrangements allow it to appropriately assess opportunities against modified criteria and to evaluate the merits of each bid.

Strategic discussions also continued against heightened uncertainty given the impact of COVID-19 and expected material changes to government policy. The pandemic has reaffirmed the importance of our purpose which continues to inform the Board's decisions, supported by our risk management framework, risk appetite and strong financial discipline. While activities have continued under all three strategic pillars, the pandemic has focused the attention of the business and the Board on 'protect and grow the core', with the emphasis on protecting our business, aligned with our pandemic priorities.

### London & South Eastern Railway Limited (LSER)

Subsequent to the year end, both the Board and the Audit Committee carefully considered the Independent Committee's findings in relation to LSER. The Independent Committee has been focused on open, collaborative and constructive engagement with the DfT with a view to resolving matters. This has identified to the Board a requirement to enhance corporate governance arrangements, particularly relating to the way in which we oversee our complex rail operations and further details can be found on pages 10 and 11.



### Board Strategy Day

The Board traditionally undertakes a dedicated annual review of business strategy. Following a recommendation from last year's external effectiveness review, the Board reviewed its approach to strategy development and during the year ended 3 July 2021 held two stand-alone strategy review meetings, rather than one in previous years. The first meeting focused on the short term corporate plan horizon over the next one to three years and the second meeting focused on the longer term. With detailed papers circulated in advance, the Board discussed the key areas set out above.

The Board's annual strategy review typically takes place in May each year. Following the recent refresh of the Board, including the appointment of our new Group Chief Executive, Christian Schreyer, this year's annual review will take place in March 2022. This aligns with the conclusion of the business review Christian has been undertaking since joining the Group and which will also take into account the conclusions from the Independent Committee's work.

### Board meetings

The Board also reviews strategy at each meeting, with the executive directors providing updates on performance against strategic objectives and any opportunities arising throughout the year.



## Board leadership and Group purpose continued

# Culture

### Cultural framework

The Board is responsible for shaping and monitoring the culture of the Group to ensure it supports our purpose, values and strategy and is a key driver of performance. A number of key cultural indicators, examples of which are shown in the table opposite, informed the Board's assessment of culture across the Group during the year.

Our devolved operating model, and senior leadership team in particular, play a critical role in bringing our values and culture to life. Our safety culture has been pivotal in underpinning our response to the pandemic and, during the year ended 3 July 2021, the regular safety updates provided to the Board at each meeting were complemented with more comprehensive thematic updates to give the Board further assurance around the safety, health and wellbeing of colleagues.

With communication a key priority during our COVID-19 response, the Board reviewed employee engagement strategies and the dedicated resources applied to ensure colleagues felt supported both at work and in their personal lives. Examples of other thematic updates included how safety culture was being embedded into the business; suicide prevention on the railways and accident prevention in the Bus division.

A review of health and safety reporting was also undertaken, which included an assessment of the consistency and clarity on the metrics set against their trends, aspirations and how progress was monitored. This review was supported by Harry Holt, one of the Board's non-executive directors, who also attended a number of our virtual rail safety forums.

**“Our devolved operating model, and senior leadership team in particular, play a critical role in bringing our values and culture to life.”**

### Supportive framework

In addition to a supportive culture where there is a genuine means for the workforce to raise any concerns, the Group's Code of Conduct facilitates the understanding and embodiment of behaviours that align colleagues with the culture as set by the Board. It also sets out what is expected from colleagues and stakeholders to ensure they protect themselves as well as the Group's reputation and assets. As explained on page 5, the Board is disappointed that the behaviours which contributed to the failings in LSER do not reflect the values the Board expects of its colleagues.

Policies are in place for the prevention of corruption, fraud and bribery. We have bespoke online training for competition law, anti-bribery and corruption which colleagues in high risk areas (including the Board and senior leadership) are required to complete periodically.

## Our vision

A world where every journey is taken care of

## Underpinned by our core beliefs and attitudes



**We believe in**

Trusting people  
Being can-do people  
Building relationships  
Being one step ahead



**We are**

Accountable  
Down to earth  
Collaborative  
Agile

## Our purpose

To be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world

## How the Board monitors culture

### Cultural indicator

### Link to culture

Health and safety performance	▶	KPI reporting on a range of safety metrics enables the Board to assess the effectiveness of safety practices and behaviours and receive assurance that the business continues to drive a culture of continuous improvement. Thematic safety updates also provide additional insights and understanding.
Workforce and remuneration policies	▶	The Group HR Director's annual review of policies and update to the Board provides assurance that policies are consistent with our values, support the right behaviours and support a healthy culture.
Whistleblowing policies, incidents or matters of concern	▶	The Board's review of the whistleblowing policies in place across the business, and the nature of employee concerns, provides reassurance that policies are clear and accessible with no adverse trends. The Board is also satisfied that appropriate arrangements are in place for the proportionate independent investigation of any such matters together with any follow up action required.
Colleague experience	▶	Feedback from a number of channels provides the Board with an understanding of the colleague experience, in addition to reviewing indicators such as employee engagement index, absenteeism and employee turnover.
Leadership and talent review	▶	Regular updates provided by the Group HR Director enables the Board to monitor and assess the robustness and diversity of our leadership and talent pipeline. This is supported by a review of leadership, graduate and apprenticeship demographics and targets.
Diversity and inclusion policies and targets	▶	The setting of targets and oversight of the programmes and initiatives underway to support diversity policies enables the Board to see how these measures demonstrably increase diversity and inclusion across our businesses.
Modern slavery statement	▶	The Board's annual review of the Group's modern slavery policy supports its oversight of the steps taken to prevent modern slavery and human trafficking across the business and its supply chain.
Stakeholder survey results	▶	Our annual stakeholder survey provides the Board with direct insights into how our colleagues are perceived by key stakeholders and whether there are any areas of improvement. This enables the Board to reflect on the decisions it makes in the context of stakeholder input both prior to and after decisions have been made.
Other key cultural indicators	▶	The review of other key cultural indicators such as customer satisfaction survey results, targets on promptness of payment to suppliers and results of internal audit reviews, further supports the Board's review of culture throughout the business.

## Board leadership and Group purpose continued

# Board activities during the year ended 3 July 2021



## Performance

- Reviewed reports on operational and financial performance at each Board meeting
- Reviewed strategy and approved the budget
- Approved significant contracts and bid submissions
- Reviewed capital allocation policy and dividend position
- Received updates on 'deep-dive' risk areas, key contracts, projects and other matters of significance
- Received reports from the investor relations team
- Approved the Group's 2020 Annual Report and Accounts, financial results, trading updates and ancillary documents relating to the 2020 Annual General Meeting, including the Notice of Meeting



## Health and safety

- Received routine health and safety update reports at each Board meeting
- Received thematic updates on health, safety and wellbeing
- Approved and monitored health and safety policy and targets
- Received updates from Harry Holt, one of the Board's non-executive directors, following visits to local operating company safety forums
- Received updates from the Audit Committee on health and safety auditing



## Audit and risk management

- Received verbal updates from the Audit Committee following each Committee meeting
- Received reports on financial and accounting issues and contract and commercial issues
- Approved the going concern statement and assessment of viability
- Monitored ongoing performance and changes in key risks and emerging risks, including top-down risk identification
- Reviewed and approved the Group's appetite for risk and risk appetite statement
- Approved the principal and emerging risks and risk management framework
- Approved recommendations from the Audit Committee relating to the fee and appointment of the external auditor
- Subsequent to the year end, the Audit Committee and Board carefully considered the Independent Committee's findings in relation to the LSER matters of concern



## Political and regulatory environment

- Received updates on government funding in relation to COVID-19
- Received updates on policy changes in the UK industry, including Bus Back Better national bus strategy and the Williams-Shapps Plan for Rail
- Received regular updates on developments in the Group's international markets
- Received updates in relation to the Government's consultation on UK corporate reform



## Governance

- Convened sub-committees of the Board to deal with specific matters and additional unscheduled meetings where appropriate
- Board succession planning for the Group Chief Executive, Senior Independent Director and Audit Committee Chair
- Annual evaluation of the Board, its committees and individual directors
- Reviewed Board policies and procedures
- Reviewed the formal matters reserved for the Board and terms of reference for each Board committee
- Reviewed conflicts of interest and time commitments of directors



## Culture

- See pages 78 and 79



## Stakeholder engagement

- See pages 81 to 85

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# Stakeholder engagement

A statement regarding our compliance with Section 172(1) of the Companies Act 2006 ('Section 172') can be found on page 1 of the Strategic Report. Pages 20 to 23 provide further information on why we consider each of our stakeholders to be key as well as insight into why and how we engage with each of our stakeholders, the key topics of engagement during the year and how we responded.

The Board's decision making is supported by the framework outlined on page 84. This ensures the Board carefully considers all the relevant factors, identifying the likely consequences of any decision on the Group's long term success and the impact those decisions may have on its stakeholders.



## Board leadership and Group purpose continued

### Understanding the views of stakeholders

The Board has a meaningful programme of stakeholder engagement. Aimed at identifying and understanding the views of all of our key stakeholder groups, it ensures that their interests are always considered when decisions are taken. We engage with our stakeholders in different ways and receive feedback updates at least biannually. Whilst the executive directors typically lead on the interface, the Chair and other non-executive directors also have opportunities to talk directly with stakeholders.

Supplementing this programme is an annual stakeholder survey which, for the last five years, has been conducted by the Group and each of its operating companies. The results from all of these independently run surveys are shared with the Board. This year's surveys provided helpful insights into key themes such as reputation, communication, service delivery and performance, as well as how the Group handled the pandemic and the effectiveness of our partnerships with stakeholders.

The Board was reassured that the results from the annual stakeholder survey showed a positive sentiment across the business, with the general consensus being that the Group and its operating companies were professional, reliable and resilient and had managed the pandemic well.

The Board understands the importance of assessing the effectiveness of its engagement strategies. We work in collaboration and partnership with all our stakeholders which has the benefit of ensuring that ongoing dialogue is maintained throughout the year. This, together with feedback and sentiment from regular surveys, means we are regularly evolving our engagement strategies to ensure they remain effective.

### Our people



Harry Holt is the non-executive director designated to review and support workforce engagement across the business. Having fulfilled a number of senior executive positions at Rolls-Royce, including until recently the role of Chief People Officer, the Board deemed Harry to have the depth of experience and skills suitable for the role.

Supported by the Group HR Director and Group Company Secretary, Harry undertakes an annual review of the effectiveness of the arrangements in place to provide the Board with assurance that its approach remains effective and provides a genuine means of two-way engagement with the workforce.

Our devolved operating model means it is important for our operating companies to retain responsibility for engagement with their own colleagues. Acting as intermediaries for the Board, operating company leadership teams have responsibility for ensuring an effective mechanism for genuine two-way engagement between their operating company boards and colleagues. Feedback from each operating company is shared with the Board and, in turn, the Board reviews this feedback and considers what information should be cascaded back to the operating companies for them to share with their colleagues.

This approach has been particularly effective during the pandemic as it has enabled management teams to drive their own local engagement agendas forward in an agile and responsive way. The Board discussed the key themes that mattered most to colleagues across the business during the year ended 3 July 2021, which were broadly the impact of COVID-19 on working practices, safety and wellbeing, job security and pay.

Complementing this approach is the Board's longstanding rolling programme of visits to operating companies, which includes meeting with employee forum representatives. Spending time with management, customer-facing and operational colleagues and employee representatives enables the Board to hear first hand from colleagues what is important to them and to see how our values and culture are being brought to life in a day-to-day setting. While all visits were postponed during the year ended 3 July 2021 as a result of the pandemic, they have now resumed, with the Chair and members of the Board scheduled to visit most UK operating companies through the year. This will include engaging with employees on matters of executive pay and wider Group pay policy.

As reported on page 78, Harry Holt also virtually attended Southeastern's Safety and Environment Board and GTR's Safety Executive in 2021 where he gained first-hand insights into safety culture and engagement to support the wider Board's oversight.

The Board reviews the results of colleague engagement surveys, where the approach has evolved over the last financial year from annual surveys to pulse surveys which are shorter, but more frequent, and tailored to specific topics. Pulse surveys during the year were focused on colleague engagement, health, safety and wellbeing. The focus of future pulse surveys will be management effectiveness, communication, leadership, colleague empowerment and working together.

Further information on how and why we engage with our workforce and the key topics raised during the year, together with examples of how we responded, can be found on pages 20 and 21.

## Customers, strategic partners and suppliers, government and communities



The pandemic has emphasised the importance of public transport services to our customers, communities and society. Engaging with our customers enables us to provide safe, convenient and reliable services that serve our local markets and communities. While the Transport Focus customer satisfaction surveys that were paused in Spring 2020 will not resume again until Autumn 2022, the Board has been updated on the results of the surveys undertaken by our individual operating companies to ensure that we have up to date insights from our customers that help shape our decisions to support our communities effectively.

We have continued to work closely and collaboratively with key partners, regulators and our supply chain to ensure that service provision remains at the right level and that suitable funding is received to enable essential services to continue to be delivered.

The majority of this engagement is through the Group Chief Executive and members of the senior leadership team, particularly in relation to the operation of our bus and rail services, and in shaping the policy landscape within which the business operates. The Board receives regular updates on matters such as government strategy and funding, policy changes, contract negotiations, contract performance of existing contracts and changes in regulation or legislation that are relevant to the business.

The Group accepts that serious errors were made in relation to the LSER franchise with respect to its engagement with the DfT and the Independent Committee has been focused on open, collaborative and constructive engagement with the DfT with a view to resolving matters.

## Investors



The Board maintains an open dialogue with its investors to ensure that feedback informs decision making. This is achieved through a programme of structured engagement. The executive directors engage regularly with investors, with more frequent discussions taking place this year on government funding and our response to the pandemic. The Chair also engaged with shareholders regarding ESG matters, Group Chief Executive succession and more latterly on LSER matters. The Board receives regular updates on investor sentiment. The Chair, Senior Independent Director and Committee Chairs are available to shareholders to discuss any matters of concern shareholders may have and questions can also be put to the Board at the Annual General Meeting or other shareholder meetings.

During the year, Leanne Wood, Remuneration Committee Chair also carried out an extensive consultation exercise with our major shareholders and proxy voting agencies on our new directors' remuneration policy, which we are proposing to shareholders at the General Meeting we are intending to convene in March 2022. More details of this process and the outcome of our engagement are available within the Directors' Remuneration Report on pages 108 to 142.

### Corporate website

Our corporate website has a dedicated investors section which contains a suite of useful information, including:

- Published Annual Reports and Results announcements
- Regulatory news
- Details on environmental, social and governance matters
- A shareholder centre with share price tools and a financial calendar
- Analyst consensus forecasts

Investors and other stakeholders can subscribe to receive news through email updates by registering their details on our website.

### Annual General Meeting (AGM)

The AGM is an opportunity for the Board to engage with and answer questions from shareholders. Due to COVID-19

restrictions, our 2020 AGM was held as a closed meeting at which 67 per cent of our shareholders (by voting capital) voted either through the Chair of the AGM as their proxy, or by submitting their proxy forms electronically or by post. We received in excess of 92 per cent of votes in favour of all of our resolutions, including over 98 per cent approval for our Directors' Remuneration Report. Shareholders were invited to submit questions to a dedicated AGM mailbox in advance of the meeting.

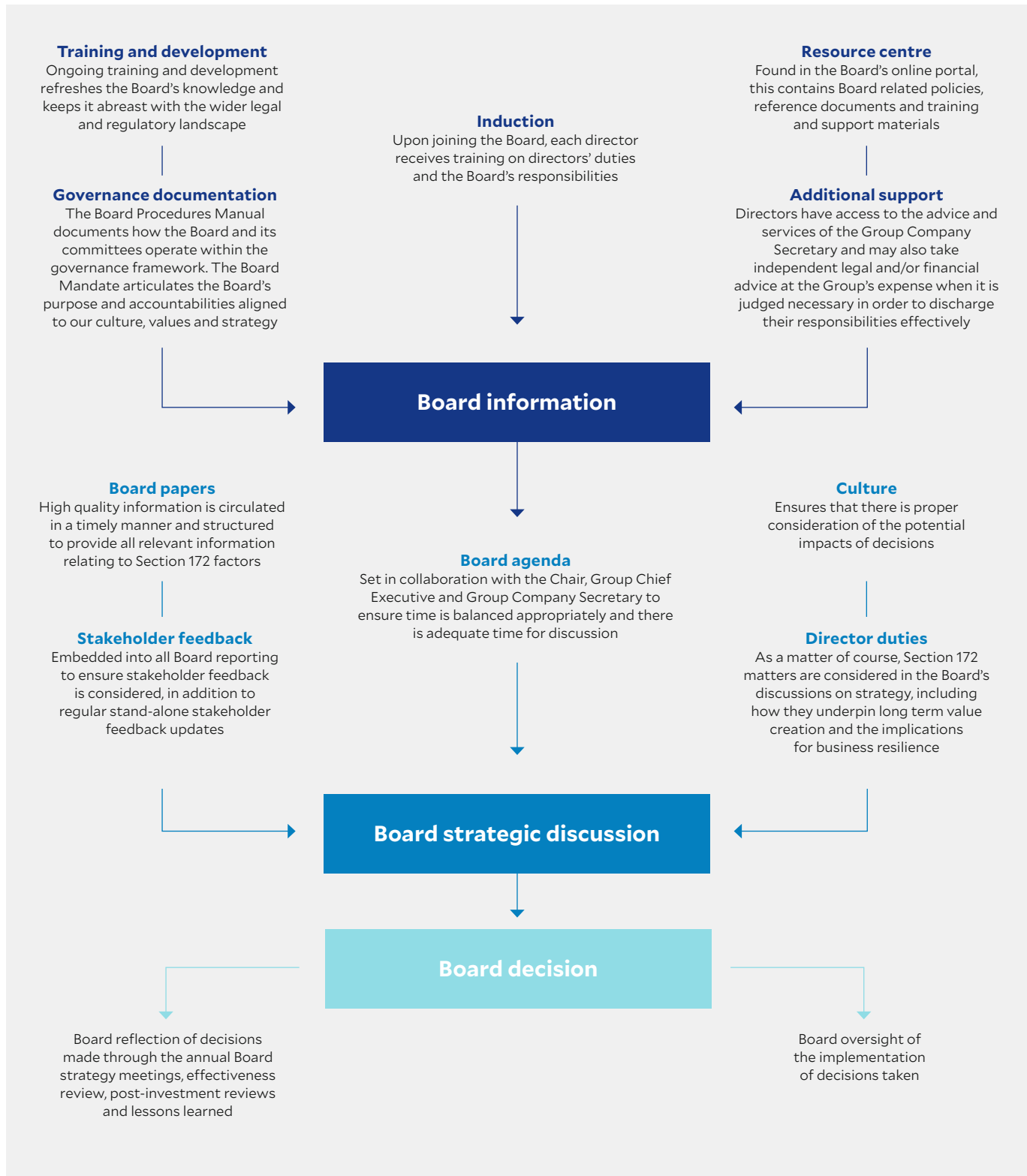
The 2021 AGM was held on Tuesday 21 December 2021 at 11:00am. All resolutions, full details of which can be found in the Notice of AGM available on our website, were voted on by way of poll and passed. On 19 January 2022, the Group announced that it had been informed by its Registrar, Equiniti, that they had discovered an error in the collection of certain proxy votes submitted in relation to the resolutions put to the shareholders at the AGM. As a result of Equiniti's error, approximately 3.2 million proxy votes validly submitted by shareholders were not included in the vote count produced by the Registrar. Had these votes been included in the vote count, Resolution 4 to re-elect Adrian Ewer as a director of the Company would have received fewer than 50% of votes in favour and, therefore, he would not have been re-elected as a director of the Company. The outcomes in relation to the other resolutions put to the AGM would not have been affected by this error and those resolutions would still have been approved by the requisite majority of shareholders. In light of this, Adrian Ewer stepped down from the Board with effect from 19 January 2022.

Given the delay to the publication of the Group's Annual Report and Accounts for the year ended 3 July 2021 (the Accounts), certain resolutions relating to the Annual Report and Accounts, the appointment and remuneration of the Group's external auditor, the Directors' Remuneration Report and the Directors' Remuneration Policy did not form part of the business at the 2021 AGM. The Group intends to convene a separate shareholder meeting to take place in March 2022 where resolutions on these matters will be tabled. Further details of this meeting will be provided in due course.



## Board leadership and Group purpose continued

### Our decision making framework



## Key decisions

Under our devolved management operating model, the executive directors sit on the board of each operating company and also act as intermediaries with the Board. This means that, where appropriate, key decisions may first be assessed at operating company level before recommendation to the Board. This facilitates effective two-way engagement between the corporate entities and ensures that the broader implications of any principal decisions are properly thought through in accordance with Section 172. The principal areas of focus considered by the Board during the year ended 3 July 2021 can be found on pages 76 and 80 together with a full schedule of Board activities.

Examples of key decisions taken by the Board during the year ended 3 July 2021 in accordance with Section 172 are set out below.

Decision	Stakeholders considered	Section 172(1) stakeholder considerations and impacts
<p><b>The Board's response to COVID-19</b></p>		<p>The Board recognises that safe and convenient public transport services are critical for the health and wellbeing of our communities. Not only do they enable social contact but they also enhance environmental sustainability, support economic recovery and maintain vital links with employment, leisure and healthcare. Throughout the year ended 3 July 2021, the Board's decisions and behaviours in response to COVID-19 continued to be guided by the Group's three priorities (to safeguard our people and customers, to play our part in society during challenging times, and to protect our business). Of these three priorities, safeguarding the health and wellbeing of our colleagues and customers continued to be the Board's foremost priority.</p> <p>As societies and economies seek to recover, the priority over the next year will be helping passengers to return to our services and welcoming new passengers who may be looking for a greener, value-for money travel choice.</p>
<p><b>The Group's climate change strategy</b></p>		<p>The Group's climate change strategy was published in July 2021 and, when formulating the strategy, stakeholder views remained at the forefront of the Board's agenda. This included consideration of the Group's shareholders and their environmental, social and governance values, as well as the impact of the Group's operations on the community and the environment. These interests were collectively considered by the Board as it agreed the ambitious target to reduce carbon emissions by 75 per cent by 2035, as the Group strives to be a net zero business by 2045.</p> <p>As the Board looks ahead to the implementation of the strategy, it will continue to listen to, and engage with, colleagues, customers, suppliers, investors and other stakeholders. It will also receive updates, at least twice annually, on progress against targets, on changes in legislation, and on costs and opportunities arising from climate change.</p>
<p><b>The Board's consideration of dividend resumption</b></p>		<p>The Board concluded it would not be prudent or right to recommend the resumption of dividends for the year ended 3 July 2021. However, the Board remains committed to the resumption of dividends at the appropriate time and to ensuring that the Group emerges from this unprecedented set of circumstances in a robust position.</p> <p>In reaching this decision, the Board reviewed safeguarding liquidity, cash management and cost control measures for managing the impacts of COVID-19 along with the matters relating to LSER. It also considered the interests and expectations of all the Group's key stakeholder groups. This included the likely impact on shareholders as well as on other stakeholders' perceptions of the Group. The Board's most pressing priority remains safeguarding the long term success and sustainability of the business. Therefore, in the current context, a prudent approach to cash management remains appropriate.</p>

# Board evaluation

In 2020, in line with best practice, the Board undertook an externally facilitated effectiveness review with Independent Audit Limited (Independent Audit). The process for this external review can be found on pages 76 and 77 of the 2020 Annual Report and Accounts (the 2020 Annual Report).

Independent Audit does not have any other connection to the Group or individual directors.

The timing of this review, which was delayed at the outset due to COVID-19, meant that the findings were unable to be reported in the 2020 Annual Report. A summary of the findings can now be found below, in addition to the details and outcome of the internally facilitated review undertaken in 2021 which are set out opposite. The matters relating to LSER, which took place after the most recent interim review, will form a substantive part of the Board's next review.

## External review findings 2020

**Independent Audit acknowledged the extraordinary timing of their review, with the challenging and changing circumstances of the pandemic putting immense pressure on the business and on the Board. Notwithstanding this, their review concluded that the Board continued to operate effectively.**

Built on a strong foundation of trust and respect, the Board demonstrated healthy dynamics with a high calibre group of people that operated within a culture of openness, transparency and healthy challenge. Relationships between Board members remained appropriate and discussions were supportive, constructive and well balanced with equal participation from all directors.

The Board was supported by committees that were working well and with clear remits. In particular, committees were well chaired by non-executive directors with relevant skills and provided appropriate challenge.

The Board and its committees had adjusted particularly well to virtual meetings, with good engagement and discussion helped by quality and timely information. The absence of more informal interactions in and around Board and committee meetings had been missed, as had the chance to visit operating companies and talk directly to colleagues across the Group. At the time of writing this report, both physical meetings and Board site visits had recommenced.

Independent Audit's review concluded the Board was in a strong position to develop and add value as the needs of the business evolved. The areas the Board agreed to focus on to further improve its effectiveness are set out on page 88 together with progress achieved during the year.

## External review process 2020

### March 2020

Independent Audit appointed by the Board to undertake externally facilitated evaluation

### July – September 2020

Preparatory planning meetings held between Chair, Group Company Secretary and Independent Audit

Individual directors interviewed by video conference

Independent Audit observed Board and committee meetings by video-conference

### October – November 2020

Draft findings and confidential feedback provided to the Chair and Group Company Secretary

Independent Audit discussed its final report findings with wider Board

## Internal review findings 2021

The internally facilitated review was led by the Chair and supported by the Group Company Secretary. It followed an interview based approach allowing for more in-depth discussion and deeper insights. As part of this review, the Group Company Secretary also led a separate stand-alone review of the role of the Board during the pandemic.

The Chair's review found that there was widespread recognition that it had been an exceptional year. In addition to the continuing challenges resulting from the pandemic, the business saw the long heralded arrival of fundamental changes to public transport policy in the UK. Exceptionally, the Board had to devise and manage a robust process to enable smooth Group Chief Executive succession later in the year.

Despite the continued use of virtual meetings, the Board felt that it had sustained a good level of engagement and the quality of the debate had not been compromised. Directors continued to feel that they had both the opportunity and encouragement to make a full contribution.

Modification to the process for the annual review of strategy enabled the non-executive directors to contribute more of their experience from outside the Group, and the Board had a deeper and broader discussion as a result.

All committees were deemed to be operating effectively in discharging their duties and responsibilities.

The Group Company Secretary's review found that the Board had performed well during the pandemic, with the Board being clear about its role and the respective roles of executive and non-executive directors. This was largely due to the additional meetings held virtually at the height of the pandemic and the quality and timeliness of information provided by the executive directors which had enabled the Board to assess the impact of the pandemic, make well-informed and timely decisions and provide support and strategic guidance.

There was a wide recognition of the importance of the Board's role in robustly assessing, mitigating and managing risks and the need to continue to take decisions aligned to risk appetite.

The executive directors were praised for their agility and resilience in their response to the pandemic. Their good relationships and close connections with all groups of stakeholders had proved valuable at providing real-time updates to the Board in a fast moving and dynamic situation.

Whilst it was not possible for the non-executive directors to meet directly with senior leadership or the workforce during this period, the devolved structure had been effective at empowering senior leadership to deal with the crisis within their respective businesses. They were supported in this role by the executive directors, who were one of the main conduits to the Board during this exceptional period of time.

### Internal review process 2021

#### December 2020

Priority development areas agreed and action plans prepared

#### May – July 2021

Each individual Board member held a 1:1 discussion with the:

- Chair focusing on continued individual and collective Board development
- Group Company Secretary specifically focusing on the role of the Board during the pandemic

#### July – August 2021

Findings discussed with the Board and key focus areas over the year ahead agreed

## Evaluation continued

### Chair and individual director effectiveness

The Senior Independent Director carries out an annual review of the performance of the Chair. This includes meeting with non-executive and executive directors without the Chair present and a discussion with the Group Company Secretary. This year, the review concluded that the Chair facilitates a cohesive and collegiate Board, setting the agenda, style and tone of Board meetings to allow for constructive debate and inclusive and effective decision making. Meetings are particularly well chaired, ensuring that all attendees have the opportunity to present their views.

The Chair meets with each director annually on an individual basis to discuss their personal performance and any training or development needs. These reviews took place between May and July 2021 and the findings this year concluded that each director continues to have sufficient time, knowledge and commitment to effectively contribute to the long term sustainable success of the business.

### Progress and focus areas

As the external and internal reviews took place within a relatively short space of time, the findings from the internal review were very much aligned to those of the external review.

The Board monitors progress against the key focus areas on an ongoing basis, in addition to more formally reviewing every six months. Actions are expected to be addressed as a matter of priority and by the following review at the latest, unless there is a justified and reasonable cause. At the time of writing this Report, good progress was being made against all of the key focus areas, all of which are expected to be actioned by the year ended 2022.

External review key focus areas	Progress made against external review key focus areas	Internal review key focus areas
Roles on the Board	The Board considered how it could add more value by taking a refreshed view of the different roles on the Board. In addition, a new Board Sub-Committee was established to review major tenders and contracts and their associated mobilisation plans.	<p>Review the lessons learned from the pandemic to ensure the Board can add maximum value.</p> <p>Continue to facilitate well balanced, constructive and challenging debate to ensure the Board remains aligned to Group purpose and delivery of agreed strategic objectives.</p>
Board composition and succession planning	Board succession planning processes have been strengthened. In preparation for the change of Group Chief Executive, early preparatory work including key talent market scanning was instigated. The size and composition of the Board were also reviewed particularly in the context of succession for the Audit Committee Chair and Senior Independent Director.	<p>Ensure a well managed transition and induction of the new Group Chief Executive.</p> <p>Continue to focus on wider Board succession planning so that the Board is well positioned for the future, with the right balance of skills, experience and diversity to support strategic objectives.</p>
Strategy and structure	The Board refreshed its approach to reviewing strategy throughout the annual cycle of meetings. Changes to the composition and terms of reference of the Group Executive Committee and Group Leadership Team were also made.	Following the review of the strategy and operating company model being led by the incoming Group Chief Executive, ensure that the resource plan and governance framework remains relevant and effective to facilitate the desired changes.
Sustainable value creation	Increased focus on long term shareholder value, particularly in the context of the unprecedented changes arising from the pandemic. More frequent sustainability and climate change updates, including approval of a climate change strategy and increased engagement with stakeholders.	Maintain focus on rebuilding long term shareholder value, particularly in the context of environmental sustainability and social impact. Maintain high engagement levels to ensure the views of stakeholders continue to inform decision making.

# How our governance framework operates

### The Board's role

The Board is collectively responsible for creating and delivering long term sustainable value for the business. It determines the Group's strategic direction and objectives, corporate plan and dividend policy whilst ensuring the implementation of strategy is within our risk management and governance framework. The Board's role is integral to setting and leading the Group's culture, values and wider sustainability goals. It considers the interests of its key stakeholders in decision making and, in doing so, seeks to ensure that its directors comply with their duties under Section 172 of the Companies Act 2006. A full description of the Board's role, including its specific responsibilities, is available on our website.

The Board delegates authority for specific matters to the Nomination, Audit and Remuneration Committees. Each Committee Chair Reports to the Board on their respective committee's activities after each meeting, making recommendations to the Board as appropriate.

### Devolved structure

The Group operates a devolved operating company model. Responsibility for the day-to-day management of the Group's activities, governance and oversight has been delegated to the executive directors. They are supported in this role by a team of experienced senior managers who are encouraged and empowered to manage our operating companies as autonomous

business units. The senior leadership team comprises the managing directors of each operating company, along with the individuals responsible for key centralised Group functions. Further details of our senior leadership team can be found on our website.

The executive directors formally meet with the senior leadership team on a regular basis, through local operating company board meetings, Group Executive Committee and Leadership Team meetings. These more formal meetings are supported by several cross-business forums that serve to facilitate the sharing of knowledge, ideas and best practice. These meetings and forums are an essential part of the Group's devolved management approach, facilitating quality discussion and decision making while also preserving the management and autonomy of local operations within the Group's core beliefs and attitudes. While we believe that this approach encourages a good balance between local and Group initiatives and facilitates the sharing of best practice and expertise across the Group. Based upon the new Group Chief Executive's review of the business to date, and reflecting on the challenges we have faced in International Rail and LSER, a new operating model will be introduced across the Group which will enhance internal controls and ensure the optimum division of roles and accountabilities between the Group's operating companies and its central functions.





## Division of responsibilities continued

### Our governance framework

The framework set out below provides a high level summary of matters within scope at each level of the Group's governance framework and illustrates the flow of authority as it is delegated throughout the Group.

#### Board

- Strategic direction, purpose and values
- Decision making in accordance with Section 172
- Risk management and risk appetite
- Health and safety
- Environmental, social and governance factors
- Culture and reputation
- Cyber security
- Corporate plan and KPIs
- Financial reporting and dividends
- Stakeholder engagement
- Contracts, bids and acquisitions
- Board development and effectiveness
- Non-executive director fees
- Oversight of Group's response to major crises and other significant challenges

#### Board Committees

##### Nomination Committee

- Board and committee composition, structure and size
- Succession planning
- Board appointments
- Diversity and inclusion
- Time commitments and independence

→ Read more on [pages 93 to 97](#)

##### Audit Committee

- Financial reporting
- Risk management and internal controls system
- Health and safety auditing
- Internal audit
- External audit

→ Read more on [pages 98 to 107](#)

##### Remuneration Committee

- Design and implementation of remuneration policy
- Consideration of exercise of discretion
- Implementation of remuneration policy
- Determination of executive and senior leadership remuneration
- Chair fees

→ Read more on [pages 108 to 142](#)

#### Senior Leadership Team

##### Local Senior Management

- Comprises managing directors of each operating company supported by other local statutory directors
- Manages operating company boards
- Board meetings held on a monthly basis with the Group Chief Executive chairing
- Reports to the executive directors directly on management issues including risk
- Ensures compliance with Group policies and procedures
- Acts as an intermediary facilitating two-way engagement between operating company and the Group Board
- Ensures tailored response to major crises and significant challenges

##### Group Executive Committee

- Comprises the executive directors, Strategy and Transformation Director, Managing Director of Business Development and Group HR Director
- Receives monthly updates and representation from the Group Leadership Team including finance, IT, corporate services and strategy
- Oversees implementation of Group strategy and provides support to the bus and rail businesses
- Identifies synergies which can then be cascaded through cross-business groups and forums

##### Group Leadership Team

- Comprises senior managers responsible for the key centralised Group functions
- Meets monthly with the Group Executive Committee to share function updates and review the business
- Shares knowledge and collaborates on key Group-wide projects and provides support to the bus and rail businesses
- Integral to ensuring vision and culture are embedded throughout the Group

##### Cross-business rail and bus steering groups

- Comprise the managing directors in each operating company
- Meet regularly with the executive directors to explore and identify new opportunities and initiatives
- Share knowledge, experience and best practice across operations
- Implement synergies as identified by the Group Executive Committee
- Supported by a number of cross-business forums including safety, IT, engineering, HR, diversity and inclusion, commercial, operations and finance

Delegation

Accountability

## Roles and responsibilities

As at the date of this Report, our Board comprises the Chair (Clare Hollingsworth), four independent non-executive directors (David Blackwood, Dominic Lavelle, Leanne Wood and Harry Holt) and two executive directors (Christian Schreyer and Gordon Boyd (Interim)). There is a clear division of responsibilities on the Board which ensures accountability and oversight and a summary of each role can be found below.

The roles of the Chair and Group Chief Executive are separately held and their responsibilities are well defined, set out in writing, and regularly reviewed by the Board.

## Board skills and experience

### Group Chair

- Leads the Board and demonstrates objective judgement
- Advocates the highest standards of corporate governance
- Sets the agenda and drives Board effectiveness
- Promotes a culture of open and constructive debate
- Engages with stakeholders and ensures their views are understood and considered appropriately in Board decision making
- Ensures Board decisions are taken on a sound and well-informed basis

### Group Chief Executive

- Responsible for the day-to-day management of the Group and the Group's performance
- Leads the senior leadership team, including development and succession planning
- Leads the development of strategy and ensures its execution, with responsibility for the Group's overall performance
- Facilitates effective two-way communication between the Board, the business and the workforce
- Represents Go-Ahead externally to all stakeholders

### Group Chief Financial Officer (Interim)

- Supports the Group Chief Executive in the execution of strategy
- Provides strategic and financial guidance to ensure that the Group's financial commitments are met
- Responsible for the preparation and integrity of financial reporting
- Ensures maintenance of effective internal controls and risk management procedures
- Oversees Go-Ahead's relationships with the investor community
- Represents Go-Ahead externally to all stakeholders

## Oversight

### Independent Non-Executive Directors

- Contribute to strategy development
- Scrutinise and challenge management's execution of strategy within the Group's risk appetite and control framework
- Provide support to the executive directors through external perspective and experience
- Serve on Nomination, Audit and Remuneration Committees

### Senior Independent Director (SID)

- In addition to his responsibilities as a non-executive director, the SID also:
  - Acts as a sounding board for the Chair
  - Appraises the Chair's performance
  - Acts as an intermediary for other directors and shareholders, if needed

### Independent Non-Executive Director Responsible for Workforce Engagement

Responsible for helping to ensure the views and concerns of the workforce are taken into account by the Board, in addition to reviewing the effectiveness of the Board's approach to engage with the workforce on an annual basis.

## Governance

### Group Company Secretary

The Board and its committees are supported by the Group Company Secretary who is responsible for advising the Board on all governance matters, facilitating best practice and ensuring that the Board adheres to all of the requisite policies and processes. Acting as an independent advisor to all Board members, the Group Company Secretary provides a sounding board where appropriate and supports the Chair to facilitate induction programmes, development and effectiveness reviews.

## Division of responsibilities continued

### Board and Committee meetings

The Board agenda is set in collaboration between the Chair, Group Chief Executive and Group Company Secretary. The Board's Forward Planner supports meeting agenda content over the year to ensure that time is balanced between different elements of strategy and operational performance, as well as the Board's wide-ranging governance and regulatory responsibilities.

Ensuring there is sufficient time allocated to key strategic decisions is an important consideration for the Chair, to enable directors to discharge their duties fully and effectively.

A clearly defined schedule of matters reserved for the Board and the Group Company Secretary ensure all Board procedures are complied with. To allow directors to utilise their time and skills effectively at Board meetings, papers are circulated securely and electronically to all directors a week before each meeting. The Chair also speaks with directors prior to meetings to ensure the Board discussion covers the right areas.

Members of the senior leadership team and advisors are invited to attend and present at meetings, providing the non-executive directors with a broader perspective and insight.

While the Board adjusted well to the virtual meetings held throughout the year, it was pleased to recommence physical meetings in July 2021. Unscheduled meetings are held as required where topics warrant more time or decisions need to be made outside of the normal cycle of meetings.

Each director is expected to attend all meetings of the Board and of those committees on which they serve and is required to devote sufficient time to the Group's affairs allowing them to fulfil their duties effectively.

### Board training and development

The Board believes that continuous director training and development supports Board effectiveness. With the ever-evolving regulatory and policy landscape in which the Group operates, it is critical that the Board maintains a good working knowledge of the transport sector and how the Group operates within this sector, as well as being aware of recent and upcoming developments in the wider legal and regulatory environment.

To assist the Board in undertaking its responsibilities, regular presentations are provided from the senior leadership team. Examples during the year included updates on ESG and climate change, health and wellbeing of colleagues, safety culture, cyber security, stakeholder and workforce engagement and people strategy. Additionally, the Group Company Secretary provides regular updates on corporate governance, legislative and regulatory matters.

Directors are encouraged to be proactive and identify areas where they would like additional information to ensure that they are adequately informed about the Group.

The Board confirms that all members have the requisite knowledge, ability and experience to perform the functions required of a director of a UK premium listed company, with the more recent changes to the Board's composition further strengthening the skills and experience on the Board.

### Board induction programme

All new directors receive an extensive and tailored induction programme either shortly before or upon joining the Board. This programme ensures that new Board members have a full understanding of the business and their responsibilities and duties as directors so that they can be effective in their roles. The Chair and the Group Company Secretary agree the personalised induction plan which is designed for each individual, taking into account their existing knowledge, specific areas of expertise and proposed committee appointments.

The induction programme is designed to facilitate new Board members' understanding of the business as well as its purpose, values and culture. An outline of what the induction programme covers is detailed opposite.

#### Key focus areas of induction

- **Board** – how we lead by example, discharge our directors' duties and strive for excellence
- **Strategy** – how we review and evolve our strategy to deliver long term sustainable value
- **Sustainability** – how environmental, social and governance matters are aligned to our broader strategy
- **Risk** – understanding key risks, internal controls and the Group's articulated risk appetite
- **Stakeholders** – how we listen to the views of our stakeholders and ensure they are part of our decision making
- **Culture** – how we monitor culture to ensure it underpins our purpose, values and strategy
- **Governance and regulation** – how our governance framework and regulatory compliance support the business

# Nomination Committee Report



**Clare Hollingsworth**  
Nomination Committee Chair

### Dear Shareholder

I am pleased to present the Nomination Committee Report for the year ended 3 July 2021. It has been a busy year for the Committee, with a number of additional meetings held to discuss Board changes and succession planning, strengthening our focus on diversity, and oversight of talent and leadership development.

### Board changes and succession planning

Since I joined the Board in 2019, Board composition and succession planning has been one of my key priorities. We have sought to ensure our succession planning is robust and the Board's individual and collective skills, experience and diversity best serve the Group's purpose, values and strategy.

In May 2021, David Brown notified the Board of his intention to retire as Group Chief Executive at the end of 2021. With work already undertaken to assess the market and potential candidates as part of the Committee's broader succession planning, we were able to mobilise the formal search very quickly. In July 2021, we were pleased to recommend the appointment of Christian Schreyer, who joined the Board on 1 November 2021 and succeeded David as Group Chief Executive with effect from 5 November 2021. Joining from global mobility company, Transdev, Christian has a strong background of building relationships and collaborating with public stakeholders and a solid record of driving efficiency and better service for passengers and clients. His experience of international markets, particularly in rail, and innovation in urban mobility, will enable our business to respond well to both the challenges and opportunities ahead. Details of the process carried out for the appointment of Christian can be found on page 95 and his biography, providing further details of his skills and experience, is included on page 74.

To further bolster the senior leadership team, Christian has been supported by an experienced Interim Group Chief Financial Officer, Gordon Boyd, who was appointed in September 2021 following the resignation of the former Group Chief Financial Officer, Elodie Brian. A process is well underway to recruit a permanent Group Chief Financial Officer.

In January 2022, we announced that, after nearly nine years of service, Adrian Ewer would be stepping down from the Board in light of an error discovered by our Registrar, Equiniti, in their collection of certain proxy votes submitted in relation to the 2021 AGM. The Board was very disappointed at the consequences of this mistake and the manner of Adrian's departure, given his extensive commitment and valuable contribution over many years.

During the year, the Committee had already reviewed the succession plan for the roles of Audit Committee Chair and Senior Independent Director, given Adrian Ewer's length of service on the Board. Composition for the Board as a whole, including the size and tenure, was also key to discussions to ensure an appropriate mix of skills, experience and diversity.

Having followed a thorough selection process, details of which will be provided in next year's report, the Committee was pleased to welcome David Blackwood and Dominic Lavelle to the Board on 1 January 2022. David and Dominic succeeded Adrian Ewer as Senior Independent Director and Audit Committee Chair

respectively on 19 January 2022. The step taken to separate the roles of Audit Committee Chair and Senior Independent Director adds greater robustness and independence to the roles and responsibilities of the Board.

Together, these two new appointments will enrich the expertise of the Board. David brings a breadth of financial, City and international experience, in addition to a commercial mindset. Dominic brings considerable corporate and financial knowledge as well as broad commercial and strategic experience from extensive involvement in corporate restructuring and turnaround situations. Both are also members of the Audit, Remuneration and Nomination Committees and the new Group Audit Committee Chair will also be appointed to the Board of GTR in the event of a new contract award, to provide a clear line of sight to the Audit Committee and Board. The remuneration of all Board appointments and leavers was in accordance with the remuneration policy, details of which can be found on pages 117 to 128.

### Leadership and talent

The Committee has also increased its focus on the executive talent pipeline and senior leadership succession plans. The Committee received regular updates from the Group HR Director, with an emphasis on ensuring our leadership and talent pipeline is diverse, robust and aligned to our culture and values. The Committee was also briefed on the initiatives underway to support and develop our senior leadership teams as well as attract new talent into the business, with our ambition to increase ethnic and gender diversity, in particular. More details about the initiatives underway are included on pages 9, 28 and 29.

The Committee has supported key leadership changes at executive and senior leadership level. To address the challenges we face in our international operations, the senior leadership team has been strengthened with the appointment of a Chief Executive of our rail operations in Germany. The appointment of a new Group Strategy and Transformation Director, who will also sit on the Group Executive Committee, will also support the introduction of our new operating model.

### Diversity and inclusion

The Board's diversity policy is an important part of the Group's wider diversity and inclusion strategy and page 96 summarises its key policy objectives and the progress we are making against them. While the pandemic has created challenges, particularly with recruitment and training constraints, we have continued to strengthen our focus on the diversity and inclusion agenda and made progress against our key deliverables. We respect and welcome diversity and the value it brings to the business. During the year ended 3 July 2021, the time spent on reviewing diversity and inclusion continued to increase in support of ensuring a working environment in which everyone is treated with fairness and respect, has equal access to opportunities and resources and can contribute fully to the success of the business.

**Clare Hollingsworth**  
Nomination Committee Chair

23 February 2022

## Board composition and succession continued

### Nomination Committee

#### Membership

- As at the date of this Report, the Nomination Committee comprises the Committee Chair (Clare Hollingsworth) and four independent non-executive directors (David Blackwood, Dominic Lavelle, Leanne Wood and Harry Holt)

#### Meetings

- The Committee held three meetings during the year ended 3 July 2021, in addition to three unscheduled meetings to discuss executive and non-executive succession planning. Attendance at Committee meetings can be found on page 73
- By invitation, the executive directors and Group HR Director attend some of the meetings, with presentations from external advisors as appropriate

#### Terms of reference

- The Committee's terms of references are reviewed and approved by the Board annually. During 2021, the terms of reference were updated in accordance with best practice and a copy is available on our website.

#### Conflicts of interest

- The Committee keeps under annual review any conflict or potential conflict of interest situations authorised by the Board in accordance with the Group's articles of association and conflicts of interest policy
- Following the last review in 2021, the Committee concluded that no changes were required to the conflicts register

#### Effectiveness

- Both the external review of the Committee's effectiveness carried out at the end of 2020, and the internal review carried out last Summer concluded that the Committee was fully effective in discharging its duties and responsibilities

#### Future focus

- Tailored induction for the new Board members
- Completion of search and recruitment process for permanent Group Chief Financial Officer
- Board and senior leadership succession planning
- Diversity and inclusion strategy
- Talent management and leadership development oversight



### Committee responsibilities and activities during the year

#### Board composition and succession planning

- Reviewed the size and structure of the Board, including the balance of skills, experience, independence and diversity across the Board and committees
- Led a rigorous and transparent search and recruitment process for the new Group Chief Executive, further details of which can be found on page 95
- Succession planning and separation of the roles of Audit Committee Chair and Senior Independent Director
- Review of succession plans for senior leadership

#### Talent development and pipeline

- Provided oversight of talent management and leadership development
- Ensured Group policies were appropriate to develop a broad and diverse talent pipeline

#### Diversity, inclusion and gender pay gap

- Undertook annual review of the Board's diversity policy and progress against targets
- Reviewed approach to, and progress against, Group-wide diversity policy and initiatives, including gender and ethnic diversity targets
- Reviewed gender pay gap results and strategies in place to narrow the gender pay gap

#### Governance and Committee effectiveness

- Reviewed the independence, time commitments and tenure of the non-executive directors
- Recommended the re-election of all non-executive directors to the Board and the election for the first time of executive directors, Christian Schreyer and Gordon Boyd, at the AGM held on 21 December 2021

## Search and recruitment process for the Group Chief Executive

Set out below is the process the Committee followed for the appointment of Christian Schreyer as Group Chief Executive. David Brown, the former Group Chief Executive, did not attend any Committee meetings, at which the process for his succession was discussed and he was not involved in the selection or appointment of his successor.

### Search process led by

Chair, supported by the Senior Independent Director.

### Search consultancy

A Sub-Committee comprising the Chair and Senior Independent Director, supported by the Group Company Secretary, was created to undertake a competitive tender process with executive search agencies. Odgers Berndtson (OB) was engaged because of its strong credentials, knowledge of the business and cultural fit. OB participates in the Voluntary Code of Conduct for Executive Search Firms. Beyond its engagement in this capacity, the only other connection with the Group or its individual directors is to, at times, provide support with the search and recruitment of members of the senior leadership team. The Chair had also worked with OB previously in her role on other boards.

### Role profile highlights

Reporting to the Chair and to the Board, the successful candidate would be responsible for the strategic and operational performance of the business. The candidate would work with the Board to develop a clear strategy, addressing the fundamental changes underway in mobility and climate change. With strategic and commercial acumen, deep operational leadership experience obtained across international markets and strong stakeholder engagement skills, the candidate would lead the business as it emerged from the COVID-19 pandemic and entered a new regime of UK public transport policy. Possessing a strong value set closely aligned to the purpose, values and culture of the Group was also imperative.

### Selection process

**Market scoping exercise:** As part of the Committee's long term succession planning processes, OB was commissioned in summer 2020 to undertake a market mapping exercise to identify suitable candidates for the position of Group Chief Executive if and when a vacancy arose.

**Stage 1:** The Committee refined the detailed role specification setting out the key responsibilities, experience, skills and personal qualities required. The Committee also considered stakeholder views, including feedback given to the Chair when talking to shareholders and other critical stakeholders at the time the former Group Chief Executive's retirement was announced.

**Stage 2:** OB reviewed and updated the provisional candidate long list, having assessed the potential candidates against the refined role profile, and with specific regard to diversity. An updated long list was reviewed by the Chair and Senior Independent Director and a shortlist of candidates identified to take through to the next stage.

**Stage 3:** Details of shortlisted candidates were shared with the wider Committee for approval. Initial discussions then took place between the prospective candidates and OB, at which point the identity of Go-Ahead was disclosed and interest, availability and potential conflicts were discussed.

**Stage 4:** Candidates held fireside chats with the Chair and then first stage interviews were undertaken with the Chair and Senior Independent Director. Final preferred candidates then met with the wider Committee.

**Stage 5:** In conjunction with preferred candidates meeting with the wider Board, OB carried out an executive leadership assessment using psychometric tools and detailed referencing.

#### OB Longlist

**Male:** 56 per cent

**Female:** 44 per cent

**Non-UK nationality:** 22 per cent

**Ethnically diverse:** 22 per cent

#### OB Shortlist

**Male:** 50 per cent

**Female:** 50 per cent

**Non-UK nationality:** 25 per cent

**Ethnically diverse:** 0 per cent

### Outcome

Following a robust process, the Committee recommended to the Board that Christian Schreyer be appointed as Group Chief Executive. The Committee liaised with the Remuneration Committee on the remuneration payable in line with the new remuneration policy to be proposed to shareholders at the forthcoming General Meeting in March 2022. The Board approved both the Nomination and Remuneration Committees' recommendations, following which a letter of appointment was agreed and the appointment announced. Full biographical details are set out on page 74.

### Next steps

The Committee has played an active part in onboarding the new Group Chief Executive since his appointment and will continue to do so over the year ahead to ensure a smooth transition of leadership.



## Board composition and succession continued

### Board diversity policy

#### Key objectives

To ensure Board membership reflects as broad a combination of skills, experience, age, disability, ethnicity, gender, sexuality, education and social background as possible

To ensure a minimum of at least one third female Board members

To follow an inclusive and fair process when making nomination and/or appointment decisions

To endeavour to have at least one director from an ethnic minority background on the Board by 2024

To take an active role in setting diversity objectives and monitoring progress against them

To develop and strengthen the senior talent pipeline and improve overall diversity in senior leadership positions and their direct reports

To engage search firms that are accredited by the Department for Business, Energy and Industrial Strategy under the Voluntary Code of Conduct for executive search firms

#### Progress against objectives

The Committee's primary role is to ensure that the Board has an appropriate blend of skills, knowledge, experience and diversity to operate effectively and deliver our strategy. The Board's annual effectiveness review considers the composition, size and structure of the Board and its Committees. This includes reviewing the skills and experience of Board members against the current and evolving needs of the business, in addition to individual Board members' independence and tenure in conjunction with succession planning.

The Board supports the recommendations set out in the Hampton-Alexander Review on gender diversity. Following Katherine Innes Ker's retirement from the Board last year, 50 per cent of Board roles were held by women for the year ended 3 July 2021, which exceeded the 33 per cent target set out in the Hampton-Alexander Review. Following further changes to the Board's composition after the year ended 3 July 2021, 29 per cent of Board roles are held by women. With our current female representation being slightly less than one third female Board members, this will be an important consideration for the Committee.

Board appointments are decided on the basis of individual competence, skills and expertise with consideration given to the benefits diversity brings to the boardroom. Page 95 sets out full details of the process we follow for new appointments and which was followed for the appointment of the new Group Chief Executive. Details of the process we followed for the appointments of the Senior Independent Director and Audit Committee Chair will be provided in next year's report.

With no such representation on the Board currently, this is an important consideration for the Committee. It is a pre-requisite of any Board search that the Committee reviews as diverse a list of candidates as possible, with specific focus on candidates from an ethnic minority background. This, however, has not been without challenge to date, on account of the smaller pool of candidates available and the suitability of such candidates for specific roles.

The Board believes that a diverse workforce is essential to the Group's success. Supported by the Group HR Director, the Committee takes an active role in setting diversity objectives and has endorsed targets to reduce ethnicity non-disclosure rates and increase ethnic minority group representation across the business. The Committee monitors progress against these targets, with its oversight encompassing the Board, senior leadership team and wider workforce.

The quality of our leadership and talent is core to our success and we continue our focus to attract, identify and build better talent pools for current and future leaders whilst supporting diversity in all its forms. This year saw the setting of ambitious apprenticeship targets; the redesign of our graduate scheme and new talent programmes; and the introduction of initiatives for our international businesses. Our annual leadership review enables the Committee to assess succession plans for senior leadership positions below Board level, taking into consideration future requirements and the key nationality, ethnicity and gender influencer demographics across the Group. You can read more about our Group-wide diversity and inclusion initiatives and senior leadership gender diversity on page 29.

The Board supports the provisions of the Voluntary Code of Conduct for Executive Search Firms and only engages executive search firms which are signatories to this Code. During the year, our work on succession planning work was supported by Odgers Berndtson which is a signatory to this Code.

### Assessment of independence, time commitments and tenure

The majority of the Board, excluding the Chair (who was independent on appointment), are independent non-executive directors. Following Katherine Innes Ker's retirement from the Board last year, the Committee was satisfied that all non-executive directors are independent as to both character and judgement and in accordance with the recommendations of the UK Corporate Governance Code (the Code). In carrying out this review, the Committee gave full consideration to the current tenure of individual Board members, in addition to the length of service of the Board as a whole.

The Committee regularly reviews the time commitments of all Board members, with full consideration given to the time required for any external appointments. Following this year's assessment, the Committee was confident that no director was 'overboarded' and each director had sufficient time to fulfil their responsibilities and was able to be fully engaged and actively involved with the Group's business throughout the year. This was evidenced again during the year and beyond with the additional time commitments each director has continued to devote to Board and Committee matters.

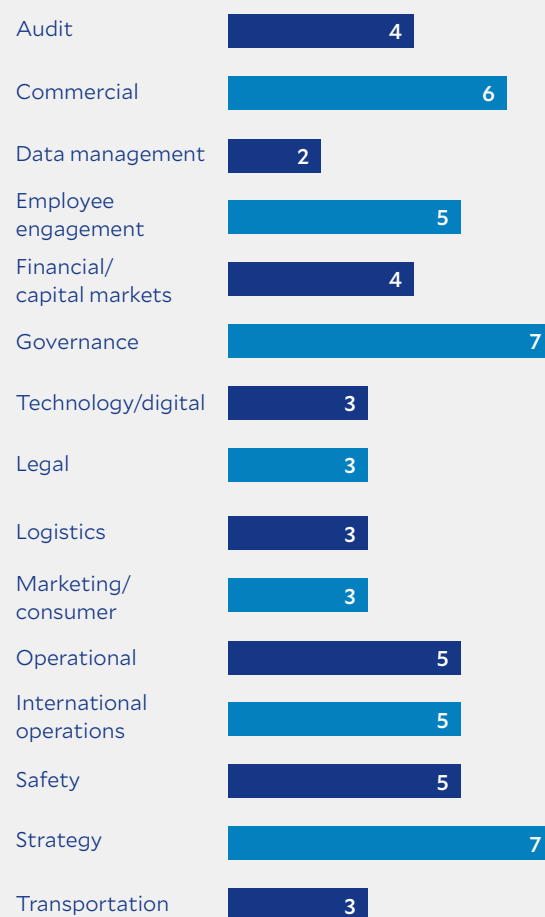
Prior to appointment to the Board, any significant time commitments must be disclosed and approved by the Committee. The letters of appointment for the Chair and non-executive directors also set out expected time commitments to the Board, with any additional external appointments following appointment requiring prior approval by the Board. No approvals were sought during the year ended 3 July 2021 for any external appointments and the full list of external appointments held by our directors can be found on pages 74 and 75.

### Gender pay gap

We support the fair treatment and reward of all employees, regardless of gender, not only because it's the right thing to do but also because it is fundamental to performing successfully as a company. The Committee annually reviews the Group's gender pay gap data and the strategies in place to recruit more women into all positions throughout the business. As at the date of our 2020 gender pay gap report, the median pay gap was 7.9 per cent and 21.3 per cent across our UK Bus and Rail business respectively against the national average median pay gap of 15.4% in the UK. Improving our gender balance is key to narrowing our gender pay gap and we are committed to recruiting and retaining women at every level across the organisation – from management through to frontline positions. Further information on the work underway across our businesses to narrow the gender pay gap is provided on page 29.

### Board skills and experience

The following chart illustrates the collective skills and experience we have on the Board as at the date of this Report:



## Audit, risk and internal control

# Audit Committee Report



**Dominic Lavelle**  
Audit Committee Chair

### Dear Shareholder

Having been appointed in the role of Audit Committee Chair on 19 January 2022, I am pleased to present the Committee's Report for the year ended 3 July 2021.

The Committee has been established by the Board primarily for the purpose of

overseeing the accounting, financial reporting, internal control and risk management processes and the audit of the financial statements of the Group. Given the timing of my appointment, it was imperative to quickly develop my knowledge of all parts of the business to ensure that the Committee could fulfil its responsibility of assisting the Board's oversight of the quality and integrity of the Group's external financial reporting and accounting policies and practices and ensure there was no compromise in this regard. Through my ongoing induction programme, meetings and briefings with the Board, external and internal auditors and the senior leadership team, I was able to undertake an informed review of this Annual Report and Accounts (the 2021 Annual Report) to ensure that it was fair, balanced and understandable. Details of the wider process myself and the Committee followed to conclude that this 2021 Annual Report provided the necessary information for the shareholders to assess the Group's position, performance, business model and strategy can be found on page 104.

In addition to formal meetings of the Committee, it is the Audit Committee Chair's responsibility to maintain regular dialogue with other members of the Committee, management, external and internal auditors to ensure the Committee receives the necessary information in order that they might make informed decisions for recommendation to the Board.

On behalf of the Committee, I would like to acknowledge the diligence and commitment of the Group's management and the external and internal audit teams which have supported the Committee during the pandemic and throughout the extended audit period over recent months.

### Response to the matters relating to London & South Eastern Railway Limited (LSER)

The Audit Committee has carefully considered the findings of the Independent Review commissioned by the Independent Committee into LSER's performance of its contractual obligations under the Southeastern franchise agreements. The Independent Committee concluded that serious errors had been made. In particular, LSER failed to notify the DfT of certain overpayments made by the DfT and breached contractual obligations of good faith contained in the franchise agreements. As a Committee we reviewed these findings to ensure that, as far as possible, all issues had been identified, understood, disclosed and appropriately accounted for within the 2021 Annual Report in order to ensure the relevant disclosures contained therein are fair, balanced and understandable. We also considered the impact on financial reporting, (including the accounting of any prior year adjustments) and liquidity considerations, which encompassed the potential financial penalty from the DfT.

In addition to the Independent Committee's review into the matter at LSER, a wider business review was conducted. This identified a matter relating to a historic closed rail franchise. This relates to amounts totalling £3.5m which should have been reflected in the end of relevant franchise settlement with the DfT. Prior year adjustments have been made in the financial statements and £3.5m will be paid to the DfT in the 2022 financial year in respect of this matter.

As an outcome of the Independent Review, measures are being taken to enhance corporate governance arrangements, including internal controls and the management and oversight of these controls, particularly in our complex rail businesses. As Audit Committee Chair, I will also be appointed to the Board of GTR in the event of a new contract award, to provide a clear line of sight to the Audit Committee and Board. The Committee will also be increasing the remit and scope of Internal Audit to include oversight of the compliance arrangements and ensuring deeper understanding and closer scrutiny of contractual obligations and commercial terms, in addition to ensuring adequate resource and the right balance of skills are present within the finance functions.

More broadly across the Group, we are reviewing internal controls as part of the Group Chief Executive's ongoing business review, which is considering, among other things, the optimum division of roles and accountabilities between the Group's operating companies and its central functions to enhance corporate governance arrangements.

### Response to onerous contract provisions in international rail

Consideration of the onerous contract provisions in both Norway and Germany were a topic for review at the Audit Committee. For both businesses, the Committee considered and challenged the inputs of the relevant models and cashflow forecasts as presented by management. The Committee agreed the revisions to the onerous contract provision and disclosures to be included in the 2021 Annual Report.

We have performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to 2020 and the Group's 2021 half year results. An understatement has been identified in respect of the accounting for the onerous contract provision in the rail contracts in Bavaria in the prior year and the Group's 2021 half year results. The 2020 provision was determined to be understated by £37.1m (including the £25.9m subsequently provided for in the FY21 half year results) and has been restated in the prior year figures in the 2021 results. The calculation of the understatement was determined based on the assessment of information available that should reasonably have been included in the assumptions underpinning the 2020 provision. Having become aware of the issue, we have identified a number of control weaknesses that are being addressed as part of the broader controls review. No onerous provision has been recognised for the Baden-Württemberg contracts.

### Going concern

The pandemic has continued to have a significant operational and financial impact on the Group, with the associated implications a consistent theme of focus for the Committee during the year ended 3 July 2021. Focus areas have included financial reporting and liquidity considerations, particularly in the context of the increased level of uncertainty and complexity of certain estimates and judgements, and ensuring senior leadership were able to maintain rigorous financial control despite the circumstances.

The Group's regular programme of deep dive risk reviews was extended to include those areas of the business most impacted by the pandemic. This included evaluating the accounting treatment of the various government support contracts, assessing the complexities associated with the going concern and viability statements and increasing health and safety auditing.

The Committee frequently reviewed updated cash and liquidity forecasts and supported the Board and management in safeguarding liquidity, cash management and cost control measures. This was of key importance due to the ongoing impacts of COVID-19 and acknowledging the DfT's power to impose a financial penalty under the Railways Act 1993.

### Health and safety

The Committee plays a key role in overseeing the safety culture across the business. Despite the planned health and safety audit programme being disrupted by the pandemic, all audits were still completed by the end of the audit cycle with all businesses performing well. These audits focus on driving continuous improvement, the maturity of health and safety systems, compliance with policies, procedures and legislative requirements and ensuring alignment with the Group's wider safety culture which is embedded across our business. The Committee's remit was extended during the year to oversee the increased and sustained focus on the health and wellbeing of colleagues, where examples of best practice were evident across the Group and recognised in many cases as industry leading. To complement already robust processes, senior leaders across the business now also undertake regular safety tours and director audits provide a regular 'pulse check' between internal and external audits, ensuring our safety culture is led from the top.

For the Group's international businesses, the Committee also oversaw work to ensure that their safety culture programme was aligned to that of the UK programme. As part of this exercise, consistent metrics were implemented across both our UK and international businesses.

### Risk management and internal controls

During the year, the Committee reviewed the risk management and internal controls system through the review of the internal audit reports and regular meetings with the internal auditors. Specific risks relating to climate change and decarbonisation were considered as part of processes and reporting for the first time.

As part of the Committee's oversight of fraud prevention arrangements, a review of the Group's approach to fraud management and reporting was also undertaken with a number of enhancements to be implemented over the year ahead.

The Committee supported the Board's annual review of risk appetite, advising the Board on the key strategic risk exposures and mitigations and recommending more in-depth reviews into high risk business areas. The Group's risk appetite, and the Board's assessment of the Group's principal and emerging risks, are set out on pages 56 to 64 of the Risk Management Section.

As outlined earlier in this letter, a critical component of the Committee's risk management and internal control oversight during the year was our review of the Independent Committee's findings into the matters relating to LSER. Further detail on the Group's response to the LSER matters of concern is provided on pages 10 and 11 within the Strategic Report.

### Significant issues and judgements

At the half year and year end Audit Committee meetings, there is a review of the significant accounting issues and judgements. The matters the Committee considers to be significant for the 2021 Annual Report are disclosed on pages 102 and 103. As part of its review, the Committee focused on assessing whether the executive directors and management had made appropriate judgements and estimates. These issues were subject to robust challenge and debate between the executive directors, management, the external auditor and the Committee.

The Independent Review into LSER undertaken by the Independent Committee identified amounts estimated to be owed to the DfT which had arisen over a number of years during the operation of the franchise agreements. The Committee considered the appropriate accounting treatment for each of the items. It concluded that amounts identified as having arisen before 2021 were errors and should be treated as prior year adjustments and appropriately disclosed in the financial statements.

### Engagement with the Financial Reporting Council (FRC)

During the year, the Group concluded its engagement with the FRC regarding its accounting treatment in the 2019 Annual Report and Accounts for passenger revenue in the GTR rail franchise and the agreement reached between GTR and the DfT.

This correspondence was considered by the former Audit Committee Chair and discussed with the wider Committee, management and the external auditor. A rectification was made in the 2020 Annual Report and Accounts in relation to passenger revenue in the GTR rail franchise, details of which can be found on page 147 of the 2020 Annual Report and Accounts. The rectification was a reclassification between revenue and operating costs and none of the Group's KPIs were affected. This matter has now been concluded with the FRC.

In October 2021, the FRC Audit Quality Review Team undertook a review of the Group's financial statements for the year ended 27 June 2020. Further details together with the outcome of this review can be found in our 'Assessing the effectiveness of the external audit process' section on page 105.



**Dominic Lavelle**  
Audit Committee Chair

23 February 2022

## Audit, risk and internal control continued

### Audit Committee

#### Membership

- As at the date of this Report, the Audit Committee comprises the Committee Chair (Dominic Lavelle) and three independent non-executive directors (David Blackwood, Leanne Wood and Harry Holt)
- The Audit Committee Chair has recent and relevant financial experience
- Detailed information on the experience, skills and qualifications of all Committee members can be found on pages 74 and 75. The Board has confirmed it is satisfied that the Committee members have the appropriate range of financial, commercial and sectoral expertise

#### Meetings

- Meetings of the Committee generally take place immediately prior to a Board meeting to maximise the effectiveness of Board meetings. Attendance at Committee meetings can be seen on page 73. Five scheduled meetings were held during the year ended 3 July 2021. In addition, one unscheduled meeting was held to discuss outstanding audit related matters for the year ended 2020
- Following the delay to the year end announcement, a number of additional meetings were held to cover the specific audit matters relating to LSER
- The Chair, Group Chief Executive, Group Chief Financial Officer, Group Financial Controller, Group Head of Internal Audit, Group Safety Lead and internal and external auditors are regularly invited to attend meetings
- The Audit Committee Chair holds pre-Audit Committee meetings with the Group Chief Financial Officer, Group Financial Controller and external and internal auditors between scheduled Committee meetings and, at least once a year, the Committee members hold separate meetings with the external and internal auditors, without the executive directors or management being present

#### Terms of reference

- The Committee's terms of references are reviewed by the Committee and approved by the Board annually. During 2021, the terms of reference were updated in accordance with best practice and a copy is available on our website.

#### Effectiveness

- Findings from last year's external effectiveness review undertaken by Independent Audit Limited concluded that the Committee continued to be effective in discharging its duties and responsibilities. The internal review carried out last Summer confirmed the external review's findings.

#### Future focus

- Governance, financial reporting processes and reporting
- Lessons learnt from the Independent Review in relation to LSER will be used to reinforce our rail franchise compliance management
- Continue to analyse the long term impact of COVID-19 on the Group's financial viability
- Ensure the integrity of the Group's financial reporting
- Review the effectiveness of the Group's risk management and internal control procedures
- Review remit of Internal Audit
- Monitor health and safety standards and auditing
- Oversee ESG reporting and related climate and financial disclosures
- Continue to monitor the UK Audit Reform recommendations and developments
- IT-related risks including resilience and cyber security



### Committee responsibilities and activities during the year

#### External audit and financial reporting

- Monitored the ongoing impact of COVID-19
- Reviewed the 2020 Annual Report and Accounts, ensuring information was fair, balanced and understandable
- Monitored the integrity of the Group's financial statements including related regulatory news announcements
- Reviewed significant financial reporting judgements and estimates made by senior leadership
- Reviewed the going concern and long term viability assessment
- Reviewed the external auditor's remuneration, terms of engagement and reappointment
- Approved the use of external auditor for non-audit services in line with policy
- Reviewed the effectiveness of the audit process, independence and objectivity of the external auditor and agreed audit plan for forthcoming year
- Reviewed external auditor and senior leadership reports on half and full year results
- Subsequent to the year end, reviewed and assessed the impact of the findings from the Independent Review into LSER's performance of its contractual obligations under the Southeastern franchise agreements including the subsequent prior year restatements to the financial statements

#### Risk management and internal controls

- Reviewed the effectiveness of risk management and internal control procedures
- Reviewed the approach to fraud management and reporting
- Reviewed climate change risk reporting
- Recommended deep dives into high risk business areas

#### Internal audit including health and safety

- Transitioned to new model for internal audit.
- Considered and reviewed reports from the co-sourced internal audit function (PricewaterhouseCoopers LLP (PwC) and the Group Internal Audit team) on the Group's financial controls, disclosures and accounting
- Approved new three year internal audit plan
- Reviewed results of health and safety audits across the business, benchmarking against international and best practice standards

#### Governance and Committee effectiveness

- Considered the results of the external and internal effectiveness review
- Monitored UK Audit Reform recommendations



## Assessment of the Group's risk management and internal controls system

The Board has confirmed that during the year, through the Audit Committee's rolling review of the key financial and internal control matters, it has reviewed the effectiveness of the system of internal, financial, operational and compliance controls, and risk management. The Committee's review took into account the Board's biannual review of significant risks and emerging risks, as well as the effectiveness of the new co-sourced model for internal audit (see below). Following the year end, the Board has acknowledged the weaknesses in the control environment relating to franchise compliance identified as a result of issues and challenges faced in relation to LSER and International Rail. Responding to these weaknesses, the Committee has carefully considered both the findings of the Independent Review commissioned into LSER's performance and the wider implications for governance and controls relating to the Group's complex long term rail contracts. A number of improvements have been implemented, including Board and leadership changes, improving bid investment decision making and ongoing contract compliance monitoring. The process of improving governance and controls will continue and this will be a key area of focus for the Committee.

### Internal Audit

During the year ended 3 July 2021, a comprehensive review of the scope, effectiveness and integration of internal audit work across the business was undertaken. No significant concerns were raised by this review which concluded that the existing outsourced provision through PricewaterhouseCoopers LLP (PwC) was independent, effective and provided assurance over the Group's risk and controls environment. The review did however identify a number of areas of improvement. This included operating companies benefiting from more practical support on implementing the audit recommendations and the outsourced internal audit provision being more efficiently and cost effectively integrated with in-house resource.

Following an assessment of a number of options, the Committee approved management's recommendation to initially move to a co-sourced model, with the appointment of a new Head of Internal Audit working with existing and newly appointed in-house resource and the incumbent internal auditor, PwC. PwC supported this transition, which has now taken place, and will continue to provide resource, technical capability and ad-hoc specialist internal audit work as required.

Management worked together with the Committee to appoint the new Head of Internal Audit. Following this appointment, the Committee considered and approved a new three-year internal audit plan (the plan), which commenced from the final quarter of the year ended 3 July 2021. This plan was developed by management, with input from finance and business assurance teams across the business. Subsequent to the findings of the Independent Committee, established to investigate the matters of concern at LSER, the three year internal audit plan is being reviewed.

The Head of Internal Audit attends the Committee on a quarterly basis to provide an update on progress against the plan. The Committee will assess the effectiveness of these new arrangements on an ongoing basis, with a more formal review to be undertaken later in the year and an update provided in next year's report. The Head of Internal Audit reports directly to the Interim Group Chief Financial Officer with direct access to the Audit Committee Chair.

During the year ended 3 July 2021, PwC continued to report to the Committee on the internal audit plan agreed at the start of the financial year. Updates included findings from the internal audit reviews undertaken, the actions to implement the recommendations and the status of progress against previously agreed actions. In addition to the rolling programme of operating company financial control reviews, a review of cyber and ethical hacking and compliance with the UK Government's Coronavirus Job Retention Scheme was also carried out during the financial year.

For the year ended 3 July 2021, the Committee maintained the procedures necessary to ensure appropriate independence of the relationship with PwC and the new Head of Internal Audit.

An annual meeting between the Committee and PwC was also held, without the executive directors or management present.

## Risk management and internal controls

A summary of the key features of the Group's risk management and internal controls system is set out below:

### Group structure

The Group's devolved organisational structure supports a top-down/bottom-up approach to risk management and control

### Leadership

Clear leadership from the Board with the executive directors working with operating companies

### Board reporting

Review of reports received from the internal and external auditors, executive directors and management

### Fraud management reporting

Regular review of reports received on fraud, actions taken and lessons learned

### Health and safety reporting

Regular review of health and safety reports and audits, including best practice and standards across UK and international operating companies

### Financial reporting

A comprehensive Group-wide system of financial reporting, budgeting and cash forecasting and control through which the consolidated financial accounts are prepared and submitted to the Board and from which the consolidated financial reporting is derived

### Compliance management

Annual certification by each operating company that it has adhered to the Group's Policies and Procedures Manual, which reinforces the Group's corporate governance, internal control processes and management of risk

### Assessment

The Group's top-down/bottom-up approach enables a two-way system of monitoring risk at all divisions and levels within the Group. Internal Audit ensures regular and efficient reviews of the Group's internal control structure and systems, with the remit of Internal Audit to be reviewed to better safeguard and assure the compliance obligations of complex long term rail contracts



## Audit, risk and internal control continued

### Key financial matters

During the year ended 3 July 2021 and, where applicable, up until the date of publication of this 2021 Annual Report, the Committee considered the following key financial matters in relation to the Group's financial statements and disclosures, with input from senior leadership and the external auditor:

Key financial matters for 2021	How the Committee addressed these key financial matters
<p>Review the accounting treatment of income and costs arising from franchise agreements in the rail components of the Group.</p> <p>-&gt; See pages 174 and 179 for more information</p>	<p>The Committee regularly reviews the accounting policies relating to income and costs arising from franchise agreements and considers a range of reasonably probable outcomes. At interim and year end reviews, a full schedule of material income statement and balance sheet figures is assessed against the Committee's expectations and discussed with the executive directors and, where appropriate, the external auditor.</p> <p>The Committee also considered the accounting for rail as a consequence of the Emergency Measures Agreements and Emergency Recovery Measure Agreements and agreed with the treatment that was applied including the assessment and recognition of performance bonuses.</p>
<p>Assessment of provisions and contingent liabilities in connection with the Southeastern franchise, including potential financial penalty.</p>	<p>Subsequent to the year end, the Committee reviewed the findings of the Independent Review carried out by the Independent Committee to determine what accounting provisions were required with regard to LSER matters of concern and items in commercial dispute. Where appropriate, independent advice was sought to inform the Committee. Having considered the findings of the Independent Committee the Committee agreed management's proposed accounting treatment and related disclosures.</p> <p>Under the Railways Act 1993, the DfT has the power to impose a financial penalty. In the absence of a specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice, received by the Independent Committee, has included a provision for £30.0m in the financial statements of the year, which reflects the Group's current best estimate of any penalty.</p>
<p>Ongoing review of provisions for liabilities, specifically relating to third-party claims, lease return and dilapidation provisions for rolling stock, stations, depots and other properties and measurement of uninsured liabilities.</p> <p>-&gt; See note 24 of the consolidated financial statements</p>	<p>At interim and year end, the levels of provision for third-party claims, lease return and dilapidation provisions are reviewed with the Committee. Subsequent to year end, this also included the impact of the decision by the DfT to appoint the Operator of Last Resort (OLR) to take over delivery of passenger services on the Southeastern franchise when LSER's existing contract expired on 17 October 2021. Management's review is supported by reports from appropriate third-party experts who independently assess the required provision based on their industry knowledge and an understanding of the Group's specific circumstances. Specific legal advice is also taken, where appropriate, in relation to third-party claims such as boundary fare claims. Increases in provisions, utilisation and release of provisions are all reviewed for reasonableness in light of these reports and the Group's specific circumstances and having considered the proposed provisions and their reasonableness the Committee agreed with management's proposed treatment and disclosures.</p>
<p>Impairment testing in respect of the value of goodwill and tangible and intangible assets on the Group's investments.</p> <p>-&gt; See note 14 of the consolidated financial statements</p>	<p>The ongoing review of goodwill, tangible and intangible assets and carrying value of investments, as presented by management, is challenged by the Committee. This is done by assessing the expected performance of the individual cash generating units and ensuring that relevant risk factors are imputed to the rate of return used to assess net present value of future cashflows. The Committee also reviews historical performance against expectations set in previous years. Having considered the reviews undertaken and financial projections, the Committee was satisfied that the impairments proposed were reasonable based on currently available information.</p>
<p>Assessment of the Group's German rail contracts and carrying value of associated assets.</p> <p>-&gt; See note 7 of the consolidated financial statements</p>	<p>The German business commenced the operation of its rail services in June 2019 in Baden-Württemberg with two further contracts in Bavaria, one of which commenced operation in December 2021 and the other final contract due to commence in December 2022. Whilst initial operating losses were planned due to the initial ramp up of services, the level of operating losses continues to be higher than was originally expected. In line with IAS 36 and IAS 37, an assessment of the carrying value of assets and future contract liabilities has been performed both at the half and full year with a full review of the future forecast and operational plans to assess whether the contracts are onerous in nature.</p> <p>Whilst the contracts in Bavarian had yet to commence at year end, changes in future estimated costs triggered a need to update the assumptions made in the original bid and in past forecasts. This was done for the half year end and resulted in an increase to the onerous contract provision in Bavaria. Following the year end, we performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to 2020 and the Group's 2021 half year results. An understatement has been identified in respect of the accounting for the onerous contract provision in the rail contracts in Bavaria in the prior year and the Group's 2021 half year results. The 2020 provision was determined to be understated by £37.1m (including the £25.9m subsequently provided for in the FY21 half year results) and has been restated in the prior year figures in the 2021 results. The calculation of the understatement was determined based on the assessment of information available that should reasonably have been included in the assumptions underpinning the 2020 provision.</p>

Key financial matters for 2021	How the Committee addressed these key financial matters
<p>Assessment of the Group's Norwegian rail contracts and carrying value of associated assets.</p> <p>→ See <a href="#">note 7</a> of the consolidated financial statements</p>	<p>The Norwegian business commenced the operation of its rail services in December 2019. As the contract included exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis, resulting in a broadly breakeven position. Post-year end, the Norwegian Government reduced the level of support to cover 70% of losses. This was then reduced again to cover 50% of losses from November 2021. In December 2021, the level of support was reviewed by the Norwegian Government and increased to cover 90% of losses backdated for the period between July 2021 to October 2021, reducing to 85% for the period November 2021 to March 2022. Following the year end, constructive discussions have been ongoing with the Norwegian Railway Directorate regarding financial support in the future, and we are hopeful of reaching a satisfactory outcome.</p> <p>The ongoing impacts of COVID-19 and the levels of Norwegian Government support triggered a requirement to update the assumptions made in the original bid.</p> <p>In line with IAS 36 and IAS 37 an assessment of the carrying value of assets and future contract liabilities has been performed post-year end to assess whether the contract is onerous in nature.</p> <p>The Committee considered and challenged the inputs of these models and cashflow forecasts as presented by management and considered the appropriateness of the resulting disclosure with reference to IAS 1.</p>
<p>Assessment of the available resources to support the going concern assumption and the long term viability statement.</p> <p>→ See <a href="#">page 64 to 68</a> for more information</p>	<p>The Committee reviewed and challenged management's forecasts and the impact of various possible downside scenarios including reverse stress assumptions. These took account of the potential ongoing impact of COVID-19 on passenger volumes, the availability and duration of government funding measures, the impact of ongoing discussions in relation to the Southeastern franchise and the impact of a financial penalty and the mitigating actions that the Group may undertake.</p> <p>In undertaking its going concern evaluation and sources of liquidity available to the Group, the Committee concluded that existing debt facilities would continue to be available.</p> <p>Following the review, which the Committee carried out at its meetings in January and February 2022, the Committee recommended to the Board the adoption of both the going concern and viability statements for inclusion in this Annual Report.</p>
<p>Assumptions underpinning the calculation of the Group's defined benefit pension liabilities.</p> <p>→ See <a href="#">note 28</a> of the consolidated financial statements</p>	<p>Pension scheme liabilities are assessed on behalf of the Group by independent actuaries. Additionally, management reviews and challenges the underlying assumptions with other professional advisors to ensure that the actuaries' own assumptions are appropriate for the Group. The Committee also discusses the appropriateness of the assumptions with the Group's external auditor.</p>
<p>Understanding and treatment of separately disclosed items in the year end accounts.</p> <p>→ See <a href="#">note 7</a> of the consolidated financial statements</p>	<p>The Committee has considered separately disclosed items in the light of the FRC recommendations of a balanced and consistent approach. The Committee is mindful of the need to understand the underlying trends of each division within the business with the impact of large and unusual items separated out as necessary to avoid distortions from such non-recurring aspects.</p> <p>For each item, the Committee has considered the judgements made by management, considering each item in isolation, as well as the aggregate view of the impact on both alternative performance measures and statutory profits. In addition, the Committee considers and takes account of any bias towards recording items as exceptional which may have an impact on the covenant reporting.</p> <p>The Committee agrees that it is appropriate to treat as exceptional the onerous contract provisions and asset impairments relating to International Rail, and the provisions for a potential financial penalty in relation to the LSER matters of concern and related costs. Whilst the Committee considered the appropriate treatment of QICs in London Bus and pre-EMA settlements in GTR, it was determined that they should not be treated as exceptional because material contractual settlements, such as these, are not uncommon in the normal operation of these businesses. Asset impairments in Regional Bus have been treated as exceptional. Although they do not meet the criteria to warrant this classification on the basis of materiality, this treatment has been applied in line with the Group's accounting policy for exceptional items, ensuring a consistent approach with costs in prior years that are similar in nature, albeit more material.</p>
<p>Ensuring operating company compliance with Group policies and procedures and maintaining the required financial control environment.</p>	<p>The Committee, with input from the executive directors, approves the scope of internal audit including the cycle of visits to test operating company compliance and financial controls, based on a risk assessment. The results of the internal audit visits are considered by the Committee, together with management's responses to any improvement points. Control matters and reporting issues identified as part of the external auditor interim and year end audits are also reviewed by the Committee, which considers the adequacy of any management responses which, in particular, were in respect of IT controls during the year ended 3 July 2021. In addition, management ensures that the recruitment and review process for operating company directors gives confidence in the calibre of the operating company teams and their management, and the control environment in which they operate.</p>

## Audit, risk and internal control continued

### Key financial matters continued

#### Fair, balanced and understandable

At the request of the Board, the Committee has considered whether, in its opinion, the 2021 Annual Report, taken as a whole, is fair, balanced and understandable, and whether or not it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The process was led by the internal Annual Report Team (ART), consisting of members drawn from the Group Finance, Group Company Secretariat and Investor Relations teams, with input from the executive directors and management within the Group and its operating companies. This, together with review from the Group's external legal counsel and external auditor, ensured the balance, completeness and accuracy of the Annual Report. The ART was responsible for regularly reviewing content and ensuring balanced reporting with appropriate links between key messages and sections of the Annual Report.

The structure of the Annual Report focuses strongly on the key strategic messages in the Strategic Report. It was therefore important for the Committee to ensure that this emphasis did not dilute the overall transparency in the disclosures made throughout the report, which it knows stakeholders find useful, and that the messages presented by the business are both clear and reflective of the Group as a whole.

The Committee received a full draft of the Annual Report and advised of any areas which would benefit from further clarity. Feedback was then incorporated ahead of final approval by the Board.

When forming its opinion, the Committee reflected on the information it had received and its discussions throughout the year. In particular, the Committee considered:

#### Is the Annual Report fair?

- Is the whole story presented and has any sensitive material been omitted that should have been included?
- When reporting on business performance, is the narrative in the front of the report consistent with that used for the financial reporting in the financial statements?

- Are the key messages in the narrative reflected in the financial reporting?
- Are the KPIs disclosed at an appropriate level based on the financial reporting?

#### Is the Annual Report balanced?

- Is there consistency between the narrative reporting in the front and the financial reporting in the back of the report, and does the messaging presented within each part remain consistent when one is read independently of the other?
- Have all key events and issues reported to the Board by management (both positive and negative) been adequately referenced or reflected within the Annual Report?
- Are the statutory and adjusted measures explained clearly with appropriate prominence?
- Are the key judgements referred to in the narrative reporting and the significant issues reported in this Audit Committee Report consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?
- How do the significant issues identified compare with the risks that Deloitte LLP plans to include in its report?

#### Is the Annual Report understandable?

- Is there a clear and understandable framework to the Annual Report?
- Are the important messages highlighted throughout the document?
- Is the layout clear with good linkage throughout in a manner that reflects the whole story?

#### Conclusion

Following its review, the Committee was able to provide assurance to the Board that the Annual Report for the year ended 3 July 2021 is representative of the year and presents a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy. Our fair, balanced and understandable statement can be found in the directors' responsibility statement on page 146 of this Annual Report.

## External audit

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor, Deloitte LLP (Deloitte). This includes making recommendations to the Board concerning the appointment, reappointment and removal of the external auditor, as well as assessing its independence on an ongoing basis and negotiating the audit fee.

### Assessing the effectiveness of the external audit process

The assessment of Deloitte's audit effectiveness for the year ended 27 June 2020 was undertaken during the financial year ended 3 July 2021, following the completion of that audit. The assessment was fully independent and objective. The process was based on constructive, honest and open dialogue with the external auditor to ensure that optimum assurance had been derived from the audit.

The process of assessment was divided into five key areas:

<b>Objectives</b>	Clear objectives and desired outcomes agreed at the outset.
<b>Timing</b>	A timetable with appropriate milestones was agreed, with assessments being incorporated at both the planning and completion stages.
<b>Resources</b>	The Committee considered whether the external auditor had appropriate resources and expertise to conduct the audit.
<b>Evaluation and assessment</b>	The Committee challenged and scrutinised the external auditor's strategy based on its own internal assessment. Key risks to audit quality were discussed with assurance provided by the external auditor on how these risks would be mitigated.
<b>Reporting</b>	The Committee reviewed the quality of reporting from the external auditor and its recommendations.

The Committee's assessment took into account views from the former Audit Committee Chair, the former Group Chief Financial Officer and the Group Financial Controller, in addition to feedback from operating companies. Deloitte, also appraised its own performance based on the feedback it received from management, as well as against its internal performance objectives. Feedback arising from the process was discussed in detail with Deloitte's lead audit engagement partner.

The observations from the assessment were presented and discussed at a Committee meeting and it was concluded that Deloitte had performed its 2020 audit effectively. In conjunction with the recent change of lead audit engagement partner, a number of changes were made to the audit approach going forwards. This included working more closely with international colleagues, local UK operational teams and management on the scope and requirements of significant risk areas. In addition, a commitment was made more generally to ensure communication was improved and more regular updates were provided throughout the audit timetable. A review was also undertaken by the internal Annual Report Team, which included discussions held with the external auditor. Changes for subsequent audits agreed during these discussions included, but were not limited to, a new traffic light system for audit comments and a more streamlined approach to communication between the internal Annual Report Team and the external auditor.

In October 2021, the FRC Audit Quality Review Team undertook a review of the Group's financial statements for the year ended 27 June 2020. The scope of the review was limited due to legal privilege in respect of LSER and 'profit share payments'. The focus of the review and their reporting is on identifying areas where improvements are required. The former Chair of the Audit Committee received a full copy of the findings of the Audit Quality Review Team and has discussed these with Deloitte LLP. The review reported one key finding. Deloitte proposed a number of actions as a result, which have been implemented in the FY21 audit. Having considered the results of the review, the actions taken, and improvements made by Deloitte to address the area identified, the Audit Committee concluded it was satisfied with the response from the external auditor and that the audit was effective.

The audit effectiveness review for the year ended 3 July 2021 audit is scheduled to take place following the completion of the audit process this year and a summary of the conclusions from that assessment will be provided in next year's Annual Report.

### Independence and objectivity of external auditor

The Board recognises the importance of auditor independence and is aware of the situations which may give rise to the impairment of auditor independence. The Committee considers carefully the objectivity of the auditor on an annual basis in relation to both the audit process and the relationship with the Group.

In light of the matters of concern at LSER, the Committee reconsidered auditor independence and, following discussions with the external auditor, the Committee was satisfied that the external auditor remained independent.

During the year, the technical expertise within the Group Finance Team was bolstered with the appointment of two former external auditor employees. To safeguard the independence of the external auditor, a robust review was undertaken by the former Group Chief Financial Officer and Group Financial Controller prior to these appointments being made, with any conflicts declared, considered and addressed in line with Group policies. Any future appointments remain subject to Group policies and would be reviewed by the Group Chief Financial Officer and Group Financial Controller.

## Audit, risk and internal control continued

### External audit continued

#### Policy on the provision of non-audit services

The Committee is responsible for developing, implementing and monitoring the Group's policy on the engagement of the external auditor to supply non-audit services. In line with the FRC's Ethical Standard, the principal requirements of that policy are:

- The auditor will only be used for the provision of non-audit work if it can be demonstrated that the engagement will not impair independence or is a natural extension of its audit work or there are other overriding reasons that make it the most suitably qualified to undertake the work
- The auditor will not provide certain categories of non-audit services to the Group, such as internal audit and litigation support, the full list of which can be found in the Committee's terms of reference
- The provision of certain non-audit services is subject to approval by the Committee

The ratio of the external auditor's audit to non-audit fees during the year, as a proportion of the annual external audit fee, is kept under review by the Committee.

#### Fees of external auditor

During the financial year, the Group external auditor's fees were £2.7m (2020: £1.2m). This amount includes a fee overrun of £1.2m reflecting the additional audit fees incurred as a result of the LSER matters of concern, as disclosed on page 205, and the impact this has had on the wider Group audit. Additional assurance and audit procedures have been required by the Group's external auditor, thereby increasing the number of reviews and time required to complete the audit, as a result in order for them to gain comfort.

In addition, non-audit fees of £0.2m (2020: £0.1m) were payable to the Group's external auditor.

For further information on these external and non-audit fees, please refer to the charts and table on page 107.

#### External audit partner rotation

On behalf of the Board, the Committee oversees the relationship with the external auditor. Deloitte was appointed as the auditor of the Group in October 2015 and most recently reappointed at the 2020 AGM.

In line with the FRC's Ethical Standard, Chris Powell, who held the role of lead audit engagement partner since the audit engagement began five years ago, stepped down from his role at the conclusion of the 2020 financial year. Following approval from the Committee, Scott Bayne assumed this role with effect from the completion of the 2020 audit and has worked closely with the Committee since then. This has included, but not been limited to, agreeing the audit timetable for the half year and year end results, ensuring that the scope of the external audit remained appropriate, determining materiality, and assessing key judgements raised during the audit.

#### External audit tenure

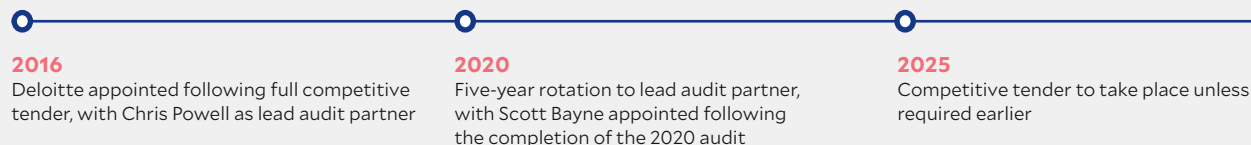
In accordance with requirements set out within the Competition and Markets Authority's regulations, the Committee is required to retender the external audit contract by no later than the 2025 financial year, this being ten years since appointment.

The Committee has assessed the independence, quality, effectiveness and continuity of the relationship with Deloitte as the Group's current external auditor. It has recommended to the Board that it is in the best interests of the Group and shareholders to tender the audit contract by a date no later than that stipulated by the current regulations, 2025. Please see the Auditor Rotation Timeline on page 107 for further information on the dates associated with the external audit tenure.

## Reappointment of external auditor

The Committee is satisfied with the objectivity and independence of the external auditor and, on this basis, has recommended to the Board that Deloitte be reappointed at the General Meeting of shareholders to be convened in March 2022.

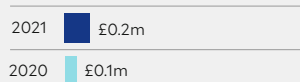
### Auditor rotation timeline



### External auditor's fees



### Non-audit fees



\* As explained on page 106, additional audit fees of £1.2m were incurred for the year ended 3 July 2021 as a result of the LSER matters of concern as outlined on pages 10 and 11 and the resulting changes to the nature, timing and scope of the audit work. This resulted in total external auditor fees of £2.7m, £1.2m of which is classified as an exceptional item.

### Breakdown of non-audit fees

Non-audit work	Nature of service	Fees (£'000)
Interim review	Analytical reviews in relation to the reasonableness of the interim accounts	137.5
Rail Safety Levy	Preparation of auditor statements to accompany certificates required by the franchise agreement and Office of Rail and Road	6.5
Annual financial statements (AFS)	Preparation and audit checks for AFS	4.0
Pre-Emergency Measures Agreements (EMA) adjustments audit	Contractual requirement under the EMA to review all entries made in respect of pre-EMA periods	43.5
Passenger experience measure (PEM) audit	Verification that the reported PEM calculation and payment was completed in accordance with the GTR franchise agreement with the DfT	5.0
Office of Rail and Road (ORR) Levy audit	Annual recurring audit required by the ORR under Regulation 4 of the Railway Safety Levy Regulations 2006	3.5
<b>Total 2021 non-audit fees</b>		<b>200.0</b>



# Directors' Remuneration Report



**Leanne Wood**  
Remuneration Committee Chair

## Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 3 July 2021, my second as the Remuneration Committee Chair of Go-Ahead.

The role of the Remuneration Committee is to ensure that

the Group's remuneration structures and arrangements encourage our executive directors and senior leadership team to implement the corporate plan and deliver our strategy in a responsible and sustainable way that creates value for our stakeholders. With that in mind, a considerable amount of our time over the last year was spent assessing the forthcoming renewal of remuneration policy and executive director remuneration following changes to the Board, further details of which are provided on pages 117 to 128.

The Committee has also considered the continued consequences of COVID-19 both on our business and on the transport sector as a whole. At Go-Ahead, we have remained committed to providing safe and reliable bus and rail services to all of our customers, whilst also supporting our people and other stakeholders. Building on our earliest efforts, focus has continued on safety measures, social distancing, enhanced cleaning regimes and personal protective equipment to minimise any harm to our colleagues, passengers and communities.

Following the retirement of former Group Chief Executive, David Brown, in late 2021, Christian Schreyer was appointed as our new Group Chief Executive in November 2021. Christian has been supported by an experienced Interim Group Chief Financial Officer, Gordon Boyd, who was appointed to the Board in September 2021 following the resignation of the former Group Chief Financial Officer, Elodie Brian. A process is well underway to recruit a permanent Group Chief Financial Officer.

This Directors' Remuneration Report is divided into four principal sections:

- This annual statement on pages 108 to 111, which provides the context for the Committee's decisions during the year and other regulatory information
- The 'remuneration at a glance' section on page 114
- The proposed remuneration policy on pages 117 to 128, which will be put to shareholder vote at the General Meeting of shareholders to be convened in March 2022
- The annual report on remuneration which comprises information on the activities of the Remuneration Committee on pages 129 to 141 and provides details of remuneration paid to the Board during the 2021 financial year and how we will apply the remuneration policy in the 2022 financial year on pages 141 and 142

## Impact of COVID-19 on directors' remuneration

COVID-19 has continued to have a serious impact on the Group's business and stakeholders throughout the year. The health and wellbeing of our colleagues and customers continues to be at the forefront of our decisions to ensure that we fulfil our responsibility to society in such an unprecedented time. We are extremely proud of and grateful to all our colleagues who have demonstrated their commitment in ensuring that our public transport infrastructure could continue to operate throughout the pandemic.

In considering directors' remuneration, the Committee acknowledges that government support and funding have been essential to ensure we could maintain our vital services during this time. In addition, we have taken into account the Board's decision not to award a dividend in respect of 2021. It is in this context that the Committee has determined it inappropriate to allow the executive directors' annual bonus to pay out for the 2021 financial year, and therefore exercised its discretion to reduce this to zero.

This decision was made in respect of both executive directors prior to the announcement of the departure of the Group Chief Financial Officer. Irrespective of this decision, the Group Chief Financial Officer was not eligible to receive a 2021 annual bonus under her leaving arrangements.

Given the exceptional circumstances as a result of the pandemic at the time of publishing last year's report, the Committee decided to defer the 2020 Long Term Incentive Plan (LTIP) grants and target setting until there was greater visibility of the continuing impact of COVID-19. These awards were made in December 2020 with details of the targets being disclosed in the regulatory news announcement at this time. Full details are set out again on page 137.

### Performance for the 2021 financial year

Following an extended period of COVID-19 restrictions limiting travel, the Group has been reassured by the level of recovery to date. Despite the challenges posed by the pandemic, we delivered a solid financial performance in our Bus businesses and GTR, supported by limited exposure to changes in passenger demand with around 90 per cent of our revenues secured through contracts. This solid performance was, however, overshadowed by the need to make material provisions in respect of International Rail and London & South Eastern Railway (LSER). Despite these challenges, our balance sheet remains strong and leverage has returned to pre-crisis levels, at the lower end of our target range of 1.5x to 2.5x, well below the 3.5x bank covenant.

The remuneration policy operated over the 2021 financial year as intended by the Committee. Given the increased focus on cashflow, liquidity and ratios across the Group, the Committee reassessed the performance measure weightings for the 2021 annual performance-related bonus at the start of the financial year and deemed it appropriate to adjust these slightly. The weighting for operating profit was reduced from 65 per cent to 60 per cent and Group cashflow was increased from 10 per cent to 15 per cent. There was no change to the weighting of strategic KPIs which remained at 25 per cent.

Given the significant external challenges, Group cashflow performance (15 per cent) was below the threshold level at the year end. Profitability, excluding exceptional items, exceeded the operating profit measure (60 per cent) with both our rail and bus divisions achieving 100 per cent against their respective targets. Performance against the remaining strategic measures, whilst also showing significant achievement, was not formally assessed following the Committee's decision that bonuses should not be awarded.

The Committee considered its exercise of discretion very carefully and in the context of the impact of COVID-19 on the Group's wider stakeholders, it was agreed that it would not be appropriate to pay an annual performance-related bonus to the executive directors for the 2021 financial year and the overall bonus payout was therefore reduced to zero. Full details of the relevant targets and performance achieved are set out on pages 130 to 131.

The Committee determined that there would be no vesting of the Long Term Incentive Plan (LTIP) award granted to the former Group Chief Executive in November 2018. Performance against the Earnings per Share (EPS) and Total shareholder return (TSR) metrics was below the threshold level and taking these financial metrics into account, it was agreed that the customer service metrics should not vest. Full details can be found on page 132.

The former Group Chief Financial Officer was not in role at the time of the 2018 grant, and therefore did not participate in the 2018 LTIP.

The Committee believes that the 2021 pay outcomes are appropriate in the context of aligning the executive directors' interests with those of our stakeholders at this time.

### Discretion

The Committee considers the exercise of discretion very carefully when considering the total amounts earned under the annual performance-related bonus and LTIP, including the overall performance of the Group and any exceptional factors. As set out above, the Committee determined that discretion should be applied to override the formulaic annual bonus outcome for the 2021 financial year. No discretion was required in relation to the 2018 LTIP outcome. As a result of this no annual performance-related bonus was awarded and the 2018 LTIP lapsed in full.

When determining the future vesting of any in-flight LTIP awards, the Committee will carefully consider whether any discretion is required to ensure outcomes are fair and appropriate.

### Proposed remuneration policy

The current directors' remuneration policy was approved by shareholders at the 2018 AGM and therefore is due for renewal at the General Meeting of shareholders to be convened in March 2022. During the last year, and more recently, the Committee has carefully reviewed the remuneration structure, measures and targets in the context of the evolving economic, transport sector and governance landscape. It is important that our policy is aligned to both shareholders' and other key stakeholders' interests and continues to operate in line with our long term business strategy, culture and values.

The principal change proposed under the new remuneration policy is to enable the grant of Restricted Share Plan (RSP) awards to replace the existing LTIP awards. The key features of the RSP awards (which will be granted under the rules of the Group's existing LTIP) are:

- Three-year vesting period and two-year post-vesting holding period, in line with shareholder expectations to operate a five-year time period between grant and release of shares
- Financial and non-financial underpins to ensure that any vesting of the RSP is aligned with the overall performance of the business, and to allow the Committee discretion to reduce the vesting in the event that this is not considered to be the case. The Committee will determine the underpins annually. For information on the underpins, please see the 'Implementation of remuneration in 2022' section on pages 141 and 142. These underpins will apply to the first awards which will be made shortly after the General Meeting of shareholders in March 2022 subject to approval of the new remuneration policy
- Quantum of awards set at a 50 per cent discount to the current LTIP arrangements to account for the increased certainty of vesting

The remuneration policy maximum in respect to the RSP will therefore be 75 per cent of base salary. Subject to approval of the revised policy, the new Group Chief Executive will be granted an RSP award of 75 per cent of base salary. The Interim Group Chief Financial Officer will not be eligible to receive an RSP award in the 2022 financial year. At the point of vesting, the Committee will also consider whether to apply discretion to avoid windfall gains.

## Remuneration continued

The Committee believes an RSP structure is the most appropriate for Go-Ahead for the following key reasons:

- **Alignment with shareholder experience:** Shared ownership experience is the most effective way of ensuring alignment of interests between shareholders and the executive directors, incentivising them to achieve growth in value of the business. One of the most important elements of an RSP is that it provides the executive directors with the opportunity to quickly build up a material equity holding to provide this shared ownership experience.
- **Long term locked-in shareholding:** An RSP supports the build-up of a long term locked-in shareholding by the executive directors. It encourages a focus when making decisions on considering the long term impact on the business as opposed to those to meet comparatively short term objectives. However, the Committee does believe that it is important that the executive directors continue to deliver shorter term objectives and the remuneration policy, therefore achieves this dynamic tension through the retention of the annual cash and deferred shares bonus.
- **Challenges inherent in target setting:** The implementation of the business changes required in the aftermath of the global pandemic is unlikely to be linear and the executive directors need to be flexible and agile to exploit opportunities as and when they arise. An RSP removes the perennial challenges exacerbated by cyclical businesses setting relevant and appropriate targets over a long term period and that have been a feature of the existing LTIP. This is particularly critical given the unique sector challenges faced by the business at this time and the uncertainty that the impact of COVID-19 poses on the future of the transport sector. It is therefore considered best to focus on building up a material shareholding, increasing shareholder alignment and retention for the executive directors. Although RSP awards will not be subject to performance targets, financial and non-financial underpins will be included to ensure that any vesting of the RSP awards is in line with the overall performance of the business.
- **Simplification:** The Committee believes that moving from the LTIP structure to an RSP simplifies the overall remuneration for our executive directors. For all the reasons set out above, it is the Committee's view that the build-up and retention of a material shareholding is the best and simplest way to focus executive directors on the long term sustainable performance of the Group.

### Proposed remuneration policy continued

In addition to the move to the RSP awards, the other proposed changes to our remuneration policy are to align with the UK Corporate Governance Code (the Code) and best practice:

- **Introduce a post-cessation shareholding requirement** equivalent to 100 per cent of the in-post shareholding requirement for two years post-departure
- **Equalise executive director notice periods** such that the notice period is 12 months from either the executive director or the Group
- **Formalise recent updates as to how we have operated pay into our new remuneration policy.** We have implemented these amendments since 2019 and are taking the opportunity to reflect them in the new remuneration policy:
  - Executive director pension provision in line with that provided to the majority of the workforce (currently 3 per cent of qualifying earnings)
  - Enhanced malus and clawback trigger events

At the time of writing this Report, the Committee continues to believe that the changes set out above will most effectively support our current strategic aims, whilst motivating our executive directors. The Committee also believes that implementing these changes will give us the tools to attract new talent into the Group and are, therefore, in the interests of our shareholders.

To the extent that the strategic direction of the business materially changes during the next three years, the Committee will consider whether it is necessary to revisit the new remuneration policy. Any changes would be subject to shareholder consultation and final approval.

### Engagement with shareholders

The proposed changes were subject to a comprehensive consultation process with our major shareholders and proxy agencies. We thank our major shareholders and representative bodies for their engagement in supporting the Committee in its review of the new remuneration policy. We received overwhelming support for the proposed changes from those who responded and, as a result, the Committee decided to proceed with the proposals.

### Board changes

David Brown retired as Group Chief Executive on 5 November 2021. In line with the 2021 remuneration policy, David will be eligible for an annual performance-related bonus in respect of the 2022 financial year, subject to the achievement of targets and pro-rated for time in post. Unvested LTIP awards will vest at the normal time, subject to the achievement of performance conditions and time pro-rata. Unvested deferred shares will vest in full in accordance with the normal vesting timetable. Malus and clawback provisions will continue to apply to all awards.

Christian Schreyer joined the Board on 1 November 2021 and succeeded David Brown as Group Chief Executive with effect from 5 November 2021. Taking into account factors such as experience, the pay level of his predecessor and the principles of the proposed new remuneration policy, the Committee determined that the remuneration package for the new Group Chief Executive should comprise the following:

New Group Chief Executive remuneration	
Base salary (not to be reviewed again until April 2023)	£550,000
Annual performance-related bonus	Maximum of 150 per cent of base salary, half being paid in cash and half paid in shares deferred for a period of three years
RSP	Maximum of 75 per cent of base salary
Shareholding requirement	200 per cent of base salary
Pension	Eligible to join Go-Ahead's Workplace Savings Section (which is the pensions auto-enrolment vehicle for the majority of employees) or receive a cash alternative equivalent representing 3 per cent of qualifying earnings
Relocation allowance	Monthly allowance of £8,333 for the first 24 months of employment*
Other benefits	Eligible to join the Group's family healthcare membership

\* The Committee felt that a relocation allowance spread over two years was appropriate under the circumstances taking into account the specifics of the international relocation to the UK including uncertainty around international travel constraints.

Elodie Brian resigned as Group Chief Financial Officer on 27 September 2021. From the date of her resignation, Elodie commenced her six-month notice period on garden leave, in accordance with her contract of employment. During this period Elodie has been, and will continue to be, available to assist the Group with any matters arising, and will continue to receive her contractual salary and benefits. No payment in lieu of notice is therefore due.

Elodie is not eligible for an annual performance-related bonus for 2021 or 2022 and her unvested deferred share awards and long term incentive awards will be forfeited on her leaving date.

Gordon Boyd, a highly experienced Interim Group Chief Financial Officer, joined the Board on 28 September 2021. As he is on an interim contract, Gordon will receive an all-inclusive base salary of £100,000 per month and will not participate in any incentive awards or receive any additional benefits, including pension.

The remuneration for both the former and Interim Group Chief Financial Officer is in line with the remuneration policy.

David Blackwood and Dominic Lavelle joined the Board as Non-Executive Directors at the beginning of January 2022 and succeeded Adrian Ewer as Senior Independent Director and Audit Committee Chair respectively on 19 January 2022 when Adrian Ewer stepped down from the Board.

### Implementation of remuneration policy in 2022

For information on how the proposed remuneration policy is to be implemented for the 2022 financial year, please see pages 141 and 142.

### Employee engagement in the year

Go-Ahead has a designated non-executive director, Harry Holt, who is responsible for reviewing and supporting workforce engagement, including on executive pay. While the Board's rolling programme of visits to operating companies was postponed at the start of the pandemic, feedback has still been received from colleagues through a number of different channels and, during the year, the Committee considered the remuneration-related themes which included employee pay. The Board's programme of visits to operating companies has now been resumed, with the Chair and members of the Board due to visit most UK operating companies through the year. For the Remuneration Committee specifically, this will include considering how we engage with employees on matters of executive pay and wider Group pay policy. For further information on how the Board engages with the workforce, see page 82.

The Committee also undertakes an annual review of remuneration policies across the Group. The Committee considers that it has always been kept well informed about the pay and related policy arrangements for the Group's wider workforce and so has been able to consider wider employee pay as context for any decisions taken with respect to the executive directors.

### Looking forward

The Group has faced unprecedented challenges over the past two years and the Committee's review of remuneration policy took into account the context of the evolving economic, transport sector and governance landscape. The Committee believes that the proposed Policy is aligned to both shareholders' and other key stakeholders' interests and will operate in line with our purpose, strategy and values and led by new leadership and a refreshed Board who will take the Group forward at this pivotal time.

In this context, it is important that our proposed remuneration policy supports the delivery of our strategic goals and the creation of our shareholder value.

We look forward to receiving shareholder support on the new remuneration policy and hearing your views on the Annual Report on Remuneration at the Group's General Meeting of shareholders to be convened in March 2022.



**Leanne Wood**  
Remuneration Committee Chair

23 February 2022

## Remuneration continued

### Remuneration Committee

#### Membership

- As at the date of this Report, the Remuneration Committee comprises the Committee Chair (Leanne Wood), the Group Chair (Clare Hollingsworth) and three independent non-executive directors (David Blackwood, Dominic Lavelle and Harry Holt)
- 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
- The Group Chief Executive, Group Chief Financial Officer and Group HR Director attended relevant parts of the Committee meetings during the year ended 3 July 2021. No individual was present when their own remuneration was being determined

#### Terms of reference

- The Committee's terms of reference are reviewed and approved by the Board annually. During 2021, the terms of reference were updated in accordance with best practice and a copy is available on our website.

#### Meetings

- The Committee held five meetings during the year ended 3 July 2021, in addition to one unscheduled meeting. Attendance by members at Committee meetings can be found on page 73.

#### Effectiveness

- Both the external review of the Committee's effectiveness carried out at the end of 2020, and the internal review carried out last Summer, concluded that the Committee was fully effective in discharging its duties and responsibilities.

#### Future focus

- Subject to shareholder approval, implement the new remuneration policy
- Ensure any remuneration payable to former and newly appointed Board members is in line with policy
- Review the alignment of executive performance-related pay targets to support and deliver Go-Ahead's strategy, taking into account the ongoing impact of COVID-19
- Review and determine senior leadership remuneration
- Review the effectiveness and transparency of remuneration reporting
- Monitor compliance with the Code and develop further remunerated-related engagement with the workforce



### Committee responsibilities during the year

#### Remuneration policy

- Reviewed remuneration policy ahead of its three-year renewal

#### Executive director target setting and outcomes

- Approved nil payment of the 2020 annual performance-related bonus and nil vesting of the 2017 LTIP award
- Established targets for the 2020 LTIP award and 2021 annual performance-related bonus
- Liaised with Audit Committee on quality of earnings review

#### Board and senior leadership remuneration

- Reviewed and approved Chair fees and executive director and senior leadership salaries

#### Shareholder engagement

- Consulted with major shareholders ahead of the proposed new remuneration policy
- Consulted with major shareholders on 2020 LTIP award metrics and weightings
- Ensured new remuneration policy promotes long term shareholdings by executive directors that align with shareholders' interests

#### Wider stakeholders and COVID-19

- Reviewed wider workforce remuneration and related policies to ensure consistency with Group values and culture

- Considered the impact of COVID-19 on directors' remuneration
- Considered remuneration-related themes (including employee pay) arising from colleague engagement

#### Governance and Committee effectiveness

- Approved the 2020 Directors' Remuneration Report which included reviewing the effectiveness and transparency of remuneration reporting
- Considered findings of external and internal effectiveness reviews
- Kept under review the relationship with Committee's external advisors
- Undertook annual review of Committee's terms of reference
- Monitored the Code as well as general updates on market best practice provided by the Committee's external advisors

#### Board changes during the year and subsequently

- Ensured that the remuneration for the former Group Chief Executive and Group Chief Financial Officer upon leaving was in accordance with policy
- Approved the remuneration for the new Group Chief Executive and Interim Group Chief Financial Officer

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### External advisors to the Committee

PricewaterhouseCoopers LLP (PwC) acts as an independent remuneration advisor to the Committee. PwC was appointed by the Committee in June 2020, following a rigorous tender process, full details of which can be found on page 94 of the 2020 Annual Report and Accounts. PwC is one of the founding members of the Remuneration Consultants Group Code of Conduct and adheres to this Code in its dealings with the Committee.

Previously, PwC has supported the Audit Committee with internal audit which, during the year ended 3 July 2021, transitioned to in-house resource, further details of which can be found on page 101. Following this transition, PwC continues to provide resource, technical capability and ad-hoc specialist internal audit work as required and the Remuneration Committee is satisfied that these services do not impede PwC's objectivity in providing remuneration advice. The Committee is also comfortable that the PwC engagement partner and team, which provide remuneration advice to the Committee, do not have connections with the Group or individual directors of the Group that might impair their independence and that the advice received is independent and objective.

The fees payable to PwC for advice during the year ended 3 July 2021 were £126,450 (excluding VAT), charged on a time and material basis. As detailed within the last Committee Report, prior to the appointment of PwC, New Bridge Street (NBS) (part of Aon plc) acted as an independent remuneration advisor to the Committee. The fees payable to NBS for advice during the year ended 27 June 2020 were £44,458 (excluding VAT), charged on a time and material basis.

### Statement of voting at Annual General Meeting (AGM)

At the Company's AGM held on 24 November 2020, the Directors' Remuneration Report received the following votes from shareholders:

	Votes for and discretionary	Votes against	Total votes	Withheld
Remuneration Report	28,900,644 99.91%	25,645 0.09%	28,926,289 100.00%	4,546

The remuneration policy was last approved at the Company's AGM held on 1 November 2018, the voting outcome of which was:

	Votes for and discretionary	Votes against	Total votes	Withheld
Remuneration policy	30,249,362 99.00%	307,034 1.00%	30,556,396 100.00%	19,230

A new remuneration policy will be put to shareholders for approval during the General Meeting of shareholders to be convened in March 2022.



# Remuneration at a glance

## Summary of directors' remuneration policy and implementation in 2022

The Group's remuneration policy (the Policy), as determined by the Remuneration Committee, will be put to shareholders at the General Meeting of shareholders to be convened in March 2022 and is set out in full on pages 117 to 128 (inclusive). This Policy will take effect from the conclusion of the General Meeting (subject to shareholder approval), and supersedes that approved by shareholders in 2018.

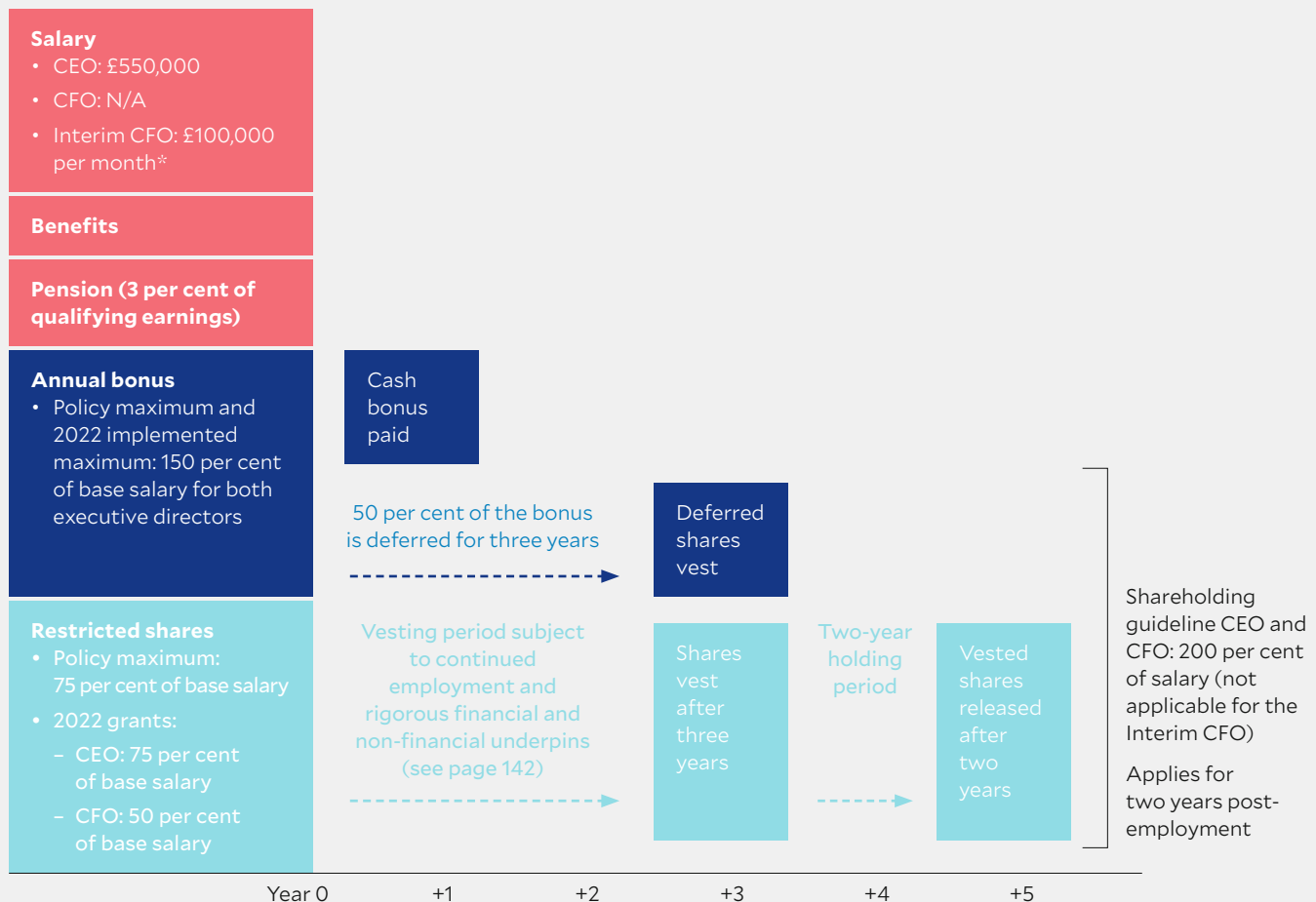
### The key changes proposed to the Policy this year are to the long term incentive arrangements as follows:

- LTIP awards replaced with the new RSP awards
- Maximum opportunity reduced from 150 per cent of base salary to 75 per cent of base salary
- Three-year vesting and two-year post-vesting holding period since retained
- Financial and non-financial underpins apply. Underpins for the first grant are as follows:
  - Cash generation/net debt ratio
  - Colleague engagement
  - Health and safety
  - Climate change strategy

Other governance-led changes are also being proposed, as set out in detail on pages 118 and 119.

The diagram below sets out a summary of the proposed Policy and its implementation in 2022.

## Summary of the proposed Policy and its implementation in 2022



\* The Interim CFO will receive an all-inclusive base salary only and will not participate in any incentive awards or receive any additional benefits, including pension.

## Summary executive remuneration 2021

	Former Group Chief Executive, David Brown	Former Group Chief Financial Officer, Elodie Brian
<b>Basic salary and pension</b>		
Base salary (£'000)	£582	£335
% increase from prior year <sup>1</sup>	0%	0%
Temporary reduced base salary (£'000) <sup>1</sup>	£465	£268
Pension (£'000) <sup>2</sup>	£1	£1

<b>2021 annual performance-related bonus</b>		
Maximum opportunity (% of salary)	150%	150%
Actual outcome following Remuneration Committee discretion (% of salary)	0% <sup>3</sup>	0% <sup>3</sup>
Cash amount	£nil	£nil
Amounts satisfied in shares	nil	nil

<b>2018 LTIP award</b>		
Maximum opportunity (% of salary)	150%	N/A <sup>4</sup>
Award vesting (% of maximum opportunity)	nil <sup>3</sup>	N/A

- For the second consecutive year, no salary increases were awarded on account of the ongoing COVID-19 pandemic. Between 1 April 2020 and 31 October 2020, the executive directors volunteered to temporarily waive 20 per cent of their base salaries.
- Pension provision for the executive directors is aligned with the majority of the workforce. The executive directors are therefore eligible to participate in the Workplace Savings Section of The Go-Ahead Group Pension Plan (which is the pensions auto-enrolment vehicle for the majority of employees) or receive an equivalent cash allowance. Both executive directors opted to receive an equivalent cash allowance, representing 3 per cent of qualifying earnings, as set by the Government for automatic enrolment.
- Elodie Brian was not eligible to receive a 2021 annual performance-related bonus under her departure arrangements. As set out in the annual statement, prior to this the Committee determined that discretion should be applied to override the formulaic annual performance-related bonus outcome for the 2021 financial year for both executive directors, and that no discretion was required for the 2018 LTIP outcome. Please see page 109 for further details.
- The former Group Chief Financial Officer's first LTIP award was granted in November 2019 for the three-year performance period 2020–2022 and will lapse on her leaving date.

The total single remuneration figure for our executive directors for the year ended 3 July 2021 is shown below:

### Total single remuneration figure for 2021 (£'000)

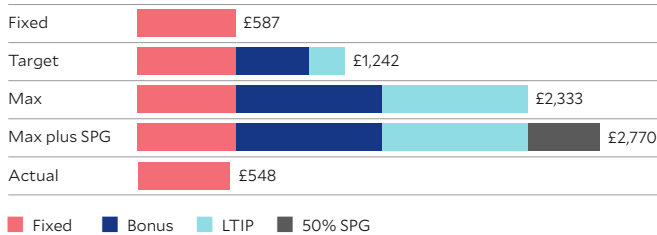
	2021	2020
Former Group Chief Executive, David Brown	548	558
Former Group Chief Financial Officer, Elodie Brian	314	320

## Remuneration continued

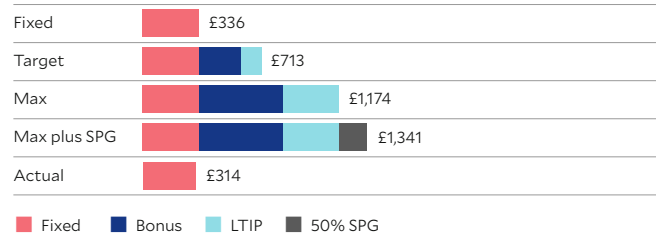
## Executive directors' remuneration – actual vs Policy (£'000)

The charts show a comparison of the total single remuneration figure received by the former executive directors for the year ended 3 July 2021 compared with the fixed, target and maximum opportunity which was available under Go-Ahead's remuneration policy. Pursuant to The Companies (Miscellaneous Reporting) Regulations 2018, we have also included an illustration of the maximum opportunity available following 50 per cent share price growth on the maximum LTIP award value.

## David Brown – Group Chief Executive



## Elodie Brian – Group Chief Financial Officer

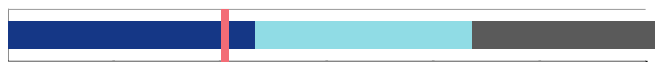


## Executive remuneration compared with FTSE 250

When setting the remuneration for the executive directors, one of the factors the Committee considers is the relevant markets for the executive directors, which we believe is the FTSE 250, and the size of the Group compared with industry peers (FirstGroup plc, Stagecoach Group plc and National Express Group plc). The Committee believes that the FTSE 250 remains an appropriate benchmark for external comparison as it reflects the size and complexity of the Group and executive roles. This benchmark, however, will continue to be regularly reviewed.

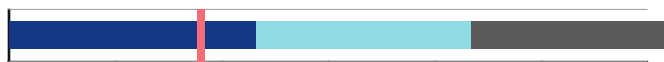
The charts below shows the relative position of the former Group Chief Executive's and former Group Chief Financial Officer's base salaries in comparison with the lower median and upper quartiles of the FTSE 250.

## David Brown – Group Chief Executive



Positioning of target total compensation of the Group relative to market benchmarks

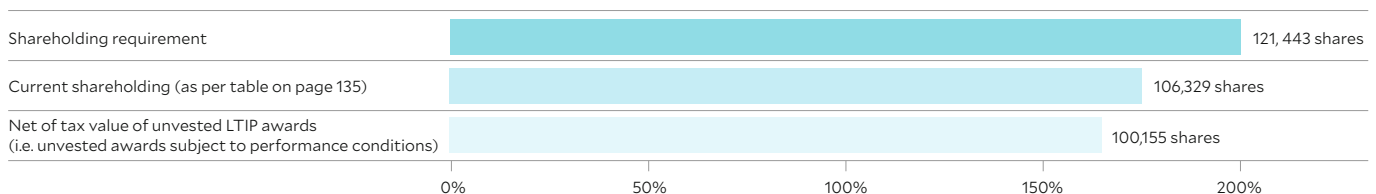
## Elodie Brian – Group Chief Financial Officer



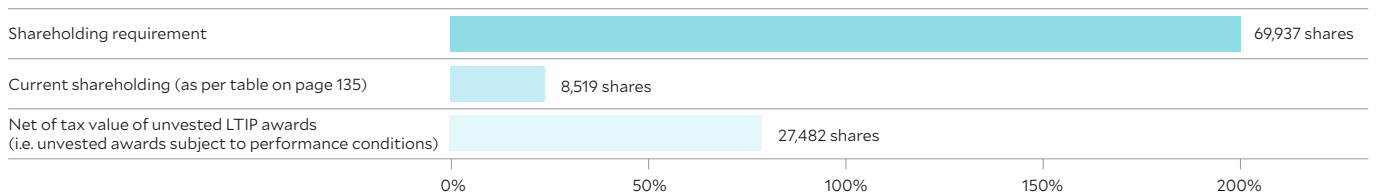
Legend: FTSE 250 Lower Quartile (Blue), FTSE 250 Median (Cyan), FTSE 250 Upper Quartile (Grey)

## Shareholding requirement as at 3 July 2021

## David Brown – Group Chief Executive (% of salary)



## Elodie Brian – Group Chief Financial Officer (% of salary)



## Notes:

Current shareholding includes: (a) beneficial holdings including beneficial interests in shares held under the Group's Share Incentive Plan and (b) unvested and vested but unexercised ordinary shares under the deferred share bonus plan (DSBP) (on a net-of-tax basis). Unvested shares under the LTIP have not been included.

The current shareholding and value of/gain on interests over shares as a percentage of salary have been calculated using the former Group Chief Executive's and former Group Chief Financial Officer's full base salaries of £581,710 and £335,000 respectively.

The former Group Chief Executive purchased 200 shares under the Group's Share Incentive Plan during the period 28 June 2020 and 3 July 2021.

The former Group Chief Financial Officer purchased 3,400 shares between the period 28 June 2020 and 3 July 2021.

The value of the ordinary shares shown above has been based on the average share price between the period 28 June 2020 and 3 July 2021, being £9.58.

Net of tax value of unvested LTIP awards comprises unvested 2018, 2019 and 2020 LTIP awards for the former Group Chief Executive and the unvested 2019 and 2020 LTIP awards for the Group Chief Financial Officer on a net-of-tax basis.

Unvested LTIP shares do not count towards satisfaction of the shareholding guidelines.

Following Elodie Brian's departure, her unvested deferred share awards and long term incentive awards will lapse on her leaving date. This lapse of awards is not reflected in the table above due to this decision taking place following the year end.

## Remuneration policy

The Group's remuneration policy (the Policy) is set out in this section. This Policy, as determined by the Remuneration Committee, will be put to shareholder vote at the General Meeting to be convened in March 2022. The new Policy, which is set out on pages 117 to 128 (inclusive), will take effect from the conclusion of the General Meeting (subject to shareholder approval). This Policy supersedes that approved by shareholders in 2018.

### In determining the new policy, the Committee went through the following process:

- Considered the Group's strategy and how alignment could be increased through amendments to the remuneration policy
- Considered market practice and governance developments to ensure arrangements are market leading in best practice and governance requirements
- Sought independent advice from its advisors
- Consulted with management to ensure that its views were taken into consideration when developing the proposed changes
- Reviewed the wider workforce remuneration and incentives to ensure the approach to executive remuneration is consistent
- Conducted a full consultation process with shareholders and representative bodies on the changes and reflected these views in the development of the final proposals

### The key proposed changes from the 2018 remuneration policy are as follows:

- To replace performance-based Long Term Incentive Plan (LTIP) awards with new Restricted Share Plan (RSP) awards and reduce the maximum quantum by 50 per cent from 150 per cent of base salary to 75 per cent of base salary. RSP awards will continue to be granted under the rules of the Company's current LTIP
- Introduce a post-cessation shareholding requirement equivalent to 100 per cent of the in-post shareholding requirement for two years post-departure, in line with the UK Corporate Governance Code (the Code) and best practice
- Equalise executive director notice periods such that the notice period is twelve months from either the executive director or the Group. Note that current arrangements continue to apply for the former Group Chief Financial Officer in respect of her departure (six months' notice)
- Formalise recent updates to how we have operated pay in line with emerging best practice and the Code into our new Policy. We have implemented these amendments since 2019 and are taking the opportunity to reflect them in the new Policy:
  - Pension provision for executive directors to be in line with that provided to the majority of the workforce (currently 3 per cent of qualifying earnings). Whilst the 2018 remuneration policy permits a maximum pension contribution of 15 per cent of salary for executive directors, the lower level of 3 per cent has applied to executive directors since 2018 in order to align with the Code
  - Enhanced malus and clawback triggers that apply to incentive plans to include corporate failure; serious downturn in financial/operational performance; and serious reputational damage

### Remuneration linked to strategy

The Committee believes it is very important that our overall Policy is structured to support both the financial objectives and the strategic priorities of the Group in a manner which is aligned with shareholders' and stakeholders' long term interests. The key principles underpinning our new Policy remain unchanged as follows:

**Prioritising long term shareholder value** – COVID-19 poses unique circumstances for the business and uncertainty on the future of the transport sector. It is therefore considered that it is best to focus on building up a material shareholding, increasing shareholder alignment and retention for management. A large proportion of the executive directors' remuneration is payable in shares. Half of the total annual performance-related bonus is awarded as deferred shares, to be held for a period of three years and subject to recovery and withholding provisions. Awards under the RSP are also made in shares, further aligning the interests of our executive directors with those of our shareholders. Awards granted under the RSP are subject to an additional two-year holding period following the vesting of awards.

**Pay for performance** – there is a clear link between the performance of the Group and payments made to the executive directors and senior managers. Performance-related elements of remuneration are relevant, transparent, stretching and rigorously applied. Stretching targets are set for the annual bonus, with a minimum of 50 per cent based on financial targets, and a significant weighting towards strategic KPIs. In addition, rigorous underpins are applied to RSP awards such that a minimum level of performance must be achieved to allow awards to vest. Care is taken to avoid paying more than necessary and due regard is given to pay and employment conditions elsewhere in the Group.

## Remuneration continued

### Alignment of remuneration policy with the UK Corporate Governance Code

When determining executive remuneration policy, the Remuneration Committee takes into account a wide range of factors including legal and regulatory requirements, associated guidance and views of shareholders and their representative bodies. Below is how the Committee addresses the following principles as set out in the UK Corporate Governance Code (the Code).

#### Clarity

Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce

- Overall remuneration policy is structured to support both the financial objectives and the strategic priorities of the Group in a manner which is aligned with shareholders' and stakeholders' long term interests
- Go-Ahead's Board is committed to reporting in a fair, balanced and understandable way and places great importance on transparent, relevant and timely communication with all of our stakeholders, including shareholders. To read more about why and how we engage with our stakeholders, the key topics of engagement during the year and how we responded, see pages 20 to 23. You can find out more about how the Board considers stakeholders in decision making and how their views are understood in the boardroom on pages 81 to 85

#### Simplicity

Remuneration structures should avoid complexity and their rationale and operation should be easy to understand

Go-Ahead's remuneration framework is simple, with three main elements:

- Fixed element: comprises base salary, taxable benefits (e.g. family healthcare) and pension scheme membership which is aligned to that offered to the majority of the workforce
- Short term element: an annual performance-related bonus which incentivises and rewards the delivery of a balanced selection of financial and non-financial targets over the financial year. Half of this bonus is paid in cash and half is paid in shares deferred for a period of three years
- Long term element: a Restricted Share Plan (RSP) which promotes long term sustainable value creation. This is a simple structure which removes the challenges inherent in setting targets for long term performance measures

#### Risk

Remuneration arrangements should ensure that reputational and other risks from excessive rewards, and behavioural risks that can arise from target based incentive plans, are identified and mitigated

- The combination of a capped reward for short term and longer term strategic decisions, with holding periods and malus and clawback supports the right behaviours to incentivise the executive directors to deliver long term sustainable shareholder returns
- Remuneration incentives are designed to be aligned with the Group's risk policies and systems
- The Remuneration Committee has discretion to override formulaic outcomes

#### Predictability

The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the Policy

- The charts on page 126 provide estimates of the potential future reward opportunity for the executive directors split between fixed, target and maximum remuneration scenarios. In addition, the effect of future share price increases on the RSP has been illustrated assuming share price growth of 50 per cent over the vesting period
- The introduction of the RSP significantly increases the predictability of the long term incentive element of the package

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## Proportionality

**The link between individual awards, the delivery of strategy and the long term performance of the Group should be clear and outcomes should not reward poor performance**

- The Committee assesses performance through a balanced range of measures to ensure all aspects of our executive directors' performance are covered
- There is a clear link between the performance of the Group and the payments made to the executive directors and senior managers
- Performance-related elements of remuneration are relevant, transparent, stretching and rigorously applied
- The RSP provides a direct link to the long term sustainable performance of the business and includes performance underpins that provide the Committee with the discretion to adjust the level of vesting, where appropriate
- Care is taken to avoid paying more than necessary and due regard is given to pay and employment conditions elsewhere in the Group
- The Committee has the power to apply certain operational discretions as set out on page 125

## Alignment to culture

**Incentive schemes should drive behaviours consistent with the Group's purpose, values and strategy**

In reviewing the alignment between our executive directors' incentives and rewards, and the Group's culture, the Committee considers the following elements:

### Metrics and performance underpins

The Committee ensures that metrics and performance underpins employed across executive incentive plans are not driving or over-emphasising behaviour which is counter-cultural. Group profit, cash and individual strategic goals are key performance indicators for the annual performance-related bonus. For the RSP, underpins for the first grants will be cash generation/net debt ratio, colleague engagement, health and safety and climate change strategy, all of which will be reviewed on an annual basis in relation to their continued appropriateness.

### Governance and best practice

It is important that the Policy and its implementation reflect the Committee's approach to adopting best practice in this area and, as reported on page 117, the proposed Policy now reflects the governance-led amendments that were implemented in 2019 including in respect of malus and clawback and executive directors' pension contribution. In addition, a full review of latest governance and market best practice was conducted as part of the development of the new Policy.

### Wider scene and employee engagement

Understanding our wider workforce remuneration policies and ensuring pay decisions are aligned with culture forms part of the work we are undertaking on wider stakeholder and colleague engagement. Information on our engagement with employees and how the Remuneration Committee considered the wider workforce is set out on page 124.



## Remuneration continued

## Remuneration policy for executive directors

Element and maximum	Purpose and link to strategy	Operation
Base salary	<ul style="list-style-type: none"> <li>Salary is the core reward for the role and enables the Group to recruit and retain individuals of the calibre required to deliver its strategic objectives and lead its management team, without paying more than is necessary</li> <li>Base salary also reflects the individual's skills, expertise, experience and role within the Group</li> </ul>	<ul style="list-style-type: none"> <li>Paid monthly in cash</li> <li>Salaries are set by the Committee, which reviews all the relevant factors, including: <ul style="list-style-type: none"> <li>The scope of the role and responsibilities</li> <li>Experience in post, skills and potential</li> <li>Sustained performance in the role</li> <li>Pay and conditions elsewhere in the Group</li> <li>Appropriate market data</li> </ul> </li> <li>Salaries are normally reviewed annually</li> <li>The Committee may also review salaries on an ad-hoc basis if an executive director is promoted and/or there is an increase in their responsibilities</li> </ul>
<b>No changes proposed from the 2018 remuneration policy</b>		
Performance-related bonus	<ul style="list-style-type: none"> <li>Focuses on the key strategic objectives for the year ahead</li> <li>Deferral of half of the bonus into Group shares aligns executive directors' interests with those of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Normally, annual payments made after the AGM</li> <li>Half of any bonus is normally paid in cash following the AGM and half is paid in shares deferred for a period of three years (with the accrual of dividend equivalents) and subject to continued employment</li> <li>Based on the achievement of specific financial and non-financial objectives</li> <li>Subject to malus and clawback provisions for three years following the award (see section on page 124)</li> <li>Amounts are non-pensionable</li> </ul>
<b>No changes proposed from the 2018 remuneration policy</b>		
Restricted Share Plan (RSP)	<ul style="list-style-type: none"> <li>Aligned to the strategic aim of the Group to provide attractive total shareholder returns</li> </ul>	<ul style="list-style-type: none"> <li>Annual grant of shares that vest three years after grant (subject to the satisfaction of underpins)</li> <li>Participation and individual award levels will be determined at the discretion of the Committee, within the Policy</li> <li>Vested awards must be retained (other than to pay tax or NICs due on receipt of the shares) for two further years</li> <li>Subject to malus and clawback provisions for three years following vesting (see section below)</li> <li>The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice this will only be used in exceptional circumstances</li> <li>Dividend equivalents may be paid</li> </ul>
<b>Changes proposed from the 2018 remuneration policy:</b>		
<ul style="list-style-type: none"> <li>Long Term Incentive Plan (LTIP) awards replaced with Restricted Share Plan (RSP) awards</li> <li>Removal of performance measures and introduction of performance underpins</li> <li>Maximum opportunity reduced by 50 per cent to reflect the increased certainty of the RSP versus LTIP</li> <li>Three-year vesting and two-year holding periods retained</li> </ul>		

## Maximum

- Annual salary increases for executive directors will not normally exceed the average increase awarded to other UK based employees
- However, larger increases may be awarded in certain circumstances, including but not limited to:
  - Increase in scope of responsibilities of the role
  - To apply salary progression for a newly appointed director
  - Where a director's salary has fallen significantly below market position

## Performance targets

N/A

- Maximum of 150 per cent of base salary

- The Committee will review performance measures and targets at the start of the year. Performance criteria will be aligned to the Group strategic objectives at that time. At least 50 per cent of the bonus will be subject to challenging financial targets
- Performance below threshold results in zero payment, with no more than 25 per cent bonus available at threshold. Payments rise from the threshold levels up to 100 per cent of the maximum opportunity for achievement of the maximum targets

- Maximum of 75 per cent of base salary for the executive directors
- Exceptional circumstances maximum (e.g. on recruitment) of 100 per cent of base salary

- Vesting of awards granted will be subject to a combination of financial and non-financial underpins
- Exact underpins to be determined and disclosed by the Committee annually
- If underpins are not met then the Committee would consider whether it is appropriate to scale back the level of vesting. The Committee retains the discretion to determine what level of scale-back is appropriate. There are no specific weightings, the underpins are considered holistically. There is no threshold or other level of performance that dictates a certain outcome. Even if the underpins are met, which would otherwise lead to full vesting, the Committee retains discretion to reduce the vesting level in exceptional circumstances, should it consider that it is not an accurate reflection of the underlying performance of the business over the relevant period

## Remuneration continued

## Remuneration policy for executive directors continued

Element and maximum	Purpose and link to strategy	Operation
Pension allowance	<ul style="list-style-type: none"> <li>Provides a cash alternative to pension contributions in line with market practice</li> </ul>	<ul style="list-style-type: none"> <li>Monthly, non-pensionable payment, normally paid in cash</li> </ul>
<p><b>Changes proposed from the 2018 remuneration policy:</b> Policy maximum reduced in line with that provided to the majority of the workforce. This level of pension has been implemented since 2019, since the changes to the Code. However, this is the first time that this reduction will be reflected in the Policy (executive director policy maximum was previously 15 per cent of base salary).</p>		
Other benefits	<ul style="list-style-type: none"> <li>Ensures package is competitive with market practice and employees have a minimum level of insured benefits</li> </ul>	<ul style="list-style-type: none"> <li>Incorporates various cash/non-cash benefits which may include: family private healthcare, death in service and life assurance cover (4x base salary), free travel on the Group's services and professional membership subscriptions</li> <li>Any reasonable business-related expense (including tax thereon) can be reimbursed if determined to be a taxable benefit</li> <li>Executive directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms</li> <li>The Company maintains directors' and officers' liability insurance and may provide indemnities to directors as referred to in the Directors' Report</li> </ul>
<p><b>No changes proposed from the 2018 remuneration policy</b></p>		
All-employee share plans	<ul style="list-style-type: none"> <li>Executive directors are eligible to participate in HMRC approved all-employee schemes which encourage share ownership</li> </ul>	<ul style="list-style-type: none"> <li>Executive directors may participate in these plans in line with HMRC guidelines currently prevailing (where relevant), on the same basis as other eligible employees</li> </ul>
<p><b>No changes proposed from the 2018 remuneration policy</b></p>		
Share ownership	<ul style="list-style-type: none"> <li>To align the financial interests of the executive directors with those of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Executive directors are required to retain 50 per cent of the post-tax value of vested RSP and deferred share awards until such time as the executive directors have a shareholding equivalent to 200 per cent of base salary</li> <li>Executive directors are encouraged to achieve the shareholding requirement as soon as possible and within five years of their date of appointment</li> </ul>
<p><b>No changes proposed from the 2018 remuneration policy</b></p>		
Post-cessation shareholding requirement	<ul style="list-style-type: none"> <li>To continue alignment of financial interests of the executive directors with those of shareholders, post-cessation of employment</li> </ul>	<ul style="list-style-type: none"> <li>Executive directors are required to retain the lower of current shareholding and minimum share ownership level, set out above, on cessation of employment</li> </ul>
<p><b>Changes proposed from the 2018 remuneration policy:</b> Post-cessation shareholding requirement added, in line with the Code.</p>		
Legacy awards	<p>LTIP awards granted under the 2018 remuneration policy will continue to operate under the terms of that policy and the respective plan rules. This provision will continue to apply until all outstanding awards under the 2018 remuneration policy (as set out on page 136) have vested, been exercised or been forfeited, as per the relevant policy and plan rules. Further details of these awards are included in the directors' remuneration reports for their respective years.</p>	

Maximum	Performance targets
<ul style="list-style-type: none"> <li>Executive directors are eligible to participate in the Workplace Savings Section of The Go-Ahead Group Pension (which is the pensions auto-enrolment vehicle for the majority of employees) or receive a cash alternative equivalent</li> <li>Maximum in line with that provided to the majority of the workforce, which is currently 3 per cent of qualifying earnings as pension provision</li> </ul>	N/A
<ul style="list-style-type: none"> <li>Benefits are intended to be market competitive but are not subject to a maximum as the cost of providing the insured benefits is set by third-party providers and can vary from year to year</li> </ul>	N/A
<ul style="list-style-type: none"> <li>Participation levels operate in accordance with HMRC limits as amended from time to time</li> </ul>	N/A
<ul style="list-style-type: none"> <li>200 per cent of base salary holding for both executive directors</li> </ul>	N/A
<ul style="list-style-type: none"> <li>Lower of current shareholding and 100% of minimum share ownership for two years post-cessation of employment for both executive directors</li> </ul>	N/A

## Remuneration continued

### Malus and clawback

Malus and clawback applies to the cash element of the annual bonus, Deferred Share Bonus Plan (DSBP) awards and Long Term Incentive Plan (LTIP) awards (including Restricted Share Plan (RSP) awards) in accordance with The Go-Ahead Group plc Malus and Clawback Policy, as adopted by the Committee on 8 July 2019, which is summarised below.

“Clawback” means the recovery of amounts relating to awards that have been settled and “malus” means the withholding, reduction, cancellation and/or forfeiture of awards that have not yet been settled.

The timeframe by which malus and clawback shall apply to awards is set out in the below table:

Name of relevant plan under which award is delivered	Period during which the malus and clawback policy may apply
Cash element of any annual bonus arrangements	Three years from the payment date
Deferred share bonus awards (whether granted under the DSBP or any successor or similar arrangement)	Three years from the grant date of the relevant award
Long term incentive awards (whether LTIP, RSP or any successor or similar arrangement)	Three years from the vesting date of the award

The Committee may determine that malus and/or clawback shall apply in certain circumstances, including: material misstatements of financial results, calculation of award based on an error, dismissal for gross misconduct, corporate failure, material downturn in performance of the Group due to management failure, or serious reputational damage to the business.

### Considerations when determining remuneration policy

The Committee consulted with the Group’s major shareholders and proxy voting agencies, in addition to having regard to best practice and the Code when formulating the new Policy. Engagement with shareholders during the consultation was constructive and positive, with the majority of shareholders who responded confirming their support and no objections raised.

During the process, a number of clarification questions were raised in respect of the proposed underpins for the RSP. These included the metrics to be used, the balance between financial and non-financial metrics, the share price which will be used to determine awards and how the underpins will be assessed. The Committee carefully considered these questions, consulted with PwC, its independent remuneration advisor, and concluded that the proposed underpins remained appropriate. Its conclusion was formed on the basis that the RSP provides for the alignment of executive remuneration with shareholder experience, long term locked-in shareholding and simplification, as well as significantly reducing the challenges inherent in target setting. Further information on each of these points was included within the Remuneration Committee Chair’s responding letter to each shareholder.

In light of the strong support received during the consultation, the Committee agreed to proceed with the proposed new Policy, including the RSP structure, details of which are set out within this Report on pages 117 to 128.

Working with the Audit Committee, the Committee ensures that risk is properly considered in setting the overall Policy. The executive directors are also incentivised to take environmental, social and governance matters seriously and to consider the long term implications of their decision making. Accordingly, in line with the Investment Association Guidelines on Responsible Investment Disclosure, the Committee has linked a proportion of the annual performance-related bonus to the achievement of safety and good governance objectives.

In setting the Policy, the Committee considers the remuneration packages offered to colleagues across the Group, as well as the senior leadership team. As a principle, salaries, benefits, pensions and other elements of remuneration are benchmarked regularly to ensure they remain competitive in the markets in which we operate.

As would be expected, we have differences in pay and benefits across the businesses which reflect individual responsibility, market and geographical location. When considering annual salary increases, the Committee reviews the proposals for salary increases for the colleague population generally, as it does for any other changes to remuneration policy being considered.

The Committee was mindful in its development of the new Policy of any potential conflicts of interest and aimed to minimise them through an open and transparent internal consultation process, by undertaking a full shareholder consultation exercise and by seeking independent advice from its external advisors.

### Employee engagement

In conjunction with the implementation of our new Policy and as part of the Board’s wider colleague engagement programme, the Committee is developing its remuneration-related engagement with the workforce over the year ahead. You can read about the Board’s engagement with the workforce on page 82. Whilst formal engagement on remuneration-related elements has not taken place during the year, feedback has still been received from colleagues through a number of different channels and the Committee considered the remuneration-related themes which included employee pay. The Committee also undertakes an annual review of remuneration policies across the Group.

## Committee discretions

The Committee operates the Group's variable incentive plans according to their respective rules and in accordance with HMRC rules, where relevant. To ensure the efficient administration of these plans, the Committee will apply certain operational discretions. These include the following:

- Selecting the participants in the plans on an annual basis
- Determining the timing of grants of awards and/or payment
- Determining the quantum of awards and/or payments (within the limits set out in the Policy table on (pages 120 and 123)
- Determining the extent of vesting based on the assessment of performance
- Adjusting the formulaic outcome of any incentive to better reflect the underlying performance of the business. This will include a review of health and safety performance, as previously included as a discrete underpin
- Making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events and special dividends)
- Determining good leaver status for incentive plan purposes and applying the appropriate treatment
- Undertaking the annual review of performance measures and their weightings, and setting targets for the annual performance-related bonus and underpin operation for the RSP from year to year
- Ability to recognise exceptional events within existing performance conditions

If an event occurs which results in the annual performance-related bonus or LTIP performance conditions and/or targets or RSP underpins being deemed no longer appropriate (e.g. a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets or underpins and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

The Committee would only expect to exercise discretion to deal with exceptional circumstances and would always provide context and explanation of the extent to which the discretion has been used.

Outstanding share incentive awards that remain unvested or unexercised at the date of this Report, as detailed on page 136, remain eligible for vesting or exercise based on their original award terms.

### Consistency with remuneration for the wider Group

Remuneration arrangements are determined throughout the Group based on the same principles: that reward should be sufficient to attract and retain high calibre talent and that reward should support the delivery of business strategy. The Committee sets the remuneration for those colleagues immediately below the executive directors to ensure that this incentivises the delivery of the Group's strategy and business objectives. The Board reviews workplace policies and remuneration arrangements for the broader colleague group. Reports for each of the operating companies are presented to the Committee on an annual basis.

Through our devolved structure, local management is empowered to create tailored remuneration packages on an individual business-by-business basis. As a result, the components and levels of remuneration for different colleagues will differ from the Policy. Colleagues may receive bonus, pension and share awards which vary according to the local business and market practice. The maximum provision and incentive opportunity available are determined by the seniority and responsibility of the role.

Participation in the RSP is currently limited to executive directors only, while participation in the DSBP is limited to executive directors and senior leadership.

It is an important part of Go-Ahead's values that all colleagues, not just management, have the opportunity to become shareholders in the Group. All colleagues with at least six months' continuous service have the opportunity to participate in our Share Incentive Plan and, when applicable, Save As You Earn Schemes.

### Performance measure selection

In choosing the performance metrics and targets for the annual performance-related bonus, and the underpin approach for the RSP, we ensure that there is a strong and demonstrable link between management incentives and the Group's strategic objectives. We have also set a performance-based framework for remuneration which is consistent with the Group's scale and unique structure. This enables the executive directors and senior managers to share in the long term success of the Group without delivering excessive benefits or encouraging short termism or excessive risk taking. It also aligns their interests with those of our shareholders.

The choice of performance measures for the annual performance-related bonus is based on a mixture of financial, non-financial and strategic targets, with a clear alignment to the Group's key strategic objectives for the year ahead. The proposed RSP is linked to the long term performance of the business and aligned to the shareholder experience through the movement in share price over the period. The RSP awards are subject to a combination of financial and non-financial performance underpins aligned to the strategic objectives of the Group, to ensure outcomes are aligned to the overall performance of the business, and to deliver long term returns to shareholders.

Performance targets and underpins are set taking into account internal budgets and business plans, as well as analyst forecasts.

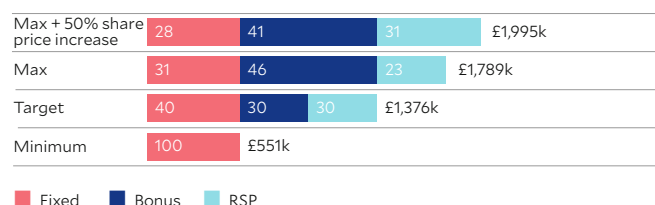


## Remuneration continued

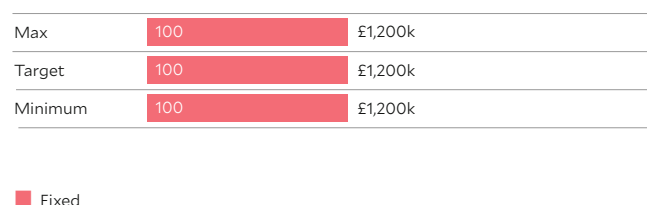
## Total remuneration by performance scenario for 2022 financial year (£'000)

The charts below provide estimates of the potential future reward opportunity (excluding dividends) for the executive directors split between fixed, target and maximum remuneration scenarios. Pursuant to The Companies (Miscellaneous Reporting) Regulations 2018, the scenarios also illustrate the maximum opportunity available following a 50 per cent share price appreciation of the maximum RSP award value.

## Christian Schreyer – Group Chief Executive



## Gordon Boyd – Interim Group Chief Financial Officer



The assumptions underlying each scenario are described below:

**Minimum:** for the new Group Chief Executive, this includes annual base salary as at his appointment to the Board on 1 November 2021 and pension provision representing 3 per cent of qualifying earnings.

**Target:** fixed remuneration plus half of the maximum annual performance-related bonus award (75 per cent of base salary) plus full RSP awards (75 per cent of base salary for the new Group Chief Executive).

**Maximum:** fixed remuneration plus the maximum annual performance-related bonus award (150 per cent of base salary) plus full vesting of RSP awards (75 per cent of base salary for the new Group Chief Executive).

**Maximum + 50 per cent share price growth over the period:** as per maximum above, and in addition shows the impact of a share price increase of 50 per cent from the date of grant to the date of vesting of the RSP award.

The Interim Group Chief Financial Officer receives an all-inclusive base salary of £100,000 per month, is not eligible to participate in any incentive arrangements, and does not receive any additional benefits or pension arrangements. The Interim Group Chief Financial Officer's arrangements are therefore the same under all performance scenarios.

## Recruitment remuneration

On appointing a new executive director, the Committee would seek to align the remuneration package for the relevant individual with the Group's Policy as set out on pages 117 to 128, and therefore the maximum aggregate of variable compensation that could be awarded is 250 per cent of base salary. It would aim not to pay more than necessary to secure the right candidate and the package would take into account the experience and calibre of the individual concerned. The remuneration package for a new executive director would be set in accordance with the terms of the approved remuneration policy in force at the time of appointment. Salaries would reflect the skills of the individual, and may (but not necessarily) be set at a level to allow future salary progression to reflect performance in the role.

Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual performance-related bonus performance conditions or RSP performance underpins to the current executive directors for the first performance year of appointment.

A newly appointed executive director may be granted a normal annual RSP award shortly following appointment (assuming the Group is not in a closed period) in addition to any awards made to compensate for awards from previous employment being forfeited.

Where a newly appointed executive director is required to relocate, the Committee may provide an allowance or reimbursement of any reasonable expenses (including tax thereon). Any ongoing costs will be met by the Group for a period of normally no more than 12 months.

For an overseas appointment, the Committee will have discretion to offer cost-effective benefits which reflect local market practice and relevant legislation. Any executive director promoted internally may remain eligible for payments under incentive plans joined and/or contractual arrangements entered into before joining the Board. However, the Committee will have regard to best practice in reviewing the treatment of any such entitlements.

The Committee assesses on an individual basis whether it is necessary to compensate executive directors for incentives lost from their previous employers. The level and timing of such compensation will normally seek to reflect or take account of the value, term and performance conditions of the payments or awards forgone on a like for like basis.

Compensation will normally take the form of conditional awards or options over Group shares but cash and/or time vested payments may be made where the Committee believes these would offer better value for money for shareholders. Existing arrangements will be used where possible; however, the Committee also reserves the ability to make use of the flexibility provided under the Listing Rules without prior shareholder approval. The Committee is sensitive to investor concerns about such arrangements and will endeavour to take cost-effective approaches.

The appointment terms of newly appointed non-executive directors will be on terms substantially similar to those of the existing non-executive directors and in accordance with the remuneration policy in force at the time.

### Service agreements of executive directors

Christian Schreyer, the new Group Chief Executive, entered into a service agreement with The Go-Ahead Group plc on 1 November 2021. The term of his service agreement is undefined and is terminable by either the Group or the Group Chief Executive on one year's notice.

The Interim Group Chief Financial Officer entered into a service agreement with The Go-Ahead Group plc in September 2021 for an initial term of six months. From the end of the third month following the commencement date, either party may serve notice on the other to terminate upon mutually agreed notice periods save that no such termination will take effect before the end of March 2022.

Service agreements for new directors will be on similar terms as the new Group Chief Executive.

The directors' service agreements for the new Group Chief Executive and Interim Group Chief Financial Officer are available for inspection at the Group's registered office during normal business hours and were also available for inspection prior to and during the 2021 AGM held on Tuesday 21 December 2021.

### Departure of executive directors

Executive directors' service agreements contain a provision, exercisable at the discretion of the Group, to pay an amount in lieu of notice on early termination of the agreement. Such payments are limited to base salary plus pension allowance and other benefits (such as family private healthcare and life assurance cover), but would not automatically include entitlement to bonus or share awards.

The Group can also pay legal fees and outplacement services. There are no provisions for special pension benefits, such as beneficial early retirement terms. Other than the notice periods specified above, the executive directors are not due any contractual compensation payments in the event of early termination of a service agreement. The Committee believes that the agreements provide appropriate protection of the interests of shareholders when negotiating a termination, at which time the Committee would take into account the departing director's duty to mitigate his/her loss when determining the amount of any compensation.

### Loss of office payments

The treatment of remuneration for executive directors whose service with Go-Ahead terminates will be considered on a case-by-case basis. However, the table below sets out the treatment of elements of remuneration that would normally apply:

Reason for termination	Retirement, redundancy, disability, death or change of ownership or as otherwise determined by the committee	Other leavers
Salary and contractual benefits	Payment equal to the aggregate of the base salary and the value of any contractual benefits for the notice period including any accrued but untaken holiday	Paid to date of termination, including pay for any accrued but untaken holiday
Performance-related bonus (cash)	Bonus awarded (subject to satisfaction of performance targets) for the relevant financial year, pro-rated accordingly for the period of employment to the date of cessation of employment and normally paid in cash	No award for year of termination
Performance-related bonus (deferred shares)	Awards normally vest at the normal vesting date. However, the Remuneration Committee has the discretion to determine that the award should vest on or following the date of cessation of employment and, in line with any other exercise of discretion, will be disclosed accordingly. Exceptional cases of death or ill health retirement are reviewed by the Committee on a case-by-case basis	Awards lapse in full on cessation of employment
Unvested LTIP and RSP awards	Awards normally vest at the normal vesting date. The Remuneration Committee has the discretion to determine that the award should vest on or following the date of cessation of employment and in line with any other exercise of discretion, will be disclosed accordingly  The amount of award vesting will be subject to the satisfaction of any performance conditions and/or underpins and will normally be reduced pro-rata to reflect time elapsed between grant and cessation of employment although the Committee has discretion to waive pro-rating where it believes it would be appropriate to do so	Awards lapse in full on cessation of employment

## Remuneration continued

### Policy table for Chair and non-executive directors

The remuneration policy for the Chair and the non-executive directors is set out in the table below. Non-executive directors are not involved in any discussions or decisions about their own remuneration.

Element	Purpose and link to strategy	Operation
<b>Fees</b>	<p>The basic fee for the Chair and non-executive directors is a fixed annual fee commensurate with the time each director is expected to spend on the Group's business and with the responsibility assumed as director of a listed company</p> <p>Fees are set at a level to attract and retain individuals with appropriate expertise to complement the Group's strategy</p> <p>All reasonable travel and other expenses incurred by non-executive directors in the course of performing their duties are considered to be business expenses and are reimbursed together with any tax payable in respect of business expenses</p> <p>The Company maintains directors' and officers' liability insurance and may provide indemnities to directors as referred to in the Directors' Report</p> <p>Other benefits or additional payments may be provided in the future if, in the view of the Board, this is considered appropriate. Such benefits and/or payments would be within the total annual limits as approved by shareholders as described above</p>	<p>The remuneration of the non-executive directors takes the form solely of fees, which are set annually by the Board</p> <p>The level of fees set is subject to the current limits as set out in the Group's articles of association (currently aggregate fees of £500,000 for all non-executive directors)</p> <p>Fees are reviewed annually each year with reference to comparable listed companies</p>
<b>Additional fees payable for duties</b>	<p>Additional fees may be paid to non-executive directors who are Chairs of a Board Committee and/or for other roles and responsibilities such as Senior Independent Director, membership or chair of operating company board or committees, to reflect the additional responsibility and time commitment required</p>	<p>Non-executive directors are not eligible to receive performance-related remuneration or pension entitlements or to participate in share option schemes</p>

### Letters of appointment for Chair and non-executive directors

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 Group's registered office during normal business hours and were also available for inspection prior to and during the 2021 AGM held on Tuesday 21 December 2021.

The appointment dates and notice periods for the non-executive directors as at the date of this Report are shown in the table below:

Director	Date of appointment	Notice period from the Group	Notice period from the director
Harry Holt	October 2017	6 months	6 months
Leanne Wood	October 2017	6 months	6 months
Clare Hollingsworth	August 2019	6 months	6 months
David Blackwood	January 2022	3 months	3 months
Dominic Lavelle	January 2022	3 months	3 months

## Annual report on remuneration

Set out below is the annual report on directors' remuneration for the year ended 3 July 2021 which, together with the annual statement from the Remuneration Committee Chair, will be put to shareholders for an advisory vote at a General Meeting of shareholders to be convened in March 2022. The new remuneration policy, which is set out on pages 117 to 128, will also be submitted to shareholders for approval at the General Meeting.

The Remuneration Committee has prepared this report on behalf of the Board in line with the Companies Act 2006, Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Listing Rules of the Financial Conduct Authority and applies the main principles relating to remuneration which are set out in the UK Corporate Governance Code.

### The annual report on remuneration is divided into three sections:

- ▶ **Section 1:** Single figure tables
- ▶ **Section 2:** Additional information on 2021 remuneration
- ▶ **Section 3:** Implementation of remuneration policy in 2022

The external auditor has reported on certain sections of this report and stated whether, in its opinion, those sections have been properly prepared. Those sections which have been subject to audit are clearly indicated.

## Section 1: Single figure tables

### Executive directors' single figure table (audited)

The table below summarises all remuneration that was earned by each executive director during the year ended 3 July 2021.

The Remuneration Committee reviews all incentive awards prior to payment and uses judgement to ensure that the final assessments of performance are fair and appropriate.

For further information on the figures footnoted within the table below, please see pages 130 to 132.

	Salary <sup>1</sup> £'000	Short term incentives (performance-related bonuses)			Long Term Incentive Plan (LTIP) <sup>4</sup> £'000	Pension allowance <sup>5</sup> £'000	Total single remuneration figure £'000	Total fixed pay £'000	Total variable pay £'000
		Taxable benefits <sup>2</sup> £'000	Cash bonus <sup>3</sup> £'000	Deferred share bonus <sup>3</sup> £'000					
<b>Executive directors</b>									
Group Chief Executive, David Brown									
<b>2021</b>	<b>543</b>	<b>4</b>	—	—	—	<b>1</b>	<b>548</b>	<b>548</b>	—
2020	553	4	—	—	—	1	558	558	—
Group Chief Financial Officer, Elodie Brian									
<b>2021</b>	<b>313</b>	—	—	—	—	<b>1</b>	<b>314</b>	<b>314</b>	—
2020	319	—	—	—	—	1	320	320	—

## Remuneration continued

## Section 1: Single figure tables continued

## Commentary on the executive directors' single figure table

## 1. Salary

Base salary levels for the executive directors are shown below. David Brown retired as Group Chief Executive on 5 November 2021 and Elodie Brian resigned as Group Chief Financial Officer with effect from 27 September 2021. No salary increases were awarded again in April 2021 on account of the ongoing COVID-19 pandemic.

Between 1 April 2020 and 31 October 2020, the executive directors volunteered to temporarily waive 20 per cent of their base salaries. The base salary for the Group Chief Executive and Group Chief Financial Officer during this period was £465,368 and £268,000 respectively.

	From 1 April 2021	From 1 April 2020	% increase
<b>Executive directors</b>			
Group Chief Executive, David Brown	<b>£581,710</b>	£581,710	—
Group Chief Financial Officer, Elodie Brian	<b>£335,000</b>	£335,000	—

## 2. Taxable benefits (audited)

The taxable benefit for the Group Chief Executive comprises family healthcare membership.

## 3. Cash bonus and deferred share bonus (annual performance-related bonus) (audited)

The table below illustrates the components of the annual performance-related bonus award at maximum and actual payouts for business objectives set at the start of the year for the executive directors.

Metric	Performance measure	Weighting (percentage of maximum)*	Maximum opportunity (percentage of salary)	Achieved	Actual payout (percentage of salary)
Group profit	Group operating profit 2021	60%	90%	100%	0%
Group cashflow	Net debt after adding back restricted cash	15%	22.5%	0%	0%
Strategic KPIs	See page 131	25%	37.5%	N/A	0%
<b>Total</b>		<b>100%</b>	<b>150%</b>	<b>60%</b>	<b>0%</b>

\* As explained on page 109, given the increased focus on cashflow, liquidity and ratios across the Group, the Committee reassessed the performance measure weightings for the 2021 annual performance-related bonus at the start of the financial year and deemed it appropriate to adjust these slightly. The weighting for the operating profit was reduced from 65 per cent to 60 per cent and Group cashflow was increased from 10 per cent to 15 per cent. There was no change to the weighting of strategic KPIs which remained at 25 per cent.

The following tables illustrate in more detail the actual performance against each individual metric. As discussed in the Remuneration Committee Chair's letter, in the context of the impact of COVID-19 on the Group's wider stakeholders, the Committee exercised its discretion to reduce the annual performance-related bonus for executive directors for the 2021 financial year to zero.

## Group operating profit (60 per cent)

For Group operating profit for the year ended 3 July 2021, target vesting was proportionately weighted between the operating profit contribution from bus (42 per cent) and rail (18 per cent), with payout on a sliding scale. The actual Group operating profit, before exceptional items, for bus was £86.4m and the actual Group operating profit for rail was £29.1m resulting in a 100 per cent vesting for both bus and rail. These figures have been calculated on a pre-IFRS 16 and a pre-exceptional basis. However, as explained on page 109, the Committee considered its exercise of discretion very carefully and in the context of the impact of COVID-19 and the Group's wider stakeholders. It was therefore agreed that payout for the Group operating profit element of the annual performance-related bonus should be reduced to zero.

Measure	Bus (70%)	Rail (30%)	Weighting (% of bonus)	Actual Group operating profit (bus)	Actual payout (bus)	Actual Group operating profit (rail)	Actual payout (rail)
Group operating profit	Threshold: £59m	Threshold: £5m	0%				
	Target: £64m	Target: £0m	50%	£86.4m	0%	£29.1m	0%
	Maximum: £75m	Maximum: £5m	100%				

### Cashflow (15 per cent)

The target for Group cashflow (defined as net debt on a pre-IFRS 16 basis after adding back restricted cash) was £252.4m, with maximum vesting at £242.4m. Actual Group cashflow for the year ended 3 July 2021 was £305.9m (2020: £321.6m), resulting in a 0 per cent payout.

Measure	Target	Weighting (% of bonus)	Actual net debt	Actual payout
	Threshold: £257.4m	0%		
Net debt	Target: £252.4m	50%	£305.9m	0%
	Maximum: £242.4m	100%		

### Strategic KPIs (25 per cent)

The Committee's assessment of the three key strategic targets is outlined below. Following the Committee's decision not to award bonuses, there was no formal assessment of the extent to which the strategic targets had been achieved.

Strategic KPI Measure	Commentary
Germany operational performance – contractual penalties of no more than 5 per cent by June 2021 in Baden-Württemberg	Contractual penalties currently tracking at c.4% (no change from half year update)
Maintain investor confidence though credit ratings and investor engagement	Subsequent to the year end, and following the delays in the announcement of the Group's results and subsequent suspension of its shares, Moody's have announced they have withdrawn their rating. S&P reaffirmed the Group's credit rating at BBB but considers the Group's outlook to be under review
People strategy – progress against the current overall engagement score of 66 per cent	Summer Pulse Survey (June 2021) indicated an engagement score of 67%

### Health and safety target threshold

The annual performance-related bonus includes a health and safety underpin that enables the Committee to use its discretion to reduce bonus payments potentially to zero should it be considered appropriate. The Committee concluded that no scaling back of bonus would have been required in light of the Group's health and safety performance having been maintained during the year.



## Remuneration continued

## Section 1: Single figure tables continued

## Commentary on the executive directors' single figure table continued

## 4. Nil vesting of 2018 LTIP award – Group Chief Executive only (audited)

The table below summarises the performance conditions for the former Group Chief Executive's 2018 LTIP award and the actual performance achieved. This award was subject to performance conditions measured over the three financial years ending with the 2021 financial period.

As shown below, none of the performance measures were achieved for this award. Performance against the EPS and TSR metrics was below the threshold level. In relation to the customer service metrics for rail and bus, the last customer satisfaction surveys were undertaken by Transport Focus in Spring 2020 and will not resume again until Spring 2022 due to the pandemic. Since the targets which had been set were unable to be measured, and taking into account the nil vesting under the financial metrics (EPS and TSR), the Committee determined that no vesting was triggered in respect of the customer service metrics.

## Performance conditions and actual performance achieved for the 2018 LTIP award

	Earnings per share (EPS)		Total shareholder return (TSR)		Customer		
	EPS payout (% of each element)	Compound annual growth in adjusted EPS	Payout (% of TSR element)	Relative TSR vs FTSE 250 (excluding certain sectors)*	Payout (% of each customer element)	Rail customer service target	Bus customer service target
Weighting (% of total award)	—	40%	—	40%	—	10%	10%
Below threshold	0%	Less than RPI + 2% p.a.	0%	Below median	0%	Less than 79%	Less than 91%
Threshold	10%	RPI + 2% p.a.	25%	Median	10%	79%	91%
Between threshold and maximum	Between 10% and 100%	Between RPI + 2% p.a. and RPI + 10% p.a.	Between 25% and 100%	Between median and upper quartile	Between 10% and 100%	Between 79% and 83%	Between 91% and 94%
Maximum	100%	RPI + 10% p.a.	100%	Upper quartile	100%	83%	94%
Performance achieved		Adjusted EPS of 120.1p. From a base of 181.6p this is equivalent to RPI (14.8)% p.a.		80 out of 106 "live" companies		0%	0%
<b>Actual % vesting</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

\* Excludes: Financial Services, Oil & Gas Producers, Mining, Life Insurance, Banks, Non-Life Insurance, REITs and Real Estate Inv & Svs.

In line with our commitment to transparent reporting, EPS and Group operating profit are now reported on a statutory basis. At the time the 2018 LTIP award was granted, the targets were based on adjusted EPS and adjusted Group operating profit (before amortisation and exceptional items) and on a pre-IFRS 16 basis. The performance of the 2018 LTIP award has therefore been calculated on an adjusted basis, based on reported Group operating profit adding back amortisation and any exceptional items, which is consistent with prior years and it had also been neutralised (by converting IFRS 16 outturns back to IAS 17) to ensure that the executive directors were neither rewarded or penalised vis-à-vis the basis on which their rewards were based.

## 5. Pension allowance

Both the former Group Chief Executive and former Group Chief Financial Officer opted to receive a cash allowance of 3 per cent of qualifying earnings. This is equivalent to the employer contribution rate they would have received had they participated in the Workplace Savings Section of The Go-Ahead Group Pension Plan (the pensions auto-enrolment vehicle for the majority of employees). For the purposes of auto-enrolment legislation, qualifying earnings for the tax year 2021/22 are gross taxable earnings between £6,240 per annum and £50,270 per annum. The lower and upper thresholds are reviewed each year by the Government.

### Non-executive directors' remuneration for the year ended 3 July 2021 (audited)

The table below sets out the total single remuneration figure received by each non-executive director for the year ended 3 July 2021 and the prior year:

Non-executive director	Committee membership and other responsibilities as at 3 July 2021				Total single remuneration figure	
	Nomination Committee	Audit Committee	Remuneration Committee	Other	2021 £'000	2020 £'000
Clare Hollingsworth	Chair	—	Member	Chair	176	164
Adrian Ewer	Member	Chair	Member	Senior Independent Director	61	61
Harry Holt	Member	Member	Member	—	49	50
Leanne Wood	Member	Member	Chair	—	57	55
Katherine Innes Ker*	—	—	—	—	17	54

\* Katherine Innes Ker stepped down as Senior Independent Director and Remuneration Committee Chair with effect from the 2019 AGM and ceased to be a member of the Audit and Remuneration Committees. Katherine retired from the Board with effect from the conclusion of the 2020 AGM.

### Fees payable to the Chair and non-executive directors

Base fee levels for the Chair and non-executive directors are shown below and will remain in place until April 2022 when they are reviewed again. These fees will also apply to David Blackwood and Dominic Lavelle who joined the Board as Senior Independent Director Designate and Audit Committee Chair Designate with effect from 1 January 2022 and succeeded Adrian Ewer as Senior Independent Director and Audit Committee Chair respectively with effect from 19 January 2022.

No fee increases were awarded again on 1 April 2021 on account of the ongoing COVID-19 pandemic. In addition, the Chair and non-executive directors volunteered to take a 20 per cent reduction in their fees between 1 April 2020 and 31 October 2020, the revised annual fees for which are shown in the table below:

	From 1 April 2021 £'000	Annual fees reflecting 20% reduction received between 1 April 2020 and 31 October 2020 £'000
Chair	189	151
Non-Executive Director	53	42
Senior Independent Director	5	4
Audit Committee Chair	8	6
Remuneration Committee Chair	8	6

## Remuneration continued

## Section 2: Additional information on 2021 remuneration

## Directors' shareholdings and share plan interests (audited)

A summary of all directors' shareholdings and share plan interests as at 3 July 2021 are shown in the table below. The unvested deferred share awards and Long Term Incentive Plan (LTIP) awards held by the former Group Chief Financial Officer will lapse on her leaving date. This lapse of awards is not reflected in the table below due to this decision taking place following the year end:

	Outstanding scheme interests as at 3 July 2021			Total shares subject to outstanding scheme interests	Actual shares held <sup>5</sup>		Total of all share scheme interests and shareholdings as at 3 July 2021 <sup>9</sup>
	Unvested scheme interests (subject to performance measures) <sup>1</sup>	Unvested scheme interests (not subject to performance measures) <sup>2</sup>	Vested but unexercised share options		As at 27 June 2020	As at 3 July 2021	
<b>Executive directors</b>							
David Brown	188,973	34,735	—	223,708 <sup>4</sup>	87,719 <sup>6</sup>	87,919 <sup>6</sup>	<b>311,627</b>
Elodie Brian	51,853	3,003	1,939 <sup>3</sup>	56,795	2,500 <sup>7</sup>	5,900 <sup>7</sup>	<b>62,695</b>
<b>Non-executive directors</b>							
Clare Hollingsworth	—	—	—	—	2,290	2,290	<b>2,290</b>
Adrian Ewer	—	—	—	—	3,022	3,022	<b>3,022</b>
Harry Holt	—	—	—	—	—	—	<b>—</b>
Leanne Wood	—	—	—	—	294	294	<b>294</b>
Katherine Innes Ker	—	—	—	—	116	N/A	<b>N/A<sup>9</sup></b>

1. Nil cost options awarded under LTIP and subject to performance measures.

2. Nil cost options awarded under the Deferred Share Bonus Plan and are not subject to performance conditions.

3. Relates to vested but unexercised 2014, 2015, 2016 and 2017 deferred share bonus awards which were granted on 25 November 2014, 19 November 2015, 15 November 2016 and 17 November 2017 respectively when Elodie Brian was Finance and Contracts Director of Southeastern.

4. Of the 223,708 ordinary shares, 53,912 relate to the 2018 LTIP award which lapsed in November 2021 following the Remuneration Committee's determination that there should be a nil vesting for this LTIP award as performance conditions had not been met. Further details can be found on page 132.

5. Actual shares are beneficial holdings which include the directors' personal holdings and those of their spouses. They also include the beneficial interests in shares which are held in trust under the Group's Share Incentive Plan.

6. During the year, David Brown's beneficial shareholding increased by 200 ordinary shares. This was a result of 200 shares being purchased under the Group's Share Incentive Plan during the period 28 June 2020 to 3 July 2021. A further 64 shares were purchased under the Group's Share Incentive Plan from 4 July 2021 up until the date of his retirement as Group Chief Executive on 5 November 2021. There were no other changes in share scheme interests or shareholdings between 4 July 2021 and the date of David Brown's retirement.

7. During the year, Elodie Brian's beneficial shareholding increased by 3,400 shares which she purchased on 2 October 2020. There were no other changes in share scheme interests or shareholdings between 4 July 2021 and the date of Elodie Brian's resignation from the Board.

8. All share plan interests, vested, unvested and unexercised, together with any holdings of ordinary shares.

9. Katherine Innes Ker retired from the Board as Non-Executive Director with effect from the conclusion of the 2020 AGM.

### Directors' share ownership guidelines (audited)

Executive directors are encouraged to build up a high level of personal shareholding to ensure a continuing alignment of interests with shareholders as soon as possible and within five years of their date of appointment. The shareholding guidelines require executive directors to hold ordinary shares equal in value to 200 per cent of their base salary as set out in the table below.

Executive directors are required to retain 50 per cent of the post-tax gain on vested LTIP and deferred share awards until the shareholding requirement is met. Additionally, LTIP awards must be retained for a further two years from the vesting (other than to pay tax and National Insurance contributions due on receipt of shares). For LTIP awards granted from 2019, this holding period has been extended to the fifth anniversary from date of grant.

As mentioned earlier in this Report, the Remuneration Committee intends to implement a formal policy for post-cessation shareholdings as part of the new remuneration policy to be proposed at the General Meeting of shareholders to be convened in March 2022.

The table below sets out the number of shares held by the executive directors at the beginning and end of the financial year and the impact on the value of these shares taking the average opening price and closing price for the year. The difference between the value of their shares at the beginning and end of the financial year is £0.2m and £0.05m for David Brown and Elodie Brian respectively. The table compares this to the executive directors' 2021 total single remuneration figure.

The unvested deferred share awards and long term incentive awards of the former Group Chief Financial Officer will lapse upon her leaving date. This lapse of awards is not reflected in the table below due to this decision taking place following the year end.

	Number of eligible ordinary shares held at 27 June 2020 <sup>1</sup>	Value of eligible ordinary shares held at 27 June 2020 <sup>2</sup> £m	Number of eligible ordinary shares held at 3 July 2021 <sup>1</sup>	Value of eligible ordinary shares held at 3 July 2021 <sup>3</sup> £m	Difference £m	2021 total single remuneration figure £'000	Share ownership as % of salary as at 3 July 2021 <sup>4</sup>	Guideline on share ownership as % of salary	Guideline met
<b>Group Chief Executive</b>									
David Brown	106,129	1.1	106,329	1.3	0.2	548	217%	200%	Yes
<b>Group Chief Financial Officer</b>									
Elodie Brian	5,119	0.05	8,519	0.1	0.05	314	30%	200%	No

1. Eligibility of shares: (a) beneficial holdings including beneficial interests in shares held under the Group's Share Incentive Plan have been included; (b) unvested and vested but unexercised ordinary shares under the deferred share bonus plan, which represent deferral of earned bonus, are eligible and count towards the requirement on a net of tax basis; and (c) unvested ordinary shares under the LTIP are not eligible and do not count towards the requirement during the performance period.
2. Value of ordinary shares is based on the average share price between the period 1 June 2020 and 27 June 2020, being £10.46.
3. Value of ordinary shares is based on the average share price between the period 1 June 2021 and 30 June 2021, being £11.89.
4. Share ownership as a percentage of base salary has been calculated using David Brown and Elodie Brian's full base salary of £581,710 and £335,000 respectively.

## Remuneration continued

## Section 2: Additional information on 2021 remuneration continued

## Executive directors' interests in outstanding share awards and options (audited)

The following tables set out details of the executive directors' outstanding share awards, as at 3 July 2021, which, other than as noted below, will vest in future years subject to performance conditions.

## Group Chief Executive, David Brown

In line with this Policy, David Brown's unvested LTIP awards will vest (subject to performance) on a pro-rated basis and unvested deferred bonus awards will vest in full. Pro-rating is not taken into account in the table below.

Plan	Date of grant	Mid-market price on date of grant £	Balance at 27 June 2020	Granted in year	Exercised in year	Lapsed in year	Balance at 3 July 2021	2018 LTIP award eligible for vesting 2021 <sup>5</sup>		Balance post-lapsing of 2018 LTIP award
								Vested	Lapsed	
Deferred Share Bonus Plan	16.11.18	15.61 <sup>1</sup>	18,612	—	—	—	<b>18,612</b>	—	—	<b>18,612</b>
	15.11.19	20.49 <sup>2</sup>	16,123	—	—	—	<b>16,123</b>	—	—	<b>16,123</b>
LTIP	17.11.17	16.58 <sup>3</sup>	49,993	—	—	49,993 <sup>4</sup>	—	—	—	—
	16.11.18	15.79 <sup>3</sup>	53,912	—	—	—	<b>53,912</b>	—	53,912	—
	15.11.19	20.49 <sup>3</sup>	42,580	—	—	—	<b>42,580</b>	—	—	<b>42,580</b>
	15.12.20	9.44 <sup>3</sup>	—	92,481	—	—	<b>92,481</b>	—	—	<b>92,481</b>
<b>Total</b>			181,220	92,481	—	49,993	<b>223,708</b>	—	53,912	<b>169,796</b>

- The number of shares over which the 2018 DSBP was granted was calculated using the average of the middle market quotations during the period of 20 dealing days immediately prior to the date of grant in accordance with the Plan Rules.
- In accordance with emerging best practice, the number of shares over which the 2019 DSBP award was granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant also in accordance with the Plan Rules.
- The number of shares over which the 2017–2020 LTIP awards were granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.
- As none of the performance conditions was achieved, the 2017 LTIP lapsed in full in November 2020.
- Relates to the 2018 LTIP award following the three-year performance period ended 3 July 2021.

## Group Chief Financial Officer, Elodie Brian

Elodie Brian's unvested deferred share awards and long term incentive awards will lapse upon her leaving date. This lapse of awards is not reflected in the table below.

Plan	Date of grant	Mid-market price on date of grant £	Balance at 27 June 2020	Granted in year	Exercised in year	Lapsed in year	Balance at 3 July 2021
Deferred Share Bonus Plan	25.11.14	24.74 <sup>1</sup>	505 <sup>3</sup>	—	—	—	<b>505<sup>4</sup></b>
	19.11.15	25.17 <sup>1</sup>	658 <sup>3</sup>	—	—	—	<b>658<sup>4</sup></b>
	15.11.16	20.81 <sup>1</sup>	374 <sup>3</sup>	—	—	—	<b>374<sup>4</sup></b>
	17.11.17	17.27 <sup>1</sup>	402 <sup>3</sup>	—	—	—	<b>402<sup>4</sup></b>
	16.11.18	15.61 <sup>1</sup>	500 <sup>3</sup>	—	—	—	<b>500<sup>4</sup></b>
	15.11.19	20.49 <sup>1</sup>	2,503	—	—	—	<b>2,503<sup>5</sup></b>
LTIP	15.11.19	20.49 <sup>2</sup>	16,347	—	—	—	<b>16,347<sup>5</sup></b>
	15.12.20	9.44 <sup>2</sup>	—	35,506	—	—	<b>35,506<sup>5</sup></b>
<b>Total</b>			21,289	35,506	—	—	<b>56,795</b>

- The number of shares over which the 2014–2018 DSBP awards were granted was calculated using the average of the middle market quotations during the period of 20 dealing days immediately prior to the date of grant in accordance with the Plan Rules. In accordance with emerging best practice, the number of shares over which the 2019 DSBP was granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.
- The number of shares over which the 2019 and 2020 LTIP awards were granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.
- Relates to the deferred share bonus awards granted to Elodie Brian between 2014 and 2018, prior to her statutory appointment to the Board in June 2019, and during her employment as Finance and Contracts Director for Southeastern.
- Relates to the deferred share bonus awards granted between 2014 and 2017 and vested on 25 November 2017, 19 November 2018, 15 November 2019, 17 November 2020 and 16 November 2021 and remain unexercised.
- Unvested deferred share awards and long term incentive awards which will lapse upon Elodie Brian's leaving date.

## Long Term Incentive Plan (LTIP)

### 2020 LTIP award granted during the year ended 3 July 2021 (audited)

As outlined in the 2020 Directors' Remuneration Report, the Committee decided last year to defer the 2020 LTIP grants and target setting until there was greater visibility of the continuing impact of COVID-19. The 2020 LTIP grants were subsequently approved by the Committee and granted on 15 December 2020, with full details of the targets outlined within a regulatory news announcement on 18 December 2020.

The 2020 LTIP awards were granted to the executive directors during the year ended 3 July 2021, structured as a nil cost option, exercisable at the end of a three-year performance period commencing at the start of the 2021 financial period and ending with the 2023 financial period, subject to the satisfaction of performance conditions. The LTIP award is subject to The Go-Ahead Group plc Malus and Clawback Policy which is enforceable for the period from the grant date until three years from the vesting date. Once vested, it is also subject to an additional holding period that applies until the later of (i) the fifth anniversary of the grant date or (ii) the second anniversary of vesting. During this time, any vested awards cannot be sold (other than to pay any tax or NICs due on exercise). This results in an overall five-year period before executives can realise the gain on the vested shares.

The 2021 grant policy was to grant an award with a face value of 150 per cent of base salary for the former Group Chief Executive and 100 per cent of base salary for the former Group Chief Financial Officer as set out in the table below. Note that Elodie Brian's 2020 LTIP award will lapse upon her leaving date.

Executive director	Basis of award granted	Share price at grant date	Number of shares over which award was granted <sup>1</sup>	Face value of award <sup>2</sup> £'000	% of award which vests at threshold	Vesting determined by performance over
David Brown	150% of base salary	£9.235	92,481	854	10% for EPS, 25% for TSR, 10% for customer element and 10% for ESG element	Three financial years ending on 1 July 2023
Elodie Brian	100% of base salary	£9.235	35,506	328	10% for EPS, 25% for TSR, 10% for customer element and 10% for ESG element	Three financial years ending on 1 July 2023

1. The number of shares over which the award was granted was calculated using a share price of £9.435, this being the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.

2. The face value of the award has been calculated on a share price of £9.235. This was the share price on 15 December 2020, the date of grant.

### Performance conditions attaching to the 2020 LTIP award (audited)

Following consultation with our major shareholders and shareholder representative bodies, the performance conditions attaching to the 2020 LTIP award were as follows:

	Payout (% of EPS element)	EPS to be achieved in Year 3 (2023)	Payout (% of TSR element)	Relative TSR vs FTSE 250	Payout (% of customer service element)	Customer service		Payout (% of ESG element)	ESG	
						Bus	Rail		Environment	People
Weighting (% of total award)	—	20%	—	50%	—	10%	10%	—	5%	5%
Below threshold	0%	Less than 110p	0%	Below median	0%	Under 90%	Under 80%	0%	Below 7.3% compounded reduction in CO <sub>2</sub> emissions per vehicle mile	Below 17% gender diversity in bus Below 22% gender diversity in rail
Threshold	10%	110p	25%	Median	10%	90%	80%	10%	Below 7.3% (2.5% p.a.) compounded reduction in CO <sub>2</sub> emissions per vehicle mile	17% gender diversity in bus 22% gender diversity in rail
Between threshold and maximum	Between 10% and 100%	10% for every 3p	Between 25% and 100%	Between median and upper quartile	Between 10% and 100%	90% to 92%	80% to 83%	Between 10% and 100%	10% for every % pt	10% for every 0.3% pt
Maximum	100%	140p	100%	Upper quartile	100%	92%	83%	100%	18% reduction in CO <sub>2</sub> emissions per vehicle mile	20% gender diversity in bus 25% gender diversity in rail

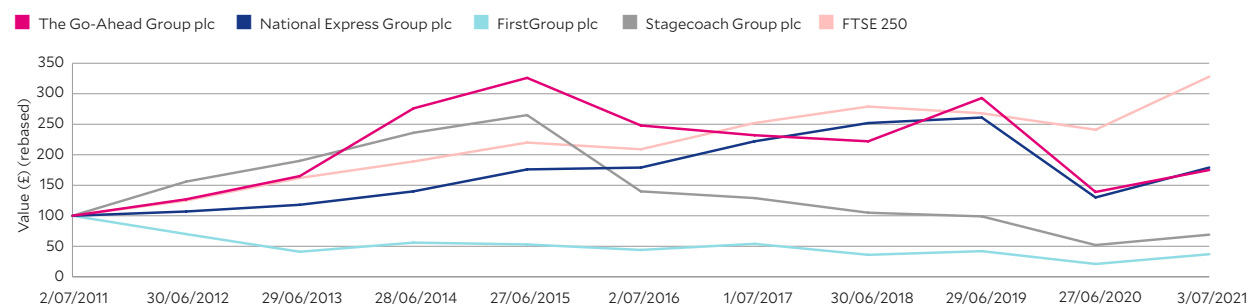


## Remuneration continued

## Section 2: Additional information on 2021 remuneration continued

## Total shareholder return (TSR) performance graph 2011-2021

The graph below shows a comparison of The Go-Ahead Group plc cumulative TSR against that achieved by the FTSE 250 Index for the last ten financial years to 3 July 2021. The chart also shows cumulative TSR over the same period for the other major UK transportation groups. In assessing the performance of the Group's TSR, the Committee believes that the FTSE 250 Index comparator group is still an appropriate and fair benchmark in assessing the performance of the Group's TSR. This benchmark, however, will continue to be regularly reviewed.



This graph shows the value, by 3 July 2021, of £100 invested in The Go-Ahead Group plc on 2 July 2011, compared with the value of £100 invested in the FTSE 250 Index and the peer group (National Express Group plc, FirstGroup plc and Stagecoach Group plc) on the same date. The other points plotted are the values at intervening financial year ends.

## Remuneration of the Group Chief Executive over the last ten years

The table below shows the remuneration of the Group Chief Executive for the period from 2 July 2011 to 3 July 2021. The total remuneration figure includes the annual performance-related bonus and LTIP awards (and the percentage of the maximum opportunity that these represent).

## Group Chief Executive's remuneration history

Year	Group Chief Executive	Total single remuneration figure £'000	Annual performance-related bonus (actual award vs maximum opportunity) £'000 (and % vesting)	Long term incentive vesting (vesting vs maximum opportunity) £'000 (and % vesting)
2021	David Brown	548	nil <sup>1</sup>	nil <sup>2</sup>
2020	David Brown	558	nil <sup>3</sup>	nil <sup>4</sup>
2019	David Brown	1,269	660 (75.8%) <sup>5</sup>	nil <sup>6</sup>
2018	David Brown	1,175	582 (68.3%) <sup>7</sup>	nil <sup>8</sup>
2017	David Brown	782	nil <sup>9</sup>	220 (54%)
2016	David Brown	1,214	nil <sup>9</sup>	647 (90%)
2015	David Brown	2,134	558 (69.6%)	1,067 (100.0%)
2014	David Brown	1,960	766 (97.5%)	666 (80.0%)
2013	David Brown	942	422 (55.3%)	—
2012	David Brown	1,022	513 (68.0%)	—

- The Group Chief Executive was awarded no annual performance-related bonus for the year ended 3 July 2021.
- The 2018 LTIP award lapsed in full from November 2021 on account of none of the performance measures being met following the three-year performance period ended 3 July 2021.
- The Group Chief Executive was awarded no annual performance-related bonus for the year ended 27 June 2020.
- The 2017 LTIP award lapsed in full in November 2020 on account of none of the performance measures being met following the three-year performance period ended 27 June 2020.
- Based on the assessment of performance against targets, the Group Chief Executive was awarded an overall annual performance-related bonus of 75.8 per cent of the maximum bonus opportunity (113.6 per cent of base salary) for the year ended 29 June 2019.
- The 2016 LTIP award lapsed in full from November 2019 on account of none of the performance measures being met following the three-year performance period ended 29 June 2019.
- In accordance with the executive directors' request to reduce any performance-related bonus by 25 per cent, the Committee exercised discretion and reduced the Group Chief Executive's overall 2018 bonus by 25 per cent resulting in an actual bonus of 68.3 per cent of maximum bonus (102.4 per cent of salary).
- The 2015 LTIP award lapsed in full in November 2018 on account of none of the performance measures being met following the three-year performance period ended 30 June 2018.
- At the request of the Group Chief Executive, there were no annual performance-related bonuses paid for the years 2017 and 2016.

### Annual change in directors' remuneration compared to average employee remuneration

In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the movement in the salary, benefits and annual bonus for all directors between the current and previous financial year compared to that for the average change for all employees of the Group's parent company.

	% change from 2020 to 2021			% change from 2019 to 2020		
	Salary/Fees	Benefits	Bonus	Salary/Fees	Benefits	Bonus
David Brown	(1.8)% <sup>1</sup>	2.6% <sup>2</sup>	0.0% <sup>3</sup>	(3.2)% <sup>1</sup>	7.3% <sup>2</sup>	(100)% <sup>3</sup>
Elodie Brian	(2.0)% <sup>1</sup>	0.0%	0.0% <sup>3</sup>	(4.8)% <sup>1,4</sup>	0.0%	0.0% <sup>3</sup>
Clare Hollingsworth <sup>5</sup>	(1.8)% <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Adrian Ewer <sup>6</sup>	0.9% <sup>1</sup>	N/A	N/A	1.7% <sup>1</sup>	N/A	N/A
Harry Holt	(1.8)% <sup>1</sup>	N/A	N/A	(3.2)% <sup>1</sup>	N/A	N/A
Leanne Wood <sup>7</sup>	3.0% <sup>1</sup>	N/A	N/A	6.3% <sup>1</sup>	N/A	N/A
Katherine Innes Ker <sup>8</sup>	(9.6)% <sup>1</sup>	N/A	N/A	(16.0)% <sup>1</sup>	N/A	N/A
Average employees of parent company <sup>9</sup>	2.6%	(10%)	N/A <sup>10</sup>	3.6%	0.9%	(100)% <sup>10</sup>

Given the parent company only employs a small proportion of the workforce (circa 200 employees), we also considered the average change in salary for all employees across the Group in the UK as a comparator alongside the statutory disclosure. This demonstrates a 5.6% reduction from 2020 to 2021<sup>11</sup>.

#### Notes

- No executive or non-executive director was awarded a base salary or fee increase for the years ended 3 July 2021 or 27 June 2020. Each director volunteered to temporarily waive 20 per cent of their base salaries/fees between 1 April 2020 and 31 October 2020.
- The Group Chief Executive received family healthcare membership in the amount of £4,439 for the year ended 3 July 2021 and £4,325 for the year ended 27 June 2020 (2019: £4,030).
- Neither the Group Chief Executive nor the Group Chief Financial Officer were awarded an annual performance-related bonus for the years ended 3 July 2021 or 27 June 2020 (2019: £660,882 and £nil respectively).
- The Group Chief Financial Officer was appointed as statutory director from 5 June 2019. To provide a representative comparison, the percentage change has been calculated as if she received her full base salary of £335,000 for the full year ended 29 June 2019.
- Clare Hollingsworth was appointed to the Board as Non-Executive Chair Designate on 1 August 2019 before succeeding Andrew Allner as Non-Executive Chair at the conclusion of the 2019 AGM. Remuneration for 2020 was part year from 1 August 2019 to 27 June 2020. To provide a representative comparison, the percentage change has been calculated as if she received fees of £179,360 for the full year ended 27 June 2020. No remuneration was received for 2019.
- Adrian Ewer succeeded Katherine Innes Ker as Senior Independent Director with effect from the conclusion of the 2019 AGM and received an additional £5,000 per annum from assumption of that role.
- Leanne Wood succeeded Katherine Innes Ker as Remuneration Committee Chair with effect from the conclusion of the 2019 AGM. She receives an additional £8,000 per annum for this role.
- Katherine Innes Ker stepped down as Senior Independent Director and Remuneration Committee Chair with effect from the conclusion of the 2019 AGM, following which her annual fees for these roles reduced by £5,000 and £8,000 respectively. She subsequently stepped down from the Board with effect from the conclusion of the 2020 AGM. To provide a representative comparison, the 2020 to 2021 percentage change has been calculated as if she received fees of £49,126 for the full year ended 3 July 2021.
- Reflects the average percentage change in salary, benefits and bonus for employees of the parent company for the current and previous financial year (excluding the Board) on a full time equivalent basis. Leavers, joiners and employees on reduced pay (due to sick pay, maternity leave, etc.) have been excluded as have employees on secondment. Where applicable, reduced salaries of 80 per cent in respect of furloughed employees have been included in the calculation plus any annual leave taken during the furlough period which was paid at 100 per cent, whilst receiving a reduction in salary.
- In total, employees of the Group's parent company earned £1.0m in bonus for the year ended 3 July 2021. No bonuses were paid to employees of the Group's parent company for the year ended 27 June 2020.
- Reflects the average percentage in salary for employees across the Group in the UK for the current and previous financial year (excluding the Board) on the same basis as note 9 above. Additionally, salary comprises allowances and overtime, both of which have been impacted by adjustments in line with client and customer requirements during the pandemic.

## Remuneration continued

## Section 2: Additional information on 2021 remuneration continued

**Group Chief Executive pay ratio**

The table below sets out the ratios of the Group Chief Executive to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a full time basis). The ratios have been calculated in accordance with The Companies (Miscellaneous Reporting) Regulations 2018.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2021	Option A	22:1	17:1	14:1
2020	Option A	22:1	17:1	13:1
2019	Option A	47:1	37:1	29:1

**Total pay and benefits**

Year	CEO £'000	25th percentile pay ratio £'000	50th percentile pay ratio £'000	75th percentile pay ratio £'000
2021	548	25	31	40
2020	558	25	33	43
2019	1,269	27	34	44

**Base salary component of total pay and benefits**

Year	CEO £'000	25th percentile pay ratio £'000	50th percentile pay ratio £'000	75th percentile pay ratio £'000
2021	543	17	28	28
2020	553	17	25	29
2019	571	9	32	23

The Group Chief Executive's remuneration package comprised a fixed element (base salary, family healthcare membership and a pension cash allowance), an annual performance-related bonus (maximum of 150 per cent of base salary with half paid in cash and half paid in shares deferred for a period of three years under the DSBP) and LTIP (maximum of 150 per cent of base salary). A significant proportion of the Group Chief Executive's potential remuneration was, therefore, performance-related and dependent on the achievement of a broad range of challenging financial and non-financial targets. In addition, a significant proportion of the Group Chief Executive's remuneration was delivered in The Go-Ahead Group plc shares. This means that the ratios depend significantly on the Group Chief Executive's annual performance-related bonus and LTIP outcomes and can fluctuate significantly from year to year. Only executive directors are eligible to participate in the LTIP. However, both executive directors and other senior employees also receive part of their remuneration in shares through participation in

the DSBP and all employees with at least six months' notice are eligible to participate in share-based incentives via the Group's HMRC approved Share Incentive Plan.

While the pay ratios have stayed reasonably constant from 2020 to 2021 there has been a slight increase at the 75th percentile level. Across the business a proportion of salaries is comprised of allowances and overtime. With services adjusted in many areas to more closely align to customer and client requirements, this has resulted in some reductions in the level of such payments. The impact of this has been more pronounced at higher pay levels with no change in total pay and benefits at the 25th percentile level.

The Committee believes that the median pay ratio is consistent with the Group's pay, reward and progression policies. Base salaries of all colleagues, including the executive directors, are set with reference to a range of factors including market comparators, individual experience and performance in role.

1. "Option A" methodology was selected on the basis that it provides the most robust and statistically accurate means of identifying the median, lower quartile and upper quartile colleagues.
2. The Group Chief Executive remuneration is the total single figure remuneration for the year ended 3 July 2021 contained on page 129.
3. The workforce comparison is based on actual payroll data for the period 28 June 2020 to 3 July 2021.
4. The total single figure remuneration calculated for each employee includes full time equivalent base pay, annual bonuses for the 2020 performance year, overtime, benefits, allowances and employer pension contributions. For furloughed employees, total single figure remuneration is based on reduced salaries of 80 per cent.
5. Due to the timing constraints of when employee annual bonuses are determined and paid across the Group, the value of employee annual bonus payments included in the calculation is in respect of the year ended 27 June 2020.
6. Part time workers have been included by calculating the full time equivalent value of their pay and benefits.
7. Leavers, joiners and employees on reduced pay (due to sick pay, maternity leave, etc.) have been included.
8. Smart pension reductions have been excluded on the basis that these are a voluntary arrangement whereby an employee forgoes part of their salary in exchange for additional pension contributions rather than a reduction in the salary provided.

**Relative importance of spend on pay**

The following table sets out the percentage change in dividends and overall spend on pay in the financial year ended 3 July 2021 being reported compared with the previous financial year ended 27 June 2020.

For further information on the figures footnoted within the table below, please see page 141.

	2021 £m	2020 £m	% change
Dividends	Nil	30.9	(100%) <sup>1</sup>
Overall expenditure on pay	1,418.8	1,349.7 <sup>2</sup>	4.6% <sup>3</sup>

1. Given the financial position of the Group, the Board took the decision not to propose an interim or final dividend to shareholders for the year ended 3 July 2021 (2020 total dividend: £30.9). The Board continues to work towards paying a dividend when it is appropriate to do so.
2. Restated from £1,355.9m. Please see note 2 on pages 182 to 200 for further information.
3. The 4.6 per cent increase in overall expenditure on pay has largely been driven by a rise in the average number of employees in the year. If these employees were removed from the calculation the overall increase would be 2.5 per cent.

The Group has not made any other significant distributions and payments or other uses of profit or cashflow deemed by the directors to assist in understanding the relative importance of spend on pay.

#### Payments to former directors and payments for loss of office (audited)

There were no payments made to former executive directors or payments for loss of office during the year ended 3 July 2021 (2020: £nil).

#### Material contracts

There have been no other contracts or arrangements during the financial year in which a director of the Group was materially interested and/or which were significant in relation to the Group's business.

#### Appointments – executive directors and non-executive directors service contracts

Details of the service agreements of executive directors, letters of appointment for the Chair and non-executive directors, retirement and re-election of directors and external appointments are outlined within the proposed new remuneration policy on pages 126 to 128.

## Section 3: Implementation of remuneration policy in 2022

The Committee is proposing changes to the Group's remuneration policy (the Policy), to be put to vote at a General Meeting of shareholders to be convened in March 2022. This section sets out the proposed implementation of the new Policy for the 2022 financial year.

#### Executive directors' 2022 base salaries

From 1 November 2020, the base salaries for the former Group Chief Executive and former Group Chief Financial Officer were £581,710 and £335,000 respectively. The new Group Chief Executive receives a base salary of £550,000, which will not be reviewed again until April 2023. The Interim Group Chief Financial Officer receives a base salary of £100,000 per month, which is not subject to review, and he will not participate in any incentive awards, benefits or pension.

#### Benefits

The benefits for executive directors will be in line with the proposed new remuneration policy, as set out on pages 117 and 128. This excludes the Interim Group Chief Financial Officer.

#### Pensions

Pension provision for executive directors has been aligned with the majority of the workforce, with the executive directors being eligible to receive 3 per cent of qualifying earnings as pension provision or receive a cash alternative equivalent. This excludes the Interim Group Chief Financial Officer.

#### 2022 performance-related bonus

The former Group Chief Executive and the new Group Chief Executive will both be eligible for a performance-related bonus opportunity for the 2022 financial year of up to 150 per cent of base salary, each pro-rated for their respective time in role during the financial year. The former Group Chief Financial Officer will not receive a 2022 annual performance-related bonus opportunity and the Interim Group Chief Financial Officer is not eligible to participate in the annual bonus arrangements.

The performance measures and weightings for 2022, which remain unchanged from 2021, are as follows:

Metric	Weighting (% of maximum bonus)
Operating profit	60%
Group cashflow	15%
Strategic KPIs	25%

Operating profit, cashflow and strategic KPI targets will be stretching for the 2022 financial year and more information on the specific targets and performance against them will be provided retrospectively in next year's Directors' Remuneration Report to the extent that they are not commercially sensitive at the time.

The Committee has the discretion to adjust the formulaic outcome of any incentive to better reflect the underlying performance of the business, which will include a review of health and safety performance.

Any bonus payable will be satisfied 50 per cent in cash and 50 per cent in deferred shares. Malus and clawback provisions will apply to the full annual performance-related bonus.

## Remuneration continued

### Section 3: Implementation of remuneration policy in 2022 continued

#### 2021 Restricted Share Plan (RSP award)

As described earlier in this Report, it is proposed that an RSP award will be granted shortly after the General Meeting of shareholders in March 2022. Subject to approval of the Policy at the General Meeting, the new Group Chief Executive will be granted an RSP award of 75 per cent of base salary. The former Group Chief Executive, former Group Chief Financial Officer and the Interim Group Chief Financial Officer are not eligible to receive an RSP.

The Committee has carefully selected the proposed underpins as specific areas that will be considered in this assessment, and these have been selected as the key performance indicators that are considered as critical to the business' success:

- **Cash generation/net debt ratio** – maintain a healthy level of cash generation, maintain a net debt/EBITDA ratio (excluding exceptionals) within the target range set by the Group's capital allocation policy and resume appropriate returns to shareholders
- **Colleague engagement** – continue to progress the colleague engagement score as measured regularly through surveys and drive the diversity and inclusion agenda to increase the proportion of female and ethnically diverse colleagues at all levels in the organisation
- **Health and safety** – maintain key safety metrics and avoid any major incident causing harm or reputational damage
- **Climate change strategy** – develop the business case for decarbonisation and progress towards net zero target

We note that customer satisfaction has historically been included in the LTIP measures. It has not been proposed as an underpin for the 2021 RSP grants due to the uncertainty at this time over Go-Ahead's future contractual models. It is likely that fewer aspects of the customer proposition will be controlled by Go-Ahead under the future operating model and the Committee is therefore of the view that, whilst customer satisfaction remains important and will continue to be a target under in-flight LTIP awards, it is not appropriate to include customer satisfaction as a stand-alone underpin for the 2021 awards. In determining the final vesting outcome of any award under the RSP, the Committee will review performance of the business as a whole, including in respect of Go-Ahead's various stakeholders, including our customers.

During the remuneration policy review process, the Committee considered the appropriateness of the current share price when granting RSP awards. The Committee recognises that executives should not benefit from windfall gains where an award is granted at a share price below the historical level, which subsequently rebounds significantly prior to vesting. However, the Committee decided that it is more appropriate to consider whether a windfall gain has arisen at the point of vesting than to apply an additional discount to share awards on grant. This approach reflects the potential, volatility in the Go-Ahead share price and the uncertainty of any "bounceback" recovery in the share price.

#### Relocation allowance

Due to the international relocation required to perform the role, the new Group Chief Executive will also receive a monthly relocation allowance of £8,333 for the first 24 months of employment. The Committee felt that a relocation allowance spread over two years was appropriate under the circumstances taking into account the specifics of the international relocation to the UK including the ongoing uncertainty around the international travel constraints.

#### Group Chief Executive leaver arrangements

In line with the Policy, the former Group Chief Executive will be eligible for an annual performance-related bonus in respect of the 2022 financial year, subject to the achievement of targets and pro-rated for time in post. 50 per cent of any annual bonus earned will be paid in cash, and 50 per cent will be paid in deferred shares.

Unvested LTIP awards will vest at the normal time, subject to the achievement of performance conditions and time pro-ration. Unvested deferred shares will vest in full at their normal time. Malus and clawback provisions continue to apply to all awards, as normal.

#### Group Chief Financial leaver arrangements

From the date of her resignation, the former Group Chief Financial Officer will serve her six-month notice period on garden leave, in accordance with her contract of employment. During this period she will be available to assist the Group with any matters arising, and will continue to receive her contractual salary and benefits. No payment in lieu of notice is therefore due.

The former Group Chief Financial Officer will not be eligible for an annual bonus for 2021 or 2022 and her unvested deferred share awards and long term incentive awards will be forfeited on her leaving date as a result of leaver status. She will continue to be able to exercise her vested deferred bonus awards in respect of 2,439 shares whilst she remains in employment.

The Group agreed to make a contribution of £15,000 plus VAT towards the former Group Chief Financial Officer's legal fees in connection with her departure. Other than the amounts disclosed above, she will not be eligible for any other remuneration payments or payments for loss of office.

#### Non-executive directors' fees

The non-executive directors' fees will remain unchanged until the next annual fee review is undertaken.



**Leanne Wood**  
Remuneration Committee Chair

## Directors' Report

The directors present their Report and audited financial statements for the year ended 3 July 2021. This Directors' Report forms part of the management report as required under the Disclosure Guidance and Transparency Rules.

### Information incorporated by reference

The following information is provided in other appropriate sections of this Annual Report and Accounts and is incorporated by reference:

Information	Reported in	Page(s)
Corporate governance	Corporate Governance Report	69 to 92
	Directors' statement of responsibilities	146
Directors	Board of directors	74 and 75
	Directors' Remuneration Report – directors' shareholdings and share interests	108 to 142
Employees	Non-financial information statement	1
	Strategic Report – employee policies, employee engagement and information on diversity and inclusion	28 and 29
	Directors' Report – employee involvement (including policy on employment of disabled persons)	144
Business model	Strategic Report	18 and 19
Likely future developments in the business	Strategic Report	1 to 68
Important events since 3 July 2021	Strategic Report	144 and 145
Greenhouse gas emissions and energy consumption	Strategic Report	36 and 37
	Appendix to shareholder information	284 to 287
Risk factors and principal risks	Strategic report	56 to 64
Stakeholder engagement	Strategic Report	20 to 23
	Corporate Governance Report	81 to 83
Viability statement	Strategic Report	64 and 65
Going concern	Strategic Report	66 to 68

### Listing Rule 9.8.4R disclosures

The table below sets out where information required to be disclosed under Listing Rule 9.8.4R can be found in this Annual Report and Accounts (to the extent applicable to the Group).

Listing Rule 9.8.4R Required disclosure	Reference
Details of long term incentive schemes	Note 6 of the financial statements and Directors' Remuneration Report on pages 108 to 142
Waiver of emoluments by a director	Directors' Remuneration Report on pages 108 to 142
Shareholder waivers of dividends	Directors' Report on page 144
Shareholder waivers of future dividends	Directors' Report on page 144

### Group's articles of association (the articles)

The articles may only be amended by a special resolution at a general meeting of shareholders and must comply with the provisions of the Companies Act 2006 (the Act) and the Financial

Conduct Authority's Disclosure Guidance and Transparency Rules. Shareholders of the Group can request a copy of the articles by contacting the Group Company Secretary at the registered office.



## Directors' Report continued

### Directors' conflicts of interests

The Board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Group's articles of association and conflicts of interest policy. All Board directors are required to make the Board aware of any other commitments and potential conflicts of interest are advised to and approved by the Board and recorded in the conflicts register.

The Board has delegated authority to the Nomination Committee to keep under annual review any conflict or potential conflict of interest situations authorised by the Board and to determine whether it is appropriate for such matter(s) to remain so authorised. Following a review in 2021, the Nomination Committee concluded that no changes were required to the conflicts register.

### Appointment and removal of directors

The appointment and removal of directors are governed by the articles, the UK Corporate Governance Code (the Code), the Act and related legislation. Directors may be appointed by the Company, by ordinary resolution or by the Board. The Company may, by ordinary resolution, remove any director before the expiry of the director's period of office. The powers of the directors are set out in the articles and the Act.

### Directors' indemnities

In accordance with our articles, and to the extent permitted by law, directors are granted an indemnity from the Group in respect of liability incurred as a result of their office. In addition, we maintained a directors' and officers' liability insurance policy throughout the year. Neither an indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently. Qualifying third-party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 3 July 2021 and continue to remain in force.

### Employee involvement and equal opportunities

Go-Ahead is committed to employee involvement throughout the business. The Group is intent on motivating staff, keeping them informed on matters that concern them in the context of their employment, and involving them through local consultative procedures.

Employees are kept well informed on matters of interest and the financial and economic factors affecting the Group's performance. This is done through management channels, Group forums, meetings, publications and intranet sites. More detail on inclusion and development, together with information on employee engagement and learning and development, can be found in the 'Better teams' section of the Strategic Report.

Go-Ahead supports employee share ownership by providing, whenever possible, employee share plan arrangements which are intended to align employees' interests with those of shareholders. The Company operates an all-employee Share Incentive Plan, of which approximately 1,850 colleagues currently participate in.

The Group believes in equal opportunities regardless of gender, age, religion or belief, sexual orientation, race and, where practicable, disability. This approach is underpinned by our commitment to providing equal opportunities to our current and potential employees and applying fair and equitable employment practices. The Group gives full and fair consideration to job applications from people with disabilities, considering their skills and abilities.

Where an employee may become disabled, whether through accident, illness or injury, every reasonable and practicable consideration will be given to ensure that they may remain in employment. There may be some instances where reasonable adjustments cannot be made; where this occurs the Company will endeavour to find a suitable alternative position. The Group's Equal Opportunities, Diversity and Inclusion Policy forms part of our Code of Conduct Policy.

### Change of control

Details of the change of control provisions in place across the Group can be found on page 281.

There are no agreements between the Group 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.

### Profit and dividend

The loss for the financial year, after taxation, amounts to £40.7m. In the prior financial year, the loss, after taxation, amounted to £50.9m (restated).

The Board understands the importance of dividends to Go-Ahead's shareholders, demonstrated by our record of attractive dividend payments for 24 consecutive years up until the unprecedented impact of COVID-19.

Whilst the Board has concluded that it would not be prudent or right to propose a final dividend to shareholders for the year ended 3 July 2021 (2020 total dividend: £nil), it remains committed to the resumption of dividends at the appropriate time.

### 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 (2020: £nil). Additionally, the Group did not incur any political expenditure as defined in the Act (2020: £nil).

### Post-balance sheet events

#### German rail

On 12 August 2021, agreement in relation to liquidated and consequential damage claims in Germany was reached with the rolling stock provider with a post-year end settlement of €10m with €5m payable in the 2022 financial year and the remainder over the next three years. This was disclosed as a contingent asset as at the year ended 3 July 2021, see note 27 on pages 238 and 240.

#### Norwegian rail

Since early in the COVID-19 crisis, the Norwegian Government has supported the rail industry with a funding package initially covering 100% of losses. As the pandemic continued, loss coverage was reduced from this level down to 85%. This allowed for a broadly breakeven operating performance during the financial year ended 3 July 2021. As a non-adjusting post balance sheet event in accordance with IAS 10, in December 2021 government support was subsequently prolonged to include November and December. Whilst temporary support at an equivalent level is in place until March 2022, after this period the Government has indicated further support at an unconfirmed level may be in place until at least August 2022. The inclusion of government support at 85% loss coverage from November 2021 to the end of March 2022 in the calculation of the onerous contract provision would reduce its size by £6.8m and there is



ongoing dialogue with the Government in relation to a possible renegotiation of the contract.

#### UK Rail

On 28 September 2021, the Department for Transport (DfT) announced its decision to appoint the Operator of Last Resort to take over delivery of passenger services on the Southeastern franchise when London & South Eastern Railway (LSER)'s existing contract expired on 17 October 2021. The DfT's decision not to award a National Rail Contract to LSER was a consequence of discussions with the DfT regarding the calculation of profit share payments under the terms of the relevant franchise agreements and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements.

In August 2021, an Independent Committee comprising the respective chairs of Go-Ahead and Keolis UK, Clare Hollingsworth and Sir Derek Jones, commissioned an Independent Review, supported by external legal and accounting advisers, into LSER's performance of its contractual obligations under its franchise agreements. Following the conclusion of the Independent Review, the findings were shared with the DfT and the Group's auditor, Deloitte. Throughout the process, the Independent Committee has been focused on open, collaborative and constructive engagement with the DfT with a view to reaching a full and satisfactory settlement.

The Independent Committee concluded that, notwithstanding the complexity of LSER's franchise agreements, serious errors had been made in relation to the LSER franchise with respect to engagement with the DfT over several years. In particular, by failing to notify the DfT of certain overpayments or monies due to the DfT, LSER breached contractual obligations of good faith contained in the franchise agreements. Accordingly, the Group has apologised to the DfT.

The Independent Committee has determined that it is estimated the overpayments and associated interest of £23.4m made by DfT in connection with LSER were incorrectly accounted for in the financial statements over this period. See note 2 on pages 182 to 200 for further details in relation to these matters and the resulting prior year adjustments.

#### Regional Bus

CBSSG funding ended on 31 August 2021 and from 1 September 2021 was replaced by the Bus Recovery Grant (BRG), with £225.0m of funding available for UK bus services until March 2022. We welcome the continuation of support for essential bus services in our communities. We have worked with the DfT to establish a framework to transition back to a commercial operating model and in March 2021, we welcomed the UK Government's announcement of its first national bus strategy. We have strong partnerships with local stakeholders and our local management teams are working in close collaboration with their local authorities to produce Bus Service Improvement Plans focused on providing high quality, reliable and value-for-money bus services which support climate change targets in our towns and cities. These plans will form the basis of Enhanced Partnerships in the majority of our bus markets.

#### Board changes

For information on Board changes that occurred subsequent to the year ended 3 July 2021, please see the Nomination Committee Report.

#### Financial instruments

Details of the Group's financial risk management in relation to its financial instruments are available in note 23 of the consolidated financial statements.

#### Share capital and substantial shareholdings

All information relating to the Group's capital structure, rights attaching to shares, dividends, any restrictions on the transfer of shares, the policy to repurchase the Group's own shares, substantial shareholdings and other shareholder information is shown on pages 280 to 282.

#### Share schemes

##### Employee Benefit Trust

Computershare Trustees (Jersey) Limited, the Trustees of The Go-Ahead Group Employee Trust (the Trust), holds shares for the benefit of the Group's executive directors and senior managers, and in particular for the satisfying of awards made under the Group's Long Term Incentive Plan (LTIP) and Deferred Share Bonus Plan (DSBP). During the financial period, as part of a planned programme of monthly share purchases, the Trust purchased a total of 57,176 ordinary shares at a total price of £658,733 (including all associated costs). The average price was £11.44 per share. As at 23 February 2022 (being the latest practicable date prior to the date of this Report) the Trust held 178,667 ordinary shares representing 0.4 per cent of the issued share capital of the Group, less treasury shares, in trust for the benefit of the executive directors and senior managers of the Group under the LTIP and DSBP. 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.

#### Share Incentive Plan

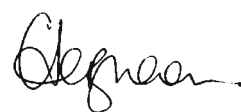
The Group operated a Share Incentive Plan during the year under review, enabling employees of the Group to acquire shares in The Go-Ahead Group plc. In order to preserve certain tax benefits, these shares are held in a trust by Computershare Trustees Limited for participating employees. Whilst these 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 23 February 2022 (being the latest practicable date prior to the date of this Report), 1.8 per cent of the issued share capital of the Group, less treasury shares, was held by Computershare Trustees Limited. In the event of an offer being made to acquire these shares, the employees are entitled to direct Computershare Trustees Limited to accept an offer in respect of the shares held on their behalf.

#### Approval

The Directors' Report was approved for issue by the Board of directors on 23 February 2022.

By order of the Board



**Carolyn Ferguson**  
Group Company Secretary

23 February 2022

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Detailed below are statements made by the directors in relation to their responsibilities and disclosure of information to the auditor.

### Directors' responsibilities in respect of the preparation of the financial statements

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements also comply with International Financial Reporting Standards as issued by the IASB. The directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Under company law, the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- Provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose at any time and with reasonable accuracy the financial position of the Group, and to enable them to ensure that the Group financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 (the Act) and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on pages 74 and 75 of the Annual Report and Accounts, confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair view of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and Accounts, taken as whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy

### Disclosure of information to the auditor

Each of the persons who are directors at the date of approval of this Report confirms that:

- There is no relevant audit information (as defined in Section 418(3) of the Act) of which the Group's auditor is unaware
- They have taken all the steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Act.

By order of the Board



**Christian Schreyer**  
Group Chief Executive



**Gordon Boyd**  
Interim Group Chief Financial Officer

23 February 2022

# Financial statements

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# Independent auditor's report to the members of The Go-Ahead Group plc

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

- the financial statements of The Go-Ahead Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 3 July 2021 and of the group's loss for the 53 weeks then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement;
- the critical accounting judgements and key sources of estimation uncertainty; and
- the related notes to the consolidated financial statements 1 to 30 and to the parent company financial statements 1 to 19.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006, IFRSs as adopted by the European Union and as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

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- Key audit matters** The key audit matters that we identified in the current year were:
- the Department for Transport ('DfT') rail franchise investigation;
  - onerous contracts within overseas rail operations;
  - impact of control deficiencies;
  - going concern;
  - presentation of exceptional items;
  - accounting treatment of franchise related accruals;
  - accounting treatment for government support packages; and
  - revenue recognition for the bus division.

Within this report, key audit matters are identified as follows:

- ⚠ Newly identified
- ⬆ Increased level of risk
- ⬅ Similar level of risk
- ⬇ Decreased level of risk

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**Materiality** The materiality that we used for the group financial statements is £4.1m which has been determined on the basis of 4.2% of profit before tax and before exceptional items. The basis of materiality represents a change from the prior year benchmark of 2% of net assets. Further details concerning the determination of materiality are provided in Section 6 below.

In response to the issues identified relating to the DfT rail franchise investigation and broader control observations, we determined it appropriate to decrease performance materiality from 70% to 50% of materiality, and therefore increased the extent of our audit procedures across the group.

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**Scoping** Full scope audit procedures were initially planned and performed on nine principal components.

Four further components were brought into group reporting scope in light of the DfT rail franchise investigation, to ensure that the audit had appropriately addressed the issues identified from the DfT rail franchise investigation and the potential implications for the wider group.

The components in full audit scope represent the principal business units and account for 97% (2020: 83% before restatement) of the group's net assets, 97% (2020: 91% before restatement) of the group's revenue and 100% (2020: 99% before restatement) of the group's operating profit.

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**Significant changes in our approach** As a consequence of the DfT rail franchise investigation and the significant number of errors and control weaknesses identified in the current year process, including the prior year restatements, we performed a reassessment of our audit risks and approach, including potential fraud risks.

These issues impacted our approach to materiality as detailed in section 6 and the scope of the group audit as detailed in section 7. Owing to the complexities arising, we involved a number of specialists to support the audit including legal, forensic and rail industry experts. In conjunction with management, we also extended the timetable to allow sufficient time to complete our audit procedures, particularly in light of the years affected for the LSER franchise.

This resulted in additional Key Audit Matters and specific tailored procedures to respond to those risks as set out in sections 5.1, 5.2, 5.3 and 5.6. Additional work was performed to challenge the valuation of the onerous provisions arising as set out in section 5.2 including the evaluation of the risk of additional undetected onerous contracts across the group.

Having reassessed our audit risks and the focus of our procedures, we did not consider the following prior year key audit matters to be key audit matters in the current year due to the relative lack of complexity and judgement in these areas and the lack of errors identified in our current and prior year testing:

- valuation of uninsured liabilities;
- valuation of pension scheme assets and liabilities and related disclosures; and
- recoverability and impairment of regional bus assets and investments in subsidiaries.

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## Independent auditor's report to the members of The Go-Ahead Group plc continued

### 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.4.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 5.1. The DfT rail franchise investigation

##### Key audit matter description

In light of the fact that the Department for Transport ('DfT') has not yet concluded its investigation into certain historical "Matters of Concern" at LSER, relating to LSER's conduct in respect of various overpayments of subsidy by the DfT in relation to the franchise, we have identified the completeness and accuracy of liabilities owing to the DfT under existing rail franchise agreements as a key audit matter. Given their size and the judgement involved we have also identified the assessment of fines and penalties under the Railways Act (1993) as a key audit matter.

##### Completeness and accuracy of liabilities due under franchise agreements

In response to the ongoing DfT rail franchise investigation, the group and its partner in the franchise established an Independent Committee and conducted a joint investigation ('management's investigation') into the franchise's previous accounting and conduct in respect of the LSER franchise between 2006 and 2020 as disclosed on page 4. The Independent Committee engaged the support of legal and forensic specialists to assist with its work.

As a result of the management's investigation, excluding the provision for fines and penalties which is discussed below, the group identified liabilities (including interest) due to the DfT of £51.3m as disclosed on page 48 of the Annual Report. These liabilities were attributed to overpayments of £44.3m from the DfT between 2006 and 2020. The total liabilities due also include interest of £7.0m. Additionally, a provision was recorded for profit share payable to the DfT in respect of affiliate trading of £14.1m between 2014 and 2020 and a provision for the estimated settlement of an historic profit share dispute with the DfT of £7.2m.

The group also considered the risk that matters similar to those identified in LSER relating to contract compliance existed across the wider group. This identified a further liability of £5m relating to previously closed franchises. The historical nature of the issues arising has resulted in prior year adjustments totalling £3.5m.

This DfT rail franchise investigation has caused us to increase the scope of our audit (as described above) and is also reflected in our considerations of fraud risk, the going concern assessment (section 5.4), the adequacy of controls (section 5.3), the adequacy of disclosures made in the Annual Report and the consideration of prior year items.

##### Completeness and accuracy of provision for fines and penalties under the Railways Act (1993)

On 28 July 2021 the DfT wrote to LSER setting out that they were considered to be a prima facie breach of the Franchise Agreement, which could result in a financial penalty under Section 57A of the Railways Act 1993. Whilst the DfT rail franchise investigation has not yet concluded, management have recognised a provision of £30m for any fines and penalties arising based on the findings of their investigation. The Railways Act 1993 provides some guidance as to the level of fine or penalty that could be imposed by the Secretary of State. However, the guidance is broad and has limited precedent as to how a financial penalty would be determined.

Additionally, in light of the fact that the DfT has yet to conclude its investigation, a contingent liability reflecting the possibility of further liabilities arising, has been disclosed in note 27.

The DfT rail franchise investigation is discussed in the Audit Committee's report on page 98.

## 5. Key audit matters continued

### 5.1. The DfT rail franchise investigation continued

#### How the scope of our audit responded to the key audit matter

Our audit procedures included:

#### Completeness and accuracy of liabilities due under franchise agreements

- engaged internal forensic specialists to support the audit team in evaluating the scope and findings of management's investigation which was supported by their legal and forensic advisers. Having challenged and satisfied ourselves with the scope of management's investigation, we read the final report and findings, assessing the evidence pertaining to the Matters of Concern and the conduct element of the review, in particular email searches completed as part of the management's investigation and supporting the audit team in tailoring the audit response to those findings. The audit team also made direct enquiries of management and their advisers to reperform a sample of their work to validate the completeness and accuracy of the liabilities arising;
- assessed the competence, capabilities and objectivity of the legal and forensic advisers used in management's investigation;
- making direct inquiries of the DfT through the course of their investigation to understand the status of their investigation and to corroborate areas of inquiry as their investigation progressed;
- making direct inquiries of key individuals connected with the DfT rail franchise investigation to challenge and understand their awareness and knowledge of the historical matters of concern;
- performing substantive testing to challenge the amounts recognised by management in respect of the adjustments identified by management's investigation;
- expanding our scope of journal entry testing within the LSER franchise across the 6 years since our appointment as auditor;
- bringing additional resource onto the team, including at partner and director level, with relevant rail industry experience who supported the audit team in challenging the findings arising from management's investigation. Using their experience of rail franchise agreements and financial models, the additional resource also provided additional challenge to the procedures designed to assess completeness of the liabilities arising from management's investigation; and
- challenging the appropriateness of the disclosures included in the financial statements concerning the matters of concern and associated prior year re-statements.

Also refer to section 5.3 for additional procedures we performed to address the risk of their being similar issues elsewhere in the group.

#### Completeness and accuracy of provision for fines and penalties under the Railways Act (1993)

- engaging our own external legal experts to challenge the methodology, basis and assumptions used by management and the group's legal experts to calculate the provision. This included challenge of the methodology applied by management in determining the provision due to the lack of guidance and precedent under the Railways Act 1993 and the appropriateness of other legal framework precedent used by the group's legal experts to estimate a provision. In conjunction with our external legal experts we also challenged the assumptions used by management and their legal experts to factors such as proportionality and severity of fines and penalty, evaluating the evidence and support provided to justify the assumptions used;
- making inquiries of the DfT regarding their approach to the determination of fines or penalties; and
- considering the appropriateness of the disclosures included in the financial statements.

#### Key observations

We concluded that the liabilities recognised in relation to the DfT rail franchise investigation, including the provision for penalties, are reasonable, and that the adjustments recognised in respect of prior years and the contingent liability disclosures are appropriate. However, we note that management's estimates reflect uncertainty, as set out in the disclosures included in note 1 of the Annual Report in respect of key sources of estimation uncertainty and in note 27 in respect of the risk of further investigation.

Our observations in relation to the control deficiencies identified as a result of the DfT rail franchise investigation are included in section 5.3 below.



# Independent auditor's report to the members of The Go-Ahead Group plc continued

## 5. Key audit matters continued

### 5.2. Onerous contracts within overseas rail operations <>

#### Key audit matter description

In the prior year, the group identified an onerous contract provision relating to its Bavarian franchise ('GABY') that commenced in December 2021. The group has increased its onerous contract provision for GABY from £7.2m (as previously reported in 2020) to £33.8m, reflecting the latest estimate of the losses to be incurred over the life of the franchise. The GABY franchise is primarily exposed to cost risk due to the fixed nature of the revenues over the life of the franchise. Consequently, key estimates included in the assessment of the onerous provision include maintenance, dilapidation and demobilisation costs, energy costs, driver recruitment and operational penalty levels. Furthermore, as the full contract is only expected to commence by December 2022, there remains uncertainty as to the final mobilisation plan for the contract.

As reported on page 8 of the Annual Report, errors were identified in respect of the prior year financial statements for the GABY franchise as information that was available within the group at the time of signing the Annual Report had not been factored into the onerous provision calculations. This has subsequently been corrected resulting in a £36.6m restatement of the 2020 provision.

In addition to the matters in Germany, an onerous provision has also been identified in relation to the group's Norwegian rail franchise, following our decision to bring Norway into full scope of the group audit. As reported on page 8 the prolonged impact of Covid-19 on public transportation has resulted in a significant reduction in passenger demand and slower than previously estimated recovery rates. Given the key estimation uncertainty arising from the exposure to passenger revenue risk associated with the Norwegian franchise, an onerous contract provision of £66.2m has been estimated, reflecting management's best estimate of the likely cashflows expected over the remaining life of the franchise, predominantly driven by estimates of the recovery rates of passenger volumes.

Given the level of estimation uncertainty, management has included further information in the critical accounting judgements and key sources of estimation uncertainty note on pages 176 to 181 of the Annual Report and in the operational risks section of the Audit Committee report on page 64 of the Annual Report.

#### How the scope of our audit responded to the key audit matter

We have challenged management's assessment of the onerous contract provisions through the following procedures:

##### Germany:

- obtaining an understanding of the relevant controls in respect of the significant inputs and assumptions of the estimate;
- inspecting the GABY contract to challenge completeness of matters included within the onerous provision model;
- assessing the reasonableness of key assumptions, and any changes since the previous year end against supporting evidence;
- in conjunction with our valuation specialists, challenging the appropriateness of the discount rate applied in the onerous provision model;
- performing historical accuracy testing by comparing most recent budget information to actual performance;
- testing the arithmetical integrity of the model;
- challenging the completeness of costs included in the model. This included inspection of franchise commitments for demobilisation and exit costs, subcontractor agreements, rolling stock agreements and comparison to the existing German franchise cost experience;
- considering the latest performance and experience in the existing German franchise operation to challenge the risk of optimism within the GABY model;
- challenging the accuracy of the prior year adjustment and management's evidence concerning the availability of evidence at the time of approval of the prior year financial statements; and
- assessing the adequacy of the financial statement disclosures.

## 5. Key audit matters continued

### 5.2. Onerous contracts within overseas rail operations continued

#### How the scope of our audit responded to the key audit matter continued

##### Norway:

- obtaining an understanding of the relevant controls in respect of the significant inputs and assumptions of the estimate;
- reviewing the Norwegian contract to challenge completeness of matters to include within the onerous provision model;
- assessing the reasonableness of key assumptions with specific focus on management's assumptions in relation to passenger demand. This included review of historical passenger levels, review of latest industry data, discussion with industry experts and performance of sensitivity analysis;
- in conjunction with our valuation specialists, challenging the appropriateness of the discount rate applied in the onerous provision model;
- testing the arithmetical integrity of the model;
- challenging the completeness of costs included in the model. This included inspection of franchise commitments for demobilization and exit costs, third party agreements for key cost components and review of historical cost performance of the franchise;
- considering the latest performance of the Norway rail franchise to challenge the assumptions in the model;
- challenging whether there was any evidence that the contract was onerous in the prior year; and
- assessing the adequacy of the financial statement disclosures.

#### Key observations

The results of our procedures were satisfactory and we concurred with the provisions recognised by management of £33.8m and £66.2m in Germany and Norway respectively. The prior year adjustment to the Germany onerous contract provision, and the audit adjustment that resulted in the current year onerous contract provision being recorded for Norway have highlighted significant deficiencies in controls as referred to in section 5.3.

### 5.3. Impact of control deficiencies

#### Key audit matter description

The DfT rail franchise investigation has highlighted significant control deficiencies in the management of the LSER franchise, spanning a period of over a decade. The prior year adjustments in respect of the LSER matters that resulted from the control deficiencies are detailed on page 189.

In addition, a significant number of misstatements were identified that, in aggregate, were material. These included the need to recognise an onerous provision in Norway and for which an adjustment was subsequently corrected by management – refer to section 5.2 for more details. Predominantly arising in the Rail segments, these misstatements highlighted the complexity of the group's franchise arrangements, the need to improve the underlying controls that underpin the monitoring of contract compliance, the need to improve the controls that monitor and evaluate the risk and measurement of onerous contract provisions and the need to improve the precision of review controls to ensure that judgements are estimates are sufficiently precise.

As disclosed in note 2, in addition to the prior year adjustments arising from the DfT rail franchise investigation, additional restatements relating to the Germany onerous contract provision and the correction of other errors have also been required. As referred to in section 5.2, the German onerous provision has been restated to reflect information that was available within the group at the time of the approval of the prior year accounts but was not reflected in the onerous provision model. Similarly, adjustments arose in respect of contract compliance monitoring due to the understatement of dilapidation, maintenance and demobilisation costs in a number of segments as referred to in section 5.6.

The deficiencies in the control environment required significant management time to investigate matters fully and a significant amount of additional time for our audit procedures to be completed. As a result, we considered this to be a key audit matter. As disclosed on page 5 of the Annual Report, the Board has acknowledged the control deficiencies arising and is committed to a plan of improvement.

For further details of the issues underpinning these control deficiencies refer to sections 5.1, 5.2 and 5.6.

# Independent auditor's report to the members of The Go-Ahead Group plc continued

## 5. Key audit matters continued

### 5.3. Impact of control deficiencies continued

#### How the scope of our audit responded to the key audit matter

In order to respond to the pervasive and specific risks arising from deficiencies in the control environment, we modified the nature, extent and timing of our audit procedures. Specifically:

- we reassessed our performance materiality judgement (as described in section 6.1) to determine performance materiality as 50% of materiality as compared with 70% in the previous year. This increased the volume of substantive testing completed in the current year;
- as detailed in section 7 below, we increased the scope of the audit, incorporating 4 additional components into the year end audit scope to ensure that the audit had addressed the risk that issues identified from the DfT rail franchise investigation and the broader controls observations;
- we revisited our risk assessment based on the information identified by DfT rail franchise investigation and management's investigation, evaluating each line of the financial statements to determine whether there is heightened risk and involving specialists and experienced team members to challenge our assessment. Enhanced substantive procedures were tailored to those areas where we considered there to be heightened risk. This was considered across the group to assess the risk of similar matters to those identified in LSER existing elsewhere in the group;
- we used internal forensic specialists to respond to the specific matters relating to the DfT rail franchise investigation (as described in section 5.1), as well as to assist us in assessing the risk of matters similar to those identified from the DfT rail franchise investigation existing across the group;
- we increased the level of senior input to the audit team including additional partner involvement with relevant rail industry experience;
- we tailored enhanced procedures in areas including onerous provisions and franchise contract compliance;
- we challenged management's assessment of the nature and cause of errors in specific components to consider the risk that matters similar to those identified in the DfT rail franchise investigation could exist across the broader group and impact on our audit;
- senior members of the audit team have performed audit testing directly in more complex areas of accounting where control deficiencies had been identified including the DfT rail franchise investigation and the onerous provision assessments in Norway and Germany;
- we engaged external legal experts to support the audit team with matters of a legal and regulatory nature;
- we modified the nature, extent and timing of procedures in relation to journal entries including increasing unpredictability in our audit procedures for the testing of journal entries in specific areas relevant to the DfT rail franchise investigation by reassessing the selection criteria we applied in our data analytics tools as a result of our revised risk assessment. This included additional risk characteristics to search for an increased range of keywords, combining those of importance from the investigation and searching for posts made by certain members of management;
- we made direct enquiries of the DfT and other transportation authorities to assess franchise-related risks and assumptions;
- extension of the group's reporting timetable was required in order to give us additional time to perform the incremental work required as a result of the control deficiencies identified. It has also enabled us to use an extended hindsight period to assess the appropriateness of year end judgements.

#### Key observations

Whilst we are satisfied that management and the Audit Committee have responded appropriately, including considering the accuracy of the issues reported and extending their own procedures to consider the risk of completeness of similar matters across the group, as reported on page 5 there is a need for the group to make significant improvements to the control environment.

## 5. Key audit matters continued

### 5.4. Going concern

**Key audit matter description** The group operates public transport services in the United Kingdom, Ireland, Singapore, Norway and Germany. Given the ongoing impact of Covid-19 on passenger numbers, the ongoing DfT rail franchise investigation, the scale of onerous provisions recognised and the continued reliance on temporary government support contracts, we consider management's adoption of the going concern basis of accounting to be a key audit matter.

A key focus for the going concern has included consideration of the impact of the issues arising as a result of the DfT rail franchise investigation together with the impact of the errors and prior year adjustments on the ongoing compliance with the group's banking facilities.

The group has a £250m corporate bond which matures in July 2024, and a Revolving Credit Facility of £280m which matures in July 2024. These facilities contain financial and other covenants, which the directors have considered in their going concern assessment.

Management performed a detailed risk assessment and scenario modelling in order to reach their conclusion, taking into consideration the risks and scenarios disclosed in note 2.

As disclosed in going concern statement in the directors' report, based on their assessment of the current and future prospects of the group, the directors have concluded that the going concern basis of accounting is appropriate.

#### How the scope of our audit responded to the key audit matter

Our audit procedures included:

- we obtained an understanding of the relevant controls over the going concern process;
- working with our debt advisory specialists and our independent legal advisers, we evaluated the advice from the group's external legal advisers to challenge management's conclusions as to the risk of impact of the DfT rail franchise investigation and other matters noted in this opinion on ongoing compliance with the group's banking facilities;
- we performed accuracy, completeness and reasonableness checks on the underlying data in the base case scenario by comparing to historic results and detailed knowledge of the business;
- we assessed the mathematical accuracy and integrity of the underlying model that management have used in their assessment;
- we challenged each of management's assumptions applied by agreeing to supporting evidence such as contractual agreements, and performing additional sensitivity on assumptions where necessary;
- we assessed whether management's assumptions were in line with our understanding of the external factors and forecast market trends;
- we challenged management's assumptions concerning their 'break it' scenario to assess management's conclusion that the scenario was remote;
- we assessed any contradictory evidence as part of our audit work and the impact on management's conclusion;
- we understood and assessed covenant requirements for the going concern period;
- we performed covenant compliance tests and sensitivities on key variables;
- we assessed the results of the group for the period after the reporting date compared to budget in order to assess for indicators of management bias and optimism that would affect the going concern conclusion;
- we obtained evidence of the waivers provided by the group's bankers in response to the delays in filing the financial statements; and
- we evaluated the appropriateness of the disclosures made by management within the financial statements.

**Key observations** The results of our procedures were satisfactory and we concurred with management's conclusion that adopting the going concern assumption for the group financial statements is appropriate.

# Independent auditor's report to the members of The Go-Ahead Group plc continued

## 5. Key audit matters continued

### 5.5. Presentation of exceptional items

<b>Key audit matter description</b>	<p>Management presents a number of material items as exceptional items on the face of the Income Statement. Management considers that the separate presentation of these exceptional items is appropriate due to the size, nature and expected infrequency of events giving rise to them. Management considers the separate presentation allows for an alternative understanding of financial performance. Exceptional items are not defined by IFRS and therefore significant judgement is required in determining the appropriate classification. Profit before tax pre exceptional items is a key focus of management as well as external users of the accounts and creates an incentive to use the exceptional items to manipulate adjusted earnings. The use of non-GAAP or Adjusted Performance Measures ("APMs") within financial statements continues to be an area of increased focus by the regulators, in particular the Financial Reporting Council ("FRC") and the European Securities and Markets Authority ("ESMA").</p> <p>The group has reported a profit before tax pre exceptional items of £97.2 million (2020: £54.2 million (restated)), which is derived from statutory loss before tax of £6.9 million (2020: £39.5 million, restated) adjusted for a number of items totalling £104.1 million (2020: £93.7 million, restated) which the group considers meet their definition of exceptional items. The most significant exceptional items in the year include a provision for the DfT fine (section 5.1) and exceptional costs relating to the DfT rail franchise investigation (£32.4m), an onerous provision expense (section 5.2) and impairment charges relating to intangible and tangible assets relating to Norway (£76.7m). In the prior year, exceptional items totalled £93.7m (restated) including £43.8m (restated) in respect of the German rail franchise onerous contract provision and asset impairment and restructuring costs of £49.9m.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>The audit procedures we performed in respect of this key matter included:</p> <ul style="list-style-type: none"> <li>• gaining an understanding of relevant controls over management's process for determining exceptional items;</li> <li>• challenging the items identified as exceptional to understand the rationale for the separate classification and the appropriateness by confirming alignment with the group's exceptional items accounting policy;</li> <li>• assessing the consistency of items treated as exceptional between the current and the prior years;</li> <li>• assessing the financial report disclosures in respect of exceptional items and determining whether the disclosures are fair, balanced, and understandable; and</li> <li>• benchmarking the group's APM reporting against emerging practice and the guidance from the FRC and ESMA.</li> </ul>
<b>Key observations</b>	<p>We are satisfied that the overall classification of exceptional items is reasonable with reference to the group policy. Whilst profitability of franchise contracts is a normal part of business for the group, management's treatment of the German and Norwegian onerous provisions as exceptional is appropriate given the scale of the losses arising in the current and prior periods.</p>

## 5. Key audit matters continued

### 5.6. Accounting treatment for franchise related-accruals <>

**Key audit matter description** Due to the complexity of the franchise arrangements relating to the group's two UK rail franchises, there is a risk that transactions and accruals relating to the franchise agreements are not accounted for correctly. These include income or penalties that can arise based on the actual performance of the individual train operating company under the franchise agreement. The group will regularly use third party specialists to support management in the determination of the franchise-related accruals, particularly by reference to property and rolling stock dilapidations.

As disclosed in note 2 management recognised prior year adjustments relating to historical understatement of provisions relating to franchise obligations for dilapidations, maintenance and demobilisation in LSER. These were identified by management and the auditors following review and corroboration of contractual obligations. In addition, our audit procedures identified material current year errors in GTR relating to engineering accruals that were subsequently corrected by the group. In relation to the German rail franchise prior year restatement included in section 5.2, we identified that management's assessment of the provision in the prior year incorrectly excluded franchise exit costs, including dilapidations obligations.

Given the level of estimation uncertainty, management has included further information in the critical accounting judgements and key sources of estimation uncertainty note and in the key financial matters section of the Audit Committee report on page 102 of the Annual Report.

#### How the scope of our audit responded to the key audit matter

In addition to the work on the prior year adjustments discussed in section 5.3, we performed the following audit procedures:

- we obtained an understanding of the group's relevant controls over franchise-related accruals;
- we reviewed and challenged management's paper and also reports from management's experts where surveys and valuations were performed;
- we assessed of the competence, capabilities and objectivity of management's experts;
- we assessed the inputs, assumptions and methodology used in the determination of dilapidations and claims provisions. This included the use of industry experts to support the audit team, inspection of evidence pertaining to the existence of dilapidations, inquiry of engineers at the group and corroboration of costings to supporting evidence;
- we challenged management on the range of outcomes for the dilapidation provisions for rolling stock, depots and buildings and their estimate subsequently recognised. This included challenging the nature of expenditure to be incurred to rectify dilapidations by reference to the franchise obligations;
- we read legal and DfT correspondence to assess the appropriateness of the estimates recognised by management for relevant franchise-related accruals; and
- we evaluated the completeness of the provisions and accruals based on meetings with franchise compliance officers, review of board minutes and other supporting and contradictory evidence, including DFT minutes and legal correspondence.

#### Key observations

The result of our procedures in respect of LSER's franchise related accruals were satisfactory.

As part of our procedures for the GTR franchise, we consider that the adjustments recognised by the group for engineering accruals are appropriate. In light of the material adjustments, we identified the impact of control deficiencies as a separate key audit matter (section 5.3).

In section 5.2 we have also discussed franchise-relating accounting errors in relation to the German onerous contract provision prior year restatement. We consider these misstatements to indicate a significant deficiency in internal control as discussed in section 5.3.

# Independent auditor's report to the members of The Go-Ahead Group plc continued

## 5. Key audit matters continued

### 5.7. Accounting treatment for UK government support packages <>

#### Key audit matter description

This key audit matter relates to the accounting treatment of UK government support packages (excluding furlough support) received as a result of the impact of COVID-19 on the business operations during the current year.

The group was the recipient of government support packages during the current and prior year following the COVID-19 pandemic.

We focused on those businesses where the group has been dependent on revenue support schemes, the most complex of which were in the UK. The Norway rail franchise has also been dependent on government support, but that is considered as part of the key audit matter for onerous rail contracts in overseas rail operations as detailed in section 5.2.

The UK support received was as follows:

- The group's UK regional bus services received the COVID-19 Bus Services Support Grant (CBSSG) of £120.0m (2020: £20.1m); and
- The group's two UK rail companies received support through the Emergency Measures Agreement (EMA) and the Emergency Recovery Measures Agreements (ERMAs).

Given the complexity of the government support contracts and judgement involved in determining "disallowable costs", this has been determined as a potential fraud risk for the current year audit in relation to revenue recognition under IFRS 15 'Revenue from contracts with customers'.

The CBSSG funding is subject to periodic approvals by the DfT. At the date of the finalisation of the financial statements, reconciliations to December 2021 had been approved by the DfT with no significant differences arising in connection with the judgement of disallowable costs.

It is noted in the critical accounting judgements and key sources of estimation uncertainty note on page 181 of the Annual Report.

#### How the scope of our audit responded to the key audit matter

Our audit procedures included:

##### UK regional bus

- obtaining an understanding of the relevant controls over the accounting for transactions within the CBSSG contractual arrangement within the bus business, focusing on the reconciliation process and the assessment of disallowable costs;
- performing a recalculation of the CBSSG claims and assessed the disallowable cost adjustments made by management in relation to the contractual terms to evaluate whether reconciliations were compliant with the scheme conditions;
- challenging the appropriateness of management's assessment of income that could not be recognised due to uncertainty of the outcome of the open reconciliations with the DfT;
- testing the accuracy of historical claims to subsequent approvals by the DfT;
- performing testing over the accuracy and completeness of the data inputs (being passenger numbers and mileage) into management's calculation;
- assessing the disclosures made in the financial statements, particularly under IAS 1 where judgements or estimates are present.



## 5. Key audit matters continued

### 5.7. Accounting treatment for UK government support packages continued <>

#### How the scope of our audit responded to the key audit matter continued

##### UK rail

- obtaining an understanding of the relevant controls over the accounting for transactions within the EMA and ERMA contracts in the UK rail businesses, in particular focusing on the controls over the identification of disallowable costs;
- Inspecting the EMA and ERMA contracts to challenge the appropriateness of costs included or excluded by management in the income reconciliations. This included:
  - i. tested a sample of allowable costs by agreeing to supporting evidence and made further enquires of management to challenge that they are not disallowable;
  - ii. agreed the disallowable costs reported to the DfT to third party evidence to test the accuracy of the submissions;
- assessing budget vs actuals for each period to identify any potential costs that may be deemed to not be compliant with the “good & efficient operator” criteria;
- evaluating the affiliate (related party) trading submissions to the DfT to assess whether any costs would be deemed to be allowable under the EMA and ERMA contracts; and
- considering the appropriateness of the disclosures included in the financial statements.

#### Key observations

The results of our procedures within the bus and rail divisions were satisfactory and we concurred with the accounting treatment of the UK government support packages across the group.

### 5.8 Revenue recognition for the bus division <>

#### Key audit matter description

In the bus division the key audit matter over revenue recognition has been focused on the occurrence and accuracy of revenue in relation to contract revenue in Regional Bus and the Quality Incentive Contract premiums (QICs) in London Bus. Judgement is involved in determining QICs revenue which is based on performance measures associated with the contract. QICs income reflects the area of most judgement in the Bus division reflecting that it requires an assessment of the likely additional revenue receivable under the contractual terms with Transport for London for performance in the period.

Revenue for the year ended 3 July 2021 totalled £1,089.6m (2020: £1,012.9m) for the bus operating segment (see note 4 of the consolidated financial statements).

#### How the scope of our audit responded to the key audit matter

Our audit procedures included:

- obtaining an understanding of the relevant controls relating to contract revenue recognition and the QICs revenue;
- assessing contract variations with local councils and authorities to source documentation;
- agreeing a sample of revenue recognised to underlying contractual evidence; and
- checking the accuracy of the estimation of QICS revenue receivable at the year end to third party confirmations.

#### Key observations

The results of our procedures were satisfactory and we concurred with the recognition of revenue in the bus division.

# Independent auditor’s report to the members of The Go-Ahead Group plc continued

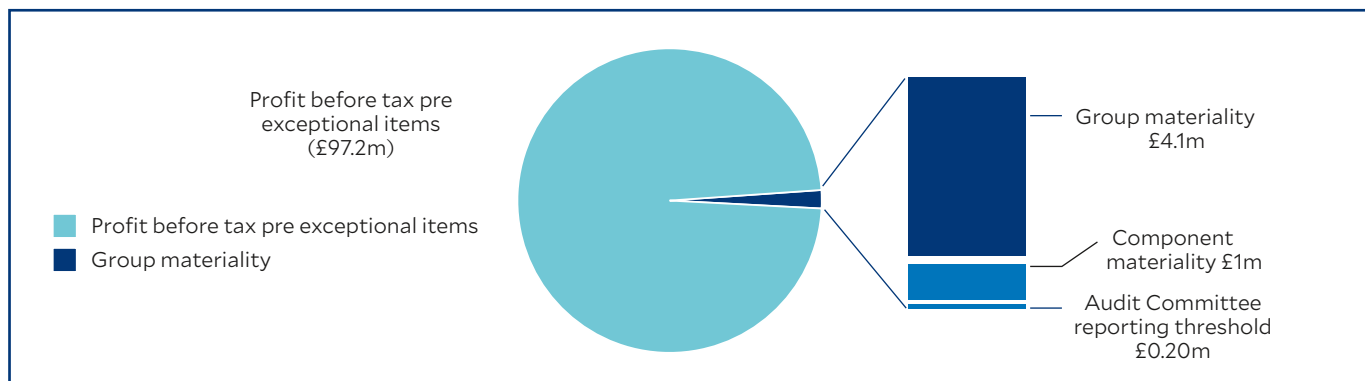
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Materiality</b>	£4.1m (2020: £4.3m)	£2.0m (2020: £1.5m)
<b>Basis for determining materiality</b>	We ultimately determined materiality of the group based on 4.2% of profit before tax pre exceptional items (2020: 2.2% of net assets).	Parent company materiality equates to less than 1% of net assets (2020: less than 1%), which is capped at approximately 50% of group materiality (2020: capped at 40% of group materiality).
<b>Rationale for the benchmark applied</b>	<p>In the current year, we initially determined materiality as 1.5% of net assets adjusted for the pension surplus.</p> <p>In response to the DfT rail franchise investigation and various audit adjustments that significantly reduced net assets, we reassessed our materiality.</p> <p>Given the nature of the group’s activities and the scale of the businesses remained consistent with prior years, we did not consider it appropriate to reduce significantly our materiality levels, although as set out below we did reduce performance materiality.</p> <p>We considered that profit before tax and before exceptional items was an appropriate alternative benchmark, being a key metric for users of the accounts. We excluded exceptional items to mitigate the volatility caused by the significant items recognised in the current year. Materiality of £4.1m equates to 4.2% of profit before tax and before exceptional items and 0.1% of group revenue. The prior year materiality represented 7.9% of profit before tax and before exceptional items and 0.1% of group revenue prior to the impact of the restatements.</p>	<p>Net assets have been selected as an appropriate measure on which to determine materiality as the parent company is a holding company. While parent company materiality has increased, as set out below parent company performance materiality has remained at £1m.</p>



## 6. Our application of materiality continued

### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
<b>Performance materiality</b>	50% (2020: 70%) of group materiality	50% (2020: 70%) of parent company materiality
<b>Basis and rationale for determining performance materiality</b>	Whilst we initially used 70% of group materiality in determining our performance materiality, this was reduced to 50%. In determining our final performance materiality level we have considered factors such as: <ul style="list-style-type: none"><li>• the DfT rail franchise investigation;</li><li>• the risk of regulatory and financial penalties and the consequence to the group;</li><li>• the impact of the control deficiencies identified during the audit and the nature and extent of errors arising; and</li><li>• the risk of matters similar to those identified from the DfT rail franchise investigation existing across the wider group.</li></ul>	

### 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.2m (2020: £0.2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components

Our group audit scope was determined after obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we initially focused our group audit scope primarily on the audit work at 9 (2020: 8) principal components. In addition to this, we brought 4 further components into full group reporting scope in light of the issues at LSER, to ensure that the audit had addressed the risk that issues identified from the DfT rail franchise investigation were not pervasive across the group. These included the Norwegian and Irish franchises, along with Go North East and Oxford bus. Our scoping decisions considered a number of factors including the individual financial significance of a component, and whether the risks concerning contract compliance, revenue recognition, government support and onerous contract provisions were applicable to the components. In response to errors identified in respect of the onerous contract provisions in Germany and Norway, we performed a contract review across the group to assess the completeness of onerous contract provisions.

The components in full audit scope represent the principal business units and account for 97% (2020: 83%) of the group's net assets and 97% (2020: 91%) of the group's revenue. The components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The comparatives presented are prior to the impact of the restatements recognised in the financial statements.

Component performance materiality was used to perform the audit work at all components and for the current year audit, this was £1.0m. Component performance materiality was lowered due to the DfT rail franchise investigation and the risk of there being similar issues across the wider group as well as the broader control deficiencies noted during the audit as mentioned above. Component performance materiality is used to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the group financial statements exceeds materiality for the group financial statements as a whole.

At the group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

## Independent auditor's report to the members of The Go-Ahead Group plc continued

### 7. An overview of the scope of our audit continued

#### 7.2. Our consideration of the control environment

As noted on page 4, following the identification of matters of concern in LSER by the DfT on 28 July 2021 the Board established an Independent Committee to investigate the matters. The Board has acknowledged that serious errors were made in LSER over several years and, accordingly, that there was a failure in franchise-related controls in LSER. Our findings in respect of the DfT rail franchise investigation have been discussed in section 5.1 above.

Additionally, the current year audit has identified a large number of errors that have affected both the current and prior years. As referenced by the directors on page 5 of the Annual Report, these errors have highlighted significant control deficiencies across a number of areas. The extent of the control deficiencies identified has had a significant impact on our audit which has required extended time to complete the audit. This has included the use of forensic, legal and rail industry experts to support the audit response of management's investigation into the issues arising from the DfT rail franchise investigation. In addition, due to the extent of errors and prior year adjustments, enhanced procedures, increased scope and reduced materiality were all required to address the risks arising. Further detail of the impact of control deficiencies has therefore been included as Key Audit Matter (see section 5.3 above).

In relation to IT controls, we involved our IT specialists to assess relevant controls over the group's information technology ("IT") systems. Given the importance of IT to the recording of financial information and transactions, we have tested General IT controls relating to certain of the group's systems where relevant to our audit work. As part of our IT controls testing, we obtained an understanding of the group's processes and tested controls through a combination of tests of inquiry, observation, inspection and reperformance.

We recognise the level of focus from the group on driving improvement in the IT environment across the past few years. Whilst we did not identify any significant control deficiencies, given the control issues identified above we did not consider it appropriate to seek to rely on controls for any of the business cycles within the group.

#### 7.3. Working with other auditors

The group audit team have directed and supervised the work of the component audit teams during the course of the year. As part of our planning, we issued detailed instructions to our component audit teams and included all component teams in our team briefing, discussed their risk assessment and remained in contact throughout the audit process. In addition, we attended planning and close meetings with them and component management teams, and reviewed their component reporting.

In response to the group's initial findings from the DfT rail franchise investigation, we issued updated referral instructions to all components. We then subsequently increased the extent of communications and interactions with components including review and challenge of the revised risk assessments by each component, regular meetings to review workpapers and challenge audit procedures and a visit to Norway. The group engagement team led the response within the LSER component with members of the group engagement team working with the component team to design and execute the necessary procedures. Due to the significance of the onerous provisions in Germany and Norway, we led the tailored responses at each of the components to challenge the assumptions adopted by management in the preparation of the onerous provision models as referred to in Section 5.3.

For all UK components, the Senior Statutory Auditor has access to the audit files and directly reviews the work performed in key risk areas relevant to the group, including significant risk areas. For overseas components, we remained in close communication with them throughout the audit process and reviewed significant work papers to gain sufficient oversight of the work performed.

### 8 Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of directors

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As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the financial statements

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Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities. These risks are summarised on page 59 of the Annual Report;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - the group's response to the DfT rail franchise investigation and subsequent communications with the DfT as discussed in section 5.1;
  - the group's consideration of the risk of similar matters of contract compliance identified from the DfT rail franchise investigation existing across the wider group;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud and non-compliance with laws and regulations in the following areas: the DfT rail franchise investigation, assessment of potential onerous contracts in overseas rail, going concern, accounting treatment of franchise related accruals, revenue recognition for the bus division and accounting treatment for government support packages. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, UK Listing Rules, pension legislation, tax legislation, franchise agreements and banking agreements.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These include the Railways Act 1983 and compliance with the terms of the group's schedules of the franchise agreements for the train operating companies which are fundamental to the group's business operations.

## Independent auditor's report to the members of The Go-Ahead Group plc continued

### 11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

#### 11.2. Audit response to risks identified

As a result of performing the above, we identified the following key audit matters related to the potential risk of fraud or non-compliance with laws and regulations:

- our response to the DfT rail franchise investigation, including the provision for fines or penalties and the risk of there being similar issues across the wider group;
- assessment of potential onerous contracts in overseas rail;
- going concern;
- accounting treatment of franchise related accruals;
- accounting treatment for government support packages; and
- revenue recognition for the bus division.

The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, other procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- challenging the nature of prior year adjustments identified, including understanding of the cause of those adjustments and tailoring audit procedures to respond to those risks;
- enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the DfT and other transportation authorities in relation to the operating of the rail and bus franchises;
- involving specialists, including our forensic team to assist in designing and executing appropriate enhanced procedures to respond to the risks arising from the DfT rail franchise investigation; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

### Report on other legal and regulatory requirements

#### 12. Opinions on other matters 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### 13. Corporate Governance Statement

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The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 66 to 68;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on pages 64 and 65;
- the directors' statement on fair, balanced and understandable set out on page 104;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 59 to 64;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 56 and 57; and
- the section describing the work of the audit committee set out on page 98.

### 14. Matters on which we are required to report by exception

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#### 14.1 Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### 14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### 15. Other matters which we are required to address

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#### 15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Company's members on 22 October 2015 to audit the financial statements for the year ending 2 July 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the financial years ending 2 July 2016 to 3 July 2021.

#### 15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).



**Independent auditor's report to the members of The Go-Ahead Group plc** continued**16. Use of our report**

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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 auditor's 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.



**Scott Bayne FCA (Senior statutory auditor)**  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London

24 February 2022

## Consolidated income statement and narrative

53 weeks ended 3 July 2021

	Notes	Pre- exceptional 2021 £m	Exceptional items 2021 £m	Post- exceptional 2021 £m	Pre- exceptional 2020* £m	Exceptional items 2020* £m	Post- exceptional 2020* £m
<b>Group revenue</b>	4	<b>4,058.5</b>	<b>—</b>	<b>4,058.5</b>	3,897.2	—	3,897.2
Operating costs	5-7	<b>(3,935.9)</b>	<b>(104.1)</b>	<b>(4,040.0)</b>	(3,818.4)	(93.7)	(3,912.1)
Impairment losses (including reversals) on financial assets and contract assets	5, 17	<b>(7.1)</b>	<b>—</b>	<b>(7.1)</b>	(2.4)	—	(2.4)
<b>Group operating profit/(loss)</b>		<b>115.5</b>	<b>(104.1)</b>	<b>11.4</b>	76.4	(93.7)	(17.3)
Results of equity accounted investments		<b>(0.2)</b>	<b>—</b>	<b>(0.2)</b>	(0.6)	—	(0.6)
Finance income	8	<b>2.1</b>	<b>—</b>	<b>2.1</b>	5.4	—	5.4
Finance costs	8	<b>(20.2)</b>	<b>—</b>	<b>(20.2)</b>	(27.0)	—	(27.0)
<b>Profit/(loss) before taxation</b>		<b>97.2</b>	<b>(104.1)</b>	<b>(6.9)</b>	54.2	(93.7)	(39.5)
Tax expense	9	<b>(34.3)</b>	<b>0.5</b>	<b>(33.8)</b>	(17.7)	6.3	(11.4)
<b>Profit/(loss) for the year from continuing operations</b>		<b>62.9</b>	<b>(103.6)</b>	<b>(40.7)</b>	36.5	(87.4)	(50.9)
Attributable to:							
Equity holders of the parent		<b>46.6</b>	<b>(92.6)</b>	<b>(46.0)</b>	21.5	(87.4)	(65.9)
Non-controlling interests		<b>16.3</b>	<b>(11.0)</b>	<b>5.3</b>	15.0	—	15.0
		<b>62.9</b>	<b>(103.6)</b>	<b>(40.7)</b>	36.5	(87.4)	(50.9)
<b>Earnings per share</b>							
– Basic	10	<b>108.4p</b>	<b>(215.4)p</b>	<b>(107.0)p</b>	50.0p	(203.3)p	(153.3)p
– Diluted	10	<b>108.0p</b>	<b>(214.7)p</b>	<b>(106.7)p</b>	49.9p	(202.8)p	(152.9)p
<b>Dividends paid (pence per share)</b>	11			<b>—</b>			71.91p
<b>Final dividend proposed (pence per share)</b>	11			<b>—</b>			—

\* Restated - see note 2.

**The consolidated income statement includes the majority of our income and expenses for the year with the remainder recorded in the consolidated statement of comprehensive income.**

Highlights of the movements in the year are set out below:

### Revenue

Revenue increased by 4.1% to £4,058.5m (2020: £3,897.2m restated). UK Rail operations comprised 69.7% of the total revenue and remained largely consistent with prior year at £2,829.7m (2020: £2,814.3m restated). International Rail operations comprised 3.5% of total revenue and increased by 100.3% during the year to £140.2m due to the results including a full year of Norway operations which commenced in December 2019. Regional Bus comprised 10.5% of revenue, increasing by 4.6% to £427.7m reflecting the first full year of operation of contracts in Cornwall, a full year of CBSSG receipts and an element of prior year CBSSG funding recognised in the current year. London & International Bus comprised the remaining 16.3%, growing by 9.4% to £660.9m reflecting a full year's operation of contracts in Ireland, contract revenue growth including route wins in London bus, one-off benefits in London relating to the recognition profile of Quality Incentive Contracts (QICs) and COVID-19 related government receipts in Singapore. Segmental performance is shown in note 4.

### Operating profit

Overall, the operating profit, before exceptional items, increased 51.2% from £76.4m (restated) to £115.5m reflecting the strong performance in London & International Bus. Operating profit in the London & International Bus segment has increased due to the one-off benefit from a change in recognition profiling in London relating to QICs of £14.0m and COVID-19 related government receipts in Singapore, with margins in this segment increasing from 8.3% (restated) to 10.4%. The pandemic has mostly impacted performance in the Regional Bus segment and pre-exceptional margins have declined slightly from 5.0% to 4.2%. UK Rail profit margins (before exceptional items) remained largely consistent at 2.0% (2020: 1.8%) and International Rail margins (pre-exceptional items) improved from (63.7%) to (19.7%) due to the results including a full year of Norway operations which commenced in December 2019 and also improved operational and financial performance in Germany.

**Consolidated income statement narrative** continued

53 weeks ended 3 July 2021

**Exceptional operating items**

During the year, an exceptional charge of £104.1m has been recognised, an increase of £10.4m compared to the prior year (2020: £93.7m restated). The key items recorded as exceptional in the current year relate to onerous contract provisions and a potential fine, as detailed below. Refer to note 7 for details of all exceptional items.

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to FY20 and the Group's FY21 interim results. A number of errors have been identified in respect of the assumptions used when calculating the onerous provision in the Bavarian rail franchise in the prior year and the Group's FY21 interim results. The prior year provision was determined to be understated by £36.6m which has been restated in these financial statements. Correspondingly there was a reduction of £25.9m charged to the consolidated income statement in the Group's FY21 interim results.

There is a restatement in exceptional items in the prior year relating to the onerous contract provisions in an increase in the existing Bavaria contract provision in Germany (charge of £36.6m). Refer to note 2 for further details. International Rail exceptional costs have increased to £71.5m (2020: £67.0m restated) mostly as a result of a new onerous contract provision in relation to the contract in Norway (charge of £66.2m). There has also been an impairment of £10.5m recognised in relation to intangible and tangible assets in Norway.

Under the Railways Act 1993, the DfT has the power to impose a financial penalty in relation to LSER as outlined on pages 10 and 11. The Group has included a provision of £30.0m as an exceptional charge in relation to this, which reflects the Group's current best estimate of any potential penalty. The Group has also recognised associated legal and professional costs of £2.4m. Refer to note 7 for further details.

**Finance costs**

Net finance costs for the year were lower than the prior year at £18.1m (2020: £21.6m restated). Finance costs of £20.2m (2020: £27.0m restated) reflects lower IFRS 16 interest charges as we approach the end of the UK Rail contracts and IFRS 16 lease liabilities diminish. Finance income of £2.1m (2020: £5.4m) reflects lower interest rates and reduced cash held on deposit with more cash held in instant access accounts.

**Tax expense**

The tax expense increased from £11.4m (restated) in 2020 to £33.8m. On a pre-exceptional basis, the 2021 effective tax rate is 35.3% (2020: 32.7% restated). This includes a £14.4m charge in relation to the change in the UK deferred taxation rate from 19% to 25%; excluding this, the effective tax rate is 20.5% (2020: 22.5% restated).

**Consolidated statement of comprehensive income and narrative**

53 weeks ended 3 July 2021

	Notes	2021 £m	2020* £m
<b>Loss for the year</b>		<b>(40.7)</b>	(50.9)
<b>Other comprehensive income/(expense)</b>			
Items that will not be reclassified to profit or loss:			
Remeasurement losses on defined benefit pension plans	28	<b>(23.2)</b>	(3.1)
Tax relating to items that will not be reclassified	9	<b>5.3</b>	0.4
		<b>(17.9)</b>	(2.7)
Items that may subsequently be reclassified to profit or loss:			
Unrealised losses/(gains) on cashflow hedges	23	<b>15.7</b>	(25.3)
Tax relating to items that may be reclassified	9	<b>(3.1)</b>	4.8
Foreign exchange differences on translation of foreign operations		<b>5.9</b>	(2.3)
		<b>18.5</b>	(22.8)
Other comprehensive income/(expense) for the year, net of tax		<b>0.6</b>	(25.5)
<b>Total comprehensive expense for the year</b>		<b>(40.1)</b>	(76.4)
Attributable to:			
Equity holders of the parent		<b>(45.4)</b>	(91.4)
Non-controlling interests		<b>5.3</b>	15.0
		<b>(40.1)</b>	(76.4)

\* Restated – see note 2.

**The consolidated statement of comprehensive income records all of the income and losses generated for the year**

Highlights of the movements in the year are set out below:

**Loss for the year**

The loss for the year after taxation is £40.7m and includes amounts attributable to equity shareholders and non-controlling interests.

**Remeasurement of defined benefit pension plans**

As analysed in note 28 the remeasurement losses on defined benefit pension plans were £23.2m, which consisted of rail pension plans showing remeasurements of £nil and bus pension plans showing remeasurements of £23.2m.

**Unrealised losses/(gains) on cashflow hedges**

The Group manages its exposure to the future cost of diesel through a programme of hedging. At each period end, the derivatives used are marked to a market price and the amounts attributable to future periods are revalued through the statement of comprehensive income.

## Consolidated statement of changes in equity

53 weeks ended 3 July 2021

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Share premium reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 30 June 2019 (as previously reported)	74.7	(71.3)	3.5	1.6	0.7	—	300.9	310.1	35.1	345.2
Restatements	—	—	—	—	—	—	(23.2)	(23.2)	(15.4)	(38.6)
At 30 June 2019 (restated) <sup>1</sup>	74.7	(71.3)	3.5	1.6	0.7	—	277.7	286.9	19.7	306.6
(Loss)/profit for the year (restated) <sup>2</sup>	—	—	—	—	—	—	(65.9)	(65.9)	15.0	(50.9)
Movement on hedges (net of tax) (note 23) <sup>3</sup>	—	—	(20.5)	—	—	—	—	(20.5)	—	(20.5)
Remeasurement on defined benefit retirement plans (net of tax) (note 28)	—	—	—	—	—	—	(2.7)	(2.7)	—	(2.7)
Foreign exchange	—	—	—	—	—	(2.3)	—	(2.3)	—	(2.3)
Total comprehensive (expense)/income	—	—	(20.5)	—	—	(2.3)	(68.6)	(91.4)	15.0	(76.4)
Transfer of cash flow hedging (gains)/losses and cost of hedging to the initial carrying amount of hedged items <sup>3</sup>	—	—	4.7	—	—	—	—	4.7	—	4.7
Exercise of share options	—	0.7	—	—	—	—	(0.7)	—	—	—
Share based payment charge (and associated tax) (note 6)	—	—	—	—	—	—	1.6	1.6	—	1.6
Acquisition of own shares (note 25)	—	(0.7)	—	—	—	—	—	(0.7)	—	(0.7)
Share issue	0.5	—	—	—	—	—	—	0.5	—	0.5
Dividends (note 11) <sup>4</sup>	—	—	—	—	—	—	(30.9)	(30.9)	(14.0)	(44.9)
At 27 June 2020 <sup>1</sup>	75.2	(71.3)	(12.3)	1.6	0.7	(2.3)	179.1	170.7	20.7	191.4
(Loss)/profit for the year	—	—	—	—	—	—	<b>(46.0)</b>	<b>(46.0)</b>	<b>5.3</b>	<b>(40.7)</b>
Movement on hedges (net of tax) (note 23)	—	—	<b>12.6</b>	—	—	—	—	<b>12.6</b>	—	<b>12.6</b>
Remeasurement on defined benefit retirement plans (net of tax) (note 28)	—	—	—	—	—	—	<b>(17.9)</b>	<b>(17.9)</b>	—	<b>(17.9)</b>
Foreign exchange	—	—	—	—	—	<b>5.9</b>	—	<b>5.9</b>	—	<b>5.9</b>
Total comprehensive income/(expense)	—	—	<b>12.6</b>	—	—	<b>5.9</b>	<b>(63.9)</b>	<b>(45.4)</b>	<b>5.3</b>	<b>(40.1)</b>
Transfer of cash flow hedging (gains)/losses and cost of hedging to the initial carrying amount of hedged items	—	—	<b>5.5</b>	—	—	—	—	<b>5.5</b>	—	<b>5.5</b>
Exercise of share options	—	<b>0.6</b>	—	—	—	—	<b>(0.6)</b>	—	—	—
Share based payment charge (note 6)	—	—	—	—	—	—	<b>1.2</b>	<b>1.2</b>	—	<b>1.2</b>
Acquisition of own shares (note 25)	—	<b>(0.6)</b>	—	—	—	—	—	<b>(0.6)</b>	—	<b>(0.6)</b>
Deferred tax on share-based payment transactions	—	—	—	—	—	—	<b>0.1</b>	<b>0.1</b>	—	<b>0.1</b>
Dividends (note 11)	—	—	—	—	—	—	—	—	<b>(3.7)</b>	<b>(3.7)</b>
<b>At 3 July 2021</b>	<b>75.2</b>	<b>(71.3)</b>	<b>5.8</b>	<b>1.6</b>	<b>0.7</b>	<b>3.6</b>	<b>115.9</b>	<b>131.5</b>	<b>22.3</b>	<b>153.8</b>

**Consolidated statement of changes in equity narrative** continued

53 weeks ended 3 July 2021

1. Opening reserves as at June 2019 have been restated by £38.6m as a result of corrections impacting the consolidated income statement. Retained earnings has been reduced by £23.3m in relation to matters of concern relating to LSER and other historic franchises and affiliate trading, and an increase of £0.1m in relation to correction of errors. NCI has been restated by £15.4m which is 35% of the restated transactions which relate to UK Rail franchises. See Note 2c. Consolidated balance sheets as at 27 June 2020 and 29 June 2019 on pages 184 and 185 and the respective notes in note 2 for further information.
2. Restated – Profit/(loss) in 2019 was restated given the impact of the prior year restatements which are set out in note 2.
3. Restated - These two lines have been restated for a reclassification of £4.7m of cashflow hedge in relation to fuel purchases between the statement of other comprehensive income and statement of changes in equity - previously reported as the net figure of £15.8m as a movement on hedges (net of tax). See note 2c, presentational corrections and reclassifications, point 5 IFRS 9 cashflow hedge reclassification on page 191 for further details.
4. Restated – Dividends relating to non-controlling interest have reduced by £0.7m from £14.7m previously reported due to the impact on distributable profits of the prior year restatements – see note 2 for further information.

**The consolidated statement of changes in equity shows the movements in equity shareholders' funds and non-controlling interests**

Equity shareholders' funds decreased from £170.7m (restated) to £131.5m as a result of the loss for the year.

Non-controlling interests have increased from £20.7m (restated) to £22.3m and consist of the appropriate share of UK Rail profits, less dividends paid to non-controlling interests during the year.

The hedging reserve reflects the movements on the fuel hedge derivatives which are marked to a market price. The increase is due to higher market prices resulting in a profit in the year.

**Consolidated balance sheet**

as at 3 July 2021

	Notes	2021 £m	2020* £m	2019* £m
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12	553.8	589.0	631.9
Right of use assets	13	345.4	648.9	—
Goodwill	14	73.5	73.5	74.1
Other intangible assets	14	8.5	22.6	34.7
Deferred tax assets	9	1.5	3.3	0.5
Derivative financial assets	23	3.4	0.1	1.5
Trade and other receivables	17	2.0	—	—
Retirement benefit assets	28	41.5	63.3	53.8
		<b>1,029.6</b>	1,400.7	796.5
<b>Current assets</b>				
Inventories	16	19.5	19.7	16.8
Trade and other receivables	17	413.2	290.5	352.7
Finance lease receivables	18	2.3	—	—
Derivative financial assets	23	4.9	0.1	4.4
Assets classified as held for sale	15	3.2	7.2	2.7
Current tax assets	9	13.4	4.9	—
Cash and cash equivalents	19	630.6	569.8	630.8
		<b>1,087.1</b>	892.2	1,007.4
<b>Total assets</b>		<b>2,116.7</b>	2,292.9	1,803.9
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	20	(883.4)	(765.3)	(875.0)
Derivative financial liabilities	23	(0.6)	(11.0)	(0.8)
Interest-bearing loans and borrowings	21	(12.0)	(12.3)	(11.7)
Lease liabilities	13	(263.9)	(517.3)	(1.8)
Current tax liabilities	9	(17.6)	(0.9)	(13.5)
Provisions	24	(159.1)	(51.2)	(40.5)
		<b>(1,336.6)</b>	(1,358.0)	(943.3)
<b>Non-current liabilities</b>				
Trade and other payables	20	(13.5)	(15.6)	(9.0)
Derivative financial liabilities	23	(0.3)	(5.6)	(0.8)
Interest-bearing loans and borrowings	21	(382.5)	(403.9)	(401.6)
Lease liabilities	13	(48.7)	(131.3)	(4.3)
Retirement benefit obligations	28	(5.5)	(10.3)	(5.1)
Deferred tax liabilities	9	(59.7)	(48.9)	(49.5)
Provisions	24	(116.1)	(127.9)	(83.7)
		<b>(626.3)</b>	(743.5)	(554.0)
<b>Total liabilities</b>		<b>(1,962.9)</b>	(2,101.5)	(1,497.3)
<b>Net assets</b>		<b>153.8</b>	191.4	306.6
<b>Capital and reserves</b>				
Share capital	25	75.2	75.2	74.7
Reserve for own shares	25	(71.3)	(71.3)	(71.3)
Hedging reserve	25	5.8	(12.3)	3.5
Share premium reserve	25	1.6	1.6	1.6
Capital redemption reserve	25	0.7	0.7	0.7
Translation reserve	25	3.6	(2.3)	—
Retained earnings		115.9	179.1	277.7
<b>Total shareholders' equity</b>		<b>131.5</b>	170.7	286.9
Non-controlling interests		22.3	20.7	19.7
<b>Total equity</b>		<b>153.8</b>	191.4	306.6

\* Restated – see note 2.

The consolidated notes 1 to 30 are an integral part of the consolidated financial statements.

The financial statements were approved and authorised for issuance by the Board of directors on 23 February 2022 and were signed on its behalf by:



Clare Hollingsworth – Chair



Gordon Boyd – Interim Group Chief Financial Officer



## Consolidated balance sheet narrative

as at 3 July 2021

### The consolidated balance sheet shows all of our assets and liabilities at the year end

Further details of the major movements of our assets and liabilities in the year are set out below:

#### Property, plant and equipment

Overall, property, plant and equipment totalled £553.8m, down £35.2m on the prior year, with the vast majority held in the Bus division in freehold land and buildings and bus vehicles. During the year, the Group spent £52.9m on assets, £50.0m in the Bus division and £2.9m in the Rail division; offsetting this were charges of £81.5m, £65.2m in the Bus division and £16.3m in the Rail division.

#### Right of use assets

Right of use assets decreased by £303.5m from the prior year, to £345.4m. This is primarily due to a depreciation charge of £486.5m in the year which is significant as the majority of the leases relate to the UK Rail businesses which have short lease terms due to the remaining terms of the franchises. This charge is partially offset by additions of £187.0m, which includes contract modifications of £165.9m as a result of the franchise contract extension in Govia Thameslink Railway.

#### Goodwill and intangible assets

The total intangible balance of £82.0m is down £14.1m on the prior year as a result of the movement in other intangibles. This is due to an impairment of £9.7m of franchise set-up costs and other intangible assets, and £0.8m of associated right of use assets within Norway, along with the amortisation charge for the Group for the year totalling £6.3m which is offset by additions of £2.2m.

#### Current assets

The Group's current assets totalled £1,087.1m, up £194.9m on the restated prior year. Of this increase, £60.8m was in cash and the remainder of the movement was due to higher trade receivables. Both of these increases were mainly in the UK Rail businesses and arose from the timing of working capital movements, the lifting of COVID-19 restrictions in the current year and the franchises operating under the EMA and ERMA contracts.

#### Derivative financial assets and liabilities

Included in current assets is £4.9m and in non-current assets is £3.4m, offset by current liabilities of £0.6m and non-current liabilities of £0.3m. These represent the mark to market value of the fuel hedges, split between those due within one year and those due in more than one year.

#### Trade and other payables

Trade and other payables have increased by £118.1m to £883.4m, mainly attributable to the timing of working capital payments in the UK Rail businesses, including timing of payments from and to the DfT in relation to the EMA and ERMA contracts.

#### Interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings totalled £382.6m, down from £403.9m in 2020. Principal balances within this are amounts drawn on our revolving credit facility of £126.6m and the £250.0m corporate bond, offset by deferred debt issue costs. Current interest-bearing loans and borrowings totalled £11.9m, down from £12.3m (restated) in 2020. Interest rates and movements on these balances are shown in full in note 21.

#### Lease liabilities

Lease liabilities total £312.6m which is a decrease of £336.0m compared to 2020. This decrease is mainly due to the majority of the leases relating to the rail businesses which have short term lease terms due to the remaining term of the franchises. During the year, there was a contract modification of £165.9m in Govia Thameslink Railway as a result of the rail franchise being extended. The lease liability comprises £263.9m of current liabilities and £48.7m of non-current liabilities which is reflective of the remaining term of the UK Rail franchises at the year end.

#### Retirement benefit schemes

Further details of the retirement benefit schemes in both bus and rail are shown in note 28. The net surplus on the bus schemes totals £36.0m and represents the excess of current assets compared to future liabilities in the pension fund. An asset-backed off-balance sheet funding arrangement is in place, as agreed with the scheme trustees. The rail deficit is £nil reflecting that the franchise adjustment (for the amounts which are the ongoing responsibility of the Department for Transport (DfT) or others beyond the franchise term) offsets the pension scheme deficit calculated.

#### Provisions

As shown in note 24, the Group provides for both uninsured claims and for rail franchise commitments including property and rolling stock dilapidations. The total provisions balance has increased by £96.1m compared to 2020 provisions of £179.1m (restated). This is primarily as a result of an onerous contract provision recognised in relation to the Norwegian rail franchise of £65.3m and a £30.0m provision for the Group's current best estimate of any potential penalty in relation to the matters of concern relating to LSER and other historic franchises and affiliate trading outlined on pages 10 and 11. In addition to this, the total provision for uninsured claims of £47.9m is £2.0m lower than in 2020 and franchise commitments are £7.3m higher than prior year at £79.3m.

#### Capital and reserves

Movements in equity and reserves are described in the commentary on the consolidated statement of changes in equity.

**Consolidated cashflow statement**

53 weeks ended 3 July 2021

	Notes	2021 £m	2020* £m
<b>Loss after tax for the year</b>		<b>(40.7)</b>	(50.9)
Net finance costs	8	18.1	21.6
Tax expense	9	33.8	11.4
Depreciation of property, plant and equipment	12	81.5	84.1
Depreciation of right of use assets	13	486.5	375.5
Amortisation of intangible assets	14	6.3	9.4
Asset impairment, excluding exceptional items		5.7	0.9
Exceptional items	7	104.1	93.7
Share of result of joint venture		0.2	0.6
Profit on sale of property, plant and equipment		0.1	(0.9)
Share based payment charges	6	1.2	1.6
Difference between pension contributions paid and amounts recognised in the income statement		(5.3)	(7.3)
Decrease/(increase) in inventories		0.2	(2.9)
(Increase)/decrease in trade and other receivables		(125.8)	58.8
Increase/(decrease) in trade and other payables		120.7	(113.2)
Movement in provisions, excluding exceptional items		2.7	10.6
<b>Cashflows generated from operations</b>		<b>689.3</b>	493.0
Taxation paid	9	(12.1)	(28.2)
<b>Net cashflows from operating activities</b>		<b>677.2</b>	464.8
<b>Cashflows from investing activities</b>			
Interest received		1.1	5.5
Proceeds from sale of property, plant and equipment		6.3	0.7
Proceeds from sale of property, plant and equipment held for sale		7.3	2.0
Movement in finance lease receivables	18	8.4	—
Purchase of property, plant and equipment		(52.9)	(72.6)
Purchase of property, plant and equipment held for sale		(5.7)	—
Purchase of intangible assets		(2.2)	(18.4)
<b>Net cashflows used in investing activities</b>		<b>(37.7)</b>	(82.8)
<b>Cashflows from financing activities</b>			
Interest paid on lease liabilities		(9.0)	(13.9)
Other interest paid		(11.3)	(11.5)
Dividends paid to members of the parent	11	—	(30.9)
Dividends paid to non-controlling interests		(3.7)	(13.9)
Proceeds from issue of shares		—	0.5
Payment to acquire own shares		(0.6)	(0.7)
Repayments of borrowings		(307.2)	(361.9)
Proceeds from borrowings		289.4	363.6
Payment of lease liabilities		(534.5)	(374.3)
<b>Net cashflows used in financing activities</b>		<b>(576.9)</b>	(443.0)
Net increase/(decrease) in cash and cash equivalents		62.6	(61.0)
<b>Cash and cash equivalents at 27 June 2020</b>	19	<b>569.8</b>	630.8
Effect of foreign exchange rate changes		(1.8)	—
<b>Cash and cash equivalents at 3 July 2021**</b>	19	<b>630.6</b>	569.8

\* Restated – see note 2.

\*\* Cash balances of £543.7m (2020: £474.8m) were restricted at 3 July 2021. Further details are shown in note 19.

## Consolidated cashflow and reconciliations

53 weeks ended 3 July 2021

### The consolidated cashflow statement shows the cashflows from operating, investing and financing activities for the year

#### Net cash/debt

Closing adjusted net debt on a post-IFRS 16 basis was £615.6m, a decrease of £350.3m from opening adjusted net debt of £965.9m. Closing adjusted net debt on a pre-IFRS 16 basis was £305.9m. In line with our debt covenants, net debt is pre-IFRS16 and adjusted for restricted cash. Adjusted net debt is calculated using the outstanding principal value of debt and does not include accrued interest and is gross of debt issue costs.

#### Cashflow reconciliation

A reconciliation of cash generated from operations to free cashflow and net debt, two non-GAAP measures used by management, is shown below. Free cashflow and adjusted net debt are measures used by management, which reflect the impact of restricted cash on cashflows.

	2021			2020*		
	IFRS 16 basis £m	IFRS 16 effect £m	Pre-IFRS 16 basis £m	IFRS 16 basis £m	IFRS 16 effect £m	Pre-IFRS 16 basis £m
<b>Summary cashflow</b>						
EBITDA (excluding exceptional items)	695.6	499.9	195.7	546.3	383.9	162.4
Movement in restricted cash	(68.9)	—	(68.9)	(45.7)	—	(45.7)
Working capital and other operating cashflows	(6.5)	42.0	(48.5)	2.5	1.6	0.9
Cashflow generated from operations (excluding restricted cash movements)	620.2	541.9	78.3	503.1	385.5	117.6
Tax paid	(12.1)	—	(12.1)	(28.2)	—	(28.2)
Net interest paid	(19.2)	(9.0)	(10.2)	(19.9)	(13.7)	(6.2)
Net capital investment	(47.2)	—	(47.2)	(88.3)	—	(88.3)
Dividends paid to non-controlling interests	(3.7)	—	(3.7)	(13.9)	—	(13.9)
Free cashflow	538.0	532.9	5.1	352.8	371.8	(19.0)
Payments to acquire own shares	(0.6)	—	(0.6)	(0.7)	—	(0.7)
Proceeds from issue of shares	—	—	—	0.5	—	0.5
Inception of new leases	(31.7)	(31.7)	—	(235.0)	(235.0)	—
Lease modifications	(166.6)	(166.6)	—	—	—	—
IFRS 16 lease liabilities onto balance sheet	—	—	—	(781.1)	(781.1)	—
Dividends paid to members of the parent	—	—	—	(30.9)	—	(30.9)
Other	11.2	—	11.2	(1.2)	—	(1.2)
Movement in adjusted net debt**	350.3	334.6	15.7	(695.6)	(644.3)	(51.3)
Opening adjusted net debt**	(965.9)	(644.3)	(321.6)	(270.3)	—	(270.3)
Closing adjusted net debt**	(615.6)	(309.7)	(305.9)	(965.9)	(644.3)	(321.6)

\* Restated - see note 2.

\*\* Adjusted net debt represents net cash less restricted cash.

EBITDA (excluding exceptional items) is defined as earnings before interest, tax, depreciation, amortisation and impairment and excludes exceptional items. In the year to 3 July 2021, it increased to £695.6m (£195.7m on a pre-IFRS 16 basis) as a result of the ongoing recovery from the impacts of the COVID-19 pandemic and continued COVID-19 support arrangements.

Capital expenditure, net of sale proceeds, was £41.2m lower in the year at £47.2m (2020: £88.3m restated) due to higher sales proceeds and lower purchases. Tax payments in the year decreased by £16.1m to £12.1m primarily due the timing of payments made to HMRC.

#### EBITDA (excluding exceptional items) reconciliation

EBITDA (excluding exceptional items) is defined as earnings before interest, tax, depreciation, amortisation and impairment and excludes exceptional items, as shown below. This metric is used in the calculation of our pre-IFRS 16 EBITDA (excluding exceptional items) which is relevant to our debt covenants.

	2021 £m	2020* £m
<b>Loss after tax for the year</b>	<b>(40.7)</b>	(50.9)
Exceptional operating items	104.1	93.7
Net finance costs	18.1	21.6
Tax expense	33.8	11.4
Depreciation of property, plant and equipment	81.6	84.1
Depreciation of right of use assets	486.5	375.5
Amortisation of intangible assets	6.3	9.4
Share of result of joint venture	0.2	0.6
Asset impairment, excluding exceptional items	5.7	0.9
<b>EBITDA (excluding exceptional items)</b>	<b>695.6</b>	546.3

\* Restated - see note 2.

## Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

### Critical accounting judgements

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

#### Going concern

During the financial year, and up to the date of signing the Annual Report and Accounts, the COVID-19 pandemic has continued to have a significant impact on the Group. Whilst the Group has seen positive trends emerging over the period since the balance sheet date with the easing and cessation of many UK and international government restrictions, it is difficult to judge what the long-term impact of the pandemic will be on the wider economy and, in particular, the transport sector in which the Group operates.

Under the Railways Act 1993, the DfT has the power to impose a financial penalty in relation to LSER as outlined on pages 10 to 11. In the absence of specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, has included a provision of £30.0m which reflects the Group's current best estimate of any penalty.

Owing to the above factors, and the difficulties in forecasting the resulting impact on ongoing compliance with the Group's loan facility covenants, the going concern assessment is considered a critical accounting judgement

However, the directors have considered the Group's current and future prospects and judge that it is appropriate to continue to adopt the going concern basis of preparation as they are satisfied that the Group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Please refer to the Directors' report for the Group's going concern statement.

#### Contract and franchise accounting

The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them are governed by a number of contracts between the major participants: the DfT, Network Rail and train operating companies (TOCs). These contracts include detailed performance regimes which determine the allocation of financial responsibility relating to the attribution of delays. The processes for attribution, whilst well understood, require detailed assessment and can take significant time to resolve, particularly in unusual circumstances.

The useful economic lives of assets within the TOCs are determined by reference to the length of the franchise and are matched to the contractual franchise end date. The residual value of assets is determined by their condition at the franchise end date and by the level of maintenance that has been undertaken during the period of operation.

The Group makes provision for income and costs relating to performance regimes and contractual obligations relating to operating delays caused by Network Rail or caused by our own operating companies. This process can be based primarily on previous experience of settling such claims, or, in certain circumstances, based on management's view of the most likely outcome of individual claims. The Group has significant internal expertise to assess and manage these aspects of the agreements and the issues relating to delay attribution to enable management to assess the most probable outcomes; nonetheless significant judgements are required, which can have material impacts on the financial statements.

Accordingly, judgements in these and other areas are made on a continuing basis with regard to amounts due and the recoverable carrying value of related assets and liabilities arising from franchises and other contracts. Regular reviews are performed on the expected outcome of these arrangements, which require assessments and judgements relating to the expected level of revenues and costs.

Please refer to note 27 for details of contingent liabilities relating to these judgements and estimations.

As a result of the COVID-19 pandemic, on 23 March 2020 the UK Government suspended all rail franchise agreements and introduced an industry-wide Emergency Measures Agreement (EMA) scheme to support train operating companies. The GTR EMA was in place for an initial period to 19 September 2020. Since this date, GTR is operating under an Emergency Recovery Measures Agreement (ERMA) now extended until the end of March 2022. The ERMA is similar in nature to that of the EMA with GTR continuing to receive a management fee for the remainder of its franchise.

Contract and franchise accounting specific to the rail business is disclosed in the segmental analysis in note 4.

#### Exceptional operating items

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

Items of income or expense that are considered by management for designation as exceptional include onerous contract provisions, impairment of assets, restructuring provisions and fines or penalties, and the related tax on these items. Set out below are details of the transactions against which management has considered the exceptional items accounting policy, outlined on page 193.

**Critical accounting judgements** continued**Exceptional operating items** continued**Asset impairments and restructuring costs – International Rail**

During the prior year, freehold land and buildings were impaired by £4.4m in Germany and recognised as an exceptional operating item. During the year ended 3 July 2021, a depot that had previously been impaired was sold for an amount greater than the previously estimated recoverable amount. Further, as part of this sale agreement, there is no longer an obligation to pay break fees on the depot which were provided for as of 27 June 2020, and therefore this provision has been released. This has resulted in an exceptional operating credit of £5.2m.

**Asset impairments, provisions and restructuring costs – Regional Bus**

In Regional Bus, an impairment charge of £1.1m has been recognised in relation to property, plant and equipment following the termination of contracts resulting from the effects of the COVID-19 pandemic. Additional costs of £1.2m have also been recognised in relation to loss making contracts where passenger demand is not recovering at the same levels as the wider commercial network. These costs have been offset by the release of restructuring provisions of £1.0m and an impairment reversal of £1.1m following the sale of some coaches that were previously impaired and recognised as exceptional operating charges during the year ended 27 June 2020. Whilst the costs and credits incurred this year do not meet the quantitative threshold to be classified as exceptional on a standalone basis, management has concluded that these items should be classified as exceptional in line with the Group's exceptional items accounting policy, in order to ensure a consistent approach with similar costs incurred previously.

**German Bavaria franchise onerous contract provision**

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to full year 2020 and the 2021 interim results. A number of errors were identified in respect of the accounting for the onerous provision in the Bavarian rail franchise in the prior year and the Group's 2021 interim results.

The prior year provision was determined to be understated by £36.6m which has been restated in these financial statements. Correspondingly there was a reduction in the onerous contract provision of £25.9m reported in the Group's 2021 interim results. The calculation of the understatement was determined following a review of historical information and consideration given to what information then available could reasonably have been included that indicated errors in the previous cash flow assumptions underpinning the provision.

The quantum of this provision and impairment is deemed to be sufficiently material to be classified as exceptional in line with the Group's accounting policy. See page 179 below for more information in the key sources of estimation uncertainty section.

**Norway franchise onerous contract provision and asset impairment**

As part of the detailed review of all material contracts performed by the directors, an onerous contract provision was also recognised in relation to the Norway rail franchise.

In December 2019, the Group began operating rail services in Norway. As the contract involves exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis, initially with 100% loss coverage. As the pandemic continued, loss coverage was reduced from this level down to 85%. The impact of the reduction and possible cessation of funding, the fixed nature of the operating requirements and the longer than expected duration of lower passenger demand following the impact of COVID-19 have resulted in a reduction to the estimated economic benefits in use of the contract. This is based on the expected future cashflows and a risk-free discount rate, triggering the need to reassess the assumptions made in the onerous contract and impairment models. This potential reduction in future revenue results in an onerous contract provision of £65.3m in the consolidated balance sheet (and an exceptional operating charge of £66.2m in the consolidated income statement with £0.9m to the translation reserve) and asset impairments of £10.5m being recognised at the year end. The quantum of this provision and impairment is deemed to be sufficiently material to be classified as exceptional in line with the Group's accounting policy. See page 179 below for more information in the key sources of estimation uncertainty section.

**Department for Transport penalty and associated costs relating to LSER**

In UK Rail, as described above, a provision has been recognised of £30.0m relating to a potential penalty from the DfT. Associated professional fees of £2.1m have also been recognised as an exceptional item. In aggregate, these costs are deemed to be sufficiently material and non-recurring in nature to be classified as exceptional in line with the Group's accounting policy. See page 179 below for more information in the key sources of estimation uncertainty section.

The two items below were considered by management for designation as exceptional items but were determined not to meet the criteria stated in the Group's accounting policy.

**London Bus – QICs**

In London & International Bus, Quality Incentive Contracts (QICs) payments are received as part of the contract revenue and the potential premiums or penalties are assessed cumulatively on a contract-by-contract basis from TfL, at the end of each period based on key performance obligations. The whole of cumulative penalties/premiums are recognised in the income statement on a pro rata basis to the contract year. In the year, due to Transport for London (TfL) moving from annual to quarterly settlement of QICs, greater levels of certainty were created allowing an accelerated recognition of this revenue. This was considered by management against the Group's accounting policy for designation as an exceptional operating item but determined not to meet the criteria due to the Group regularly experiencing the timing benefits and detriments of settlement of amounts from its various contracts. As such this item was not considered to be sufficiently infrequent and has been included in pre-exceptional revenue in the year.

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

### Critical accounting judgements continued

#### Exceptional operating items continued

##### Pre-EMA settlements

In the Rail division, provisions were held in respect of qualifying changes relating to pre-EMA periods and recovery of strike costs. Agreement was reached in writing with the DfT that all outstanding qualifying changes will be settled based on the outcome of the audited financial model. The DfT also confirmed that strike costs are considered already settled through the 'big change' settlement in December 2018. As a result of the agreement and settlement with the DfT, the previously held provisions totalling £12.2m were released to the P&L. This was considered by management per Group's accounting policy for designation as an exceptional operating item but determined not to meet the criteria due to the Group regularly transacting settlements in relation to these types of matters in the UK Rail segment given the size, nature and complexity of these franchises. Further, previous precedent has been seen with both similar costs and releases being taken to the income statement and not presented as exceptional in previous years.

During the prior year, charges in relation to Regional Bus restructuring and impairment of assets resulting from the impact of the COVID-19 pandemic were classified as exceptional. Similarly, impairment of assets and contract provisions in relation to our German business were classified as exceptional in the prior year.

##### Accounting for the Railways Pension Scheme (RPS)

The UK train operating companies participate in the Railways Pension Scheme (RPS), a defined benefit pension scheme which covers the whole of the UK rail industry. 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. The Group only recognises amounts in relation to its share of costs in the income statement. The RPS is partitioned into sections and the Group is responsible for the funding of these sections whilst it operates the relevant franchise. At the end of the franchise term, responsibility for the funding, and consequently any deficit or surplus existing at that date, is passed to the next franchisee. At each balance sheet date a franchise adjustment is recognised to the IAS 19 net pension asset or liability to reflect that portion expected to pass to the next franchisee.

The directors view this arrangement as synonymous to the circumstances described in paragraphs 92–94 of IAS 19 Employee Benefits (Revised), with a third party taking on the obligation for future contributions. As there is no requirement to make contributions to fund the current deficit, then it is assumed that all of the current deficit will be funded by another party and hence none of the deficit is attributable to the current franchisee. In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in the future, which is recognised as an adjustment to service cost in the income statement. As a result, any portion of service cost not expected to be covered by contributions paid during the franchise but expected to transfer at the end of the franchise is treated as an adjustment to the income statement.

Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

The directors deem this to be the most appropriate interpretation of IAS 19 to reflect the specific circumstances of the RPS where the franchise commitment is only to pay contributions during the period in which we run the franchise. An alternative approach would involve not limiting the measurement of the service cost through the recognition of an income statement franchise adjustment, but recognising all movements on the franchise adjustment as a movement in a reimbursement right in other comprehensive income. For the year ended 3 July 2021, the impact of this alternative treatment, on a post-tax basis, would be an increase in costs of £97.6m (2020: £72.6m) to the income statement and a credit to other comprehensive income of £122.3m (2020: debit of £185.0m). Since the franchise contract only refers to the contribution requirements during the franchise term, and not any reimbursement rights, the directors consider that viewing the treatment as contribution sharing with the next franchisee is most appropriate.

##### COVID-19: Rail – Emergency Measures Agreements (EMAs) and Emergency Recovery Measures Agreements (ERMAs)

The COVID-19 pandemic continues to have a major impact on the global economy and has had an impact on the Group's operational performance during the current year. The Group has received government support in each area of its divisional operations. In the Rail division, from 1 March 2020, UK operations saw all the revenue and cost risk being transferred to the Government by way of Emergency Measures Agreements (EMAs) and later Emergency Recovery Measures Agreements (ERMAs).

LSER's EMA ended on 17 October 2021 when its Southeastern franchise expired and the DfT chose to appoint the Operator of Last Resort (OLR). For GTR, the EMA term ended on 19 September 2020 at which point GTR transferred to an ERMA which has its term end on 31 March 2022.

As part of these agreements, signed by the DfT, GTR and LSER in the prior year, there are two income streams; a management fee to run business as usual and a performance based fee payable on achieving various target operational performance benchmarks. The management fee is recognised within franchise subsidy revenue, in line with the revenue recognition policy for subsidy receipts received from the DfT.

For EMAs and ERMA, the performance payment is assessed by the DfT through a review process, which awards rail franchisees with a score of 1, 2 or 3 against three criteria (four for the ERMA) over the entire term of the EMA in areas of operational performance, customer experience and acting as a good and efficient operator and was extended to include collaboration for the ERMA.

Subsequent to the year end, the EMA performance payment has been confirmed and recognised at £3.9m for LSER. As a result, it is no longer considered a critical accounting judgement.



### Critical accounting judgements continued

#### COVID-19: Rail – Emergency Measures Agreements (EMAs) and Emergency Recovery Measures Agreements (ERMAs) (continued)

GTR's EMA performance payment was confirmed by the DfT in December 2020 to be £3.8m and this was recognised in the first half of this financial year.

The ERMA is similar in nature to that of the EMA with GTR continuing to receive a base management fee for the remainder of its franchise; however, the performance payment is assessed with a score of 1, 2 or 3 against the four criteria of operational performance, customer experience, financial performance and collaborative behaviours.

The scores are assessed six monthly and the performance payment awarded and recognised for the period to 31 March 2021 was £8.3m. The cumulative ERMA performance payment for GTR can range up to £18.3m over the ERMA term.

Using the fact that after year end, GTR's performance scores in 3 of the 4 ERMA categories were confirmed and also using the EMA performance outcome and the ERMA assessment completed to date as guides, a performance payment of £3.3m was accrued as at the financial year end, covering the period from April 2021 to year end, in addition to the £8.3m recognised for the period to 31 March 2021. As a result, judgement remains until the final performance score is confirmed.

In Germany, the rail contracts currently in operation are management contracts. Consequently, there is no material revenue risk associated with these contracts.

In Norway, the rail contract is partly subject to revenue risk in relation to the unsubsidised part of the contract. Throughout the financial year ended 3 July 2021, the Norwegian Government continued to support the rail industry with a package materially covering revenue lost since March 2020. This support package has been extended to at least March 2022 with the possibility of further support if COVID-19 restrictions remain and infection rates remain high. See further disclosures below in this section in relation to Norwegian rail franchises.

#### Key sources of estimation uncertainty

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

##### Measurement of franchise commitments

The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations, within the UK Rail franchises, and a provision relating to the franchise set-up costs of the German Bavaria franchise, is set out in note 24.

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

The forecasts in relation to the estimated value in use of the German franchise are subject to estimation due to the sensitivity of the assumptions used. The most sensitive assumptions relate to the assessment of future performance penalties, driver costs and costs of franchise set-up.

Sensitivity analysis with respect to franchise commitments is provided in note 24.

##### Retirement benefit schemes – bus

The measurement of defined benefit pension schemes requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 28. The Group engages Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to the Group's particular circumstances. Management also benchmarks these assumptions on a periodic basis with other professional advisors. Sensitivity analysis on the bus retirement defined benefit schemes is detailed in note 28.



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

### Key sources of estimation uncertainty continued

#### Norwegian rail franchises

In December 2019, the Group began operating rail services in Norway, its first contract in this market and the first commercially run network in the country. After a successful start to operations, the effects of the COVID-19 pandemic were felt just three months into this contract.

As the contract involves exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis, initially with 100% loss coverage. As the pandemic continued, loss coverage was reduced from this level down to 95%, then 90% and subsequently to 85%.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be made for an onerous contract where it is probable that the future economic benefits to be derived from the contract are less than the unavoidable costs under the contract.

The impact of the reduction and possible cessation of funding, the fixed nature of the operating costs and the longer than expected duration of lower passenger demand following the impact of COVID-19 have resulted in a reduction of the estimated value in use of the contract, which is based on the expected future cashflows and a risk-free discount rate, triggering the need to reassess the assumptions made in the onerous contract and impairment models. This reduction in future revenue results in an onerous contract provision of £65.3m and asset impairments of £10.5m being recognised at the year end.

In December 2021, government support was subsequently prolonged to include November and December. Whilst temporary support at an equivalent level is in place until March 2022, after this period the government has indicated further support may be in place until at least August 2022, although at an unconfirmed level. The inclusion of government support at 85% loss coverage from November 2021 to the end of March 2022 in the calculation of the onerous contract provision would reduce its size by £6.8m and there is ongoing dialogue with the Government in relation to a possible renegotiation of the contract.

The estimation of both the cashflow forecasts and discount rate involves a significant degree of judgement. Cashflow forecasts are derived from the most recent Board approved corporate plan. Cashflows for the remainder of the contract years are based on the third year of the corporate plan, updated to reflect the most recent experience of the franchises and other expected future developments. In line with IAS 37 paragraph 47, the pre-tax risk-free discount rates applied to risk adjusted future cashflows are derived with reference to relevant government bond yields in order to reflect the current market assessment of the time value of money. Whilst the directors are taking every possible measure to mitigate the expected losses associated with the contract, the determination of the onerous contract provision involves inherent uncertainties and the estimation of many inputs, including future variations in passenger demand, the level of government support, service performance, energy costs, staff costs and the exercise of the contract's two extension years. The key areas of estimation uncertainty are expected to become clearer as recovery from the pandemic continues. Considering reasonably possible favourable and adverse movements in these key inputs over each contract's life gives a range of estimation uncertainty whereby in the best-case scenario the contract would still be loss making at a discounted loss of £46.0m, and in the reasonably possible worst-case scenario the contract would incur a discounted loss of £112.3m.

In accordance with IAS 1, this disclosure focuses on assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of the provision within the next financial year. The key areas of estimation uncertainty, and the associated sensitivities, are as follows:

- Passenger demand: Passenger demand is assumed to recover to 93% of pre-COVID levels by June 2024, with June being the seasonal peak. If this took 12 months longer the provision would increase by £13.0m and if this happened 12 months earlier the provision would decrease by £6.8m.
- Emergency government support: Government support being extended to August 2022 would reduce the provision by £11.8m.
- Variable costs: An increase or reduction in energy costs and staff costs by 50% and 2% respectively would increase or reduce the provision by £8.7m.

The provision is included within onerous contract provisions and further details can be found in note 24.

#### German rail franchises

The Group has a number of contractual commitments in Germany in respect of its current rail franchises in Baden-Württemberg and Bavaria. IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be made for an onerous contract where it is probable that the future economic benefits to be derived from the contract are less than the unavoidable costs under the contract.

In the prior year, the Group concluded that assets with a net book value of £16.5m in relation to the three Baden-Württemberg franchises were impaired down to £1.7m and it maintains that view. However, it also continues to hold the view that the contract is not onerous as the risk-adjusted discounted future cash inflows are expected to exceed the unavoidable costs over the life of the contracts.

In relation to Bavaria, the Group has two rail contracts, each running for 12 years, which are collectively worth €2bn in lifetime revenues. One of these contracts became operational in December 2021 and the other will become operational in December 2022. Whilst the first contract commenced operations in December 2021 and the second contract is still in its mobilisation phase, based on the Group's current knowledge and expectations of the income and costs associated with these contracts, it has been deemed necessary under IAS 37 to reassess the onerous contract provision. As a result, the provision recognised as at 3 July 2021 totals £33.8m (2020 restated: £44.3m). Whilst the directors are taking every possible measure to mitigate the expected losses associated with these contracts, the determination of the onerous contract provision involves inherent uncertainties and the estimation of many inputs which may give rise to a material adjustment of the provision in future years. Key assumptions in the model relate to future variations in passenger capacity (additional vehicle km), route pairing outcomes, service performance, energy costs and consumption levels, staff costs, and maintenance costs.

**Key sources of estimation uncertainty** continued**German rail franchises** continued

The degree of estimation uncertainty associated with the onerous contract provision is expected to reduce as operations commence and develop, as some of the existing estimation uncertainty derives from the fact that the final operational plan, contractual terms and operational model are still being determined. Considering reasonably possible favourable and adverse movements in these key inputs over each contract's 12-year life, gives a range of outcomes whereby in the best-case scenario the contracts would still be loss making at a discounted loss of £17.5m, as a result of the costs of the mobilisation, and in the reasonably possible worst-case scenario the contract would incur a discounted loss of £52.6m.

In accordance with IAS 1, this disclosure focuses on assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of the provision within the next financial year. The key areas of estimation uncertainty, and the associated sensitivity, are as follows:

- Compensation for unpaired train kilometres (kms): A reduction or increase of 25% of the actual empty/unpaired kms being agreed with the LTA will increase or reduce the provision by £5.2m.
- Energy cost management: A reduction in the assumed energy regeneration levels by 2% of those assumed in the onerous contract provision calculation would increase the provision by £2.9m.
- Penalties: An increase or reduction of 20% in the level of penalties would increase or reduce the provision by £2.3m.
- Heavy maintenance reserve: the maintenance reserve to be paid back at the end of the two contracts is based on manufacturers' cost estimates and will be based on the client's final assessment, therefore an increase or reduction of 10% of the reserve would increase or reduce the provision by £1.9m.
- Staff costs: the inclusion of a further 20% contingency for not realising the planned efficiencies or removing the 20% contingency would increase or decrease the provision by £3.9m.

The estimates included in the onerous contract calculation are made based on the current level of agreed kilometres as per the contract. However, should the agreed kilometres change there will be corresponding changes in the estimates around maintenance costs, sales and marketing costs and energy costs. Further, estimates around rolling stock dilapidation costs and the renting out of trained drivers may depend upon the outcome of future events and may need to be revised as circumstances change.

**Franchise accruals**

The Group has recognised £86.8m of franchise accruals relating to dilapidation, maintenance and end of life liabilities, which are included in the overall accruals balance of £323.6m. These accruals in particular are subject to a greater level of estimation uncertainty as there is a range of possible outcomes, of which the best estimate has been recognised. It is reasonably possible that changes to these estimates could result in an increase or decrease in these accruals of c. 40% or 20% respectively.

**Potential penalty to the Department for Transport relating to London & South Eastern Railway Limited (LSER)**

Under the Railways Act 1993, the DfT has the power to impose a financial penalty in relation to LSER as outlined on pages 10 to 11. In the absence of specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, has included a provision of £30.0m which reflects the Group's current best estimate of any penalty.

Whilst the financial penalty should be proportionate to the nature of the matter it concerns, per the Railways Act 1993, the financial penalty can range from zero to 10% of the total turnover of 2019 and 2020 at LSER (£204.4m).

**COVID-19 Bus Service Support Grant (CBSSG)**

CBSSG income recognition is no longer considered a key source of estimation uncertainty for the year ended 3 July 2021 as it was in the prior year.

CBSSG was a grant payable to bus operators in respect of commercial services in return for making available sufficient capacity to run an agreed level of commercial miles. In the prior year when the scheme was introduced, estimating the amount receivable involved significant estimation uncertainty however there is now more evidence available in relation to settled scheme periods and as such there is greater certainty over CBSSG income to be received. For the year ended 3 July 2021, the Group's operating companies have determined that they are potentially entitled to CBSSG income of £123.8m, inclusive of the £7.2m received in relation to the prior year. This is £3.8m higher than the amount recognised in the financial statements due to uncertainty relating to unsettled CBSSG claims.

The new recovery funding package, the Bus Recovery Grant (BRG), running until the start of April 2022, reflects the Government's decision to continue to provide a level of support to bus operators to allow the provision of vital services to communities whilst passenger numbers continue to recover from the effects of the COVID-19 pandemic.

## Notes to the consolidated financial statements

### 1. Authorisation of financial statements and statement of compliance with International Financial Reporting Standards (IFRSs)

The consolidated financial statements of The Go-Ahead Group plc (the Group) for the year ended 3 July 2021 were authorised for issue by the Board of directors on 23 February 2022 and the balance sheet was signed on the Board's behalf by Clare Hollingsworth and Gordon Boyd. The Group is a public company, limited by shares, that is incorporated, domiciled and registered in England and Wales. The immediate and ultimate parent company of the Group is The Go-Ahead Group plc. The registered office is 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne, NE1 6EE, UK. The Group'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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have also been prepared in accordance with IFRSs as issued by the IASB.

The Group is required to comply with IFRSs 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.

### 2. Summary of significant accounting policies

#### Basis of preparation

This note details the accounting policies which have been applied in the Group's consolidated financial statements. New accounting standards and interpretations which require adoption in future years have also been listed, along with our current view of the impact they will have on financial reporting.

The financial statements are prepared under the historical cost convention, as modified by the fair value of financial instruments.

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.

#### Going concern

The directors have considered the Group's current and future prospects, risks and uncertainties set out in the risk management objectives and policies, and its availability of financing, and are satisfied that the Group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis of preparation for these financial statements. Further detailed information is provided in the going concern statement in the directors' report on pages 66 to 143 and is therefore not replicated here.

#### New standards

The following new standards or interpretations are mandatory for the first time for the financial year ended 3 July 2021:

- Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7 – phase 1
- Impact of the initial application of COVID-19 Related Rent Concessions amendment to IFRS 16
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Definition of a Business
- Amendments to IAS 1 and IAS 8 Definition of Material

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

#### Prior year restatements

As detailed on page 41, a number of restatements and adjustments were identified during the year. This note summarises the impact of the adjustments to each financial year and to each of the primary financial statements. A third balance sheet is required under IAS 1.40A as some of these adjustments affect the opening reserves of the comparative balance sheet year given the historical period to which they relate.

For the purposes of this report, the adjustments have been aggregated where the nature and cause of the misstatement is similar. These groupings are as follows:

- Matters of concern relating to LSER, other historic franchises and affiliate trading;
- Germany onerous contract provision;
- Correction of errors; and
- Presentational adjustments and reclassifications.

This note sets out the impact of the restatements on the primary statements and explains each of the restatements identified.

## 2. Summary of significant accounting policies continued

## Prior year restatements continued

## 2a. Consolidated income statement for the year ended 27 June 2020

	As previously reported Pre-exceptional 2020 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) £m	Correction of errors (c) £m	As restated Pre-exceptional 2020 £m	As previously reported Exceptional items 2020 £m	Germany onerous contract provision (b) 2020 £m	As restated Exceptional items 2020 £m	As previously reported Post-exceptional 2020 £m	As restated Post-exceptional 2020 £m
<b>Group revenue</b>	3,898.4	(1.2)	—	3,897.2	—	—	—	3,898.4	3,897.2
Operating costs	(3,818.1)	(2.7)	2.4	(3,818.4)	(57.1)	(36.6)	(93.7)	(3,875.2)	(3,912.1)
Impairment (losses)/gains (including reversals) on financial assets and contract assets*	(2.4)	—	—	(2.4)	—	—	—	(2.4)	(2.4)
<b>Group operating profit/(loss)</b>	77.9	(3.9)	2.4	76.4	(57.1)	(36.6)	(93.7)	20.8	(17.3)
Results of equity accounted investments	(0.6)	—	—	(0.6)	—	—	—	(0.6)	(0.6)
Finance income	5.4	—	—	5.4	—	—	—	5.4	5.4
Finance costs	(25.8)	(1.2)	—	(27.0)	—	—	—	(25.8)	(27.0)
<b>Profit/(loss) before taxation</b>	56.9	(5.1)	2.4	54.2	(57.1)	(36.6)	(93.7)	(0.2)	(39.5)
Tax expense	(18.2)	0.9	(0.4)	(17.7)	6.3	—	6.3	(11.9)	(11.4)
<b>Profit/(loss) for the year from continuing operations</b>	38.7	(4.2)	2.0	36.5	(50.8)	(36.6)	(87.4)	(12.1)	(50.9)
Attributable to:									
Equity holders of the parent	22.2	(2.7)	2.0	21.5	(50.8)	(36.6)	(87.4)	(28.6)	(65.9)
Non-controlling interests	16.5	(1.5)	—	15.0	—	—	—	16.5	15.0
	38.7			36.5	(50.8)		(87.4)	(12.1)	(50.9)

\* Impairment (losses)/gains on financial assets and contract assets has been presented on the face of the consolidated income statement in the current year and 2020 has been split out for comparability.

## Notes to the consolidated financial statements continued

## 2. Summary of significant accounting policies continued

## Prior year restatements continued

## 2b. Consolidated statement of other comprehensive income for the year ended 27 June 2020

	As previously reported 2020 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) 2020 £m	Germany onerous contract provision (b) 2020 £m	Correction of errors (c) 2020 £m	Presentational corrections and reclassifications (d) 2020 £m	As restated 2020 £m
<b>Loss for the year</b>	(12.1)	<b>(4.2)</b>	<b>(36.6)</b>	<b>2.0</b>	—	(50.9)
<b>Other comprehensive income</b>						
Items that will not be reclassified to profit or loss:						
Remeasurement losses on defined benefit pension plans	(3.1)	—	—	—	—	(3.1)
Tax relating to items that will not be reclassified	0.4	—	—	—	—	0.4
	(2.7)	—	—	—	—	(2.7)
Items that may subsequently be reclassified to profit or loss:						
Unrealised losses/(gains) on cashflow hedges	(25.3)	—	—	—	—	(25.3)
Losses on cashflow hedges taken to income statement	5.7	—	—	—	<b>(5.7)</b>	—
Tax relating to items that may be reclassified	3.8	—	—	—	<b>1.0</b>	4.8
Foreign exchange differences on translation of foreign operations	(1.8)	—	<b>(0.5)</b>	—	—	(2.3)
	(17.6)	—	<b>(0.5)</b>	—	<b>(4.7)</b>	(22.8)
Other comprehensive expense for the year, net of tax	(20.3)	—	<b>(0.5)</b>	—	<b>(4.7)</b>	(25.5)
<b>Total comprehensive expense for the year</b>	<b>(32.4)</b>	<b>(4.2)</b>	<b>(37.1)</b>	<b>2.0</b>	<b>(4.7)</b>	<b>(76.4)</b>
Attributable to:						
Equity holders of the parent	(48.9)	<b>(2.7)</b>	<b>(37.1)</b>	<b>2.0</b>	<b>(4.7)</b>	(91.4)
Non-controlling interests	16.5	<b>(1.5)</b>	—	—	—	15.0
	(32.4)	<b>(4.2)</b>	<b>(37.1)</b>	<b>2.0</b>	<b>(4.7)</b>	(76.4)

## 2. Summary of significant accounting policies continued

## Prior year restatements continued

## 2c. Consolidated balance sheets as at 27 June 2020 and 29 June 2019

	As previously reported 2020 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) 2020 £m	Germany onerous contract provision (b) 2020 £m	Correction of errors (c) 2020 £m	Presentational adjustments and reclassifications (d) 2020 £m	As restated 2020 £m
<b>Assets</b>						
<b>Non-current assets</b>						
Deferred tax assets	2.9	—	—	0.4	—	3.3
Other non-current assets	1,397.4	—	—	—	—	1,397.4
	1,400.3	—	—	0.4	—	1,400.7
<b>Current assets</b>						
Trade and other receivables	268.5	—	—	—	22.0	290.5
Other current assets	601.7	—	—	—	—	601.7
	870.2	—	—	—	22.0	892.2
<b>Total assets</b>	2,270.5	—	—	0.4	22.0	2,292.9
<b>Liabilities</b>						
<b>Current liabilities</b>						
Trade and other payables	(718.0)	(40.3)	—	7.7	(14.7)	(765.3)
Derivative financial liabilities	(9.9)	—	—	—	(1.1)	(11.0)
Interest-bearing loans and borrowings	(6.1)	—	—	—	(6.2)	(12.3)
Current tax liabilities	(0.9)	0.9	—	(0.9)	—	(0.9)
Provisions	(46.1)	—	0.6	(5.7)	—	(51.2)
Other current liabilities	(517.3)	—	—	—	—	(517.3)
	(1,298.3)	(39.4)	0.6	1.1	(22.0)	(1,358.0)
<b>Non-current liabilities</b>						
Provisions	(87.9)	—	(37.7)	(2.3)	—	(127.9)
Other non-current liabilities	(615.7)	—	—	0.1	—	(615.6)
	(703.6)	—	(37.7)	(2.2)	—	(743.5)
<b>Total liabilities</b>	(2,001.9)	(39.4)	(37.1)	(1.1)	(22.0)	(2,101.5)
<b>Net assets</b>	268.6	(39.4)	(37.1)	(0.7)	—	191.4
<b>Capital and reserves</b>						
Retained earnings	239.6	(26.1)	(36.6)	2.2	—	179.1
Translation reserve	(1.8)	—	(0.5)	—	—	(2.3)
Other capital and reserves	(6.1)	—	—	—	—	(6.1)
<b>Total shareholders' equity</b>	231.7	(26.1)	(37.1)	2.2	—	170.7
Non-controlling interests	36.9	(13.3)	—	(2.9)	—	20.7
<b>Total equity</b>	268.6	(39.4)	(37.1)	(0.7)	—	191.4

## Notes to the consolidated financial statements continued

## 2. Summary of significant accounting policies continued

## Prior year restatements continued

## 2c. Consolidated balance sheets as at 27 June 2020 and 29 June 2019 continued

	As previously reported 2019 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) 2019 £m	Correction of errors (c) 2019 £m	Presentational adjustments and reclassifications (d) 2019 £m	As restated 2019 £m
<b>Assets</b>					
<b>Non-current assets</b>					
Deferred tax assets	0.2	—	0.3	—	0.5
Other non-current assets	796.0	—	—	—	796.0
	796.2	—	0.3	—	796.5
<b>Current assets</b>					
Trade and other receivables	350.3	—	—	2.4	352.7
Other current assets	654.7	—	—	—	654.7
	1,005.0	—	—	2.4	1,007.4
<b>Total assets</b>	1,801.2	—	0.3	2.4	1,803.9
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	(847.7)	(35.8)	4.7	3.8	(875.0)
Interest-bearing loans and borrowings	(5.5)	—	—	(6.2)	(11.7)
Current tax liabilities	(13.1)	—	(0.4)	—	(13.5)
Provisions	(34.8)	—	(5.7)	—	(40.5)
Other current liabilities	(2.6)	—	—	—	(2.6)
	(903.7)	(35.8)	(1.4)	(2.4)	(943.3)
<b>Non-current liabilities</b>					
Provisions	(82.0)	—	(1.7)	—	(83.7)
Other non-current liabilities	(470.3)	—	—	—	(470.3)
	(552.3)	—	(1.7)	—	(554.0)
<b>Total liabilities</b>	(1,456.0)	(35.8)	(3.1)	(2.4)	(1,497.3)
Net assets	345.2	(35.8)	(2.8)	—	306.6
<b>Capital and reserves</b>					
Retained earnings	300.9	(23.3)	0.1	—	277.7
Other capital and reserves	9.2	—	—	—	9.2
<b>Total shareholders' equity</b>	310.1	(23.3)	0.1	—	286.9
Non-controlling interests	35.1	(12.5)	(2.9)	—	19.7
<b>Total equity</b>	345.2	(35.8)	(2.8)	—	306.6



## 2. Summary of significant accounting policies continued

## Prior year restatements continued

## 2d. Consolidated cashflow statement for the year ended 27 June 2020

	As previously reported 2020 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) £m	Germany onerous contract provision (b) £m	Correction of errors (c) £m	Presentational adjustments and reclassifications (d) £m	As restated 2020 £m
<b>Loss after tax for the year</b>	(12.1)	<b>(4.2)</b>	<b>(36.6)</b>	<b>2.0</b>	—	(50.9)
Net finance costs	20.4	<b>1.2</b>	—	—	—	21.6
Tax expense	11.9	<b>(0.9)</b>	—	<b>0.4</b>	—	11.4
Depreciation of property, plant and equipment	84.1	—	—	—	—	84.1
Depreciation of right of use assets	375.5	—	—	—	—	375.5
Amortisation of intangible assets	9.4	—	—	—	—	9.4
Asset impairment, excluding exceptional items	0.9	—	—	—	—	0.9
Exceptional items	57.1	—	<b>36.6</b>	—	—	93.7
Share of result of joint venture	0.6	—	—	—	—	0.6
Profit on sale of property, plant and equipment	(0.9)	—	—	—	—	(0.9)
Share based payment charges	1.6	—	—	—	—	1.6
Difference between pension contributions paid and amounts recognised in the income statement	(7.3)	—	—	—	—	(7.3)
Decrease/(increase) in inventories	(2.9)	—	—	—	—	(2.9)
(Increase)/decrease in trade and other receivables	78.4	—	—	—	<b>(19.6)</b>	58.8
Increase/(decrease) in trade and other payables	(128.1)	<b>3.2</b>	—	<b>(3.1)</b>	<b>14.8</b>	(113.2)
Movement in provisions, excluding exceptional items	9.9	—	—	<b>0.7</b>	—	10.6
<b>Cashflows generated from operations</b>	498.5	<b>(0.7)</b>	—	—	<b>(4.8)</b>	493.0
Taxation paid	(28.2)	—	—	—	—	(28.2)
<b>Net cashflows from operating activities</b>	470.3	<b>(0.7)</b>	—	—	<b>(4.8)</b>	464.8
<b>Cashflows from investing activities</b>						
Interest received	5.5	—	—	—	—	5.5
Proceeds from sale of property, plant and equipment	0.7	—	—	—	—	0.7
Proceeds from sale of property, plant and equipment held for sale	2.0	—	—	—	—	2.0
Purchase of property, plant and equipment	(72.6)	—	—	—	—	(72.6)
Purchase of property, plant and equipment held for sale	(4.8)	—	—	—	<b>4.8</b>	—
Purchase of intangible assets	(18.4)	—	—	—	—	(18.4)
<b>Net cashflows used in investing activities</b>	(87.6)	—	—	—	<b>4.8</b>	(82.8)
<b>Cashflows from financing activities</b>						
Interest paid on lease liabilities	(13.9)	—	—	—	—	(13.9)
Other interest paid	(11.5)	—	—	—	—	(11.5)
Dividends paid to members of the parent	(30.9)	—	—	—	—	(30.9)
Dividends paid to non-controlling interests	(14.6)	<b>0.7</b>	—	—	—	(13.9)
Proceeds from issue of shares	0.5	—	—	—	—	0.5
Payment to acquire own shares	(0.7)	—	—	—	—	(0.7)
Repayments of borrowings	(0.8)	—	—	—	<b>(361.1)</b>	(361.9)
Proceeds from borrowings	2.5	—	—	—	<b>361.1</b>	363.6
Payment of lease liabilities	(374.3)	—	—	—	—	(374.3)
<b>Net cashflows used in financing activities</b>	(443.7)	<b>0.7</b>	—	—	—	(443.0)
Net increase/(decrease) in cash and cash equivalents	(61.0)	—	—	—	—	(61.0)
<b>Cash and cash equivalents at 29 June 2019</b>	630.8	—	—	—	—	630.8
Effect of foreign exchange rate changes	—	—	—	—	—	—
<b>Cash and cash equivalents at 27 June 2020</b>	569.8	—	—	—	—	569.8

## Notes to the consolidated financial statements continued

### 2. Summary of significant accounting policies continued

#### Prior year restatements continued

##### (a) Matters of concern relating to LSER, other historic franchises and LSER affiliate trading

###### 1. Discussions with Department for Transport (DfT) regarding London & South Eastern Railway Limited ("LSER")

As a consequence of ongoing discussions with the DfT regarding historical matters relating to the Southeastern franchise, there have been changes to the recognition of certain items. These changes have resulted in prior year restatements as set out below.

The Independent Review determined that LSER owed the DfT £27.0m in respect of overpayments made by the DfT to LSER during the period 12 October 2014 to 29 February 2020. The sum had been correctly accounted for in the financial statements at the appropriate time and has now been repaid to the DfT and the associated accrual reduced.

Discussions continue in respect of interest payable in relation to the overpayments. An estimated interest provision of £2.7m has been recognised, with £2.2m of this treated as a prior year adjustment affecting the financial statements for multiple years resulting in a restatement of the comparative balance sheet figures. An adjustment of £1.5m has been made to reduce opening reserves in the 2019 consolidated balance sheet, with a corresponding increase in non-current trade and other payables. Current trade and other payables in the 2020 consolidated balance sheet have been increased by a further £0.7m with finance costs in the 2020 consolidated income statement increasing by the same amount.

###### 2. Overpayments in relation to the Integrated Kent Franchise (IKF) and Direct Award Contract (DAC)

In relation to the IKF operated by LSER between 1 April 2006 and 11 October 2014, the Independent Committee found that LSER owed the DfT £14.7m in respect of overpayments received during that period. This has been recognised as a prior year adjustment in the financial statements. A further £4.4m was identified in relation to overpayment of subsidy between 12 October 2014 and 29 February 2020. The DfT recovered £1.8m of this through the profit share arrangements in place in connection with the franchise arrangement. As such, the net amount owing to the DfT in relation to this subsidy is £2.6m which has been recognised as a prior year adjustment in the financial statements. Both these amounts result in a restatement of £17.3m to the prior year in the comparative balance sheet.

Of the £17.3m, an adjustment of £16.1m has been made to reduce opening reserves in the 2019 consolidated balance sheet with a corresponding increase to non-current trade and other payables. Non-current trade and other payables in the 2020 consolidated balance sheet have been increased by a further £1.2m with revenue in the 2020 consolidated income statement decreasing by the same amount.

Interest payable on these amounts has been estimated at £4.3m and has been recognised in the financial statements. These items result in a restatement of £3.9m relating to the prior year in the comparative balance sheet figures. An adjustment of £3.5m has been made to reduce opening reserves in the 2019 consolidated balance sheet with a corresponding increase in non-current trade and other payables on the consolidated balance sheet. Non-current trade and other payables in the 2020 consolidated balance sheet have been increased by a further £0.4m with finance costs in the 2020 consolidated income statement increasing by the same amount.

###### 3. Affiliate trading

LSER and DfT are in commercial discussions regarding levels of affiliate trading during the period 12 October 2014 to 29 February 2020, the outcome of which affects the assessment of Profit Share payable to the DfT. There is a total of £23.4m in dispute, of this £14.1m has been recognised as a liability. The adjustment of £14.1m has been made to reduce opening reserves in the 2019 consolidated balance sheet, with a corresponding £14.1m increase to non-current trade and other payables. LSER and the DfT continue to discuss the balance.

###### 4. Other historic franchises

In addition to the Independent Committee's review into the matters at LSER, a wider business review was conducted. This identified a matter relating to a historic closed rail franchise. This relates to amounts totalling £3.5m which should have been reflected in the relevant end of franchise settlement with the DfT. Prior year adjustments have been made in the financial statements and £3.5m will be paid to the DfT in the 2022 financial year in respect of this matter. Interest of £0.1m has also been recognised in respect of this.

##### (b) Germany onerous contract provision

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to FY20 and the Group's FY21 interim results. A number of errors have been identified in respect of the assumptions used when calculating the onerous provision in the Bavarian rail franchise in the prior year and the Group's FY21 interim results.

The prior year provision was determined to be understated by £37.1m which has been restated in these financial statements. The impact of this restatement to the 2020 consolidated income statement is an increase in exceptional items of £36.6m and an increase of £0.5m to the translation reserve. Correspondingly there was a reduction of £25.9m charged to the consolidated income statement in the Group's FY21 interim results. The calculation of the understatement was determined following a review of historical information and consideration given to what information then available could reasonable have been included in the previous cash flow assumptions underpinning the provision.

## 2. Summary of significant accounting policies continued

### Prior year restatements continued

#### (c) Correction of errors

During the year, it was identified that certain provisions and accruals balances were not appropriate, impacting the 2020 consolidated income statement and 2020 consolidated balance sheet, and also the 2019 consolidated balance sheet. These consist of the following adjustments:

- a. Employee bonus accruals made for the years ended 2019 and 2020 were not fully utilised and have therefore been recorded as prior year adjustments. This increases profit before tax by £3.1m in the 2020 consolidated income statement with a corresponding decrease in current trade and other payables in the 2020 consolidated balance sheet. There is also a 2019 impact which decreases current trade and other payables by £2.3m in the 2019 consolidated balance sheet.
- b. There is a contract held with the Land Transport Authority (LTA) in Singapore where there is an obligation to maintain the vehicles to a specified standard. It was noted that the future costs in relation to this current obligation had been underprovided for in both 2019 and 2020 and therefore these have been recorded as prior year adjustments. These adjustments decrease profit before tax in the 2020 consolidated income statement by £0.6m, with a corresponding increase in non-current provisions. The impact on the 2019 consolidated balance sheet is an increase in non-current provisions of £1.7m.
- c. It was noted that under provisions had been made in costs in line with the Southeastern franchise agreement. This has resulted in a £0.1m decrease of profit before tax in the 2020 consolidated income statement, with a corresponding increase in current provisions in the 2020 consolidated balance sheet. There has also been an increase in current provisions in the 2019 consolidated balance sheet of £5.7m, a decrease in current trade and other payables of £3.4m and a £2.3m decrease to equity.

Overall, there is a net nil impact on the tax charge in the 2020 consolidated income statement in relation to the above adjustments. The tax impact of the above adjustments on the 2020 consolidated balance sheet is an increase in the deferred tax asset of £0.4m and an increase in the deferred tax liability of £0.1m. The impact on the 2019 balance sheet is an increase in the deferred tax asset of £0.3m and an increase in the current tax liability of £0.4m.

#### (d) Presentational corrections and reclassification errors

##### 1. IAS 32 Balance Sheet Classifications

During the year, it was identified that some items had been presented as net within the balance sheet and associated notes rather than presenting as gross receivables and payables in accordance with IAS 32. As a result, the 2020 and 2019 consolidated balance sheets have been restated. These items relate to the presentation of balances with the DfT and Network Rail. The impact of these reclassifications is to increase both current trade and other receivables and current trade and other payables by £22.0m in the 2020 consolidated balance sheet and by £2.4m in the 2019 consolidated balance sheet.

##### 2. Gross presentation of repayments of and proceeds from borrowings

For the year ended 27 June 2020, in the consolidated cashflow statement, the repayment of borrowings and proceeds from borrowings lines have been restated in order to present these lines gross and on the same basis as shown above for the year ended 3 July 2021 figures. This has resulted in an increase to repayment of borrowings of £361.1m and an increase to proceeds from borrowings of the same amount. There is no effect on the cash and cash equivalent balances at the end of either year shown.

##### 3. Interest reclassification

Interest on the Group's loans and borrowings has been reclassified from other payables to interest bearing loans and borrowings to reflect the fact that these loans and borrowings are held at amortised cost. This has been restated in the 2019 and 2020 consolidated balance sheets. The impact is a decrease in current other payables of £6.2m and an increase in current interest bearing loans and borrowings of the same amount for both years.

##### 4. Correction of assets held for sale cashflow

For the year ended 27 June 2020, in the consolidated cashflow statement, a reclassification of £4.8m between the purchase of property, plant and equipment held for sale and creditors lines has been made to correct for the fact that the property, plant and equipment held for sale in question has not been paid for as at 27 June 2020.

##### 5. IFRS 9 cashflow hedge reclassification

During the year, it was identified that when cash flow hedging purchases of fuel, the amount accumulated in hedging reserve was incorrectly reclassified, once the forecast transaction happened, to the consolidated statement of other comprehensive income instead of being removed directly from equity and included in cost of fuel (i.e. basis adjustment was not applied). As a result, £4.7m, net of tax, in relation to this has been reclassified for the year ended 27 June 2020.

##### 6. Derivative financial liability reclassification

A reclassification between trade and other payables and derivative financial liabilities of £1.1m has been made in the 2020 consolidated balance sheet. This restatement has been made to adjust the value of the derivative financial liability for the amount of the June hedge settlements.

## Notes to the consolidated financial statements continued

### 2. Summary of significant accounting policies continued

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and the entities it controls (its subsidiaries) as at 3 July 2021. The financial year represents the 53 weeks ended 3 July 2021 (prior financial year 52 weeks ended 27 June 2020). For the UK and the Republic of Ireland (UK and ROI), the results are for the 53 weeks ended 3 July 2021 (prior financial year 52 weeks ended 27 June 2020). For all other operations, the results are for the 52 weeks ended 30 June 2021 (prior financial year 52 weeks ended 30 June 2020).

Control is achieved when the Group:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 shareholders' equity.

Joint ventures represent the 50% equity interest held by the Group in respect of On Track Retail Limited, which is accounted for as a joint arrangement, and disclosures are limited in this Annual Report as the business is currently immaterial to the Group.

#### Joint arrangements

A joint arrangement is defined as an arrangement by which two or more parties have joint control and rights to the net assets. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Interests in joint arrangements are accounted for as either a joint venture or a joint operation in accordance with IFRS 11 Joint Arrangements.

A joint arrangement is accounted for as a joint venture when the Group, along with other parties, has joint control and rights to the net assets of the arrangement. Joint ventures are equity accounted in accordance with IAS 28 Investments in Associates and Joint Ventures (Revised). A joint arrangement is accounted for as a joint operation when the Group, along with other parties, has joint control of the arrangement, rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by including the Group's share of the assets, liabilities, income and expense on a line by line basis.

#### Revenue recognition

The revenue of the Group, arising from contracts with customers, mainly comprises income from road passenger transport and rail passenger transport.

The Group has a number of revenue streams which consist of revenue from passengers, contracts and franchise subsidies as well as other miscellaneous revenue streams. Revenue is recognised on satisfaction of performance obligations which are generally clear. Revenue is measured based on the fair value of the consideration received or receivable (excluding discounts, rebates, VAT and other sales taxes or duty) to which the Group expects to be entitled and excludes amounts collected on behalf of third parties.

As the Group has the right to consideration corresponding directly with the value of performance completed to date, customer contract revenue is recognised consistent with the amount that the Group has the right to invoice. The Group is therefore exercising the practical expedient not to explain transaction prices allocated to unsatisfied performance obligations at the end of the reporting period.

An explanation of the main revenue streams is set out below.

## 2. Summary of significant accounting policies continued

### Revenue recognition continued

#### Passenger revenue

Passenger revenue mainly relates to revenue from ticket sales in Regional Bus and the Rail divisions.

In Regional Bus, passenger revenue mainly consists of commercial and concessionary revenue. Commercial passenger revenue relates to ticket sales for travel on the Regional Bus transport services and is recognised in the period in which the travel occurs. Season tickets and travel cards enable passengers to use travel services over a period of time. Management assesses amounts received in the period and future revenue is deferred, within liabilities, and subsequently recognised in the income statement within the applicable accounting period.

Concessionary revenue is received from public bodies, such as local authorities, with a performance obligation to transport certain eligible passengers free of charge. The transaction price varies between agreements and the revenue is recognised in the period of travel.

In UK Rail, revenue comprises amounts based principally on agreed models of route usage by Railway Settlement Plan Limited (RSP) (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 relation to the GTR franchise, passenger revenue is collected and remitted to the DfT net of management charges. In accordance with the GTR franchise agreement and IFRS 15 Revenue from Contracts with Customers, passengers are regarded as customers and therefore passenger income is regarded as revenue. In situations where the entity receives an amount from the DfT, the DfT is regarded as a customer of the entity and therefore such amounts received are recognised as revenue. Over their lifetime, the UK Rail franchises may switch between being in a “premium” position (when the amounts payable to the DfT exceed the amounts received from it) and being in a “subsidy” position (when the amounts received from the DfT exceed the amounts paid to it). When the franchises are in a subsidy position, subsidy revenue is recognised, in addition to passenger revenue, in the period in which the performance obligations are satisfied. In relation to the Southeastern franchise, passenger revenue is not remitted to the DfT; however, prior to the introduction of the Emergency Measures Agreement, passenger revenue was subject to a profit sharing mechanism as described below on page 192.

In Germany, in line with the requirements of IFRS 15, passenger revenue is allocated by the tariff authority in each region between the various transport providers based on ticket income declared, passenger counts, tariff authority estimates and historical trends. Revenue is recognised based on the allocations made by the tariff authority or where these are not yet available, on the payments on account made by the tariff authority or on other best estimates. The revenue is recognised as the service is provided to the passenger.

In Norway, rail passenger revenue is dependent on passenger numbers and the type of ticket purchased. It is recognised when the passenger travels and when the service is delivered.

#### Contract revenue

Contract revenue mainly relates to London & International Bus and comprises contractual income from government bodies which are recognised in the period to which they relate. Quality Incentive Contracts (QICs) income in London and Bus Service Reliability Framework (BSRF) income in Singapore are received as part of contract revenue and the potential premiums or penalties are assessed cumulatively on a contract by contract basis, at the end of each period based on key performance obligations, including reliability performance measures. The whole of cumulative penalties/premiums is recognised in the income statement on a pro-rata basis in the contract year.

When determining the QIC and BSRF income to be recognised, the Group utilises a weighted average approach to estimate the variable consideration element but constrains this estimate to ensure that variable consideration is only included in revenue to the extent that it is highly probable that it will not reverse when the final outcomes are known. The determination of this constrained estimate includes consideration of past performance and other performance expectations. Reflecting the current consistent portfolio of contracts which are spread throughout the year, there is not expected to be a material impact from this approach in year on year performance.

In Regional Bus, revenue generated from services provided on behalf of local transport authorities is also recognised as income in the period to which it relates.

## Notes to the consolidated financial statements continued

### 2. Summary of significant accounting policies continued

#### Revenue recognition continued

##### Other revenue

Other revenue mainly relates to revenue for ancillary services, such as rail replacement bus services, maintenance and cleaning. Other revenue also includes rental income which is generated from rental of surplus properties and subleasing of railway infrastructure access. Other revenue is recognised in the period to which it relates, for the transaction price specified in the contract.

Revenue in relation to the COVID-19 Bus Service Support Grant (CBSSG) has been recognised within other revenue and is recognised in the period in which the operational revenue and costs it is supporting relate to. CBSSG requires that a minimum level of service is operated and revenue is variable and includes areas of estimation when determining the transaction price with the actual revenue not confirmed until the reconciliation process is complete. The Group has recognised revenue where the amount can be measured reliably and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Judgement is applied in determining whether some amounts are allowable in applying the terms of the scheme.

##### Franchise subsidy

Franchise subsidy revenue arises in the Rail division and comprises receipts from the relevant local transport authorities which are receivable under the terms of the franchise agreements. The franchise agreements include minimum specifications of passenger services to be provided by the operator, which is determined to be the performance obligation within the contract. Franchise premium payments to the DfT, for amounts due under the terms of the UK franchises, are recognised in operating costs.

The Emergency Measures Agreements (EMAs) and later Emergency Recovery Measures Agreements (ERMAs) in the UK transferred all revenue and cost risk to the Government from 1 March 2020 until 17 October 2021 for the Southeastern franchise and to the end of March 2022 for the GTR franchise. UK Rail companies are paid a small management fee to continue running a revised National Rail timetable across the UK. Net EMA funding, including the management fee, is recognised as franchise subsidy within revenue. For EMAs, the performance payment is assessed through a review process, which awards rail franchisees with a score of 1, 2 or 3 against three criteria (four for the ERMA) over the entire term of the EMA in areas of; operational performance, customer experience and acting as a good and efficient operator and was extended to include collaboration for the ERMA. The performance payment is recognised in accordance with IFRS 15 paragraph 56 only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The most likely method is applied in estimating the variable consideration.

In Germany, the franchise contracts determine subsidy revenue without reference to the passenger revenue; the shortfall between passenger revenue and franchise contract revenue is paid as a subsidy by the Public Transport Authority (PTA). Franchise contract revenue is based, among other factors, on mileage and performance/quality levels. Revenue is recognised based on the performance figures reported monthly to the PTA. In accordance with IFRS 15:70, costs payable to the PTA, such as rolling stock lease payments, are netted against subsidy income as the PTA is regarded as the customer and provides the rolling stock under IFRIC 12.

In Norway, subsidy revenue is received from the Rail Directorate (the customer) as per the Traffic Agreement. This is mainly fixed, although there are variable elements with bonuses and penalties payable based on performance. The revenue subsidy is inter-related with a number of costs payable to the customer. These costs are payable to the state, are specified by the Traffic Agreement and are accounted for as a reduction in transaction price in accordance with IFRS 15:70. Following the impact of COVID-19, the Norwegian Government continues to support the rail industry with a package materially covering losses since March 2020. Whilst this temporary support is confirmed to continue until March 2022, after this period the government has indicated further support at an unconfirmed level may be in place until at least August 2022.

All franchise subsidies are recognised in the period to which they relate.

##### Profit and revenue sharing/support agreements

The UK Rail companies have certain revenue and 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. Costs are charged to operating costs. The profit share agreements were terminated when the EMAs and ERMA were put in place from 1 March 2020.

##### Costs of obtaining a contract

Costs of obtaining a contract are capitalised under IFRS 15 and amortised on a straight-line basis over the life of the franchise, which ranges from 5 to 13 years. Refer to "Franchise set-up costs" section for further details on page 196.

## 2. Summary of significant accounting policies continued

### Property, plant and equipment

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

Residual values and useful economic lives are reviewed annually. Where there is a contract end date, useful economic lives are based on this, not including any possible extensions not yet confirmed. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal and over their expected useful life on a straight-line basis, to operating costs in the income statement, as follows:

Leasehold land and buildings	The life of the lease
Freehold buildings	Over 50 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, being the higher of value in use or fair value less costs of disposal. Any impairment in value is recognised immediately in the income statement.

### 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 operating costs within 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, the value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

Government grants have also been recognised in relation to the ongoing COVID-19 pandemic. These comprise amounts receivable under the Coronavirus Job Retention Scheme (CJRS) in the UK and Jobs Support Scheme (JSS) in Singapore.

CJRS represents grants receivable in relation to the costs incurred by the Group for furloughed employees, and it is recognised in the income statement, within operating costs, in the same period as the related costs when there is reasonable assurance that the grant will be received.

### 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 Group (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

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. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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.

### Exceptional operating items

The Group presents as exceptional operating items on the face of the income statement material items of income or expense which, because of the size, nature and expected infrequency of the events giving rise to them, merit alternative presentation to allow an alternative understanding of financial performance. In considering the nature of the event, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, the precedent for similar items, and the commercial context for the particular transaction.

Items of income or expense that are considered by management for presentation as exceptional include onerous contract provisions, impairment of assets, restructuring provisions and fines or penalties, and the related tax on these items. Refer to the critical accounting judgements section on page 176 for further detail on why certain items have been presented as exceptional items.

### Finance income

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

### 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 derecognition of debt are recognised directly in the income statement. Issue costs relating to any term extensions are offset against the proceeds and amortised over the life of the extension.



## Notes to the consolidated financial statements continued

### 2. Summary of significant accounting policies continued

#### Leases

##### Lease identification

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

##### Right of use asset

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

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

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

##### Lease liability

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term with payments discounted at the rate implicit in the lease or, where that cannot be measured, at the Group's incremental borrowing rate. Being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. Due to the capital structure of the Group, the Group's cost of debt forms the base of the IBR with specific finance and lease adjustments made, when applicable, which are linked to the lease term, country of lease and start date.

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

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

##### Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

## 2. Summary of significant accounting policies continued

### 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
- 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.

### Business combinations and goodwill

Business combinations are accounted for under IFRS 3 Business Combinations (Revised) 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 IFRS 9 in the income statement.

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 from 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 the income statement.

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.

### Software

Software, which 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.

## Notes to the consolidated financial statements continued

### 2. Summary of significant accounting policies continued

#### Franchise set-up costs

A key part of the Group's activities is the process of bidding for and securing franchises, principally to operate rail services in the UK and bus and rail services internationally. 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. Internationally, all franchise bid costs incurred prior to a contract win 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, entering into a franchise extension or winning an international bid are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise, which ranges from 5 to 13 years. The amortisation expense is taken to the income statement within operating costs.

#### Customer contracts

Customer contracts relate to the value attributed to contracts and relationships purchased as part of the Group's acquisitions. The value is based on the unexpired term of the contracts at the date of acquisition. Customer contracts have a residual value of £nil and are amortised on a straight-line basis over the unexpired contract term, which is determined on an individual customer basis. The amortisation expense is taken to the income statement as operating costs.

#### 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 (including goodwill impairment) 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. Goodwill impairment losses are not reversed. 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, on a systematic basis less any residual value, over its remaining useful life.

#### Assets held for sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. 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.

#### Inventories

Inventories of fuel and engineering spares are valued at the lower of cost and net realisable value on a first in first out basis after making due allowance for obsolete and slow moving items. 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. Purchases of fuel may be subject to cash flow hedges for commodity price risk. The initial cost of hedged fuel is adjusted by the associated hedging gain or loss transferred from the cash flow hedge reserve (basis adjustment).

#### 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 which are repayable on demand and form an integral part of the Group's cash management.

#### Financial instruments

##### Financial assets

The Group's financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss in the income statement, directly attributable transaction costs. Financial assets are subsequently classified as being measured at amortised cost, fair value through other comprehensive income, or fair value through the income statement.

The Group's financial assets at amortised cost are non-derivative financial assets held for collection of contractual cashflows where those cashflows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Group does not have any financial assets held at fair value through the income statement.

## 2. Summary of significant accounting policies continued

### Financial instruments continued

#### Financial assets continued

The Group does not have any financial assets held at fair value through other comprehensive income.

The Group uses an impairment model with impairment provisions based on expected credit losses. The Group applies the IFRS 9 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date for trade receivables, contract assets, accrued income and lease receivables using a provision matrix based on the Group's historical credit loss experience. The loss allowance on the receivables from central government is measured at an amount equal to 12-months' expected credit losses because these assets have a low credit risk at the reporting date.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk (such as changes to credit ratings) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

For the purposes of impairment assessment, receivables from governments are considered to be low risk as a result of the ability of governments to meet contractual cashflows.

Trade receivables, amounts recoverable on contracts and accrued income are written-off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written-off are credited against the same line item.

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

#### Financial liabilities

The Group's financial liabilities include trade payables, accruals, interest-bearing loans and borrowings and derivative financial instruments. At initial recognition, the Group measures financial liabilities at fair value plus, in the case of a financial liability not at fair value through the income statement, transaction costs that are directly attributable to the issue of the financial liability.

With the exception of derivative financial instruments, all other financial liabilities are subsequently measured on an amortised costs basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cashflows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10% different from the discounted present value of the remaining cashflows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cashflows after the modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

#### Derivative financial instruments

The Group uses derivatives to hedge its risks associated with fuel price fluctuations. These derivatives are designated as cash flow hedges. 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.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cashflows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Gains or losses on fuel derivatives are recycled from equity into inventory on qualifying hedges to achieve fixed rate fuel costs with operating results.

#### Financial guarantees

Financial guarantees are accounted for in accordance with IFRS 9. Financial Guarantees are initially recognised at their fair value and are subsequently measured at the higher of the IFRS 9 expected credit losses and the amount initially recognised less any cumulative amount of income/amortisation recognised.

## Notes to the consolidated financial statements continued

### 2. Summary of significant accounting policies continued

#### Fair value measurement

The Group measures financial instruments (derivatives) and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

When required, the Group presents the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 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 cashflows 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.

The Group provides for property, station and fleet dilapidations, where appropriate, based on the future expected repair costs required to restore them to their fair condition at the end of their respective lease terms, where it is considered a reliable estimate can be made. The Group also provides for penalties where appropriate.

#### 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 for total claims within the excess limits. A discounted provision is recognised for the estimated cost to settle claims for incidents occurring prior to the balance sheet date.

The estimation of this provision 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.

Provisions are accounted for on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

## 2. Summary of significant accounting policies continued

### Treasury shares

Reacquired shares in the Group, which remain uncanceled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares.

### Investments

Investments are held at cost less impairment.

### 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.

#### Bus retirement benefit 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. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance 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 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. Any surplus is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. 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 is recognised in the income statement during the period in which the settlement or curtailment occurs.

Contributions payable under defined contribution schemes in both Regional Bus and London & International Bus are charged to operating costs in the income statement as they fall due.

#### Rail retirement benefit schemes

The Group's UK train operating companies (TOCs) participate in the Railways Pension Scheme (RPS), which is an industry-wide defined benefit scheme. The Group is obligated to fund the relevant section of the scheme over the period for which the franchise is held.

All the costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. In addition, at the end of the franchise, any deficit or surplus passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable during the period over which it operates the franchise, these contributions being subject to change on consideration of future statutory valuations. The net liability reflects the Group's obligation to fund the statutory deficits of the relevant RPS sections over the franchise term.

The last statutory valuation of the RPS scheme sections in which the Group is involved, carried out on 31 December 2013 as noted in note 28, and its IAS 19 actuarial valuation are carried out for different purposes and may result in materially different amounts. There are ongoing funding deficits across the RPS schemes in which the Group participates and the IAS 19 valuation is set out in the disclosures below.

The accounting treatment for the time based risk-sharing feature of the Group's participation in the RPS is not explicitly considered by IAS 19 Employee Benefits (Revised). Since the contributions currently committed to being paid to each TOC section are lower than the share of the service cost (for current and future service) than would normally be calculated under IAS 19 Employee Benefits (Revised), the Group does not account for uncommitted contributions towards the section's current or expected future deficits. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current franchise and committed contributions. As a result, the Group consequently reduces any section deficit balance and reduces any service costs that would give rise to an increase in such deficit through the use of a franchise adjustment. The franchise adjustment reflects the extent to which third parties are expected to contribute towards the cost of the plan as a consequence of the deficit transferring at the end of the franchise, which is deemed, in the directors' view, in line with paragraphs 92–94 of IAS 19 Employee Benefits (Revised). Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

Contributions payable under defined contribution schemes in Germany and Norway are charged to operating costs in the income statement as they fall due.

Please refer to note 28 for further details.



## Notes to the consolidated financial statements continued

**2. Summary of significant accounting policies** continued**New standards and interpretations not applied**

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

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendment to IFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Not yet announced by IASB
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use	1 January 2022
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022

**3. Reconciliation of alternative profit measures (APMs)**

The Group uses a number of alternative performance measures (APMs) throughout the Annual Report and Accounts. Management believes that adjusting for these items provides an alternate understanding of the Group's operating performance and financial position.

The APMs used by the Group are disclosed below:

**Operating profit pre-exceptional items**

Exceptional operating items represent material items of revenue or expenses because of the size or nature and the expected infrequency of the events giving rise to them. This metric is a key metric reviewed by management and adjusting operating profit for exceptional items gives an alternative understanding of the Group's recurring performance.

Reconciliation of pre and post-operating profit:

	2021 £m	2020* £m
Operating profit	<b>11.4</b>	(17.3)
Exceptional items:		
– Asset impairments, provisions and restructuring costs – Regional Bus	<b>0.2</b>	26.7
– Asset impairments and restructuring costs – International rail	<b>(5.2)</b>	23.2
– German Bavaria franchise onerous contract provision	<b>–</b>	43.8
– Norway franchise onerous contract provision and asset impairment	<b>76.7</b>	–
Department for Transport potential financial penalty and associated costs relating to LSER	<b>32.4</b>	–
<b>Operating profit pre-exceptional items</b>	<b>115.5</b>	76.4

\* Restated. Details of the restatements and the impact on the above table in respect of the year ending 27 June 2020 are explained in note 2.

Further detailed information on the exceptional items is given in note 7.



**3. Reconciliation of alternative profit measures (APMs) continued****Operating profit pre-exceptional items continued**

A summary of the impact of the exceptional items on other statutory measures is as follows:

	Pre- exceptional 2021 £m	Exceptional 2021 £m	Post- exceptional 2021 £m	Pre- exceptional 2020* £m	Exceptional 2020* £m	Post- exceptional 2020* £m
Group operating profit	115.5	(104.1)	11.4	76.4	(93.7)	(17.3)
Profit/(loss) before taxation	97.2	(104.1)	(6.9)	54.2	(93.7)	(39.5)
Tax expense	(34.3)	0.5	(33.8)	(17.7)	6.3	(11.4)
<b>Profit/(loss) for the year from continuing operations</b>	<b>62.9</b>	<b>(103.6)</b>	<b>(40.7)</b>	36.5	(87.4)	(50.9)
Attributable to:						
– Equity holders of the parent	46.6	(92.6)	(46.0)	21.5	(87.4)	(65.9)
– Non-controlling interests	16.3	(11.0)	5.3	15.0	—	15.0
	62.9	(103.6)	(40.7)	36.5	(87.4)	(50.9)
<b>Earnings per share</b>						
– Basic	108.4p	(215.4)p	(107.0)p	50.0p	(203.3)p	(153.3)p
– Diluted	108.0p	(214.7)p	(106.7)p	49.9p	(202.8)p	(152.9)p

\* Restated. Details of the restatements and the impact on the above table in respect of the year ending 27 June 2020 are explained in note 2.

**Headroom on facilities plus unrestricted cash**

Headroom on facilities plus unrestricted cash is the total amounts available on the facilities listed below, added to the value of unrestricted cash available as of the year-end date, as shown below. This is a key metric reviewed by management to help assess the liquidity of the Group.

	2021 £m	2020 £m
Syndicated loans	280.0	280.0
£250m sterling seven-year bond	250.0	250.0
€8m revolving credit facility	5.5	7.3
€10.85m loan	7.7	9.8
<b>Total core facilities</b>	<b>543.2</b>	547.1
<b>Amount drawn down at year end</b>	<b>389.8</b>	412.3
<b>Headroom on facilities</b>	<b>153.4</b>	134.8
<b>Unrestricted cash</b>	<b>86.9</b>	95.0
<b>Headroom on facilities and unrestricted cash</b>	<b>240.3</b>	229.8

**Adjusted net debt**

Adjusted net debt is the net cash/debt position of the Group adjusted to reflect the impact of restricted cash on cashflows. Net cash/debt is the value of cash and cash equivalents offset by borrowings, including interest-bearing loans and borrowings and lease liabilities. Restricted cash represents amounts held in UK Rail which can only be distributed with the agreement of the relevant local transport authorities and are therefore outside of management's control.

Management presents adjusted net debt on pre and post-exceptional item bases. Management also present adjusted net debt excluding the impact of the adoption of IFRS 16 in line with the requirement of debt covenants. The components of adjusted net debt are shown within note 21.

**Free cashflow**

Free cashflow is used by management to determine the amount of cash the Group has generated in the year from its operations that can be utilised for strategic purposes. A summary of free cashflow and the reconciliation between the cashflow statement and the adjusted net debt position is presented as part of the consolidated cashflow statement. Free cashflow is calculated as cashflow generated from operations (excluding restricted cash movements) less tax paid, net interest paid, net capital investment and dividends paid to non-controlling interests.

Management also presents free cashflow on a pre-IFRS 16 basis. This is presented to aid review of the free cashflow excluding the impacts of IFRS 16 on the Group.

## Notes to the consolidated financial statements continued

## 4. Segmental analysis

The Group's businesses are managed on a divisional basis. Selected financial data is presented on this basis below.

For management purposes, from 2021, the Group is organised into four reportable segments: Regional Bus, London & International Bus, UK Rail, and International Rail. International Rail has been separated from UK Rail during 2021 due to the growth of the German and Norwegian businesses and also due to the different characteristics and challenges faced between International and UK Rail franchises. The comparatives for these segments for 2020 are presented for comparability. Operating segments are reported to the chief operating decision maker, considered to be the Group Chief Executive, on a periodic basis for the purposes of resource allocation and assessment of segmental performance. Segments are organised based on the long-term economic characteristics as well as the similar nature of the business activities and are reported as follows:

Regional Bus comprises UK bus operations outside London.

The London & International Bus segment comprises bus operations in London under the control of Transport for London (TfL), rail replacement and other contracted services in London, bus operations in Singapore under the control of the Land Transport Authority (LTA) of Singapore and bus operations in Ireland under the control of the National Transport Authority (NTA) of Ireland. These are aggregated as a single segment for internal management purposes given the similar contractual nature of the services and how these services are provided, the type of customer, the similar economic characteristics and the similar regulatory environment. The operations are also governed and controlled by a distinct management team.

The UK Rail segment comprises UK Rail operations. The UK Rail operation, through an intermediate holding company, Govia Limited, is 65% owned by Go-Ahead and 35% by Keolis and at year end include two rail franchises: Southeastern and GTR. The registered office of Keolis (UK) Limited is in England and Wales. The UK Rail operating companies have similar business activities and objectives, to provide passenger rail services and to achieve a modest profit margin through franchise agreements.

The International Rail segment comprises overseas rail operations in Germany and Norway. International Rail operations commenced on 15 June 2019 in Germany and on 15 December 2019 in Norway. A further two contracts were being mobilised in Germany at year end. One contract successfully started on 12 December 2021 with the final contract due to commence in December 2022. These operations are 100% owned by Go-Ahead. These are aggregated as a single segment for internal management purposes given the similar business activities and objectives and the fact that they each operate services under heavily controlled regimes and specifications, set by the local transport authorities in their respective countries.

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, on a pre and post-exceptional basis below.

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 3 July 2021 and the year ended 27 June 2020.

## Year ended 3 July 2021

	Regional Bus £m	London & International Bus £m	Total Bus £m	UK Rail £m	International Rail £m	Total Rail £m	Total Operations £m
Passenger revenue	233.6	—	233.6	661.6	50.8	712.4	946.0
Contract revenue	70.6	682.9	753.5	0.5	—	0.5	754.0
Other revenue	127.5	1.6	129.1	132.2	7.2	139.4	268.5
Franchise subsidy	—	—	—	2,071.5	82.2	2,153.7	2,153.7
Segment revenue	431.7	684.5	1,116.2	2,865.8	140.2	3,006.0	4,122.2
Inter-segment revenue	(4.0)	(23.6)	(27.6)	(36.1)	—	(36.1)	(63.7)
<b>Group revenue</b>	<b>427.7</b>	<b>660.9</b>	<b>1,088.6</b>	<b>2,829.7</b>	<b>140.2</b>	<b>2,969.9</b>	<b>4,058.5</b>
Operating costs including impairment losses	(409.8)	(592.4)	(1,002.2)	(2,773.0)	(167.8)	(2,940.8)	(3,943.0)
<b>Group operating profit/(loss) (pre-exceptional items)</b>	<b>17.9</b>	<b>68.5</b>	<b>86.4</b>	<b>56.7</b>	<b>(27.6)</b>	<b>29.1</b>	<b>115.5</b>
Exceptional operating items	(0.2)	—	(0.2)	(32.4)	(71.5)	(103.9)	(104.1)
<b>Group operating profit/(loss) (post-exceptional items)</b>	<b>17.7</b>	<b>68.5</b>	<b>86.2</b>	<b>24.3</b>	<b>(99.1)</b>	<b>(74.8)</b>	<b>11.4</b>
Share of result of joint venture							(0.2)
Net finance costs							(18.1)
<b>Loss before tax and non-controlling interests</b>							<b>(6.9)</b>
Tax expense							(33.8)
<b>Loss for the year</b>							<b>(40.7)</b>

4. Segmental analysis continued

Year ended 3 July 2021

Further information on exceptional operating items is disclosed in note 7.

	Regional Bus £m	London & International Bus £m	Total Bus £m	UK Rail £m	International Rail £m	Total Rail £m	Total Operations £m
<b>Other segment information</b>							
Capital expenditure:							
– Additions	28.5	21.5	50.0	2.3	0.6	2.9	52.9
– Intangible assets	0.9	—	0.9	0.4	0.9	1.3	2.2
– Right of use assets	7.9	9.9	17.8	168.2	1.0	169.2	187.0
Depreciation:							
– Owned assets	37.5	27.6	65.1	15.3	1.1	16.4	81.5
– Right of use assets	5.3	20.2	25.5	460.6	0.4	461.0	486.5
Amortisation:							
– Intangible assets	0.7	2.1	2.8	1.6	1.9	3.5	6.3

Year ended 27 June 2020

	Regional Bus (as restated) <sup>2</sup> £m	London & International Bus (as previously reported) £m	Restatements to London & International Bus <sup>1</sup> £m	London & International Bus (as restated) £m	Total Bus (as previously restated) £m	UK Rail (as previously reported) £m	Restatements to UK Rail <sup>1</sup> £m	UK Rail (as restated) £m	International Rail £m	Total Rail (as restated) £m	Total Operations (as restated) <sup>1</sup> £m
Passenger revenue	315.2	—	—	—	315.2	1,909.0	—	1,909.0	40.0	1,949.0	2,264.2
Contract revenue	67.6	627.3	—	627.3	694.9	0.6	—	0.6	—	0.6	695.5
Other revenue	31.6	3.7	—	3.7	35.3	206.4	—	206.4	4.7	211.1	246.4
Franchise subsidy	—	—	—	—	—	735.2	(1.2)	734.0	25.3	759.3	759.3
Segment revenue	414.4	631.0	—	631.0	1,045.4	2,851.2	(1.2)	2,850.0	70.0	2,920	3,965.4
Inter-segment revenue	(5.6)	(26.9)	—	(26.9)	(32.5)	(35.7)	—	(35.7)	—	(35.7)	(68.2)
<b>Group revenue</b>	408.8	604.1	—	604.1	1,012.9	2,815.5	(1.2)	2,814.3	70.0	2,884.3	3,897.2
Operating costs including impairment losses	(388.3)	(555.6)	1.5	(554.1)	(942.4)	(2,762.0)	(1.8)	(2,763.8)	(114.6)	(2,878.4)	(3,820.8)
<b>Group operating profit (pre- exceptional items)</b>	20.5	48.5	1.5	50.0	70.5	53.5	(3.0)	50.5	(44.6)	5.9	76.4
Exceptional operating items <sup>3</sup>	(26.7)	—	—	—	(26.7)	—	—	—	(67.0)	(67.0)	(93.7)
<b>Group operating profit/(loss) (post-exceptional items)</b>	(6.2)	48.5	1.5	50.0	43.8	53.5	(3.0)	50.5	(111.6)	(61.1)	(17.3)
Share of result of joint venture											(0.6)
Net finance costs											(21.6)
<b>Loss before tax and non- controlling interests</b>											(39.5)
Tax expense											(11.4)
<b>Loss for the year</b>											(50.9)

1 Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2, including restatements to the Group's net finance costs and tax expense.

2 In addition to the restatements outlined in note 2, the presentation of Regional Bus revenue for the year ended 27 June 2020 has also been restated in order to disclose this on a consistent basis with the equivalent disclosure for the year ended 3 July 2021. This restatement's effect is limited to equal and opposite adjustments to the Regional Bus segment's passenger revenue and inter-segment revenue lines of £31.9m such that Group revenue line is unaffected. This restatement removes the revenue pertaining to The Go-Ahead Group plc's activities as a Group company from each affected line.

3 International Rail exceptional items have been restated as a result of the Germany onerous contract provision adjustment, as outlined in note 2.

## Notes to the consolidated financial statements continued

## 4. Segmental analysis continued

## Year ended 27 June 2020 continued

Further information on exceptional operating items is disclosed in note 7.

	Regional Bus £m	London & International Bus £m	Total Bus £m	UK Rail £m	International Rail £m	Total Rail £m	Total Operations £m
<b>Other segment information</b>							
Capital expenditure:							
– Additions	39.1	17.5	56.6	6.1	9.9	16.0	72.6
– Intangible assets	2.0	2.4	4.4	0.5	13.5	14.0	18.4
– Right of use assets	8.2	23.6	31.8	204.0	1.1	205.1	236.9
Depreciation:							
– Owned assets	38.0	28.2	66.2	17.0	0.9	17.9	84.1
– Right of use assets	5.0	16.7	21.7	353.4	0.4	353.8	375.5
Amortisation:							
– Intangible assets	1.7	4.0	5.7	1.4	2.3	3.7	9.4

Inter-segment revenue relates to transactions between the Group's operating segments and includes rail replacement bus services and sub-leasing of rolling stock.

At 3 July 2021, there were non-current assets included within the London & International Bus segment of £9.4m (2020: £12.4m) relating to operations in Singapore and Ireland. Operations in Singapore generated a revenue of £55.4m (2020: £56.9m) and operations in Ireland generated a revenue of £39.2m (2020: £33.4m) during the year.

Non-current assets included within International Rail of £23.1m relate to international operations in Germany (2020: £23.0m in Germany and £11.6m in Norway). Operations in Norway generated a revenue of £43.5m (2020: £18.5m) and operations in Germany generated a revenue of £96.7m (2020: £51.4m).

We have two major customers which individually contribute more than 10% of Group revenue, one of which contributed £2,195.6m (2020: £736.2m restated), and the other contributed £560.5m (2020: £506.4m). The increase during the year is due to increased government assistance as a result of the continuing COVID-19 pandemic. No other individual customer contributed 10% or more to the Group's revenue in either the current or prior year.

## 5. Operating costs

Detailed below are the key amounts recognised in arriving at our operating costs. For accounting policies see 'Profit and revenue sharing/support agreements', 'Property, plant and equipment', 'Government grants' and 'Franchise set-up costs' in note 2. Exceptional items are outlined in note 7.

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Employee costs (note 6)	1,418.8	1,355.9	(3.1)	1,352.8
Rail operating charges (see below)	1,101.7	990.8	—	990.8
Energy costs (see below)	278.8	261.8	—	261.8
DfT franchise agreement (receipts)/payments	(10.9)	93.3	—	93.3
Depreciation (see below)	568.0	459.6	—	459.6
Intangible amortisation	6.3	9.4	—	9.4
Auditor's remuneration (see below)	1.7	1.3	—	1.3
Impairment losses (including reversals) on financial assets and contract assets**	7.1	2.6	(0.2)	2.4
Reimbursement of operating costs	(13.5)	(27.1)	—	(27.1)
Government grants	(2.8)	(3.6)	—	(3.6)
Government grants: COVID-19	(22.8)	(27.2)	—	(27.2)
Profit on disposal of property, plant and equipment	(0.2)	(0.9)	—	(0.9)
Other operating costs	610.8	704.6	3.6	708.2
<b>Total operating costs (pre-exceptional operating items)</b>	<b>3,943.0</b>	<b>3,820.5</b>	<b>0.3</b>	<b>3,820.8</b>

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

\*\* In addition to the restatements outlined in note 2, a reclassification of £0.2m has been made between impairment losses on trade receivables and other operating costs, as presented in the table above. This is to reflect that the impairment charge for the year should be presented net of any amounts unused and reversed during the year.

**5. Operating costs** continued

Further analysis of the above operating costs is as follows:

	2021 £m	2020 £m
<b>Rail operating charges</b>		
– Rail rolling stock	214.7	212.9
– Other rail	215.7	194.4
Total lease and sublease payments recognised as an expense (excluding rail access charges)	430.4	407.3
– Rail access charges	671.3	583.5
Total lease and sublease payments recognised as an expense	1,101.7	990.8
<b>Depreciation</b>		
– Owned assets	81.5	84.1
– Right of use assets	486.5	375.5
Total depreciation expense	568.0	459.6
<b>Auditor's remuneration</b>		
– Audit fee for the audit of the parent financial statements	0.1	0.1
– Audit fee for the audit of the subsidiary financial statements	1.4	1.1
– Additional audit fees incurred as a result of the matters of concern relating to LSER and other historic franchises and affiliate trading*	1.2	—
Total audit fees for the audit of the financial statements*	2.7	1.2
Total non-audit fees	0.2	0.1
Total auditor's remuneration (post-exceptional)*	2.9	1.3
<b>Energy costs</b>		
– Bus fuel	89.4	98.3
– Rail diesel fuel	2.3	2.4
– Rail electricity	171.6	145.1
– Cost of site energy	15.5	16.0
Total energy costs	278.8	261.8

\* Additional audit fees were incurred during the year as a result of the matters of concern relating to LSER and other historic franchises and affiliate trading outlined on page 188. This results in total audit fees of £2.7m, £1.2m of which is recorded within exceptional items.

The Group's rail operating companies hold agreements with different entities for access to the railway infrastructure (track, stations and depots). These are classified as rail operating charges as they do not constitute a right of use asset.

Government grant income of £2.8m (2020: £3.6m) is mainly attributable to the release of grants received to support the mobilisation of international business operations and service improvements including smart ticketing, deliverable over a period of up to 15 years.

Government grant income in relation to the COVID-19 pandemic of £22.8m (2020: £27.2m) primarily relates to the Coronavirus Job Retention Scheme (CJRS) in the UK, and the equivalent schemes in our international operations. The amounts recognised reflect the grants receivable in respect of the year ended 3 July 2021 and relate to the costs reclaimable for furloughed employees to the extent that it is reasonably certain that the grant will be received.

## Notes to the consolidated financial statements continued

## 6. Employee costs

This note shows total employment costs, inclusive of share-based payment charges. We have a number of share plans used to award shares to directors and employees. A charge is recognised over the vesting period in the consolidated income statement, based on the fair value of the award at the date of grant. The note also shows the average number of people employed by the Group during the year. For accounting policies see 'Share based payment transactions' in note 2.

	2021 £m	2020 (as previously presented) £m	Restatements* £m	2020 (as restated) £m
Wages and salaries	1,234.5	1,181.2	(3.1)	1,178.1
Social security costs	121.3	117.0	—	117.0
Other pension costs	61.8	56.1	—	56.1
Share based payments charge	1.2	1.6	—	1.6
	<b>1,418.8</b>	1,355.9	(3.1)	1,352.8

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

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

	2021	2020
Administration and supervision	3,614	3,643
Maintenance and engineering	2,787	2,763
Operations	24,172	23,594
	<b>30,573</b>	30,000

The detailed information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the Directors' remuneration report. Aggregate directors' emoluments are also disclosed in note 29.

## Sharesave scheme

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

The Sharesave scheme is open to all full time and part time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees must enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. Participants were given the choice of taking their money back or purchasing Go-Ahead Group shares at a 20% discount of the market price set at the date of invitation. Sharesave 2016 participants had six months from the maturity date to exercise their options. Sharesave 2016 matured on 1 May 2019. There are no current active Sharesave schemes in place.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk-free interest rate, forfeiture rate and option life.

There are no savings-related options at 3 July 2021.

The expense recognised for the scheme during the year to 3 July 2021 was £nil (2020: £nil).

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

	2021		2020	
	No.	WAEP £	No.	WAEP £
Outstanding at the beginning of the year	—	—	174,606	19.11
Forfeited during the year	—	—	(144,554)	19.11
Exercised during the year	—	—	(30,052)	19.11
Outstanding at the end of the year	—	—	—	—

The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2020: £19.11).

At the year end nil options (2020: nil) were exercisable and the weighted average exercise price of the options at year end was £nil (2020: £nil).

The options outstanding at the end of the year have a weighted average remaining contracted life of nil years (2020: nil years).

## 6. Employee costs continued

### Long Term Incentive Plans

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

The expense recognised for the LTIP during the year to 3 July 2021 was £0.1m (2020: £0.7m).

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 3 July 2021 and 27 June 2020 were:

	2021 % per annum	2020 % per annum
The Go-Ahead Group plc:		
Future share price volatility	40.0	31.0
FTSE Mid-250 index comparator:		
Future share price volatility	25.0	25.0
Correlation between companies	30.0	30.0

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

	2021	2020
Outstanding at the beginning of the year	162,832	143,603
Granted during the year	127,987	58,927
Forfeited during the year	(49,993)	(39,698)
Exercised during the year	—	—
Outstanding at the end of the year	240,826	162,832

The LTIP award granted to the former Group Chief Executive in November 2018 lapsed in full from November 2021 as none of the performance measures were achieved following the three-year performance period ending 3 July 2021.

The weighted average share price of the options at the year end was £11.40 (2020: £9.06). The weighted average fair value of options granted during the year was £9.44 (2020: £21.12). The weighted average remaining contractual life of the options was 1.81 years (2020: 1.05 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2020: £nil).

The estimated amounts due to the relevant tax authorities in relation to the above transactions are detailed in the directors' Remuneration Report.

### Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for certain senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three-year period. Refer to the Directors' remuneration report for further details of the DSBP. The DSBP options are not subject to any market-based performance conditions. Therefore, the fair value of the options is equal to the share price at the date of grant.

The expense recognised for the DSBP during the year to 3 July 2021 was £1.2m (2020: £0.9m).



## Notes to the consolidated financial statements continued

## 6. Employee costs continued

## Deferred Share Bonus Plan continued

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

	2021	2020
Outstanding at the beginning of the year	180,055	150,420
Granted during the year	135,084	63,125
Forfeited during the year	(7,369)	(1,476)
Exercised during the year	(30,758)	(32,014)
Outstanding at the end of the year	277,012	180,055

The weighted average fair value of options granted during the year was £8.32 (2020: £21.12). At the year end, 27,316 options related to DSBP awards, which vested before the year end, which have not yet been exercised by participants. Of these 27,316 options, 524 options related to the award granted in November 2013, 3,276 related to the award granted in November 2014, 2,904 related to the award granted in November 2015, 3,917 related to the award granted in November 2016 and 16,695 related to the award granted in November 2017. 55,631 options, relating to the DSBP award granted in November 2018, will be eligible to vest from November 2021 following the end of a three-year deferral period. The weighted average share price of the options at the year end was £11.40 (2020: £9.06).

The weighted average remaining contractual life of the options was 1.59 years (2020: 0.91 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £8.83 (2020: £20.86).

## Share incentive plans

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

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

## 7. Exceptional items

This note identifies items of an exceptional nature that have a significant impact on the results of the Group in the period. For accounting policies see 'Exceptional items' in note 2.

	2021	As previously reported 2020	Restatements 2020**	As restated 2020
	£m	£m	£m	£m
Asset impairments, provisions and restructuring costs – Regional Bus	0.2	26.7	—	26.7
Asset impairments and restructuring costs – International Rail*	(5.2)	23.2	—	23.2
German Bavaria franchise onerous contract provision*	—	7.2	36.6	43.8
Norway franchise onerous contract provision and asset impairment	76.7	—	—	—
Department for Transport potential financial penalty and associated costs relating to LSER	32.4	—	—	—
Exceptional operating items	104.1	57.1	36.6	93.7

\* In the prior year, the German onerous contract provision was included in 'Asset impairments, provisions and restructuring costs – rail'. Given the additional provisions made in Germany and Norway, and the quantum of them, the onerous contract provisions have now been presented separately.

\*\* Details of restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

## Year ended 3 July 2021

Total exceptional operating items in the year were a charge of £104.1m to the income statement.

## Asset impairments and restructuring costs – Regional Bus

During the year ended 3 July 2021, an impairment charge of £1.1m was recognised in relation to property, plant and equipment following the termination of further contracts in Regional Bus. Further, costs of £1.2m have also been recognised in relation to loss making contracts where passenger demand is not recovering at the same levels as the wider commercial network.

This has been offset by the release of restructuring provisions of £1.0m and an impairment reversal of £1.1m following the sale of some coaches that were previously impaired and recognised as exceptional operating charges during the year ended 27 June 2020.

## Asset impairments and restructuring costs – International Rail

During the prior year, freehold land and buildings were impaired by £4.4m in Germany and recognised as an exceptional operating item. During the year ended 3 July 2021, a depot that had previously been impaired was sold for an amount greater than the previously estimated recoverable amount. Further, as part of this sale agreement, there is no longer an obligation to pay break fees on the depot which were provided for as of 27 June 2020, and therefore this provision has been released. This has resulted in an exceptional operating credit of £5.2m.

## 7. Exceptional items continued

### Year ended 3 July 2021 continued

#### Norway franchise onerous contract provision and asset impairment

In December 2019, the Group began operating rail services in Norway, its first contract in this market and the first commercially run network in the country. After a successful start to operations, the effects of the COVID-19 pandemic were felt just three months into this contract.

As the contract involves exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis, initially with 100% loss coverage. As the pandemic continued, loss coverage was reduced from this level down to 85%.

The impact of the reduction and possible cessation of funding, the fixed nature of the operating requirements and the longer than expected duration of lower passenger demand following the impact of COVID-19 have resulted in a reduction of the net economic benefits of the contract. This is based on the expected future cashflows and a risk-free discount rate, which triggered the need to reassess the assumptions made in the onerous contract and impairment models. This reduction in future revenue results in an onerous contract provision charge of £66.2m and asset impairments of £10.5m being recognised at the year end.

As a non-adjusting post balance sheet event in accordance with IAS 10, in December 2021 government support was subsequently prolonged to include November 2021 to March 2022. Whilst temporary support at an equivalent level is in place until March 2022, after this period the government has indicated further support at an unconfirmed level may be in place until at least August 2022. The inclusion of government support at 85% loss coverage from November 2021 to the end of March 2022 in the calculation of the onerous contract provision would reduce its size by £6.8m. There is ongoing dialogue with the Government in relation to a possible renegotiation of the contract. Refer to the critical accounting judgements section on page 145 for further details.

#### Department for Transport potential financial penalty and associated costs relating to LSER

Under the Railways Act 1993, the DfT has the power to impose a financial penalty in relation to LSER as outlined on pages 10 to 11. In the absence of specific precedent or relevant guidance, it is difficult to precisely estimate the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, has included a provision of £30.0m which reflects the Group's current best estimate of any penalty. The Group has also recognised associated legal and professional costs in relation to this of £2.4m.

### Year ended 27 June 2020

Total exceptional operating items in the prior year comprised a charge of £93.7m (restated) to the income statement.

#### Asset impairments and restructuring costs – Regional Bus

During the prior year, strategic reviews were carried out following a decline in the operational performance of Regional Bus and the impact of COVID-19. As a result of these reviews, several restructuring programmes of varying degrees were initiated during 2020 and a number of specific contracts, services and routes were terminated. In addition, COVID-19 has had a significant impact on certain bus operations, in particular coaching contracts, airline and other holiday routes. Related assets have also been impaired to reflect the changing environment. An exceptional item of £26.7m has been recognised and comprises £15.9m of property, plant and equipment impairments, £3.8m of intangible asset impairments (including £0.6m of goodwill), £5.5m of restructuring costs, £0.5m impairment of assets held for sale and £1.0m impairment of right of use assets.

#### Asset impairments, provisions and restructuring costs – International Rail

German rail operations commenced on 15 June 2019 and have faced a number of challenges during the first year of operation. A comprehensive review of the overall business, including future franchises, has been undertaken and this has identified that there were indicators for possible impairments across the business. A full impairment review was subsequently carried out and an exceptional item of £23.2m has been recognised during the year. Impairments and provisions have been identified in relation to intangible assets and committed, irrecoverable franchise set-up costs. These include £16.4m of franchise set-up costs and £0.7m of software, plus a £4.4m impairment of the freehold land and buildings. Restructuring costs of £1.7m have also been recognised as an exceptional charge.

#### German Bavaria franchise onerous contract provision

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to FY20 and the Group's FY21 interim results. A number of errors have been identified in respect of the assumptions used when calculating the onerous provision in the Bavarian rail franchise in the prior year and the Group's FY21 interim results.

The prior year provision was determined to be understated by £36.6m which has been restated in these financial statements. Correspondingly there was a reduction of £25.9m charged to the consolidated income statement in the Group's FY21 interim results. The calculation of the understatement was determined following a review of historical information and consideration given to what information then available could reasonable have been included in the previous cash flow assumptions underpinning the provision.

## Notes to the consolidated financial statements continued

## 8. Finance income and costs

Finance income mainly comprises interest received from bank deposits. Finance costs mainly arise from interest due on the bond and bank loans. For accounting policies see 'Finance income' and 'Interest-bearing loans and borrowings' in note 2.

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Bank interest receivable on bank deposits	0.7	3.8	—	3.8
Interest on net pension asset	1.0	1.3	—	1.3
Interest receivable on net investment	0.1	—	—	—
Other interest receivable	0.3	0.3	—	0.3
Finance income	2.1	5.4	—	5.4
Interest payable on bank loans and overdrafts	(2.7)	(4.4)	—	(4.4)
Interest payable on £250m sterling seven year bond	(6.2)	(6.3)	—	(6.3)
Other interest payable	(2.2)	(0.4)	(1.2)	(1.6)
Unwinding of discounting on provisions	—	(0.7)	—	(0.7)
Interest payable on lease liabilities	(9.0)	(13.9)	—	(13.9)
Interest on net pension liability	(0.1)	(0.1)	—	(0.1)
Finance costs	(20.2)	(25.8)	(1.2)	(27.0)

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

## 9. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note sets out the deferred tax assets and liabilities held across the Group. For accounting policies see 'Taxation' in note 2.

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

## a. Tax recognised in the income statement and in other comprehensive income

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

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Current year tax charge	21.0	11.2	(0.4)	10.8
Adjustments in respect of current tax of previous years	(0.7)	(0.1)	—	(0.1)
Total current tax	20.3	11.1	(0.4)	10.7
Deferred tax relating to origination and reversal of temporary differences at 25% (2020: 19.0%)	(1.1)	(4.4)	(0.1)	(4.5)
Adjustments in respect of deferred tax of previous years	0.2	(0.3)	—	(0.3)
Impact of opening deferred tax rate	14.4	5.5	—	5.5
Total deferred tax	13.5	0.8	(0.1)	0.7
Tax reported in consolidated income statement	33.8	11.9	(0.5)	11.4

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

The tax reported in the consolidated income statement in the current year includes exceptional amounts relating to the reversal of asset impairments in Regional Bus. See note 7 for further details.

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

	2021 £m	2020 £m
Tax on remeasurement gains on defined benefit pension plans	(5.3)	(0.4)
Deferred tax on cashflow hedges	4.4	(3.8)
Deferred tax on share based payments (taken directly to equity)	(0.1)	0.2
Tax reported outside of the consolidated income statement	(1.0)	(4.0)

## 9. Taxation continued

### b. Reconciliation

A reconciliation of income tax applicable to accounting profit before taxation, at the statutory tax rate, to tax at the Group's effective tax rate for the years ended 3 July 2021 and 27 June 2020 is as follows:

	2021 £m	2020 (as previously presented) £m	Restatements* £m	2020 (as restated) £m
Accounting loss before taxation	(6.9)	(0.2)	(39.3)	(39.5)
At United Kingdom tax rate of 19.0% (2020: 19.0%)	(1.3)	—	(7.5)	(7.5)
Share scheme costs not allowable for tax purposes	(0.3)	0.3	—	0.3
Non-qualifying depreciation	1.0	0.9	—	0.9
Expenditure not allowable for tax purposes	7.0	1.1	—	1.1
Income not taxable	(2.1)	—	—	—
Adjustments in respect of deferred tax of previous years	0.2	(0.3)	—	(0.3)
Movement on unrecognised deferred tax on losses carried forward	16.1	4.5	7.0	11.5
Effect of the difference between current year corporation tax and deferred tax rates	0.1	—	—	—
Adjustments in respect of current tax of previous years	(0.7)	(0.1)	—	(0.1)
Overseas tax rate difference	(0.6)	—	—	—
Impact of opening deferred tax rate	14.4	5.5	—	5.5
Tax reported in consolidated income statement	33.8	11.9	(0.5)	11.4
Effective tax rate	(489.9%)	(5,950.0%)	1.2%	(28.9%)

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

The 2021 effective tax rate on a pre-exceptional basis is 35.3% (2020: 32.7% restated). The pre and post-exceptional effective tax rates include a £14.4m (2020: £5.5m) charge in relation to the UK corporation tax rate change from an opening rate of 19.0% to a closing rate of 25.0%. This change was substantively enacted at the balance sheet date. Excluding this charge, the effective tax rate is 20.5% (2020: 22.5% restated).

The Group had subsidiary trading companies in Germany, Ireland, Norway, Australia and Singapore during the year. The tax residencies of these companies are the same as the countries of incorporation, which are disclosed in note 29.

Singapore and Ireland profits are generated through the provision of bus passenger services and have been taxed at the appropriate local taxation rates of 17.0% and 12.5% respectively and have been included in the total statutory tax charge. Germany and Norway have faced trading difficulties which have resulted in a loss; therefore no taxation has been recognised during the financial year. Australia's trading results for the financial year are immaterial.

The Group has not recognised deferred tax assets of £26.0m (2020: £24.0m restated) based on a taxation rate of 30.0% (2020: 30.0%) in respect of losses incurred in Germany carried forward and £16.9m (2020: £nil) based on a taxation rate of 22.0% (2020: 22.0%) in respect of losses incurred in Norway carried forward. There is no time limit on the utilisation of these assets in Germany and Norway and they have not been recognised due to the uncertainty over their recovery in future periods.

### c. Reconciliation of net current tax (asset)/liability

A reconciliation of the net current tax (asset)/liability is provided below:

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Current tax (asset)/liability at the start of the year	(4.0)	13.1	0.4	13.5
Corporation tax reported in consolidated income statement	20.3	11.1	(0.4)	10.7
Net paid in the year	(12.1)	(28.2)	—	(28.2)
Net current tax liability/(asset) at the end of the year	4.2	(4.0)	—	(4.0)

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

## Notes to the consolidated financial statements continued

## 9. Taxation continued

## d. Deferred tax

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

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
<b>Deferred tax liability</b>				
Accelerated capital allowances	(21.1)	(18.8)	—	(18.8)
Other temporary differences	(14.2)	(8.6)	0.1	(8.5)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(13.9)	(11.5)	—	(11.5)
Cashflow hedges	(1.5)	—	—	—
Retirement benefit obligations	(9.0)	(10.1)	—	(10.1)
Share based payments	—	—	—	—
Deferred tax liability included in balance sheet	(59.7)	(49.0)	0.1	(48.9)
<b>Deferred tax asset</b>				
Other temporary differences	0.9	—	—	—
Share based payments	0.6	—	0.4	0.4
Cashflow hedges	—	2.9	—	2.9
Deferred tax asset included in balance sheet	1.5	2.9	0.4	3.3

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

The deferred tax asset, as shown above, is recognised as it is considered probable that there will be future taxable profits available.

The deferred tax liabilities and assets included in the balance sheet have been calculated using applicable enacted rates.

The movements in deferred tax in the income statement and other comprehensive income for the years ended 3 July 2021 and 27 June 2020 are as follows:

## Year ended 3 July 2021

	At 27 June 2020 (as previously reported) £m	Restatements* £m	At 30 June 2020 (as restated) £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	At 3 July 2021 £m
Accelerated capital allowances	(18.8)	—	(18.8)	(2.3)	—	—	(21.1)
Asset backed funding pension arrangement	(10.5)	—	(10.5)	(2.7)	—	—	(13.2)
Other temporary differences	1.9	0.1	2.0	(2.1)	—	—	(0.1)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(11.5)	—	(11.5)	(2.4)	—	—	(13.9)
Retirement benefit obligations	(10.1)	—	(10.1)	(4.2)	5.3	—	(9.0)
Cashflow hedges	2.9	—	2.9	—	(3.1)	(1.3)	(1.5)
Share based payments	—	0.3	0.3	0.2	—	0.1	0.6
	(46.1)	0.4	(45.7)	(13.5)	2.2	(1.2)	(58.2)

**9. Taxation** continued  
**d. Deferred tax** continued  
**Year ended 27 June 2020**

	At 30 June 2019 (as previously reported) £m	Restatements* £m	At 30 June 2019 (as restated) £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	At 27 June 2020 (as restated) £m
Accelerated capital allowances	(20.1)	—	(20.1)	1.3	—	—	(18.8)
Asset backed funding pension arrangement	(9.7)	—	(9.7)	(0.8)	—	—	(10.5)
Other temporary differences	0.6	<b>0.3</b>	0.9	1.1	—	—	2.0
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(10.9)	—	(10.9)	(0.6)	—	—	(11.5)
Retirement benefit obligations	(8.5)	—	(8.5)	(2.0)	0.4	—	(10.1)
Cashflow hedges	(0.9)	—	(0.9)	—	4.8	(1.0)	2.9
Share based payments	0.2	—	0.2	0.3	—	(0.2)	0.3
	(49.3)	<b>0.3</b>	(49.0)	(0.7)	5.2	(1.2)	(45.7)

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

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

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Accelerated capital allowances	<b>(1.9)</b>	(3.8)	—	(3.8)
Revaluation	<b>(0.6)</b>	(0.6)	—	(0.6)
Retirement benefit obligations	<b>1.6</b>	1.4	—	1.4
Other temporary differences	<b>—</b>	(1.4)	(0.1)	(1.5)
Share based payments	<b>(0.2)</b>	—	—	—
	<b>(1.1)</b>	(4.4)	(0.1)	(4.5)
Adjustments in respect of prior years	<b>0.2</b>	(0.3)	—	(0.3)
Adjustment in respect of opening deferred tax rate	<b>14.4</b>	5.5	—	5.5
Deferred tax expense	<b>13.5</b>	0.8	(0.1)	0.7

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

**e. Factors affecting tax charges**

The standard rate of UK corporation tax is 19.0% and therefore 19.0% applies to the current tax charge arising during the year ended 3 July 2021. Legislation within the Finance Bill 2020 advised a UK corporation tax rate of 19.0% from 1 April 2020 and this rate was applied, where applicable, to the Group's deferred tax balance at the prior year end. Legislation substantively enacted in the Finance Bill 2021 amended this rate to 25.0% with effect from April 2023 and therefore 25.0% has been applied, where applicable, to the Group's deferred tax balance as at the balance sheet date for balances arising after this date.

## Notes to the consolidated financial statements continued

## 10. Earnings per share

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

## Basic and diluted earnings per share

	Pre- exceptional 2021 £m	Exceptional items 2021 £m	Post- exceptional 2021 £m	Pre- exceptional 2020 (as previously reported) £m	Restatements* £m	Pre- exceptional 2020 (as restated) £m	Exceptional Items (as previously reported) 2020 £m	Restatements* £m	Exceptional Items (as restated) 2020 £m	Post- exceptional 2020 (as previously reported) £m	Restatements* £m	Post- exceptional 2020 (as restated) £m
Net profit/(loss) attributable to equity holders of the parent	<b>46.6</b>	<b>(92.6)</b>	<b>(46.0)</b>	22.2	(0.7)	21.5	(50.8)	(36.6)	(87.4)	(28.6)	(37.3)	(65.9)
Basic weighted average number of shares in issue ('000)	<b>42,988</b>	—	<b>42,988</b>	42,998	—	42,998	—	—	—	42,998	—	42,998
Dilutive potential share options ('000)	<b>142</b>	—	<b>142</b>	104	—	104	—	—	—	104	—	104
Diluted weighted average number of shares in issue ('000)	<b>43,130</b>	—	<b>43,130</b>	43,102	—	43,102	—	—	—	43,102	—	43,102
Earnings per share:												
Basic earnings per share (pence per share)	<b>108.4</b>	<b>(215.4)</b>	<b>(107.0)</b>	51.6	(1.6)	50.0	(118.1)	(85.1)	(203.3)	(66.5)	(86.7)	(153.3)
Diluted earnings per share (pence per share)	<b>108.0</b>	<b>(214.7)</b>	<b>(106.7)</b>	51.5	(1.6)	49.9	(117.9)	(84.9)	(202.8)	(66.4)	(86.5)	(152.9)

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

The weighted average number of shares in issue excludes treasury shares held by the Group, and shares held in trust for the LTIP and DSBP arrangements.

No shares were bought back and cancelled by the Group in the period from 3 July 2021 to 23 February 2022.



**11. Dividends paid and proposed**

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

	<b>2021</b>	2020
	<b>£m</b>	£m
<b>Declared and paid during the year</b>		
Equity dividends on ordinary shares:		
Final dividend for 2020: nil per share (2019: 71.91p)	—	30.9
Interim dividend for 2021: nil per share (2020: nil)	—	—
	—	30.9
	<b>2021</b>	2020
	<b>£m</b>	£m
<b>Proposed for approval at the AGM (not recognised as a liability as at 3 July 2021)</b>		
Equity dividends on ordinary shares:		
Final dividend for 2021: nil per share (2020: nil)	—	—

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

## Notes to the consolidated financial statements continued

**12. Property, plant and equipment**

The Group holds significant investments in land and buildings, bus vehicles and plant and equipment, which form our tangible assets. All assets (excluding freehold land) are depreciated over their useful economic lives. For accounting policies see 'Property, plant and equipment' in note 2.

	Freehold land and buildings £m	Long term leasehold land and properties £m	Short term leasehold land and properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
<b>Cost</b>						
At 30 June 2019	217.5	3.1	19.2	707.2	234.4	1,181.4
Additions	10.2	—	3.8	44.7	13.9	72.6
Disposals	—	—	(8.0)	(24.9)	(58.1)	(91.0)
Transfer categories	1.9	(3.1)	3.1	1.1	(3.0)	—
Transfer of assets held for sale	(2.3)	—	—	—	—	(2.3)
Transfer of ROU assets	—	—	—	(11.4)	—	(11.4)
Effect of foreign exchange rate changes	0.3	—	(0.1)	—	0.1	0.3
At 27 June 2020	227.6	—	18.0	716.7	187.3	1,149.6
Additions	<b>0.3</b>	—	<b>2.8</b>	<b>42.8</b>	<b>6.9</b>	<b>52.9</b>
Disposals	<b>(4.8)</b>	—	—	<b>(25.7)</b>	<b>(1.7)</b>	<b>(32.2)</b>
Transfer of ROU assets	—	—	—	<b>1.1</b>	—	<b>1.1</b>
Effect of foreign exchange rate changes	<b>(1.1)</b>	—	<b>(0.2)</b>	—	<b>(0.3)</b>	<b>(1.6)</b>
<b>At 3 July 2021</b>	<b>222.0</b>	—	<b>20.6</b>	<b>734.9</b>	<b>192.2</b>	<b>1,169.7</b>
<b>Depreciation and impairment</b>						
At 30 June 2019	13.9	0.5	12.2	350.8	172.1	549.5
Charge for the year	1.9	—	2.1	57.1	23.0	84.1
Impairment	5.4	—	0.8	15.0	0.1	21.3
Disposals	—	—	(7.2)	(24.8)	(58.1)	(90.1)
Transfer categories	1.6	(0.5)	0.3	(0.4)	(1.0)	—
Transfer of ROU assets	—	—	—	(4.2)	—	(4.2)
Effect of foreign exchange rate changes	—	—	(0.1)	—	0.1	—
At 27 June 2020	22.8	—	8.1	393.5	136.2	560.6
Charge for the year	<b>2.0</b>	—	<b>3.4</b>	<b>54.4</b>	<b>21.7</b>	<b>81.5</b>
Impairment	—	—	—	<b>3.4</b>	<b>0.2</b>	<b>3.6</b>
Disposals	<b>(4.4)</b>	—	—	<b>(24.5)</b>	<b>(1.6)</b>	<b>(30.5)</b>
Transfer of ROU assets	—	—	—	<b>0.8</b>	—	<b>0.8</b>
Effect of foreign exchange rate changes	—	—	<b>(0.1)</b>	—	—	<b>(0.1)</b>
<b>At 3 July 2021</b>	<b>20.4</b>	—	<b>11.4</b>	<b>427.6</b>	<b>156.5</b>	<b>615.9</b>
<b>Net book value</b>						
<b>At 3 July 2021</b>	<b>201.6</b>	—	<b>9.2</b>	<b>307.3</b>	<b>35.7</b>	<b>553.8</b>
At 27 June 2020	204.8	—	9.9	323.2	51.1	589.0
At 29 June 2019	203.6	2.6	7.0	356.4	62.3	631.9

### 13. Leases

This note details right of use assets and the associated lease liabilities. For accounting policies see 'Leases' in note 2.

The Group has lease liabilities for land and buildings, rail rolling stock, bus vehicles and various items of plant and equipment. These contracts have no terms of renewal or purchase option escalation clauses.

#### Right of use assets

The right of use assets were brought onto the balance sheet on 30 June 2019 on the Group's transition to IFRS 16 Leases.

	Leasehold land and properties £m	Rolling stock £m	Plant and equipment £m	Total £m
<b>Cost</b>				
At 30 June 2019	—	—	—	—
On transition to IFRS 16	25.0	757.4	0.3	782.7
Additions	4.6	232.3	—	236.9
Disposals	—	(0.7)	—	(0.7)
Transfer from owned assets	—	11.4	—	11.4
Effect of foreign exchange rate changes	0.1	—	—	0.1
At 27 June 2020	29.7	1,000.4	0.3	1,030.4
Additions*	<b>1.7</b>	<b>184.8</b>	<b>0.5</b>	<b>187.0</b>
Disposals	<b>(0.1)</b>	<b>(15.3)</b>	—	<b>(15.4)</b>
Transfer to owned assets	—	<b>(1.1)</b>	—	<b>(1.1)</b>
Effect of foreign exchange rate changes	<b>(0.3)</b>	—	—	<b>(0.3)</b>
<b>At 3 July 2021</b>	<b>31.0</b>	<b>1,168.8</b>	<b>0.8</b>	<b>1,200.6</b>
<b>Depreciation and impairment</b>				
At 30 June 2019	—	—	—	—
Charge for the year	5.7	369.7	0.1	375.5
Impairment	—	1.0	—	1.0
Disposals	—	(0.3)	—	(0.3)
Transfer from owned assets	—	4.2	—	4.2
Other	1.1	—	—	1.1
At 27 June 2020	6.8	374.6	0.1	381.5
Charge for the year	<b>6.7</b>	<b>479.3</b>	<b>0.5</b>	<b>486.5</b>
Impairment	<b>0.8</b>	<b>3.2</b>	—	<b>4.0</b>
Disposals	<b>0.1</b>	<b>(15.2)</b>	—	<b>(15.1)</b>
Transfer to owned assets	—	<b>(0.9)</b>	—	<b>(0.9)</b>
Effect of foreign exchange rate changes	<b>(0.1)</b>	—	—	<b>(0.1)</b>
Other	<b>0.2</b>	<b>(0.9)</b>	—	<b>(0.7)</b>
<b>At 3 July 2021</b>	<b>14.5</b>	<b>840.1</b>	<b>0.6</b>	<b>855.2</b>
<b>Net book value</b>				
<b>At 3 July 2021</b>	<b>16.5</b>	<b>328.7</b>	<b>0.2</b>	<b>345.4</b>
At 27 June 2020	22.9	625.8	0.2	648.9
At 29 June 2019	—	—	—	—

\* Additions includes £165.9m of contract modifications in relation to Govia Thameslink Railway as a result of the current rail franchise being extended during the year to 31 March 2022. This accounts for an increase in leasehold land and property additions of £0.6m, rolling stock of £165.2m and plant and equipment of £0.1m.

## Notes to the consolidated financial statements continued

**13. Leases** continued**Lease liabilities**

The balance sheet includes the following amounts:

	2021 £m	2020 £m
Current	<b>263.9</b>	517.3
Non-current	<b>48.7</b>	131.3
	<b>312.6</b>	648.6

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2021 £m	2020 £m
Less than one year	<b>268.3</b>	525.9
One to two years	<b>16.8</b>	97.0
Two to three years	<b>11.6</b>	14.7
Three to four years	<b>9.1</b>	9.3
Four to five years	<b>4.4</b>	8.2
More than five years	<b>5.8</b>	5.8
Total undiscounted lease liability	<b>316.0</b>	660.9

See note 21 for a reconciliation of the opening to closing lease liabilities.

**Amounts recognised in the Group income statement**

	2021 £m	2020 £m
Depreciation expense on right of use assets	<b>486.5</b>	375.5
Interest payable on lease liabilities	<b>9.1</b>	13.9
Expenses relating to short term leases	<b>0.4</b>	112.6
Expenses relating to low value leases	<b>0.2</b>	0.3
	<b>496.2</b>	502.3

**Amounts recognised in the Group cashflow statement**

	2021 £m	2020 £m
Total cash outflow for leases	<b>543.5</b>	388.2

**Sale and leaseback transactions**

A number of bus vehicles in the Group are leased with some purchased and sold immediately at fair value and for the same value as the carrying value of the asset at no gain or loss and leased back. This is to match vehicles to specific income streams. The cashflow impact of these transactions results in the cash received for the sale of vehicles offsetting the payments made for the purchase of vehicles. Cash payments are subsequently made over the life of the lease.

**Service concession agreements**

International Rail operations are similar in nature and consist of the operation of service concession agreements and the provision of transport services on behalf of local government bodies. The Group has access to infrastructure whilst operating the service agreement which is returned to the grantor at the end of the contract. Consideration received is determined by the franchise agreement with variable elements attributable to performance and revenue is accounted for and classified in line with IFRS 15. There are no construction or upgrade elements to the service agreement; therefore, no financial or intangible assets have been recognised.

**Terminations**

A significant number of the Group's rolling stock lease contracts include extension options which mirror potential franchise and revenue agreement extensions. The award of revenue extensions is at the discretion of the customer and outside the control of the Group. Therefore, it is management's judgement that it is not reasonably certain that the lease will be extended and therefore the lease term excludes extension periods.

#### 14. Goodwill and intangible assets

The consolidated balance sheet contains significant intangible assets mainly in relation to goodwill, software, franchise set-up costs and customer contracts. Goodwill, which arises when the Group acquires a business and pays a higher amount than the fair value of the net assets primarily due to the synergies the Group expects to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise set-up costs are amortised over the life of the franchise. Customer contracts are amortised over the life of the contract. For further details see accounting policies for; “Software”, “Franchise set-up costs”, “Business combinations and goodwill”, “Impairment of assets” and “Customer contracts” in note 2.

	Goodwill £m	Software costs £m	Franchise set-up costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
<b>Cost</b>						
At 30 June 2019	87.4	26.8	37.1	16.7	14.7	182.7
Additions	—	5.3	13.1	—	—	18.4
Disposals	—	(3.5)	(0.1)	—	(4.7)	(8.3)
Effect of foreign exchange rate changes	—	(0.1)	—	—	—	(0.1)
At 27 June 2020	87.4	28.5	50.1	16.7	10.0	192.7
Additions	—	<b>2.2</b>	—	—	—	<b>2.2</b>
Disposals	—	<b>(0.7)</b>	<b>(2.5)</b>	—	<b>(7.1)</b>	<b>(10.3)</b>
Effect of foreign exchange rate changes	—	—	<b>(1.4)</b>	—	—	<b>(1.4)</b>
<b>At 3 July 2021</b>	<b>87.4</b>	<b>30.0</b>	<b>46.2</b>	<b>16.7</b>	<b>2.9</b>	<b>183.2</b>
<b>Amortisation and impairment</b>						
At 30 June 2019	13.3	18.7	12.6	16.7	12.6	73.9
Charge for the year	—	3.0	6.1	—	0.3	9.4
Impairment	0.6	3.4	16.4	—	1.1	21.5
On disposal	—	(3.4)	(0.1)	—	(4.7)	(8.2)
At 27 June 2020	13.9	21.7	35.0	16.7	9.3	96.6
Charge for the year	—	<b>3.1</b>	<b>3.1</b>	—	<b>0.1</b>	<b>6.3</b>
Impairment	—	<b>2.1</b>	<b>7.6</b>	—	—	<b>9.7</b>
On disposal	—	<b>(0.4)</b>	<b>(2.5)</b>	—	<b>(7.1)</b>	<b>(10.0)</b>
Effect of foreign exchange rates	—	—	<b>(1.2)</b>	—	—	<b>(1.2)</b>
Other	—	<b>(0.2)</b>	—	—	—	<b>(0.2)</b>
<b>At 3 July 2021</b>	<b>13.9</b>	<b>26.3</b>	<b>42.0</b>	<b>16.7</b>	<b>2.3</b>	<b>101.2</b>
<b>Net book value</b>						
<b>At 3 July 2021</b>	<b>73.5</b>	<b>3.7</b>	<b>4.2</b>	—	<b>0.6</b>	<b>82.0</b>
At 27 June 2020	73.5	6.8	15.1	—	0.7	96.1
At 29 June 2019	74.1	8.1	24.5	—	2.1	108.8

#### Software costs

Software costs capitalised exclude software that is integral to the related hardware. Software is amortised on a straight-line basis over its expected useful life of three to five years.

#### Franchise set-up costs

A part of the Group's activities is the process of bidding for and securing franchises to operate rail and bus services in the UK and overseas. Directly attributable, incremental costs incurred after achieving preferred bidder status, entering into a franchise extension or winning an international bid are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise, currently between 5 and 13 years, in accordance with IFRS 15.

#### Rail franchise asset

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

#### Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions on a straight-line basis. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period. The unexpired term is 6.5 years.

## Notes to the consolidated financial statements continued

## 14. Goodwill and intangible assets continued

## Goodwill

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

	2021 £m	2020 £m
Go South Coast	34.6	34.6
Brighton & Hove	12.7	12.7
Plymouth Citybus	13.0	13.0
Go North East	2.7	2.7
<b>Regional Bus</b>	<b>63.0</b>	63.0
Go-Ahead London	10.5	10.5
<b>Total</b>	<b>73.5</b>	73.5

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three-year period which have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long term stability of the relevant income streams. The assumptions used are consistent with the historical performance of each unit and are expected to be realistically achievable in light of economic and industry measures and forecasts. The assessment of the value in use for Regional Bus cash generating units sensitive to the return of passenger revenue to pre-COVID-19 levels. The directors have also considered the implications of climate change, when assessing the medium to long term projections. The Group, as a public transport services provider, has a vital role to play in helping reduce carbon emissions, and they therefore feel there is no adverse impact on the assumptions used.

Growth has been extrapolated forward, using a growth rate of 2.0%, from the end of the three-year forecasts over a total period of five years plus a terminal value using a growth rate of 2.0% which reflects the directors' view of long term growth rates in each business, and the long term recurrent nature of the businesses given the continued focus on public transport initiatives in response to government and public focus on climate change.

Separate discount rates have been calculated for the different cash generating units due to the varying impact of IFRS 16 on the underlying cashflows.

	Pre-tax and post-IFRS 16 discount rate		Terminal growth rate	
	2021 %	2020 %	2021 %	2020 %
Regional Bus	8.7	6.7	2.0	2.0
London Bus	8.4	6.6	2.0	2.0

Financial modelling adopting the assumptions outlined confirms that the carrying amount of the CGUs does not exceed their recoverable amount and no impairment charge is required.

The principal assumptions in the goodwill models are the forecasted cashflows in the three-year forecast period, the extrapolated growth rates and the discount rate. The calculation of value in use for each CGU is most sensitive to the discount rate and growth rates applied. Sensitivity analysis has been performed to understand what the percentage change in the principal assumptions would erode the headroom to zero. Details have been disclosed below of where a possible change in key assumptions would cause the carrying amount of the Go South Coast CGU to exceed its recoverable amount. The other CGUs can tolerate a higher discount rate and lower terminal growth rate before eroding the headroom to zero.

	Regional Bus %
Discount rate	9.5
Terminal growth rate	1.2

## 15. Assets classified as held for sale

This note identifies any non-current assets or disposal groups that are held for sale. The carrying amounts of these assets will be recovered principally through a sale rather than through continuing use. For accounting policies see 'Non-current assets held for sale' in note 2.

At 3 July 2021, assets held for sale had a carrying value of £3.2m (2020: £7.2m) and related to property, plant and equipment. Assets held for sale relating to bus rolling stock with a carrying value of £3.1m (2020: £4.8m) are included in London & International Bus. Assets held for sale relating to land and buildings have a carrying value of £0.1m (2020: £2.4m). Of these, £0.1m (2020: £0.2m) are included with Regional Bus and £nil (2020: £2.2m) are included within the Rail division.

The Group expects to sell £3.2m of these assets within 12 months of them going onto the "for sale" list and being actively marketed or reflecting contracts already in place for certain bus assets. Assets held for sale of £0.1m relate to land and buildings, within property, plant and equipment. The value at each balance sheet date represents management's best estimate of their resale value less disposal costs.

During the year ended 3 July 2021, assets held for sale were sold for a profit of £0.3m (2020: £nil) which was included within exceptional items and £nil (2020: £nil) was included in operating costs in the income statement.

## 16. Inventories

Inventory primarily consists of vehicle spares and fuel and is presented net of allowances for obsolete products. For accounting policies see 'Inventories' in note 2.

	2021 £m	2020 £m
Raw materials and consumables	<b>19.5</b>	19.7

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

## 17. Trade and other receivables

Trade and other receivables mainly consist of amounts owed by principal contracting authorities and other customers, amounts paid to suppliers in advance, amounts receivable from central government and taxes receivable. Trade receivables are shown net of a loss allowance for expected credit losses.

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Current				
Trade receivables	<b>146.0</b>	55.4	13.7	69.1
Less: provision for impairment of receivables	<b>(10.8)</b>	(4.1)	—	(4.1)
Trade receivables – net	<b>135.2</b>	51.3	13.7	65.0
Other receivables	<b>31.9</b>	16.5	—	16.5
Prepayments	<b>77.5</b>	76.4	—	76.4
Accrued income	<b>40.6</b>	33.2	—	33.2
Receivable from central government	<b>128.0</b>	91.1	8.3	99.4
	<b>413.2</b>	268.5	22.0	290.5

Included within amounts receivable from central government is VAT of £47.1m (2020: £49.0m and 2019: £37.7m).

## Contract assets

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m	2019 (as restated) £m
Contract assets**	<b>121.5</b>	124.3	(40.7)	83.6	105.0

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 2 on pages 182 to 189 and are presented in the table above.

\*\* Included within amounts receivable from central government is VAT of £47.1m (2020: £49.0m and 2019: £37.7m). Contract assets are the sum of the accrued income and amounts receivable from central government shown net of VAT. The 2020 and 2019 contract asset balances contract asset balances shown in the table above have been restated as VAT balances were incorrectly included in contract assets in those years, net of the £8.3m in the above table.

Contract assets are the sum of accrued income and amounts receivable from central government shown net of VAT.

Amounts receivable from central government consists of UK and overseas VAT balances and amounts due from the DfT in the UK.

Accrued income and amounts receivable from central government principally comprise amounts relating to contracts with customers and make up the contract assets balance in the table above. Accrued income primarily comprises contract income which is billed on a regular basis and which is reclassified to trade receivables, as time passes, at the point at which it is billed. Contract assets have increased during the year as a result of amounts due under the CBSSG scheme and the timing of payments versus the recognition of related income. The non-current prepayment of £2.0m (2020: £nil) relates to a maintenance contract in Germany.



## Notes to the consolidated financial statements continued

## 17. Trade and other receivables continued

## Non-current trade and other receivables

	2021 £m	2020 £m
Prepayments	2.0	—

## Ageing of trade receivables

As at 3 July 2021 and 27 June 2020, the ageing analysis of trade receivables and the provision for impairment of receivables based on expected credit losses were as follows:

## Year ended 3 July 2021

	Total £m	Not overdue £m	Less than 30 days £m	30–60 days £m	60–90 days £m	90–120 days £m	Greater than 120 days £m
Expected rate of credit losses	7.4%	—	1.9%	1.8%	70.8%	23.3%	49.0%
Gross carrying value of trade receivables	146.0	112.3	5.3	5.6	2.4	4.3	16.1
<b>Provision for impairment of receivables</b>	<b>10.8</b>	<b>—</b>	<b>0.1</b>	<b>0.1</b>	<b>1.7</b>	<b>1.0</b>	<b>7.9</b>

## Year ended 27 June 2020

	Total £m	Not overdue £m	Less than 30 days £m	30–60 days £m	60–90 days £m	90–120 days £m	Greater than 120 days £m
Expected rate of credit losses (as restated)	5.9%	—	2.9%	—	67.7%	9.8%	26.5%
Gross carrying value of trade receivables (as previously reported)	55.4	39.0	6.9	3.6	3.1	1.1	1.7
Restatements to trade receivables*	13.7	3.3	3.4	0.8	—	3.0	3.2
Gross carrying value of trade receivables (as restated)	69.1	42.3	10.3	4.4	3.1	4.1	4.9
Provision for impairment of receivables	4.1	—	0.3	—	2.1	0.4	1.3

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 2 on pages 182 to 189 and are presented in the table above.

## Provision for impairment of receivables

Trade receivables at nominal value of £10.8m (2020: £4.1m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2021 £m	2020 £m
At 27 June 2020	4.1	2.1
Charge for the year	7.6	2.6
Utilised	(0.4)	(0.4)
Unused amounts reversed	(0.5)	(0.2)
<b>At 3 July 2021</b>	<b>10.8</b>	<b>4.1</b>

Impairment losses (including reversals) on financial assets and contract assets is amounts charged in the year less amounts reversed at £7.1m (2020: £2.4m).

Contract assets and accrued income were also considered for impairment but it was determined that provision for impairment was trivial both for the year ended 3 July 2021 and the year ended 27 June 2020. Loss allowance for other receivables and receivables from central government was measured as amount equal to 12-months' expected credit losses. Due to very low credit risk, no provision was required either for the year ended 3 July 2021 or the year ended 27 June 2020.

The provision for impairment of receivables has increased due to a mechanism agreed with the DFT under which certain receivables are provided for rather than being written off and are then covered through the EMA and ERMA funding as required. The credit risk associated with the Group's trade and other receivables is explained in note 22.

### 18. Finance lease receivables

On 1 September 2020 the Group entered into a new head lease for 30 train units. These train units were previously on a head lease with another train operating company and as such it was agreed they would be cascaded to the Group over a 13-month period. The remaining receivable for each train unit is being transferred into a right of use asset when each individual train unit is delivered to the Group during the cascade period, at which time it is assessed to satisfy the requirement for recognition of the right of use asset.

#### Amounts receivable under finance leases

	2021 £m	2020 £m
Year 1	2.3	—
After year 1	—	—
Undiscounted lease payments receivable	2.3	—
Present value of lease payments	2.3	—
<b>Net investment in the lease</b>	<b>2.3</b>	—

Included in the income statement is finance income on the net investment in finance leases of £0.1m (2020: £nil).

The Company's finance lease arrangements do not include variable payments. The average effective interest rate approximates 1.87% per annum.

None of the finance lease receivables at the end of the reporting period are past due and management considers that no finance lease receivable is impaired.

### 19. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements. For accounting policies see 'Cash and cash equivalents' in note 2.

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Cash at bank and in hand	410.9	139.6	138.5	278.1
Cash equivalents	219.7	430.2	(138.5)	291.7
	<b>630.6</b>	569.8	—	569.8

\* Cash has been reclassified from cash equivalents to cash at bank due to previous misclassification.

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 UK Rail companies included in cash at bank and on short term demand deposit can be distributed only with the agreement of the DfT, normally up to the value of distributable reserves or based on a working capital formula. Following the introduction of the Emergency Measures Agreements (EMAs) and then the Emergency Recovery Measures Agreements (ERMAs) under these emergency measures the calculation mechanism for restricted cash continues to be in place. From 19 September 2020 until the end of March 2022, GTR is operating under an Emergency Recovery Measures Agreement (ERMA). As at year end, under the terms of the ERMA, all of GTR's cash continues to be restricted. Southeastern was operating under the EMA agreement at year end and its restricted cash balance is based on total cash less distributable reserves. As at 3 July 2021, balances amounting to £543.7m (2020: £474.8m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £18.3m at 3 July 2021 (2020: £21.3m).

## Notes to the consolidated financial statements continued

**20. Trade and other payables**

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

**Current trade and other payables**

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Trade payables	120.0	129.2	—	129.2
Other taxes and social security costs	34.4	28.8	—	28.8
Other payables	57.4	72.1	(6.8)	65.3
Deferred season ticket income	18.3	21.3	—	21.3
Accruals	318.5	265.2	7.2	272.4
Deferred income	143.9	94.9	—	94.9
Payable to central government	187.5	102.6	46.9	149.5
Government grants	3.4	3.9	—	3.9
	<b>883.4</b>	718.0	47.3	765.3

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 2 on pages 182 to 189 and are presented in the table above.

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
- Amounts payable to central government consist of amounts payable to the DfT in the UK.
- Other payables are non-interest bearing and have varying terms of up to 12 months

Deferred season ticket income and deferred income principally comprise amounts relating to contracts with customers:

**Contract liabilities**

	2021 £m	2020 £m	2019 £m
Contract liabilities	162.2	116.2	218.1

Contract liabilities at each balance sheet date are expected to be recognised as revenue within the next financial year. The contract liabilities balance as at 27 June 2020 was recognised as revenue during the year ended 3 July 2021. The balance as at 3 July 2021 has increased primarily due to the timing of advanced funding received from the Department for Transport (DfT).

**Non-current trade and other payables**

	2021 £m	2020 £m
Government grants	13.5	15.6

**21. Interest-bearing loans and borrowings**

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. For accounting policies see 'Interest-bearing loans and borrowings', 'Cash and cash equivalents' and 'Leases' in note 2.

**Net cash/debt and interest-bearing loans and borrowings**

The net cash/debt position comprises cash, short term deposits, interest-bearing loans and borrowings. In line with our debt covenants, net debt is calculated using the outstanding principal value of debt and does not include accrued interest and is gross of debt issue costs. It can be summarised as:

**21. Interest-bearing loans and borrowings** continued  
 Year ended 3 July 2021

	Effective interest rate %	Maturity	Current	Non-current		Total £m
			Within one year £m	After one year but not more than five years £m	After more than five years £m	
Syndicated loans	0.63	1-4 years	—	126.6	—	126.6
Interest accrued on syndicated loans			0.1	—	—	0.1
Debt issue costs on syndicated loans			(0.1)	(0.4)	—	(0.5)
£250m sterling seven-year bond	2.5	1-4 years	—	250.0	—	250.0
Interest accrued on £250m sterling seven-year bond			6.2	—	—	6.2
Debt issue costs on £250m sterling seven-year bond			(0.5)	(0.7)	—	(1.2)
€8m revolving credit facility	2.1	0-1 years	5.5	—	—	5.5
€10.85m loan	2.79	Over 5 years	0.8	3.5	3.4	7.7
Lease liabilities (note 13)	2.26	0-7 years	263.9	42.0	6.8	312.7
<b>Total interest-bearing loans and borrowings</b>			<b>275.9</b>	<b>421.1</b>	<b>10.2</b>	<b>707.2</b>
Interest accrued			(6.3)	—	—	(6.3)
Debt issue costs			0.6	1.0	—	1.6
Total interest-bearing loans and borrowings (gross of debt issue costs and interest)			270.2	422.1	10.2	702.5
Cash and short term deposits (note 19)			(630.6)	—	—	(630.6)
<b>Net (cash)/debt</b>			<b>(360.4)</b>	<b>422.1</b>	<b>10.2</b>	<b>71.9</b>
Restricted cash*						543.7
Adjusted net debt						615.6

## Year ended 27 June 2020

	Effective interest rate %	Maturity	Current	Non-current		Total £m
			Within one year £m	After one year but not more than five years £m	After more than five years £m	
Syndicated loans	0.69	1-4 years	—	147.4	—	147.4
Debt issue costs on syndicated loans			(0.1)	(0.5)	—	(0.6)
£250m sterling seven-year bond	2.50	1-4 years	—	250.0	—	250.0
Interest accrued on £250m sterling seven-year bond (as previously reported)			—	—	—	—
Restatement*			6.2	—	—	6.2
<b>Interest accrued on £250m sterling seven-year bond (as restated)</b>			<b>6.2</b>	<b>—</b>	<b>—</b>	<b>6.2</b>
Debt issue costs on £250m sterling seven-year bond			(0.6)	(1.1)	—	(1.7)
€8m revolving credit facility	2.10	0-1 years	5.8	—	—	5.8
€10.85m loan	2.79	Over 5 years	1.0	3.6	4.5	9.1
Lease liabilities (note 13)	2.07	0-8 years	517.3	124.3	7.0	648.6
<b>Total interest-bearing loans and borrowings (as restated)</b>			<b>529.6</b>	<b>523.7</b>	<b>11.5</b>	<b>1,064.8</b>
Interest accrued (as previously reported)			—	—	—	—
Restatement*			(6.2)	—	—	(6.2)
<b>Interest accrued (as restated)</b>			<b>(6.2)</b>	<b>—</b>	<b>—</b>	<b>(6.2)</b>
Debt issue costs			0.7	1.6	—	2.3
Total interest-bearing loans and borrowings (gross of debt issue costs and interest) (as restated)			524.1	525.3	11.5	1,060.9
Cash and short term deposits (note 19)			(569.8)	—	—	(569.8)
<b>Net (cash)/debt</b>			<b>(45.7)</b>	<b>525.3</b>	<b>11.5</b>	<b>491.1</b>
Restricted cash**						474.8
Adjusted net debt						965.9

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 2 on pages 182 to 189 and are presented in the table above.

\*\* See note 19 (page 223) for further information in relation to the Group's restricted cash balance.

## Notes to the consolidated financial statements continued

## 21. Interest-bearing loans and borrowings continued

## Analysis of Group net debt/(cash)

	Cash and cash equivalents £m	Syndicated loan facility £m	Lease liabilities £m	£250m sterling bond (as previously reported) £m	Restatement* £m	£250m sterling bond (as restated) £m	Euro RCF £m	Euro loan £m	Total £m
At 30 June 2019	630.8	(144.7)	(6.1)	(250.0)	(6.2)	(256.2)	(5.7)	(9.7)	208.4
Net cashflow	(61.0)	(2.5)	373.6	—	—	—	—	0.8	310.9
Interest (received)/paid on loans and borrowings	(3.8)	1.4	13.9	—	6.2	6.2	—	0.3	18.0
Inception of new leases	—	—	(235.0)	—	—	—	—	—	(235.0)
Interest income/(expense)	3.8	(1.4)	(13.9)	—	(6.2)	(6.2)	—	(0.3)	(18.0)
Effect of foreign exchange rate changes	—	(0.2)	—	—	—	—	(0.1)	(0.2)	(0.5)
On transition to IFRS 16	—	—	(781.1)	—	—	—	—	—	(781.1)
At 27 June 2020	569.8	(147.4)	(648.6)	(250.0)	(6.2)	(256.2)	(5.8)	(9.1)	(497.3)
Net cashflow	<b>62.5</b>	<b>17.0</b>	<b>534.3</b>	—	—	—	—	<b>0.8</b>	<b>614.6</b>
Interest paid on loans and borrowings	<b>(0.7)</b>	<b>0.7</b>	<b>9.0</b>	—	—	<b>6.2</b>	—	<b>0.4</b>	<b>15.6</b>
Inception of new leases	—	—	<b>(31.7)</b>	—	—	—	—	—	<b>(31.7)</b>
Interest income/(expense)	<b>0.7</b>	<b>(0.8)</b>	<b>(9.0)</b>	—	—	<b>(6.2)</b>	—	<b>(0.4)</b>	<b>(15.7)</b>
Lease modifications	—	—	<b>(166.6)</b>	—	—	—	—	—	<b>(166.6)</b>
Effect of foreign exchange rate changes	<b>(1.7)</b>	<b>3.8</b>	—	—	—	—	<b>0.3</b>	<b>0.6</b>	<b>3.0</b>
<b>At 3 July 2021</b>	<b>630.6</b>	<b>(126.7)</b>	<b>(312.6)</b>	—	—	<b>(256.2)</b>	<b>(5.5)</b>	<b>(7.7)</b>	<b>(78.1)</b>
Interest accrued	—	<b>0.1</b>	—	—	—	<b>6.2</b>	—	—	<b>6.3</b>
<b>Net (cash)/debt</b>	<b>630.6</b>	<b>(126.6)</b>	<b>(312.6)</b>	—	—	<b>(250.0)</b>	<b>(5.5)</b>	<b>(7.7)</b>	<b>(71.8)</b>

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 2 on pages 182 to 189 and are presented in the table above.

## 21. Interest-bearing loans and borrowings continued

### Reconciliation of liabilities arising from financing activities

	Syndicated loan facility (as previously presented) £m	Restatement* £m	Syndicated loan facility (as restated) £m	Lease liabilities £m	£250m sterling bond (as previously reported) £m	Restatement* £m	£250m sterling bond (as restated) £m	Euro RCF £m	Euro loan £m	Total liabilities from financing activities £m
At 30 June 2019	(144.7)	0.8	(143.9)	(6.1)	(250.0)	(4.0)	(254.0)	(5.7)	(9.7)	(419.4)
Net Cashflow (excluding interest paid)	(2.5)	—	(2.5)	373.6	—	—	—	—	0.8	371.9
Interest paid on loans and borrowings	—	1.4	1.4	13.9	—	6.2	6.2	—	0.3	21.8
Movement in debt issue costs	—	(0.2)	(0.2)	—	—	(0.5)	(0.5)	—	—	(0.7)
Inception of new leases	—	—	—	(235.0)	—	—	—	—	—	(235.0)
Interest expense	—	(1.4)	(1.4)	(13.9)	—	(6.2)	(6.2)	—	(0.3)	(21.8)
Effect of foreign exchange rate changes	(0.2)	—	(0.2)	—	—	—	—	(0.1)	(0.2)	(0.5)
On transition to IFRS 16	—	—	—	(781.1)	—	—	—	—	—	(781.1)
At 27 June 2020	(147.4)	0.6	(146.8)	(648.6)	(250.0)	(4.5)	(254.5)	(5.8)	(9.1)	(1,064.8)
Net Cashflow	<b>17.0</b>	—	<b>17.0</b>	<b>534.3</b>	—	—	—	—	<b>0.8</b>	<b>552.1</b>
Interest paid on loans and borrowings	<b>0.7</b>	—	<b>0.7</b>	<b>9.0</b>	—	—	<b>6.2</b>	—	<b>0.4</b>	<b>16.3</b>
Movement in debt issue costs	<b>(0.1)</b>	—	<b>(0.1)</b>	—	—	—	<b>(0.6)</b>	—	—	<b>(0.7)</b>
Inception of new leases	—	—	—	<b>(31.7)</b>	—	—	—	—	—	<b>(31.7)</b>
Interest expense	<b>(0.8)</b>	—	<b>(0.8)</b>	<b>(9.0)</b>	—	—	<b>(6.2)</b>	—	<b>(0.4)</b>	<b>(16.4)</b>
Lease modifications	—	—	—	<b>(166.6)</b>	—	—	—	—	—	<b>(166.6)</b>
Effect of foreign exchange rate changes	<b>3.8</b>	—	<b>3.8</b>	—	—	—	—	<b>0.3</b>	<b>0.6</b>	<b>4.7</b>
<b>At 3 July 2021</b>	<b>(126.8)</b>	<b>0.6</b>	<b>(126.2)</b>	<b>(312.6)</b>	<b>(250.0)</b>	—	<b>(255.1)</b>	<b>(5.5)</b>	<b>(7.7)</b>	<b>(707.1)</b>
Interest accrued	<b>0.1</b>	—	<b>0.1</b>	—	—	—	<b>6.2</b>	—	—	<b>6.3</b>
Debt issue costs	<b>0.1</b>	<b>(0.6)</b>	<b>(0.5)</b>	—	—	—	<b>(1.1)</b>	—	—	<b>(1.6)</b>
Total interest-bearing loans and borrowings (gross of interest and issue costs)	<b>(126.6)</b>	—	<b>(126.6)</b>	<b>(312.6)</b>	<b>(250.0)</b>	—	<b>(250.0)</b>	<b>(5.5)</b>	<b>(7.7)</b>	<b>(702.4)</b>

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 2 on pages 182 to 189 and are presented in the table above.

#### Syndicated loan facility

On 16 July 2014, the Group entered into a £280.0m syndicated loan facility. The loan facility is unsecured and interest is charged at LIBOR + margin, where the margin is dependent upon the gearing of the Group. The original facility was for a period of five years and has had a number of extensions, the most recent of which was agreed in July 2021, extending the maturity to July 2025 with a value of £240.0m in the final year.

Our primary financial covenant under the syndicated loan facility is an adjusted net debt to EBITDA (excluding exceptional items) ratio of not more than 3.5x and at 3 July 2021 it was 1.56x (2020: 1.98x restated). This is on a pre-IFRS 16 basis.

As at 3 July 2021, £126.6m (2020: £147.4m) of the facility was drawn down.

#### £250m sterling bond

On 6 July 2017, the Group raised a £250.0m bond of seven years maturing on 6 July 2024, with a coupon rate of 2.5%.

#### Euro RCF

On 24 October 2017, the Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH, entered into an €8.0m one-year revolving credit facility.

As at 3 July 2021, €6.4m or £5.5m (2020: €6.4m or £5.8m) was drawn down. The facility is unsecured and interest is charged at 2.1% plus EURIBOR.

#### Euro loan

On 24 October 2017, the Group's subsidiary, Go-Ahead Facility GmbH, entered into a €10.6m 10.5-year loan, which subsequently increased to €10.85m.

As at 3 July 2021, €9.0m or £7.7m (2020: €10.0m or £9.1m) was outstanding. The loan is secured against the German land and buildings included within property, plant and equipment. Interest is charged at a fixed rate of 2.79%.

## Notes to the consolidated financial statements continued

**21. Interest-bearing loans and borrowings** continued**Debt issue costs**

There are debt issue costs of £0.5m (2020: £0.6m) on the syndicated loan facility.

The £250m sterling seven-year bond has debt issue costs of £1.1m (2020: £1.7m).

The Group is subject to two covenants in relation to its borrowing facilities. The covenants specify a maximum adjusted net debt to EBITDA (excluding exceptional items) and a minimum net interest cover. These covenants are on a pre-IFRS 16 basis. At the year end and throughout the year, the Group has not been in breach of any bank covenants.

Subsequent to the year end, following delays to the publication of the year end financial statements waivers were obtained from the Group's banks in relation to the information covenant requirements in the Group's borrowing facilities to submit accounts within a defined timeframe.

**22. Financial risk management objectives and policies**

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

**Financial risk factors and management**

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

It is Group policy to enter into derivative transactions relating to fuel swaps. The purpose of these is to manage the fuel price risks arising from the Group's operations.

It is, and has been throughout 2020-21 and 2019-20, 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, credit risk and commodity price risk, managed via fuel derivatives.

**Interest rate risk**

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

The Group has net cash and hence the present adverse risk is a decrease in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group (excluding unamortised debt issue costs) as at 3 July 2021 and 27 June 2020 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
<b>Year ended 3 July 2021</b>								
<b>Floating rate liabilities</b>								
Syndicated loans	0.63	0.8	0.7	0.7	0.8	127.4	—	130.4
€8m revolving credit facility	2.1	5.6	—	—	—	—	—	5.6
Gross floating rate liabilities		6.4	0.7	0.7	0.8	127.4	—	136.0
<b>Fixed rate liabilities</b>								
£250m sterling seven-year bond	2.5	6.2	6.3	6.3	250.5	—	—	269.3
€10.85m loan	2.79	1.0	1.0	1.1	1.0	1.0	3.5	8.6
Lease liabilities	2.26	268.3	16.8	11.6	9.1	4.4	5.8	316.0
Net fixed rate liabilities		275.5	24.1	19.0	260.6	5.4	9.3	593.9



**22. Financial risk management objectives and policies** continued**Interest rate risk** continued

	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
<b>Year ended 27 June 2020</b>								
<b>Floating rate liabilities</b>								
Syndicated loans (as previously reported)	0.69	—	—	—	—	147.4	—	147.4
Restatement*		1.0	1.0	1.0	1.0	1.0	—	5.0
Syndicated loans (as restated)	0.69	1.0	1.0	1.0	1.0	148.4	—	152.4
€8m revolving credit facility (as previously reported)	2.10	5.8	—	—	—	—	—	5.8
Restatement*		0.1	—	—	—	—	—	0.1
€8m revolving credit facility (as restated)	2.10	5.9	—	—	—	—	—	5.9
Gross floating rate liabilities		6.9	1.0	1.0	1.0	148.4	—	158.3
<b>Fixed rate liabilities</b>								
£250m sterling seven-year bond (as previously reported)	2.50	—	—	—	—	250.0	—	250.0
Restatement*		6.2	6.2	6.3	6.3	0.5	—	25.5
£250m sterling seven-year bond (as restated)	2.50	6.2	6.2	6.3	6.3	250.5	—	275.5
€10.85m loan (as previously reported)	2.79	1.0	0.9	0.9	0.9	0.9	4.5	9.1
Restatement*		0.2	0.2	0.2	0.2	0.2	0.1	1.1
€10.85m loan (as restated)	2.79	1.2	1.1	1.1	1.1	1.1	4.6	10.2
Lease liabilities (as previously reported)	2.07	517.3	95.6	13.8	8.7	6.2	7.0	648.6
Restatement*		8.6	1.4	0.9	0.6	2	(1.2)	12.3
Lease liabilities (as restated)	2.07	525.9	97	14.7	9.3	8.2	5.8	660.9
Net fixed rate liabilities		533.3	104.3	22.1	16.7	259.8	10.4	946.6

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 2 on pages 182 to 189 and are presented in the table above.

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

**Interest rate risk table**

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

	Increase/ (decrease) in basis points	Effect on profit before tax £m
<b>2021</b>		
GBP	<b>50.0</b>	<b>(0.6)</b>
GBP	<b>(50.0)</b>	<b>0.6</b>
<b>2020</b>		
GBP	50.0	(0.8)
GBP	(50.0)	0.8

## Notes to the consolidated financial statements continued

## 22. Financial risk management objectives and policies continued

## Liquidity risk

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

On 16 July 2014, the Group entered into a £280.0m syndicated loan facility. The loan facility is unsecured and interest is charged at LIBOR + margin, where the margin is dependent upon the gearing of the Group. The original facility was for a period of five years and has had a number of extensions, the most recent of which was agreed in July 2021, extending the maturity to July 2025 with a value of £240.0m in the final year.

On 6 July 2017, the Group raised a £250m bond of seven years maturing on 6 July 2024 with a coupon rate of 2.5%.

On 24 October 2017, the Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH, entered into an €8.0m one-year revolving credit facility. The facility is unsecured and interest is charged at 2.1% plus EURIBOR. As at 3 July 2021, €6.4m or £5.5m (2020: €6.4m or £5.8m) was drawn down.

On 24 October 2017, the Group's subsidiary, Go-Ahead Facility GmbH, entered into a €10.6m 10.5-year loan which subsequently increased to €10.85m. The loan is secured against the German land and buildings included within property, plant and equipment. Interest is charged at a fixed rate of 2.79%.

The level of drawdowns and prevailing interest rates are detailed in note 21.

Available liquidity as at 3 July 2021 and 27 June 2020 was as follows:

	2021 £m	2020 £m
Syndicated loans	280.0	280.0
£250m sterling seven-year bond	250.0	250.0
€8m revolving credit facility	5.5	7.3
€10.85m loan	7.7	9.8
<b>Total core facilities</b>	<b>543.2</b>	547.1
<b>Amount drawn down at year end</b>	<b>389.8</b>	412.3
<b>Headroom</b>	<b>153.4</b>	134.8

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

As at 3 July 2021, balances included in cash at bank and on short term deposit amounting to £543.7m (2020: £474.8m) were restricted. See note 19 on page 223 for further details.

The tables below summarise the maturity profile of the Group's financial liabilities at 3 July 2021 and 27 June 2020 based on contractual undiscounted payments.

## Year ended 3 July 2021

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	—	1.7	5.7	133.7	3.5	144.6
£250m sterling seven-year bond	—	6.2	—	263.1	—	269.3
Lease liabilities	—	104.8	163.5	41.9	5.8	316.0
Derivative financial liabilities	—	0.2	0.4	0.3	—	0.9
Contractual trade and other payables	63.8	527.9	96.4	—	—	688.1
	<b>63.8</b>	<b>640.8</b>	<b>266.0</b>	<b>439.0</b>	<b>9.3</b>	<b>1,418.9</b>

**22. Financial risk management objectives and policies** continued**Liquidity risk** continued

Year ended 27 June 2020

	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m	Total* £m
Interest-bearing loans and borrowings (as previously reported)	—	0.3	6.5	151.1	4.4	162.3
Restatements*	—	—	1.3	4.7	0.2	6.2
Interest-bearing loans and borrowings (as restated)	—	0.3	7.8	155.8	4.6	168.5
£250m sterling seven-year bond (as previously reported)	—	6.2	—	250	—	256.2
Restatements*	—	—	—	19.3	—	19.3
£250m sterling seven-year bond (as restated)	—	6.2	—	269.3	—	275.5
Lease liabilities	—	131.5	394.4	129.2	5.8	660.9
Derivative financial liabilities	—	2.5	7.4	5.6	—	15.5
Contractual trade and other payables (as previously reported)	101.1	368.3	99.8	—	—	569.2
Restatements*	—	48.3	—	—	—	48.3
Contractual trade and other payables (as restated)	101.1	416.6	99.8	—	—	617.5
	101.1	557.1	509.4	559.9	10.4	1,737.9

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 2 on pages 182 to 189 and are presented in the table above. In addition to the restatements outlined in note 2, this table has been restated to include the estimated contractual future interest payments assuming that conditions existing at the year-end continue.

**Managing capital**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Details of the issued capital and reserves are shown in note 25. Details of interest-bearing loans and borrowings are shown in note 21.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 3 July 2021 and 27 June 2020.

The Group applies the primary objective by managing its capital structure such that net debt (adjusted to exclude restricted cash) to EBITDA\* (excluding exceptional items) is within a range which retains an investment grade debt rating of at least BBB-.

In the year ended 2 July 2011, the Group obtained investment grade long term credit ratings from Standard & Poor's and Moody's as follows:

Standard & Poor's                      BBB- (stable outlook)

Moody's                                      Baa3 (stable outlook)

Those ratings were maintained in the year ended 3 July 2021.

Subsequent to the year end, due to delayed publication of the Group's results, Moody's withdrew its rating of the Group in January 2022. S&P reaffirmed its credit rating but considers the Group's outlook to be under review. The Group's policy is to maintain an adjusted net debt to EBITDA (excluding exceptional items) ratio of 1.5x to 2.5x. The Group's calculation of adjusted net debt is set out in note 21 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. The Group continues to take measures to protect its cash including suspension of dividend and careful management of discretionary expenditure and capital investment. These actions were taken by the Board as a measure to protect this ratio.

\* Operating profit before interest, tax, depreciation and amortisation.

**Currency risk**

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

## Notes to the consolidated financial statements continued

**22. Financial risk management objectives and policies** continued**Credit risk**

The Group's credit risk is primarily attributable to its financial assets, comprising trade and other receivables (see note 17), cash and cash equivalents (see note 19) and fuel hedge derivatives (see note 23). The maximum credit risk exposure of the Group as at the year end was £930.1m (2020: £735.1m (restated to remove VAT balances, see note 17 for details)) and comprises amounts from a number of unconnected parties.

The considerable majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT), and the majority of sales with other entities are paid as they arise historically the annual cost due to expected credit losses has been immaterial so limited disclosures are therefore provided. The trade receivables from such public bodies are not considered to present a significant credit risk, which is supported by cash payment performance.

Smaller sundry individual trade receivables with third parties that have arisen are assessed as required for credit loss and a provision accrued when considered appropriate. The Group applies the IFRS 9 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date. Expected credit losses are assessed based on the number of days past due, the customer type, a judgement on credit risk, consideration of macroeconomic forecasts, as well as past experience when relevant. Movement in the provisions for the impairment of trade receivables are recorded within operating costs within the income statement.

Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A- or A3 or above by at least one of the credit rating agencies. The treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

**Commodity price risk**

The Group is exposed to commodity price risk as a result of fuel usage. The Group closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate. The Group operates a bus fuel hedging policy which uses fuel hedges to fix the price of diesel fuel in advance. The core policy is to be fully hedged for the next financial year before the start of that year, with at least 50% of the following year fixed and 25% of the year thereafter. This hedging profile is then maintained on a month by month basis. Additional purchases can be made to lock in future costs, subject to Board approval. Risk component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased fuel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the risk component and there is a strong correlation between the movements in the price of the derivative and the fuel price purchased. Variances in pricing between the derivative commodity and the purchased price relate to underlying costs such as duty and delivery and are excluded from the hedge relationship. Further details are given in note 23.

**23. Derivatives and other financial instruments**

A derivative is a security whose price is dependent upon or derived from an underlying asset. For accounting policies see 'Financial assets', 'Financial liabilities', 'Derivatives financial instruments', and 'Fair value measurement' in note 2.

The carrying value of the Group's financial assets and liabilities is as follows:

**Year ended 3 July 2021**

	Amortised cost £m	Derivatives used for cashflow hedging £m	Total carrying value £m
<b>Financial assets and derivatives</b>			
Trade and other receivables	288.6	—	288.6
Cash and cash equivalents	630.6	—	630.6
Fuel price derivatives	—	8.3	8.3
Finance lease receivables	2.3	—	2.3
	<b>921.5</b>	<b>8.3</b>	<b>929.8</b>
<b>Financial liabilities and derivatives</b>			
Interest-bearing loans and borrowings	(394.5)	—	(394.5)
Lease liabilities	(312.6)	—	(312.6)
Trade and other payables classified as financial liabilities	(683.0)	—	(683.0)
Fuel price derivatives	—	(0.9)	(0.9)
	<b>(1,390.1)</b>	<b>(0.9)</b>	<b>(1,391.1)</b>

### 23. Derivatives and other financial instruments continued

Year ended 27 June 2020

	Amortised Cost (as previously reported) £m	Restatement** £m	Amortised Cost (as restated) £m	Derivatives used for cashflow hedging £m	Total carrying value (as restated) £m	Fair value £m	Restatement** £m	Fair value (as restated) £m
<b>Financial assets and derivatives</b>								
Trade and other receivables	192.1	(27.0)	165.1	—	165.1	192.1	(27.0)	165.1
Cash and cash equivalents	569.8	—	569.8	—	569.8	569.8	—	569.8
Fuel price derivatives	—	—	—	0.2	0.2	0.2	—	0.2
	761.9	(27.0)	734.9	0.2	735.1	762.1	(27.0)	735.1
<b>Financial liabilities and derivatives</b>								
Interest-bearing loans and borrowings	(410.0)	(6.2)	(416.2)	—	(416.2)	(400.3)	(6.2)	(406.5)
Lease liabilities	(648.6)	—	(648.6)	—	(648.6)	(648.6)	—	n/a
Trade and other payables classified as financial liabilities*	(598.0)	(18.4)	(616.4)	—	(616.4)	(598.0)	(18.4)	(616.4)
Fuel price derivatives	—	—	—	(15.5)	(15.5)	(15.5)	—	(15.5)
	(1,656.6)	(24.6)	(1,681.2)	(15.5)	(1,696.7)	(1,662.4)	(24.6)	(1,038.4)

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 2 on pages 182 to 189 and are presented in the table above. In addition to the restatements described in note 2, VAT balances of £47.1m (£49.0m) have been removed from trade and other receivables in order to correctly present this line excluding VAT. See note 17 for details.

#### a. Fair values

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

The Group's financial instruments carried at fair value in the financial statements have been reviewed as at 3 July 2021 and 27 June 2020 and are as follows:

	2021 £m	2020 (as previously presented) £m	Restatement** £m	2020 (as restated) £m
Non-current financial assets: fuel price derivatives	3.4	0.1	—	0.1
Current financial assets: fuel price derivatives	4.9	0.1	—	0.1
	8.3	0.2	—	0.2
Current financial liabilities: fuel price derivatives	(0.6)	(9.9)	(1.1)	(11.0)
Non-current financial liabilities: fuel price derivatives	(0.3)	(5.6)	—	(5.6)
	(0.9)	(15.5)	(1.1)	(16.6)
Net financial derivatives	7.4	(15.3)	(1.1)	(16.4)

As at 3 July 2021 and 27 June 2020, the fair value of the fuel price derivatives is based on the external Mark-to-Market (MtM) valuations provided by the derivative providers. The valuations are prepared in accordance with the provider's own internal models and calculation methods based upon well-recognised financial principles. Only observable and relevant market inputs were used in the valuation therefore the fair value measurement was classified as level 2 valuation.

There are a small number of foreign currency hedges in place as at 3 July 2021 and 27 June 2020. The foreign currency hedge valuations are based on the external MtM valuations and are currently not material to the Group.

The fair values of all other assets and liabilities in notes 17, 19 and 20 are not significantly different from their carrying amount, with the exception of the £250m sterling seven-year bond which has a fair value of £257.6m (2020: £240.3m) but is carried at its amortised cost of £250.0m (2020: £250.0m). The fair value of the £250m sterling seven-year bond has been determined by reference to the price available from the market on which the bond is traded, and is therefore a level 1 valuation.

During the years ended 3 July 2021 and 27 June 2020, there were no transfers between valuation levels.

## Notes to the consolidated financial statements continued

**23. Derivatives and other financial instruments** continued**b. Hedging activities****Fuel derivatives**

As discussed in note 22, the Group is exposed to commodity price risk as a result of fuel usage.

As at 3 July 2021, the Group had derivatives against fuel of 177 million litres for the three years ending June 2024. 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 3 July 2021 the Group's external hedging profile is as follows:

	<1 year	1-2 years	2-5 years	Total
Actual percentage hedged	<b>Fully</b>	<b>50%</b>	<b>25%</b>	
Litres hedged (million)	<b>96</b>	<b>55</b>	<b>26</b>	<b>177</b>
Average hedged rate (pence per litre)	<b>32.8</b>	<b>32.1</b>	<b>31.2</b>	<b>32.3</b>

Amounts that have affected the consolidated statement of comprehensive income as a result of applying hedge accounting during the year are as follows:

	2021 £m	2020 £m
Changes in fair value of hedged item used for calculating hedge ineffectiveness	<b>22.5</b>	(19.6)
Changes in fair value of hedging instrument used for calculating hedge ineffectiveness	<b>(22.5)</b>	19.6
Changes in fair value recognised in other comprehensive income (net of tax)	<b>12.6</b>	(15.8)
Amount removed from cash flow hedge reserve and included in the initial cost of inventory	<b>5.5</b>	4.7

The maturity of the hedge profile range is between July 2021 and June 2024.

In relation to the hedging reserve, the following balances are included with respect to the fuel derivatives:

	2021 £m	2020 £m
Balance in the cashflow hedging reserve for continuing hedges	<b>5.8</b>	(12.3)

The potential sources of fuel hedge ineffectiveness include a change in the volume of litres than originally anticipated and variations on the settlement date or amount. At the year end no (2020: nil) ineffectiveness was recognised on the cashflow hedges.

## 24. Provisions

A provision is a liability recorded in the consolidated balance sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to onerous contracts in Norway and Germany, uninsured claims and dilapidation provisions relating to franchise commitments. For accounting policies see 'Provisions' and 'Uninsured liabilities' in note 2.

	Franchise Commitments (as previously reported) £m	Restatement <sup>1</sup> £m	Franchise provisions (as restated) <sup>3</sup> £m	Onerous contract provisions (as previously reported) <sup>2</sup> £m	Restatement <sup>1</sup> £m	Onerous contract provisions (as restated) £m	Uninsured claims £m	Potential DfT penalty £m	Other (as previously reported) £m	Restatement <sup>1</sup> £m	Other (as restated) £m	Total <sup>1</sup> £m
At 30 June 2019	64.0	5.7	69.7	—	—	—	43.4	—	9.4	1.7	11.1	124.2
Provided (after discounting)	11.0	0.1	11.1	7.2	37.1	44.3	24.8	—	2.9	0.6	3.5	83.6
Utilised	(7.0)	—	(7.0)	—	—	—	(16.2)	—	(1)	—	(1.0)	(24.2)
Released	(2.0)	—	(2.0)	—	—	—	(1.8)	—	(0.8)	—	(0.8)	(4.6)
Unwinding of discounting	0.4	—	0.4	—	—	—	(0.3)	—	—	—	—	0.1
At 27 June 2020	66.4	5.8	72.2	7.2	37.1	44.3	49.9	—	10.5	2.3	12.8	179.1
Provided (after discounting) <sup>2</sup>	—	—	<b>20.6</b>	—	—	<b>66.5</b>	<b>19.6</b>	<b>30.0</b>	—	—	<b>4.1</b>	<b>140.8</b>
Utilised	—	—	<b>(6.0)</b>	—	—	<b>(8.1)</b>	<b>(16.0)</b>	—	—	—	<b>(1.1)</b>	<b>(31.2)</b>
Released	—	—	<b>(3.3)</b>	—	—	—	<b>(5.6)</b>	—	—	—	<b>(2.1)</b>	<b>(11.0)</b>
Effect of foreign exchange rate changes	—	—	—	—	—	<b>(2.4)</b>	—	—	—	—	—	<b>(2.4)</b>
<b>At 3 July 2021</b>			<b>83.5</b>			<b>100.3</b>	<b>47.9</b>	<b>30.0</b>			<b>13.7</b>	<b>275.2</b>

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Current	<b>159.1</b>	<b>46.1</b>	<b>5.1</b>	51.2
Non-current	<b>116.1</b>	<b>87.9</b>	<b>40.0</b>	127.9
	<b>275.2</b>	<b>134</b>	<b>45.1</b>	179.1

1 Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 2 on pages 182 to 189 and are presented in the table above.

2 Amounts provided during the year of £20.6m of onerous contract provisions (2020: £44.4m restated) and £30.0m in relation to the potential DfT financial penalty and associated costs (2020: nil) were recorded as exceptional items due to the size and expected infrequency. Refer to note 7 for further details.

3 In the prior year, the German onerous contract provision was included in franchise commitments. In the current year, given the additional provisions made and the quantum of them, the onerous contract provisions have now been presented in a separate column. The prior year has been restated for consistency.

### Franchise commitments

Franchise commitments of £83.5m (2020: £72.2m restated) relate to dilapidation provisions on vehicles, depots and stations across our two (2020: two) UK Rail franchises. The current year balance includes provisions for ongoing matters of concern relating to LSER and other historic franchises. Refer to pages 10 and 11 for further details. All of these provisions, £83.5m (2020: £25.2m), are classified as current.

During the year £3.3m (2020: £2.0m) of dilapidation provisions which had been previously provided for were released. The remaining dilapidation costs will be incurred as part of a rolling maintenance contracts. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

Estimation uncertainties arise with respect to dilapidation provisions, due to the complex nature of the assets. Estimated dilapidations can range significantly depending on the specific asset being considered. The range of outcomes are assessed on an asset-by-asset basis and the range can vary between a plus or minus 5%–20% dependent on procurement, production or maintenance efficiencies as well as potential economies of scale. Based on the individual assessments, the provision at the year end could fall within an estimated range of £71m to £119m.



## Notes to the consolidated financial statements continued

### 24. Provisions continued

#### Onerous contracts

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to FY20 and the Group's FY21 interim results. A number of errors have been identified in respect of the assumptions used when calculating the onerous provision in the Bavarian rail franchise in the prior year and the Group's FY21 interim results.

The prior year provision was determined to be understated by £37.1m which has been restated in these financial statements. The impact of this restatement to the 2020 consolidated income statement is an increase in exceptional items of £36.6m and an increase of £0.5m to the translation reserve. Correspondingly there was a reduction of £25.9m charged to the consolidated income statement in the Group's FY21 interim results. The calculation of the understatement was determined following a review of historical information and consideration given to what information then available could reasonable have been included in the previous cash flow assumptions underpinning the provision.

As of 3 July 2021, of the German onerous contract provision, £16.1m (2020: £6.5m restated) are classified as current. Considering reasonably possible favourable and adverse movements in these key inputs over each of the Bavarian contracts' 12-year lives, management have considered a range of estimation uncertainty. In the best case scenario the contracts would still be loss making at a loss of £15.0m, where these expected losses are generated during the mobilisation phase, while in the reasonably possible worst case scenario, the contract would incur a discounted loss of £50.2m.

In December 2019, the Group began operating rail services in Norway; its first contract in this market and the first commercially run network in the country. After a successful start to operations, the effects of the COVID-19 pandemic were felt just three months into this contract. As the contract involves exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis, initially with 100% loss coverage. As the pandemic continued, loss coverage was reduced from this level down to 85%. The impact of the reduction and possible cessation of funding, the fixed nature of the operating requirements and the longer than expected duration of lower passenger demand following the impact of COVID-19 resulted in a reduction of the net economic benefits of the contract. This is based on the expected future cashflows and a risk free discount rate, triggering the need to reassess the assumptions made in the onerous contract and impairment models. This assumed reduction in future revenue results in an onerous contract provision charge of £66.2m being recognised at the year end. This has been recognised as an exceptional operating charge.

As a non-adjusting post balance sheet event in accordance with IAS 10, in December 2021 government support was subsequently prolonged to include November and December. Whilst temporary support at an equivalent level is in place until March 2022, after this period the government has indicated further support at an unconfirmed level may be in place until at least August 2022. The inclusion of government support at 85% loss coverage from November 2021 to the end of March 2022 in the calculation of the onerous contract provision would reduce its size by £6.8m and there is ongoing dialogue with the Government in relation to a possible renegotiation of the contract.

Regional Bus has recognised £1.2m in relation to loss making contracts where passenger demand is not recovering at the same levels as the wider commercial network. Of the Regional Bus contract provisions £0.4m are classified as current.

#### Uninsured claims

The uninsured claims provision represent the cost to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Claims can primarily be categorised as either motor insurance-related claims or employers' liability and public liability claims. Of the uninsured claims, £13.5m (2020: £17.2m) are classified as current and £34.4m (2020: £32.7m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years. Both the estimate of settlements that will be made in respect of claims received as well as the estimate of settlements made in respect of incidents not yet reported are based on historical trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Uninsured claims are provided on a gross basis and a separate reimbursement asset, for amounts due back from the insurance providers, of £2.3m is included within other receivables.

#### Potential DfT financial penalty

The provision relates to a potential penalty of £30.0m (2020: £nil) due to the Department for Transport, of which £30.0m (2020: £nil) is classified as current. Under the Railways Act 1993, the DfT has the power to impose a financial penalty in relation to LSER as outlined on page 10 to 11. In the absence of specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, has included a provision of £30.0m which reflects the Group's current best estimate of any penalty.

For further Information please see the key source of estimation uncertainty relating to this matter on page 179.

## 24. Provisions continued

### Other

The other provisions of £13.7m (2020: £12.8m restated) include dilapidations in the Bus division of £13.5m (2020: £12.8m restated), of which £4.0m (2020: £2.3m) are classified as current and £9.5m (2020: £8.2m) are classified as non-current, and a current legal provision of £0.2m in Norway. It is expected that the dilapidation costs will be incurred within two to six years. Reflecting the nature of the judgements associated with the provisioning for dilapidations, it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year.

## 25. Issued capital and reserves

Called up share capital is the number of shares in issue at their par value. For accounting policies see 'Treasury shares' in note 2.

	Allotted, called up and fully paid			2020 £m
	Millions	2021 £m	Millions	
At 3 July 2021 and 27 June 2020	47.1	4.7	47.1	4.7

The Group has one class of ordinary shares which carry no right to fixed income and have a par value of 10p per share.

### Share capital

Share capital represents proceeds on issue of the Group's equity, both nominal value and share premium. The nominal value is set out above and the balance is share premium.

### Reserve for own shares

The reserve for own shares relates to 4,094,851 ordinary shares (8.7% of share capital), of which 192,621 are held for LTIP and DSBP arrangements.

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 3 July 2021 the Group repurchased 57,176 shares for a total consideration of £0.6m for LTIP and DSBP arrangements (2020: 39,770 shares repurchased for a total consideration of £0.7m). The Group has not cancelled any shares during the year (2020: no shares cancelled).

### Hedging reserve

The hedging reserve records the movement in value of fuel price derivatives designated in the effective cashflow hedges, offset by any movements recognised directly in equity.

### Share premium reserve

The share premium reserve represents the premium on shares that have been issued to fund or part fund acquisitions made by the Group. This treatment is in line with Section 612 of the Companies Act 2006.

### Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

### Translation reserve

The translation reserve records exchange differences arising from the translation of the balance sheets of foreign currency denominated subsidiaries.

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
<b>Translation reserve</b>	<b>3.6</b>	(1.8)	(0.5)	(2.3)

\* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 2 on pages 182 to 189 and are presented in the table above.

## 26. Commitments

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

## Notes to the consolidated financial statements continued

## 26. Commitments continued

## Capital commitments

	2021 £m	2020 £m
Contracted for but not provided – acquisition of property, plant and equipment	<b>26.0</b>	37.4

## Lease commitments

	2021 £m	2020 £m
Contracted for but not commenced – right of use assets	—	268.9

## Rail operating charges – Group as lessee

The Group's train operating companies hold agreements with various different local entities for access to the railway infrastructure (track, stations and depots). These are now classified as rail operating charges, as they do not result in an IFRS 16 right of use asset. The agreements typically run for a period until the end of the relevant franchise.

Future minimum rentals payable under non-cancellable rail operating arrangements as at 3 July 2021 and 27 June 2020 were as follows:

## As at 3 July 2021

	Rail rolling stock £m	Rail access charges £m	Rail and other £m	Total £m
Within one year	<b>159.4</b>	<b>324.6</b>	<b>105.2</b>	<b>589.2</b>
In the second to fifth years inclusive	<b>194.1</b>	<b>390.8</b>	<b>17.6</b>	<b>602.5</b>
Over five years	<b>295.2</b>	<b>641.5</b>	<b>6.5</b>	<b>943.2</b>
	<b>648.7</b>	<b>1,356.9</b>	<b>129.3</b>	<b>2,134.9</b>

## As at 27 June 2020

	Rail rolling stock £m	Rail access charges £m	Rail and other £m	Total £m
Within one year	252.4	668.2	135.2	1,055.8
In the second to fifth years inclusive	176.3	198.2	44.7	419.2
Over five years	171.7	12.1	9.1	192.9
	600.4	878.5	189.0	1,667.9

## Rail operating charges – Group as lessor

The Group's rail operating companies sub-lease access to stations and depots to other commercial organisations.

Future minimum rentals receivable under non-cancellable rail operating arrangements as at 3 July 2021 and 27 June 2020 were as follows:

	2021		2020	
	Land and buildings £m	Other rail agreements £m	Land and buildings £m	Other rail agreements £m
Within one year	<b>0.2</b>	<b>0.7</b>	1.2	8.0
In the second to fifth years inclusive	<b>0.4</b>	—	1.6	1.7
Over five years	—	—	—	—
	<b>0.6</b>	<b>0.7</b>	2.8	9.7

## 27. Contingencies

## Performance bonds and other guarantees

The Group has provided bank guaranteed performance bonds of £37.5m (2020: £70.7m), a loan guarantee bond of £36.3m (2020: £36.3m) and season ticket bonds of £66.5m (2020: £165.0m) to the DfT in support of the Group's UK Rail franchise operations. In addition the Group, together with Keolis, has a joint parental company commitment to provide funds of £136.4m (2020: £136.0m) to the DfT in respect of the Govia Thameslink Railway franchise, of which the Group has a 65% share equating to £88.4m (2020: £88.4m). At the year end £nil (2020: £nil) has been provided.

To support subsidiary companies in their normal course of business, the Group has provided parental company guarantees and indemnified certain banks and insurance companies which have issued certain performance bonds and a letter of credit. The letter of credit at 3 July 2021 is £59.8m (2020: £62.0m).

The Group has a bond of \$4.2m SGD (2020: \$4.2m SGD) to the Land Transport Authority (LTA) of Singapore in support of the Group's Singapore bus operations. At the year end exchange rate this equates to £2.3m (2020: £2.5m).

## 27. Contingencies continued

### Performance bonds and other guarantees continued

The Group has bonds of €34.5m (2020: €30.8m) in favour of the local rail authorities in support of the Group's German rail operations. At the year end exchange rate these equate to £29.6m (2020: £28.0m). The Group has provided a parental company guarantee to provide funds of €158.2m (2020: €134.3m) in respect of the Germany operations, of which €nil (2020: €nil) has been provided for at year end. At the year end exchange rate this equates to £135.7m (2020: £122.1m).

The Group has bonds of €10.0m (2020: €10.0m) in favour of the National Transport Authority in Ireland in support of the Group's Irish bus operations. At the year end exchange rate this equates to £8.6m (2020: £9.1m).

The Group has bonds of 271.3m NOK (2020: 271.3m NOK) in favour of the local rail authorities in Norway in support of the Group's Nordic rail operations. At the year end exchange rate this equates to £22.8m (2020: £22.5m). The Group has provided a parental company guarantee to provide funds of 300.0m NOK (2020: 300.0m NOK) in respect of the Norway operations, of which €nil (2020: €nil) has been provided for at year end. At the year end exchange rate this equates to £25.2m (2020: £24.9m).

### Contingent liabilities

#### Boundary Zone Fare proceedings against London & South Eastern Railway Limited (LSER)

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

The CAT heard the Application for a Collective Proceedings Order (CPO) between 9 and 12 March 2021. This hearing was an initial stage in proceedings to decide whether this is a claim that meets the legislative criteria for this type of claim to proceed to a full trial.

On 19 October 2021, notice of the CPO judgement was received and the claim was certified, meaning it can proceed to trial as a collective proceeding (the Decision). LSER requested the CAT's permission to appeal the Decision on 8 November 2021, and the CAT refused to give such permission at a case management conference on 18 November 2021. LSER has since been granted permission by the Court of Appeal to appeal the Decision. The timetable in which the Court of Appeal will hear LSER's appeal is not known at the time of writing.

An application has been made to add The Go-Ahead Group plc and Govia Limited as additional defendants to the claim, but at the time of writing the application had not been determined by the CAT.

The Proceedings remain at an early stage. Certification of the claim to proceed (subject to LSER's appeal) is an initial procedural step and does not entail any judgement on the merits of the claim or on the defendant's potential liability. The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot initially be substantiated. At this early stage of the Proceedings, prior to consideration of the substantive merits of the claim and the filing of full pleadings and evidence, it is not yet possible to assess the likely outcome of the case, or to quantify any potential liability of LSER. No provision associated with the claim (other than legal costs) has accordingly been made.

There is no legal precedent both in respect of this type of claim or how it would be valued if found to be a valid claim. Accordingly, the Group cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Annual Report and Accounts.

#### Pricing practices proceedings against Govia Thameslink Railway Limited (GTR), The Go-Ahead Group plc and others

On 10 June 2021 a CPA was filed at the Competition Appeal Tribunal (CAT) under Section 47B of the Competition Act 1998, against one of the Group's subsidiary companies, GTR, as well as The Go-Ahead Group plc and Keolis (UK) Limited (together, the Proposed Defendants). The proposed collective proceedings would combine claims against the Proposed Defendants caused by alleged infringements of the Chapter II prohibition on abuse of dominance in Section 18 of the Competition Act 1998 in respect of alleged loss suffered by rail passengers travelling on the London-Brighton mainline as a result of pricing and other practices of GTR.

Proceedings are at an early stage (and at an earlier stage than the collective proceedings against LSER in respect of Boundary Zone Fares, see above). Before the claim can proceed to a full trial the CPA must be heard to decide whether this is a claim that meets the legislative criteria for this type of claim. That hearing has been listed for July 2022.

At the initial Case Management Conference held in December 2021 it was determined that GTR's response to the CPA and any accompanying witness evidence be filed in February 2022. The CPA is not expected to be heard before April 2022. Should the CPA be granted the DfT has permission to intervene.

The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot be substantiated by GTR at this stage. It is therefore not yet possible to assess with any certainty the likely outcome of this case, or to quantify any potential liability of GTR. No provision associated with the claim (other than legal costs) has accordingly been made. There is no legal precedent both in respect of this type of claim or how it would be valued if found to be a valid claim. Finally, determining how such a claim would be allocated amongst the various parties, and other stakeholders including the Department for Transport (DfT), is highly uncertain.

Accordingly, the Group cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Annual Report and Accounts.

## Notes to the consolidated financial statements continued

**27. Contingencies** continued**Contingent liabilities** continued**Boundary Zone Fare proceedings against Govia Thameslink Railway Limited (GTR) and others**

On 24 November 2021 a Collective Proceedings Application was filed at the Competition Appeal Tribunal (CAT) under Section 47B of the Competition Act 1998, against one of the Group's subsidiary companies, GTR, as well as Govia Limited, The Go-Ahead Group plc and Keolis (UK) Limited. The claim alleges, similarly to the allegations made against LSER in relation to Boundary Zone Fares, that the company failed to make Boundary Zone Fares sufficiently available to those rail passengers who held TfL travelcards across its multiple sales channels and failed to ensure that customers were aware of these.

On 15th December 2021 the CAT stayed proceedings pending the determination of any appeals in the Boundary Zone Fare proceedings against LSER. Following this stay, and before the claim can proceed to a full trial, the Collective Proceedings Application must be heard to decide whether this is a claim that meets the legislative criteria for this type of claim to proceed to a full trial. That hearing has not yet been scheduled. This means that proceedings are at an earlier stage than both the collective proceedings against LSER in relation to Boundary Zone Fares, and the proceedings against GTR in respect of pricing practices on the London-Brighton mainline (see above).

The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot initially be substantiated. It is not yet possible to assess with any certainty the likely outcome of this case, or to quantify any potential liability of GTR.

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

Accordingly, the Group cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Annual Report and Accounts.

**Enforcement action in relation to London & Southeastern Railway Limited**

On 28 September 2021, the Department for Transport (DfT) announced its decision to appoint the Operator of Last Resort to take over delivery of passenger services on the Southeastern franchise when London & South Eastern Railway (LSER)'s existing contract expired on 17 October 2021. The DfT's decision not to award a National Rail Contract to LSER was a consequence of discussions with the DfT regarding the calculation of profit share payments under the terms of the relevant franchise agreements and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements.

In August 2021, an Independent Committee comprising the respective chairs of Go-Ahead and Keolis UK, Clare Hollingsworth and Sir Derek Jones, commissioned an Independent Review, supported by external legal and accounting advisers, into LSER's performance of its contractual obligations under its franchise agreements.

The Independent Committee concluded that, notwithstanding the complexity of the LSER franchise agreements, serious errors had been made in relation to the LSER franchise with respect to engagement with the DfT over several years. In particular, by failing to notify the DfT of certain overpayments or monies due to the DfT, LSER breached contractual obligations of good faith contained in the franchise agreements.

Following the conclusion of the Independent Review, the findings were shared with the DfT, the Board and the Group's auditor, Deloitte. Throughout the process, the Independent Committee has been focused on open, collaborative and constructive engagement with the DfT with a view to reaching a full and satisfactory settlement. Discussions with the DfT are continuing and until such settlement is reached, there does remain a risk of future outflows in relation to Southeastern and possibly also other historical franchise commitments. Currently, the Group is unable to make a reliable estimate of any such outflows.

**Contingent assets****Rail**

For information on the contingent asset disclosed as at the year ended 3 July 2021 in relation to claims against the rolling stock provider in Germany please refer to note 30 on page 254.

**28. Retirement benefit schemes**

The Group operates a defined contribution pension scheme and a Workplace Savings Scheme for our employees and administer a defined benefit pension scheme which is closed to new entrants and future accruals. The UK train operating companies participate in the Railways Pension Scheme (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. For accounting policies see 'Retirement benefits' in note 2.

Retirement benefit obligations consist of the following:

	2021			2020		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Pre-tax pension scheme asset	36.0	—	36.0	53.0	—	53.0
Deferred tax liability	(9.0)	—	(9.0)	(10.1)	—	(10.1)
Post-tax pension scheme asset	27.0	—	27.0	42.9	—	42.9

The net surplus before taxation on the bus defined benefit schemes was £36.0m (2020: £53.0m), consisting of estimated assets of £906.0m (2020: £934.4m) less liabilities of £870.0m (2020: £881.4m). The year end position of each bus scheme has been disclosed as a gross value in the balance sheet which equates to both a surplus and a deficit.

**28. Retirement benefit schemes** continued

The net deficit before taxation on the rail schemes was £nil (2020: £nil). The nature of these schemes means at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates under the franchise.

	2021			2020		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Remeasurement gains/(losses) due to:						
– Experience on benefit obligations	3.7	(43.2)	(39.5)	5.5	42.8	48.3
– Changes in demographic assumptions	1.3	92.9	94.2	(0.1)	—	(0.1)
– Changes in financial assumptions	(8.1)	(129.1)	(137.2)	(87.6)	(319.6)	(407.2)
– Return on assets greater than discount rate	(20.1)	230.4	210.3	79.1	48.4	127.5
Franchise adjustment movement	—	(151.0)	(151.0)	—	228.4	228.4
Remeasurement losses on defined benefit pension plans	(23.2)	—	(23.2)	(3.1)	—	(3.1)

**Bus schemes****The Go-Ahead Group Pension Plan**

For the majority of bus employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the Go-Ahead Plan), which consists of funded defined benefit sections and defined contribution sections as follows.

The defined contribution sections of the Go-Ahead Plan are not contracted out of the State Second Pension Scheme. The Money Purchase Section is now closed to new entrants, except by invitation from the Company, and has been replaced by the Workplace Savings Section, which is also a defined contribution plan. The expense recognised for the Money Purchase Section of the Go-Ahead Plan is £9.5m (2020: £10.0m), being the contributions paid and payable. The expense recognised for the Workplace Savings Scheme is £8.2m (2020: £7.8m), being the contributions paid and payable.

The defined benefit sections of the Go-Ahead Plan are contracted out of the State Second Pension Scheme and provide benefits based on a member's final pensionable salary. The assets of the defined benefit sections are held in a separate trustee-administered fund. Contributions to these sections are assessed in accordance with the advice of an independent qualified actuary. The defined benefit sections of the Go-Ahead Plan have been closed to new entrants since 1 October 1994 and closed to future accrual from 31 March 2014.

The Go-Ahead Plan is a plan for related companies within the Group where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19 (Revised). Each of the participating companies account on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (Revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2018, and the next will have an effective date of 31 March 2021.

The investment strategy of the Go-Ahead Plan, which aims to meet liabilities as they fall due, is to invest plan assets in a mix of equities, other return seeking assets and liability driven investments to maximise the return on plan assets and minimise risks associated with lower than expected returns on plan assets. Trustees are required to regularly review investment strategy.

**Other pension plans**

Some employees of Plymouth Citybus Limited are members of a Devon County Council defined benefit scheme. This scheme is externally funded and no further entrants can join. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary.

Some employees of East Yorkshire Motor Services Limited are members of the EYMS Group pension defined benefit scheme. The scheme was closed to future accrual with effect from 6 January 2011 having previously been closed to new entrants with effect from 6 April 2001. Contributions to the scheme are based on advice from an independent qualified actuary. Existing contributions are based on the 5 April 2020 valuation.

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

The Germany business operates a defined contribution scheme, the expense recognised for the scheme is £0.1m (2020: <0.1m).

The Ireland business operates the Go-Ahead Transport Services Ireland Pension Plan which is a defined contribution scheme. The expense recognised for the scheme is £0.3m (2020: £0.2m).

The Nordic operation has a defined contribution scheme open to new entrants, the expense recognised for the scheme is £1.7m (2020: £0.9m). Some employees are members of the Government Pension Fund (SPK) defined benefit scheme, which is now closed to new members. The Norwegian Railway Directorate will cover the fulfilment of the regulatory obligation for these employees. The company has no further payment obligations.

## Notes to the consolidated financial statements continued

## 28. Retirement benefit schemes continued

## Bus schemes continued

## Summary of bus schemes' year end assumptions

	2021 %	2020 %
Retail price index inflation	3.2	2.9
Consumer price index inflation	2.7	2.1
Discount rate	1.8	1.5
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment and deferred pension	2.7	2.2

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.

	2021 Years	2020 Years
Pensioner	21	21
Non-pensioner	22	23

## Sensitivity analysis

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

	2021 Pension deficit %	2020 Pension deficit %
Discount rate – increase of 0.5%	(7.9)	(7.0)
Price inflation – increase of 0.5%	7.4	6.8
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment – increase of 0.5%	4.1	4.8
Increase in life expectancy of pensioners or non-pensioners by one year	4.2	4.3

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.5% and one year in the sensitivity analysis is considered to be a reasonable illustrative approximation of possible changes, as these variations can regularly arise. Note that as the Plymouth Citybus pension values are not material to the Group, the sensitivities have not been considered for this analysis.

## Maturity profile of bus schemes' defined benefit obligation

The following table shows the expected future benefit payments of the bus schemes at 3 July 2021.

	2021 £m
June 2022	28.4
June 2023	29.2
June 2024	29.9
June 2025	30.8
June 2026	31.5
June 2027 to June 2031	170.9

## Category of assets at the year end

	2021		2020	
	£m	%	£m	%
Equities	84.6	9.3	95.3	10.2
Bonds	85.0	9.4	87.8	9.4
Property	62.1	6.9	56.1	6.0
Liability driven investment portfolio	417.5	46.1	457.9	49.0
Cash/other	256.8	28.3	237.3	25.4
	906.0	100.0	934.4	100.0



**28. Retirement benefit schemes** continued**Bus schemes** continued**Category of assets at the year end** continued

Most of the asset categories are held within pooled funds and are classed as quoted in an active market where the underlying assets are exchanged or traded or can be valued with a reasonable degree of certainty based on market data. Any liquidity funds have been classed as unquoted in active markets. Asset categories requiring judgement, mainly relating to property portfolios, are subject to significant uncertainty due to the unknown market situation relating to COVID-19 and a higher degree of caution should be given than in normal circumstances.

The plan invests a significant portion of its assets in a “liability driven investment” (LDI) portfolio which aims to match the Go-Ahead Plan’s liabilities. This is expected to reduce the volatility of the Go-Ahead Plan’s funding level due to changes in interest rates and inflation. The plan also has a “Journey Plan” in place, which means that over time as opportunities arise, the level of risk within the investment strategy is expected to reduce, with a larger portion of the plan’s assets transitioned to matching assets. The plan measures the LDI portfolio at fair value at each reporting date using the following fair value hierarchy:

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

At 3 July 2021, the LDI portfolio was valued, using a level 1 valuation, as follows:

- At the closing bid price or, if single priced, at the closing single price
- At the latest available net asset value (NAV)

**Funding position of the Group’s pension arrangements**

	2021 £m	2020 £m
Employer’s share of pension scheme:		
Liabilities at the end of the year	<b>(870.0)</b>	(881.4)
Assets at fair value	<b>906.0</b>	934.4
Pension scheme asset	<b>36.0</b>	53.0

**Pension cost for the financial year**

	2021 £m	2020 £m
Administration costs	<b>2.2</b>	2.1
Past service cost	<b>1.0</b>	—
Settlement charge	<b>—</b>	—
Interest income on net liabilities	<b>(0.9)</b>	(1.2)
Total pension costs	<b>2.3</b>	0.9

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effect of Guaranteed Minimum Pensions (GMP) between men and women. This judgement followed on from the previous judgement on 26 October 2018, where the High Court ruled that schemes had a legal obligation to pay benefits allowed for GMP equalisation. The previous judgement had not considered historical transfer values. The judgement has implications for many defined benefit schemes, including those in which the Group participates.

As a result of this change, a pre-tax, non-cash, non-exceptional past service cost of £1m was recognised in the income statement.

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

	2021 £m	2020 £m
Pension scheme liabilities – at start of year	<b>881.4</b>	810.1
Interest cost	<b>12.9</b>	17.8
Past service cost	<b>1.0</b>	—
Remeasurement (gains)/losses due to:		
– Experience on benefit obligations	<b>(3.7)</b>	(5.5)
– Changes in demographic assumptions	<b>(1.3)</b>	0.1
– Changes in financial assumptions	<b>8.1</b>	87.6
Benefits paid	<b>(28.4)</b>	(28.7)
Pension scheme liabilities – at end of year	<b>870.0</b>	881.4

## Notes to the consolidated financial statements continued

## 28. Retirement benefit schemes continued

## Bus schemes continued

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

	2021 £m	2020 £m
Fair value of assets – at start of year	934.4	858.8
Interest income of plan assets	13.8	19.1
Remeasurement gains due to return on assets greater than discount rate	(20.1)	79.1
Actuarial loss on assets	—	(0.4)
Administration costs	(2.2)	(2.1)
Group contributions	8.5	8.5
Benefits paid	(28.4)	(28.6)
Fair value of plan assets – at end of year	906.0	934.4

## Estimated contributions for future

	£m
Estimated Group contributions in financial year 2022	8.4
Estimated employee contributions in financial year 2022	—
Estimated total contributions in financial year 2022	8.4

## Rail schemes

## The Railways Pension Scheme (RPS)

The majority of employees in our train operating companies are members of sections of the Railways Pension Scheme (RPS), an industry-wide defined benefit scheme. The Group is obligated to fund the relevant section of the scheme over the period for which the franchise is held.

The RPS is governed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

All the costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. The RPS sections are all open to new entrants and the assets and liabilities of each company's section are separately identifiable and segregated for funding purposes.

In addition, at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates the franchise.

Changes in financial assumptions include the effect of changes in the salary cap agreed to offset additional National Insurance costs as a result of the schemes no longer "opting out".

The accounting policy for the Railways Pension Scheme (RPS) is detailed in note 2 and the accounting judgements are covered in the "critical accounting judgements and key sources of estimation uncertainty" section in the Group financial statements.

British Railways Additional Superannuation Scheme (BRASS) matching AVC Group contributions of £0.3m (2020: £0.3m) were paid in the year.

## Summary of year end assumptions

	2021 %	2020 %
Retail price index inflation	3.1	2.8
Consumer price index inflation	2.7	2.1
Discount rate	1.9	1.6
Rate of increase in salaries	3.4	3.1
Rate of increase of pensions in payment and deferred pension	2.7	2.1

**28. Retirement benefit schemes** continued**Rail schemes** continued**Summary of year end assumptions** continued

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.

	<b>2021</b>	2020
	<b>Years</b>	Years
Pensioner	<b>21</b>	21
Non-pensioner	<b>22</b>	23

The mortality assumptions adopted as at 3 July 2021 are based on the initial results of the funding valuation as at 31 December 2019, which has not yet been finalised, and 27 June 2020 are based on the results of the funding valuation as at 31 December 2016.

**Sensitivity analysis**

Due to the nature of the franchise adjustment, the balance sheet position in respect of the RPS is not sensitive to small movements in any of the assumptions and therefore we have not included any quantitative sensitivity analysis.

**Category of assets at the year end**

	<b>2021</b>		2020	
	<b>£m</b>	<b>%</b>	£m	%
Equities	<b>2,557.1</b>	<b>99.3</b>	2,138.8	98.4
Property	<b>8.9</b>	<b>0.3</b>	22.4	1.0
Cash	<b>10.3</b>	<b>0.4</b>	13.5	0.6
	<b>2,576.3</b>	<b>100.0</b>	2,174.7	100.0

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

**Funding position of the Group's pension arrangements**

	<b>2021</b>	2020
	<b>£m</b>	£m
Employer's 60% share of pension scheme:		
Liabilities at the end of the year	<b>(3,602.2)</b>	(3,231.0)
Assets at fair value	<b>2,576.3</b>	2,174.7
Gross deficit	<b>(1,025.9)</b>	(1,056.3)
Franchise adjustment	<b>1,025.9</b>	1,056.3
Pension scheme liability	<b>—</b>	—

**Pension cost for the financial year**

	<b>2021</b>	2020
	<b>£m</b>	£m
Service cost	<b>135.6</b>	103.1
Administration costs	<b>6.7</b>	3.9
Franchise adjustment to current period costs	<b>(103.3)</b>	(71.4)
Interest cost on net liabilities	<b>17.2</b>	18.2
Interest on franchise adjustments	<b>(17.2)</b>	(18.2)
Pension cost	<b>39.0</b>	35.6

## Notes to the consolidated financial statements continued

## 28. Retirement benefit schemes continued

## Rail schemes continued

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

	2021 £m	2020 £m
Pension scheme liabilities less members' share (40%) of the deficit – at start of year	<b>3,231.0</b>	2,790.0
Franchise adjustment (100%)	<b>(1,056.3)</b>	(738.3)
	<b>2,174.7</b>	2,051.7
Liability movement for members' share of assets (40%)	<b>187.9</b>	73.0
Service cost (60%)	<b>135.5</b>	102.9
Interest cost (60%)	<b>37.3</b>	47.9
Interest on franchise adjustment (100%)	<b>(17.2)</b>	(18.2)
Franchise adjustment to current period costs (100%)	<b>(103.3)</b>	(71.4)
Remeasurement losses/(gains) due to:		
– Experience on benefit obligations (60%)	<b>43.2</b>	(42.8)
– Changes in demographic assumptions (60%)	<b>(92.9)</b>	–
– Changes in financial assumptions (60%)	<b>129.1</b>	319.6
Benefits paid (100%)	<b>(69.0)</b>	(59.6)
Franchise adjustment movement (100%)	<b>151.0</b>	(228.4)
	<b>2,576.3</b>	2,174.7
Franchise adjustment (100%)	<b>1,025.9</b>	1,056.3
Pension scheme liabilities less members' share (40%) of the deficit – at end of year	<b>3,602.2</b>	3,231.0

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

	2021 £m	2020 £m
Fair value of assets – at start of year (100%)	<b>2,174.7</b>	2,051.7
Interest income of plan assets (60%)	<b>20.2</b>	29.8
Remeasurement gains due to return on assets greater than discount rate (60%)	<b>230.3</b>	48.4
Administration costs (100%)	<b>(11.1)</b>	(6.4)
Group contributions (100%)	<b>38.7</b>	35.3
Benefits paid (100%)	<b>(69.0)</b>	(59.6)
Members' share of movement of assets (40%)	<b>192.5</b>	75.5
Fair value of plan assets – at end of year (100%)	<b>2,576.3</b>	2,174.7

## Estimated contributions for future

	£m
Estimated Group contributions in financial year 2022	<b>23.3</b>
Estimated employee contributions in financial year 2022	<b>15.4</b>
Estimated total contributions in financial year 2022	<b>38.7</b>

**28. Retirement benefit schemes** continued**Rail schemes** continued**Franchise adjustment**

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

	2021 £m	2020 £m
<b>Balance sheet</b>		
Defined benefit pension plan	<b>(1,025.9)</b>	(1,056.3)
Deferred tax asset	<b>194.9</b>	200.7
	<b>(831.0)</b>	(855.6)
<b>Other comprehensive income</b>		
Remeasurement losses	<b>(151.0)</b>	228.4
Tax on remeasurement losses	<b>28.7</b>	(43.4)
	<b>(122.3)</b>	185.0
<b>Income statement</b>		
Franchise adjustment to current period costs	<b>(103.3)</b>	(71.4)
Interest on franchise adjustments	<b>(17.2)</b>	(18.2)
Deferred tax charge	<b>22.9</b>	17.0
	<b>(97.6)</b>	(72.6)

**Risks associated with defined benefit plans****UK Rail schemes**

Despite remaining open to new entrants and future accrual, the risks posed by the RPS are limited as, under the franchise arrangements, the train operating companies are not responsible for any residual deficit at the end of a franchise. As such, there is limited short term cashflow risk within this business and, if agreed, it would also be proportionately borne by the employees as well as the Group. Following the conclusion of The Pensions Regulator's ongoing investigation into rail pensions, the risks associated with the Group's rail schemes will be reviewed.

## Notes to the consolidated financial statements continued

**28. Retirement benefit schemes** continued**Risks associated with defined benefit plans** continued**Bus schemes**

The number of employees in defined benefit plans is reducing, as these plans are closed to new entrants, and, in the case of the Go-Ahead Plan and the EYMS Plan, closed to future accrual.

The key risks relating to the defined benefit pension arrangements and the steps taken by the Group to mitigate them are as follows:

Risk	Description	Mitigation
<b>Asset volatility</b>	The liabilities are calculated using a discount rate set with reference to bond yields with maturity profiles matching pension maturity; if assets underperform this yield, this may lead to a deficit. Most of the defined benefit arrangements hold a proportion of return seeking assets (equities, diversified growth funds and global absolute return funds) and, to offset the additional risk, hold a proportion in liability driven investments, which should reduce volatility relative to the liabilities.	Asset liability modelling has been undertaken recently in all significant plans to ensure that unrewarded risks are hedged where appropriate and that we have a balance of risk seeking and liability driven investments.
<b>Inflation risk</b>	A significant proportion of the UK benefit obligations are linked to inflation, and higher expected inflation will lead to higher liabilities.	The business has some inflation linking in its revenue streams, which helps to offset this risk. During the 2018 financial year, the key inflation measure for the Group final salary scheme was changed from RPI to CPI when looking at future pension increases, which has helped to lower the magnitude of the inflation risk.
<b>Life expectancy</b>	The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	The Group final salary scheme has recently carried out a pensioner buy-in for a small subset of the pensioner population. This has mitigated the longevity risk for the members included in the buy-in. The assumptions used to fund the scheme are regularly reviewed and updated to reflect changes in expected life expectancy.
<b>Legislative risk</b>	Future legislative changes are uncertain. In the past these have led to increases in obligations, introducing pension increases, and vesting of deferred pensions, or reduced investment return through the ability to reclaim advance corporation tax. The UK Government has legislated to end contracting out in 2016. On 26 October 2018 the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. The judgement has had an impact on the Plan's defined benefit pension liabilities.	The Group takes professional advice to keep abreast of legislative changes.

## 29. Related party disclosures and Group undertakings

Our subsidiaries listed below each contribute to the profits, assets and cashflow of the Group. The Group has a number of related parties including joint ventures, pension schemes and directors. For accounting policies see 'Interests in joint arrangements' in note 2.

The consolidated financial statements include the financial statements of The Go-Ahead Group plc and the following Group undertakings:

Name	Country of incorporation and principal place of business	% equity interest	
		2021	2020
<b>Trading subsidiaries</b>			
Go-Ahead Holding Limited	United Kingdom <sup>1</sup>	100	100
Go North East Limited	United Kingdom	100	100
London General Transport Services Limited	United Kingdom	100	100
Go-Ahead London Rail Replacement Services Limited	United Kingdom	100	100
Brighton & Hove Bus and Coach Company Limited	United Kingdom	100	100
The City of Oxford Motor Services Limited	United Kingdom	100	100
Go South Coast Limited	United Kingdom	100	100
Plymouth Citybus Limited	United Kingdom	100	100
Konectbus Limited	United Kingdom	100	100
Thames Travel (Wallingford) Limited	United Kingdom	100	100
Carousel Buses Limited	United Kingdom	100	100
New Southern Railway Limited	United Kingdom <sup>2</sup>	65	65
London & South Eastern Railway Limited	United Kingdom <sup>2</sup>	65	65
London & Birmingham Railway Limited	United Kingdom <sup>2</sup>	65	65
Southern Railway Limited	United Kingdom <sup>2</sup>	65	65
Govia Thameslink Railway Limited	United Kingdom <sup>2</sup>	65	65
Govia Limited	United Kingdom <sup>2</sup>	65	65
Go-Ahead Scotland Limited	United Kingdom	100	100
Tom Tappin, Limited	United Kingdom	100	100
EYMS Group Limited	United Kingdom	100	100
East Yorkshire Motor Services Limited	United Kingdom	100	100
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Germany	100	100
Go-Ahead Baden-Württemberg GmbH	Germany	100	100
Go-Ahead Facility GmbH	Germany	100	100
Go-Ahead Bayern GmbH	Germany	100	100
Go Ahead Singapore PTE Ltd	Singapore	100	100
Go-Ahead Sverige AB	Sweden	100	100
Go-Ahead Norge AS	Norway	100	100
Go-Ahead Transport Services (Dublin) Limited	Ireland	100	100
Go North West Limited	United Kingdom	100	100
GA Retail Services Limited	United Kingdom	100	100
Go-Ahead Australia Pty. Limited	Australia	100	100
<b>Jointly controlled entities</b>			
On Track Retail Limited	United Kingdom <sup>3</sup>	50	50
<b>Investments</b>			
Mobileeee GmbH	Germany <sup>4</sup>	7	7

1. Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.

2. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.

3. On Track Retail Limited is a joint venture with Assertis Limited.

4. Mobileeee GmbH is an investment of Go-Ahead Verkehrsgesellschaft Deutschland GmbH.

The above trading subsidiaries have one class of ordinary shares which carry no right to fixed income, with the exception of On Track Retail Limited, which also has redeemable preference shares.

The registered office of all trading subsidiaries incorporated in the United Kingdom is 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne NE1 6EE, UK.



## Notes to the consolidated financial statements continued

## 29. Related party disclosures and Group undertakings continued

The registered offices of trading subsidiaries incorporated outside of the United Kingdom are as follows:

Subsidiary	Registered office
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Zehdenicker Straße 1, D-10119, Berlin, Germany
Go-Ahead Baden-Württemberg GmbH	Büchsenstraße 20, D-70174, Stuttgart, Germany
Go-Ahead Facility GmbH	Bahnhof 2, D-73457, Essingen, Germany
Go-Ahead Bayern GmbH	Logwidstr 1, D-86150, Augsburg, Germany
Go-Ahead Sverige AB	Hamngatan 4, 211 22 Malmö, Sweden
Go-Ahead Norge AS	Jernbanetorget 1, 0154 Oslo, Norway
Go Ahead Singapore PTE Ltd	2 Loyang Way, Singapore 508776
Go-Ahead Dublin Services (Transport) Limited	Ballymount Road Lower, Dublin 12, D12 X201, Ireland
Go-Ahead Australia Pty. Limited	DW Accounting & Advisory Pty Ltd, Level 4, 91-97 William Street, Melbourne, Vic 3000, Australia

Name	Company number	Country of incorporation	% equity interest	
			2021	2020
<b>Dormant subsidiaries</b>				
Go-Ahead Events Services Limited (previously East Midlands Railway Limited)	7164882	United Kingdom	100	100
Go Wear Buses Limited	2019645	United Kingdom	100	100
Go-Reading Limited	3158846	United Kingdom	100	100
The Go-Ahead Group Trustee Company limited	2125799	United Kingdom	100	100
Go-Ahead Property Development Limited	7128594	United Kingdom	100	100
GHI Limited	4262016	United Kingdom	100	100
Southern Vectis Limited	2005917	United Kingdom	100	100
Birmingham Passenger Transport Services Limited	2901263	United Kingdom	100	100
Go Coastline Limited	2018469	United Kingdom	100	100
Go London Limited	2849983	United Kingdom	100	100
Go West Midlands Limited	2490584	United Kingdom	100	100
Levers Coaches Limited	2524573	United Kingdom	100	100
MetroCity (Newcastle) Limited	4153866	United Kingdom	100	100
Thames Trains Limited	3007943	United Kingdom	100	100
Victory Railway Holdings Limited	3147927	United Kingdom	100	100
Abingdon Bus Company Limited	3151270	United Kingdom	100	100
Gatwick Handling Limited	2984113	United Kingdom	100	100
GH Heathrow Limited	2813292	United Kingdom	100	100
GH Manchester Limited	1883900	United Kingdom	100	100
GH Stansted Limited	1983429	United Kingdom	100	100
Go-Ahead Finance Company	4699524	United Kingdom	100	100
Go-Ahead Finland Oy	2958257-7	Finland	100	100
Go Ahead Seletar PTE Ltd	201541899Z	Singapore	100	100
Go North West (2021) Limited	13275587	United Kingdom	100	100
Hants & Dorset Motor Services Limited	2752603	United Kingdom	100	100
Hants & Dorset Trim Limited	2017829	United Kingdom	100	100
Solent Blue Line Limited	2103030	United Kingdom	100	100
Marchwood Motorways (Southampton) Limited	1622531	United Kingdom	100	100
The Southern Vectis Omnibus Company Limited	0241973	United Kingdom	100	100
Tourist Coaches Limited	3006529	United Kingdom	100	100
Wilts and Dorset Bus Company Limited	1671355	United Kingdom	100	100
Wilts & Dorset Investments Limited	4613075	United Kingdom	100	100

## 29. Related party disclosures and Group undertakings continued

Name	Company number	Country of incorporation	% equity interest	
			2021	2020
<b>Dormant subsidiaries</b> continued				
Wilts & Dorset Holdings Limited	2091878	United Kingdom	100	100
Dockland Buses Limited	3420004	United Kingdom	100	100
Blue Triangle Buses Limited	3770568	United Kingdom	100	100
Go-Ahead Leasing Limited	5262810	United Kingdom	100	100
Go Northern Limited	0132492	United Kingdom	100	100
London Central Bus Company Limited	2328565	United Kingdom	100	100
Metrobus Limited	1742404	United Kingdom	100	100
Hants & Dorset Transport Support Services Limited	8669065	United Kingdom	100	100
Thamesdown Transport Limited	1997617	United Kingdom	100	100
Excelsior Coaches Limited	4329621	United Kingdom	100	100
Excelsior Transport Limited	4329645	United Kingdom	100	100
Excelsior Travel Limited	4342549	United Kingdom	100	100
East Yorkshire Concert Tours Limited	2142740	United Kingdom	100	100
East Yorkshire Coach Holidays Limited	0243051	United Kingdom	100	100
Bus UK Limited	2232813	United Kingdom	100	100
Buscall Limited	3887602	United Kingdom	100	100
Connor and Graham Limited	0546796	United Kingdom	100	100
East Yorkshire Buses Limited	0254844	United Kingdom	100	100
East Yorkshire Coaches Limited	0331077	United Kingdom	100	100
East Yorkshire Properties Limited	2256485	United Kingdom	100	100
East Yorkshire Tours Limited	0172326	United Kingdom	100	100
East Yorkshire Travel Limited	3225828	United Kingdom	100	100
East Yorkshire Holiday Tours Limited	2140988	United Kingdom	100	100
Frodingham Coaches Limited	2135501	United Kingdom	100	100
Hull and District Motor Services Limited	2183936	United Kingdom	100	100
Hull Park and Ride Limited	3886603	United Kingdom	100	100
Kingstonian Travel Services Limited	3561955	United Kingdom	100	100
EYMS Bus & Coach Training Limited	2123369	United Kingdom	100	100
Scarborough and District Motor Services Limited	2133854	United Kingdom	100	100
Hedingham & District Omnibuses Ltd.	0863658	United Kingdom	100	100
Anglian Bus Limited	1260689	United Kingdom	100	100
H.C.Chambers & Son Limited	0327497	United Kingdom	100	100
Aviance UK Limited	1036291	United Kingdom	100	100

Name	Company number	Country of incorporation	% equity interest	
			2021	2020
<b>Jointly controlled dormant entities</b>				
South Tyneside Smartzone Limited	09907829	United Kingdom	50	50
Newcastle Smartzone Limited	09907839	United Kingdom	33	33
North Tyneside Smartzone Limited	09907842	United Kingdom	33	33
Thameslink Rail Limited	3013232	United Kingdom <sup>1</sup>	65	65
London & South East Passenger Rail Services Limited	6537238	United Kingdom <sup>1</sup>	65	65
U-Go Mobility PTY Ltd	644573526	Australia	50	50
Sunderland Smartzone Limited	09907836	United Kingdom	33	33

1. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.

The above dormant entities have one class of ordinary shares which carry no right to fixed income.

The registered office of all UK dormant subsidiaries incorporated in the United Kingdom is 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne, NE1 6EE, UK. The registered office for Go-Ahead Finland Oy is Bulevardi 1A, 00100 Helsinki, Finland and the registered office for Go Ahead Seletar PTE Ltd is 2 Loyang Way, Singapore 508776.

The registered office of all jointly controlled dormant entities is Kepier House, Belmont Business Park, Durham, DH1 1TH.

All dormant companies listed above, incorporated in the United Kingdom, have taken advantage of the UK Companies Act 2006, Section 480 exemption from audit.

## Notes to the consolidated financial statements continued

**29. Related party disclosures and Group undertakings** continued**Transactions with other related parties**

The Group meets certain costs of administering the Group's retirement benefit plans, including the provision of meeting space and office support functions to the Trustees. Costs borne on behalf of the retirement benefit plans amounted to £0.2m (2020: £0.2m).

**Joint ventures**

The Group's joint venture, On Track Retail Limited (OTR), has its principal place of business in the United Kingdom. The principal activity of OTR is the development and provision of web ticketing applications for the rail industry. The activities of the joint venture are strategically important to the business activities of the Group. The Group owns 50% of the ordinary share capital of OTR and the Group's share of OTR's result for the year is disclosed on the face of the income statement.

**Investments**

The Group's subsidiary Go-Ahead Verkehrsgesellschaft Deutschland GmbH holds a 7.4% shareholding in Mobileeeee Betriebsgesellschaft mbh & Co KG, an all-electric car-sharing service based in Germany. The value of this investment in the financial statements is £nil (2020: £nil).

**Compensation of key management personnel of the Group**

The key management are considered to be the directors of the parent company.

	2021 £m	2020 £m
Short term employee benefits	1.4	1.5
Long term employee benefits*	—	—
Post-employment benefits	—	—
	<b>1.4</b>	<b>1.5</b>

\* The long term employee benefits relate to the LTIP and DSBP.

**Material partly owned subsidiaries**

Financial information of subsidiaries that have material non-controlling interests is provided below:

**Proportion of equity interest held by non-controlling interests:**

	Country of incorporation and operation	2021	2020
Govia Limited	United Kingdom	<b>35%</b>	35%
London & South Eastern Railway Limited*	United Kingdom	<b>35%</b>	35%
Southern Railway Limited*	United Kingdom	<b>35%</b>	35%
London & Birmingham Railway Limited*	United Kingdom	<b>35%</b>	35%
Govia Thameslink Railway Limited*	United Kingdom	<b>35%</b>	35%
Thameslink Rail Limited*	United Kingdom	<b>35%</b>	35%
New Southern Railway Limited*	United Kingdom	<b>35%</b>	35%

\* Subsidiary of Govia Limited.

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
<b>Accumulated balances of material non-controlling interest:</b>				
Govia Limited	<b>22.3</b>	35.2	(14.5)	20.7
<b>Total comprehensive income allocated to material non-controlling interest:</b>				
Govia Limited	<b>5.3</b>	16.5	(1.5)	15.0

The summarised financial information of these subsidiaries is provided on the subsequent page. The information is based on amounts before intercompany eliminations.

**29. Related party disclosures and Group undertakings** continued**Summarised income statement of Govia Limited and its subsidiary companies for the years ended 3 July 2021 and 27 June 2020**

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Revenue	<b>2,865.3</b>	2,814.7	(0.9)	2,813.8
Operating costs	<b>(2,798.3)</b>	(2,744.8)	(2.9)	(2,747.7)
Exceptional items	<b>(31.8)</b>	—	—	—
Finance income	<b>0.8</b>	3.7	(0.1)	3.6
Finance costs	<b>(9.2)</b>	(14.1)	(1.3)	(15.4)
Profit before taxation	<b>26.8</b>	59.5	(5.2)	54.3
Tax expense	<b>(11.4)</b>	(12.1)	0.9	(11.2)
Profit for the year from controlling operations	<b>15.4</b>	47.4	(4.3)	43.1
Total comprehensive income	<b>15.4</b>	47.4	(4.3)	43.1
Attributable to non-controlling interests	<b>5.3</b>	16.5	(1.5)	15.0
Dividends paid to non-controlling interests	<b>3.7</b>	14.6	(0.6)	14.0

**Summarised balance sheet of Govia Limited and its subsidiary companies as at 3 July 2021 and 27 June 2020**

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Current assets – inventories, trade and other receivables, and cash	<b>847.9</b>	705.1	22.1	727.2
Non-current assets – property, plant and equipment, intangible assets, and deferred tax	<b>287.9</b>	598.5	—	598.5
Current liabilities – trade and other payables, and provisions	<b>(1,069.6)</b>	(1,075.8)	(64.8)	(1,140.6)
Non-current liabilities – provisions	<b>(2.3)</b>	(127.3)	—	(127.3)
Total equity	<b>63.9</b>	100.5	(42.7)	57.8
Attributable to:				
Equity holders of the parent	<b>41.6</b>	65.3	(28.2)	37.1
Non-controlling interest	<b>22.3</b>	35.2	(14.5)	20.7

\* Restated – see note 2.

These balance sheet amounts are shown before intercompany eliminations.

**Summarised cashflow information of Govia Limited and its subsidiary companies for the years ended 3 July 2021 and 27 June 2020**

	2021 £m	2020 £m
Operating	<b>571.6</b>	320.8
Investing	<b>(2.0)</b>	(3.1)
Financing	<b>(515.7)</b>	(408.3)
Net increase/(decrease) in cash and cash equivalents	<b>53.9</b>	(90.6)

The non-controlling interests have no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

There are no terms or conditions relating to any related party transactions which need to be separately disclosed.

## Notes to the consolidated financial statements continued

### 30. Post balance sheet events

#### German rail

On 12 August 2021, agreement in relation to liquidated and consequential damage claims in Germany was reached with the rolling stock provider with a post-year end settlement of €10m, with €5m payable in the 2022 financial year and the remainder over the next three years. This was disclosed as a contingent asset as at the year ended 3 July 2021; see note 27 on page 238.

#### Norwegian rail

Since early in the COVID-19 crisis, the Norwegian Government has supported the rail industry with a funding package initially covering 100% of losses. As the pandemic continued, loss coverage was reduced from this level down to 85%. This allowed for a broadly breakeven operating performance during the financial year ended 3 July 2021. As a non-adjusting post balance sheet event in accordance with IAS 10, in December 2021 government support was subsequently prolonged to include November and December. Whilst temporary support at an equivalent level is in place until March 2022, after this period the government has indicated further support at an unconfirmed level may be in place until at least August 2022. The inclusion of government support at 85% loss coverage from November 2021 to the end of March 2022 in the calculation of the onerous contract provision would reduce its size by £6.8m and there is ongoing dialogue with the Government in relation to a possible renegotiation of the contract.

#### UK Rail

On 28 September 2021, the Department for Transport (DfT) announced its decision to appoint the Operator of Last Resort to take over delivery of passenger services on the Southeastern franchise when London & South Eastern Railway (LSER)'s existing contract expired on 17 October 2021. The DfT's decision not to award a National Rail Contract to LSER was a consequence of discussion with the DfT regarding the calculation of profit share payments under the terms of the relevant franchise agreements and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements.

In August 2021, an Independent Committee comprising the respective chairs of Go-Ahead and Keolis UK, Clare Hollingsworth and Sir Derek Jones, commissioned an Independent Review, supported by external legal and accounting advisers, into LSER's performance of its contractual obligations under its franchise agreements. Following the conclusion of the Independent Review, the findings were shared with the DfT and the Group's auditor, Deloitte. Throughout the process, the Independent Committee has been focused on open, collaborative and constructive engagement with the DfT with a view to reaching a full and satisfactory settlement. The Independent Committee concluded that, notwithstanding the complexity of LSER's franchise agreements, serious errors had been made in relation to the LSER franchise with respect to engagement with the DfT over several years. In particular, by failing to notify the DfT of certain overpayments or monies due to the DfT, LSER breached contractual obligations of good faith contained in the franchise agreements. Accordingly, the Group has apologised to the DfT.

The Independent Committee has determined that it is estimated that overpayments and associated interest of £24.3m made by DfT in connection with LSER were incorrectly accounted for in the financial statements over this period. See note 2 on pages 182 to 189 for further details in relation to these matters and the resulting prior year adjustments.

#### Regional Bus

CBSSG funding ended on 31 August 2021 and from 1 September 2021 was replaced by the Bus Recovery Grant (BRG), with £255.0m of funding available for UK bus services until March 2022. We welcome the continuation of support for essential bus services in our communities. We have worked with the DfT to establish a framework to transition back to a commercial operating model and in March 2021, we welcomed the UK Government's announcement of its first national bus strategy. We have strong partnerships with local stakeholders and our local management teams are working in close collaboration with their local authorities to produce Bus Service Improvement Plans focused on providing high quality, reliable and value-for-money bus services which support climate change targets in our towns and cities. These plans will form the basis of Enhanced Partnerships in the majority of our bus markets.

#### Board Changes

For information on Board changes that occurred subsequent to the year ended 3 July 2021, please see page 71 of the Chair's Introduction to Governance and page 93 of the Nomination Committee Report.

**Company balance sheet**

as at 3 July 2021

Registered No. 02100855

	Notes	2021 £m	2020* £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	4	2.4	2.6
Property, plant and equipment	5	0.6	0.9
Right of use assets	6	2.5	3.0
Investment property	7	190.3	194.7
Investments	8	215.1	215.1
Trade and other receivables	9	539.2	521.5
Derivative financial assets	12	3.4	0.1
Retirement benefit assets	15	41.5	63.3
		<b>995.0</b>	1,001.2
<b>Current assets</b>			
Trade and other receivables	9	226.4	181.3
Cash and cash equivalents		36.4	30.5
Assets held for sale		0.1	0.2
Derivative financial assets	12	4.9	0.1
		<b>267.8</b>	212.1
<b>Total assets</b>		<b>1,262.8</b>	1,213.3
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	(102.7)	(82.5)
Provisions	12	(0.1)	—
Interest-bearing loans and borrowings	11	(5.7)	(5.6)
Lease liabilities	6	(2.1)	(2.4)
Derivative financial liabilities	12	(0.6)	(9.9)
		<b>(111.2)</b>	(100.4)
<b>Non-current liabilities</b>			
Trade and other payables	10	(60.6)	(63.0)
Provisions	13	(13.3)	(10.2)
Interest-bearing loans and borrowings	11	(249.4)	(249.0)
Lease liabilities	6	(5.2)	(7.4)
Derivative financial liabilities	12	(0.3)	(5.6)
Deferred tax liabilities	14	(50.7)	(43.0)
		<b>(379.5)</b>	(378.2)
<b>Total liabilities</b>		<b>(490.7)</b>	(478.6)
<b>Net assets</b>		<b>772.1</b>	734.7
<b>Capital and reserves</b>			
Share capital	16	75.2	75.2
Revaluation reserve	16	56.9	60.3
Share premium reserve	16	1.6	1.6
Capital redemption reserve	16	0.7	0.7
Reserve for own shares	16	(71.3)	(71.3)
Retained earnings		709.0	668.2
<b>Total equity</b>		<b>772.1</b>	734.7

\* Restated - see note 1.

The profit for the year ended 3 July 2021 was £49.0m (2020: loss of £31.2m restated). The Company notes 1 to 20 are an integral part of the Company financial statements.

The financial statements were approved and authorised for issuance by the Board of directors on 23 February 2022 and were signed on its behalf by:



**Gordon Boyd**  
Interim Group Chief Financial Officer

23 February 2022

## Company statement of changes in equity

for the year ended 3 July 2021

	Share capital £m	Revaluation reserve £m	Share premium reserve £m	Capital redemption reserve £m	Reserve of own shares £m	Retained earnings £m	Total equity £m
At 30 June 2019	74.7	63.7	1.6	0.7	(71.3)	726.7	796.1
Loss for the year (restated)	—	—	—	—	—	(34.5)	(34.5)
Remeasurement on defined benefit retirement plans (net of tax)	—	—	—	—	—	2.5	2.5
Total comprehensive income	—	—	—	—	—	(32.0)	(32.0)
Dividend paid (note 3)	—	—	—	—	—	(30.9)	(30.9)
Movement on revaluation reserve (note 16)	—	(3.4)	—	—	—	3.4	—
Acquisition of own shares	—	—	—	—	(0.7)	—	(0.7)
Net share-based payment charge	—	—	—	—	—	1.7	1.7
Exercise of share options	—	—	—	—	0.7	(0.7)	—
Share issue	0.5	—	—	—	—	—	0.5
At 27 June 2020 (restated)	75.2	60.3	1.6	0.7	(71.3)	668.2	734.7
Profit for the year	—	—	—	—	—	57.7	57.7
Remeasurement on defined benefit retirement plans (net of tax)	—	—	—	—	—	(20.6)	(20.6)
Total comprehensive income	—	—	—	—	—	37.1	37.1
Dividend paid (note 3)	—	—	—	—	—	—	—
Movement on revaluation reserve (note 16)	—	(3.4)	—	—	—	3.4	—
Acquisition of own shares	—	—	—	—	(0.6)	—	(0.6)
Net share-based payment charge	—	—	—	—	—	0.9	0.9
Exercise of share options	—	—	—	—	0.6	(0.6)	—
<b>At 3 July 2021</b>	<b>75.2</b>	<b>56.9</b>	<b>1.6</b>	<b>0.7</b>	<b>(71.3)</b>	<b>709.0</b>	<b>772.1</b>



## **Directors' responsibilities in relation to the Company financial statements**

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable UK 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) including FRS 101 Reduced Disclosure Framework. 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 United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 adequate 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 Company financial statements

### 1. Company accounting policies

#### Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 (FRS 101)

The Company financial statements of The Go-Ahead Group plc for the year ended 3 July 2021 were authorised for issue by the Board of directors on 23 February 2022 and the balance sheet was signed on the Board's behalf by Gordon Boyd. The Go-Ahead Group plc is a public company, limited by shares, that is incorporated, domiciled and registered in England and Wales. The Company is the immediate and ultimate parent company of The Go-Ahead Group. The registered office is 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne, NE1 6EE, UK. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in line with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs).

No income statement is presented by the Company as permitted by Section 408 of the Companies Act 2006.

#### Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 3 July 2021. The financial year represents the 53 weeks to 3 July 2021 (prior financial year 52 weeks to 27 June 2020).

The financial statements are prepared under the historical cost convention as modified by financial instruments recognised at fair value.

The financial statements are prepared in pounds sterling and are rounded to the nearest one hundred thousand (£0.1m).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures and standards not yet effective:

- The requirements of paragraphs 45(b) and 46–52 of IFRS 2 Share Based Payment
- The requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91–99 of IFRS 13 Fair Value Measurement
- The requirements in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1
  - Paragraph 73(e) of IAS 16 Property, Plant and Equipment
  - Paragraph 118(e) of IAS 38 Intangible Assets
- The requirements of paragraphs 10(d), 10(f), 16, 39(c), 40A, 40B, 40C, 40D, 111 and 134–136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cashflows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 110 (2nd sentence), 113(a), 114, 115, 118, 119(a)-119(c), 120–127 and 129 of IFRS 15 Revenue from Contracts with Customers
- The requirements of paragraph 52, 89 (2nd sentence), 90, 91 and 93 of IFRS 16 Leases and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

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

The preparation of the financial statements requires management to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

## 1. Company accounting policies continued

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

#### Critical judgements in applying the Company's accounting policies

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

#### Key sources of estimation uncertainty

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

##### Retirement benefit scheme

The measurement of defined benefit pension schemes requires the estimation of future changes in salaries, inflation and longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 15. The Company engages with Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to our particular circumstances. Management also benchmarks these assumptions on a periodic basis with other professional advisors. Sensitivity analysis on the retirement defined benefit schemes is detailed in note 15.

#### Accounting policies

##### Revenue recognition

Revenue is recognised to the extent that it is probable that the income will flow to the Company and the value can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and comprises intercompany management charges and property rental. The Company recognises revenue when the entity satisfies a performance obligation by transferring the management and property rental services to the customer.

##### Property, plant and equipment

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

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal and over their expected useful life on a straight-line basis, to operating costs in the income statement, as follows:

Leasehold land and buildings	The life of the lease
Freehold buildings	Over 50 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, being the higher of value in use or fair value less costs of disposal. Any impairment in value is recognised immediately in the income statement.

##### Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

##### Investment property

The fair value of the land and property held as investment property was last revalued in 2007. Since this date, the Company has transitioned to FRS101 and adopted the cost model. Any costs associated with the item are included within the carrying amount of the property when it is probable that the future economic benefit associated with the item is probable and can be measured reliably. All other repair and maintenance costs are charged to the income statement. Investment property is measured at cost and is reviewed in line with the impairment review policy noted above.

##### Leases

###### Lease identification

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

###### Right of use assets

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

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

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

## Notes to the Company financial statements continued

### 1. Company accounting policies continued

#### Accounting policies continued

#### Leases continued

##### Lease liability

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

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

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

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

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

##### Sale and leaseback transactions

On transition to IFRS 16, the Company applied the modified retrospective approach. Under the modified retrospective approach, the Company did not revisit and amend the sale and lease back transactions that were ongoing as of the date of transition.

##### Retirement benefits

The cost of providing benefits under the defined benefit plan is determined 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. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. 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 is recognised in the income statement during the period in which the settlement or curtailment occurs.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which obligations are to be settled directly for The Go-Ahead Group Pension Plan. Fair value is based on market price information and in the case of quoted securities is the published bid price. Any surplus is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

For the defined contribution schemes, the amount charged to the income statement 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.

## 1. Company accounting policies continued

### Accounting policies continued

#### 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); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

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. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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:

- 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.

#### 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 discounted provision is recognised for the estimated cost to settle claims for incidents occurring prior to the balance sheet date.

The estimation of this provision 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 by the insurer.

Provisions are accounted for on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

#### Impairment of assets

The Company 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 Company 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.

## Notes to the Company financial statements continued

### 1. Company accounting policies continued

#### Accounting policies continued

##### Impairment of assets continued

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, on a systematic basis less any residual value, over its remaining useful life. We have considered indicators of impairment in the carrying value of the assets, including the excess in value compared to both the market capitalisation and the consolidated net assets of the Group. In concluding that there is no impairment required, we have considered different methods to value the assets, including the use of estimated future cashflows, which 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 discounted forecast cashflows and using an appropriate multiple of forecasted cashflows.

##### Treasury shares

Reacquired shares in the Company, which remain uncanceled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares.

##### 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 derecognition of debt are recognised directly in the income statement.

Issue costs relating to any term extensions are offset against the proceeds and amortised over the life of the extension.

##### Provisions for liabilities

Provisions are recognised when the Company 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 cashflows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company 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.

Other liabilities include dilapidations provisions; reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide sensitivity analysis of the extent by which these amounts could change in the next financial year.

##### Financial instruments

###### Financial assets

The Company's financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through the income statement, directly attributable transaction costs. Financial assets are subsequently classified as being measured at amortised cost, fair value through other comprehensive income, or fair value through the income statement.

The Company's financial assets at amortised cost are non-derivative financial assets held for collection of contractual cashflows where those cashflows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Company's impairment policies in relation to financial assets are consistent with those of the Group, with additional consideration given to amounts owed by Group undertakings (note 10) and loans to Group companies (note 9). In respect of these assets, the Company recognises lifetime ECL when there has been a significant increase in credit risk (such as changes to credit ratings) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

## 1. Company accounting policies continued

### Accounting policies continued

#### Financial instruments continued

##### Financial liabilities

The Company's financial liabilities include trade payables, accruals, interest-bearing loans and borrowings and derivative financial instruments. At initial recognition, the Company measures financial liabilities at fair value plus, in the case of a financial liability not at fair value through the income statement, transaction costs that are directly attributable to the issue of the financial liability.

With the exception of derivative financial instruments, all other financial liabilities are subsequently measured on an amortised cost basis.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cashflows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10 % different from the discounted present value of the remaining cashflows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cashflows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

##### Derivative financial instruments

The Company uses 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.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cashflows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

##### Fair value measurement

The Company measures financial instruments (derivatives) and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 12.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



## Notes to the Company financial statements continued

### 1. Company accounting policies continued

#### Accounting policies continued

#### Fair value measurement continued

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

When required, the Company presents the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Software

Software, which 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.

#### New standards

The following new standards or interpretations are mandatory for the first time for the financial year ended 3 July 2021:

- Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7 – phase 1
- Impact of the initial application of COVID-19 Related Rent Concessions amendment to IFRS 16
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Definition of a Business
- Amendments to IAS 1 and IAS 8 Definition of Material

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

#### Parent company guarantee

For the year ended 3 July 2021, the following subsidiaries of the Company are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act relating to subsidiary companies:

Subsidiary name	Company number	Subsidiary name	Company number
East Yorkshire Motor Services Limited	00216628	Konectbus Ltd	03149258
EYMS Group Limited	02065145	Plymouth Citybus Limited	02004966
Carousel Buses Limited	04062073	Go North West Limited	08205871
Thames Travel (Wallingford) Limited	04184436	GA Retail Services Limited	04173713
Tom Tappin, Limited	00350802	Go-Ahead Scotland Limited	SC447303

**1. Company accounting policies** continued**Accounting policies** continued**Parent company guarantee** continued

For the year ended 3 July 2021, the following subsidiaries of the Company are exempt from the requirements of the Companies Act 2006 relating to the preparation and filing of individual accounts by virtue of Section 394A and 394 of that Act relating to dormant subsidiary companies:

Dormant subsidiary name	Company number	Dormant subsidiary name	Company number
Abingdon Bus Company Limited	03151270	Go-Ahead Events Services Limited (previously East Midlands Railway Limited)	07164882
Anglian Bus Limited	01260689	Go-Ahead Finance Company	04699524
Aviance UK Limited	01036291	Go-Ahead Leasing Limited	05262810
Birmingham Passenger Transport Services Limited	02901263	Go-Ahead Property Development Limited	07128594
Blue Triangle Buses Limited	03770568	Go-Reading Limited	03158846
Bus UK Limited	02232813	H.C.Chambers & Son Limited	00327497
Buscall Limited	03887602	Hants & Dorset Motor Services Limited	02752603
Connor and Graham Limited	00546796	Hants & Dorset Transport Support Services Limited	08669065
Dockland Buses Limited	03420004	Hants & Dorset Trim Limited	02017829
East Yorkshire Buses Limited	00254844	Hedingham & District Omnibuses Ltd.	00863658
East Yorkshire Coach Holidays Limited	00243051	Hull and District Motor Services Limited	02183936
East Yorkshire Coaches Limited	00331077	Hull Park and Ride Limited	03886603
East Yorkshire Concert Tours Limited	02142740	Kingstonian Travel Services Limited	03561955
East Yorkshire Holiday Tours Limited	02140988	Levers Coaches Limited	02524573
East Yorkshire Properties Limited	02256485	London Central Bus Company Limited	02328565
East Yorkshire Tours Limited	00172326	Marchwood Motorways (Southampton) Limited	01622531
East Yorkshire Travel Limited	03225828	Metrobus Limited	01742404
Excelsior Coaches Limited	04329621	Metrocity (Newcastle) Limited	04153866
Excelsior Transport Limited	04329645	Scarborough and District Motor Services Limited	02133854
Excelsior Travel Limited	04342549	Solent Blue Line Limited	02103030
EYMS Bus & Coach Training Limited	02123369	Southern Vectis Limited	02005917
Frodingham Coaches Limited	02135501	Thamesdown Transport Limited	01997617
Gatwick Handling Limited	02984113	Thames Trains Limited	03007943
GH Heathrow Limited	02813292	The Go-Ahead Group Trustee Company Limited	02125799
GH Manchester Limited	01883900	The Southern Vectis Omnibus Company Limited	00241973
GH Stansted Limited	01983429	Tourist Coaches Limited	03006529
GHI Limited	04262016	Victory Railway Holdings Limited	03147927
Go Coastline Limited	02018469	Wilts & Dorset Holdings Limited	02091878
Go London Limited	02849983	Wilts & Dorset Investments Limited	04613075
Go Northern Limited	00132492	Wilts and Dorset Bus Company Limited	01671355
Go Wear Buses Limited	02019645	Go West Midlands Limited	02490584

**Partnership exemption**

For the year ended 3 July 2021, by virtue of Regulation 7 of the Partnerships (Accounts) Regulations 2008, Go-Ahead Scottish Limited Partnership (SL013471) is entitled to exemption from the requirement to prepare, publish and have its individual accounts audited under Regulations 4 – 6 of the Partnerships (Accounts) Regulations 2008. The results of Go-Ahead Scottish Limited Partnership are consolidated within the Go-Ahead Group plc consolidated results.

**Prior year restatements****Bonus accrual**

During the year, it was identified the bonus accrual presented in the balance sheet and associated notes in relation to the year ended 27 June 2020 was not appropriate. As a result, the 2020 Company balance sheet and Company loss for the year have been restated. The impact of these restatements is to decrease current liabilities by £1.1m and decrease corporation tax receivables by £0.2m in the 2020 balance sheet and reduce the loss for the year by £0.9m.

## Notes to the Company financial statements continued

**1. Company accounting policies** continued**Accounting policies** continued**Prior year restatement** continued**Derivative financial liability corrections**

During the year it was identified that transactions with other Group companies has been incorrectly classified as derivative contracts. The correction to the 2020 Company financial statements has resulted in a charge to the income statement of £4.1m and a corresponding adjustment to intercompany balances reducing current receivables by £0.6m and non-current receivables by £2.9m and increasing current liabilities by £0.1m and non-current liabilities by £0.1m. An associated tax credit of £0.8m has also been recognised in the income statement and corporation tax receivable in the 2020 Company balance sheet.

In addition, a reclassification between trade and other payables and derivative financial liabilities of £1.1m has been made in the 2020 consolidated balance sheet. This restatement has been made to adjust the value of the derivative financial liability for the amount of the June hedge settlements.

**Inter-group receivables reclassification**

The presentation of current and non-current trade and other receivables for the year ended 27 June 2020 has been restated to better reflect the expected timing of settlement of these balances. The effect of the restatement is limited to a reclassification from current trade and other receivables to non-current trade and other receivables of £537.1m, in relation to balances with other Group entities, such that the total assets and net assets of the Company are unaffected.

**Investment property and right of use assets classification**

During the year, it was identified that a number of properties had not been correctly classified as investment properties in the Company financial statements. It was also noted that a number of properties which had previously been recorded as finance leases in accordance with IAS 17 had not been transitioned to right of use assets on adoption of IFRS 16. As a result, a prior year adjustment has been made between property, plant and equipment and investment property with the former finance leased assets being presented as right of use assets within investment property. The impact of this adjustment is to increase the net book value of investment property and reduce the net book value of property plant and equipment by £194.7m in the 2020 Company balance sheet.

**Interest reclassification**

Accrued interest on the Company's loans and borrowings has been reclassified from other payables to interest bearing loans and borrowings to reflect the fact that these loans and borrowings are held at amortised cost. The impact on the Company balance sheet for the year ended 27 June 2020 is a decrease in current other payables of £6.3m and an increase in current interest-bearing loans and borrowings by the same amount.

**2. Employee costs**

This note shows total employment costs, inclusive of share-based payment charges. We have a number of share plans used to award shares to directors and employees. A charge is recognised over the vesting period, based on the fair value of the award at the date of grant. The note also shows the average number of people employed by the Company during the year. For accounting policies see Share based payments in note 1.

	2021 £m	2020* £m
Wages and salaries	11.3	10.6
Social security costs	1.2	1.4
Other pension costs	3.5	2.3
Share based payments charge	0.5	1.1
	<b>16.5</b>	15.4

\* Restated – see note 1.

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effect of Guaranteed Minimum Pensions (GMP) between men and women. This judgement followed on from the previous judgement on 26 October 2018, where the High Court ruled that schemes had a legal obligation to pay benefits allowed for GMP equalisation. The previous judgement had not considered historical transfer values. The judgement has implications for many defined benefit schemes, including those in which the Group participates.

As a result of this change, a pre-tax, non-cash, non-exceptional settlement charge of £1m was recognised in the income statement within employee costs.

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

	2021 No.	2020 No.
Administration and supervision	198	234

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

## 2. Employee costs continued

### Sharesave scheme

Shareholder approval was obtained at the 2013 AGM for a Savings-Related Share Option scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option scheme (the Sharesave scheme) for employees of the Company.

The Sharesave scheme is open to all full time and part time employees (including executive directors) who have completed at least six months of continuous service with the Company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. Participants were given the choice of taking their money back, or to purchase Go-Ahead Group shares at a 20% discount of the market price at the date of invitation. Sharesave 2016 participants had six months from the maturity date to exercise their options. Sharesave 2016 matured on 1 May 2019. There are currently no active Sharesave schemes in place.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk-free interest rate, forfeiture rate and option life.

There are no savings-related options at 3 July 2021.

The expense recognised for the scheme during the year to 3 July 2021 was £nil (2020: £nil).

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

	2021		2020	
	No.	WAEP £	No.	WAEP £
Outstanding at the beginning of the year	—	—	2,547	19.11
Granted during the year	—	—	—	—
Forfeited during the year	—	—	(2,077)	19.11
Exercised during the year	—	—	(470)	19.11
Outstanding at the end of the year	—	—	—	—

The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2020: £19.11).

At the year end no options were exercisable (2020: no options).

### Long Term Incentive Plans

The former executive directors participated in The Go-Ahead Group Long Term Incentive Plan 2015 (LTIP). The LTIP provides for executive directors to be awarded nil cost 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 3 July 2021 was £0.1m (2020: £0.7m).

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 3 July 2021 and 27 June 2020 were:

	2021 % per annum	2020 % per annum
The Go-Ahead Group plc:		
Future share price volatility	<b>40.0</b>	31.0
FTSE Mid-250 index comparator:		
Future share price volatility	<b>25.0</b>	25.0
Correlation between companies	<b>30.0</b>	30.0

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

	2021 No.	2020 No.
Outstanding at the beginning of the year	<b>162,832</b>	143,603
Granted during the year	<b>127,987</b>	58,927
Forfeited during the year	<b>(49,993)</b>	(39,698)
Exercised during the year	—	—
Outstanding at the end of the year	<b>240,826</b>	162,832

The LTIP award granted to the former Group Chief Executive, David Brown in November 2018 lapsed in full in November 2021 as none of the performance measures were achieved following the three-year performance period ended 3 July 2021.

## Notes to the Company financial statements continued

**2. Employee costs** continued**Long Term Incentive Plans** continued

The weighted average share price of the options at the year end was £11.40 (2020: £9.06). The weighted average fair value of options granted during the year was £9.44 (2020: £21.12).

The weighted average remaining contractual life of the options was 1.81 years (2020: 1.05 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2020: £nil).

The estimated amounts due to the relevant tax authorities in relation to the above transactions are detailed in the Directors' remuneration report.

**Deferred Share Bonus Plan**

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

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

The expense recognised for the DSBP during the year to 3 July 2021 was £0.4m (2020: £0.4m).

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

	2021 No.	2020 No.
Outstanding at the beginning of the year	<b>79,588</b>	60,152
Granted during the year	<b>16,485</b>	30,821
Forfeited during the year	<b>(7,369)</b>	—
Exercised during the year	<b>(9,094)</b>	(11,385)
Outstanding at the end of the year	<b>79,610</b>	79,588

The weighted average fair value of options granted during the year was £8.32 (2020: £21.12).

At the year end, 4,126 options related to DSBP awards, which vested before the year end, which have not yet been exercised by participants. Of these 3,086 options related to the award granted in November 2017, 516 options related to the award granted in November 2016 and 524 options related to the award granted in November 2013.

31,875 options, relating to the DSBP award granted in November 2018, are now eligible to vest following the end of a three-year deferral period in November 2021. The weighted average share price of the options at the year end was £11.40 (2020: £9.06).

The weighted average remaining contractual life of the options was 1.21 years (2020: 1.21 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £10.81 (2020: £20.20).

**Share incentive plans**

The Company operates a share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (SIP). The SIP is open to all Company employees (including executive directors) who have completed at least six months' continuous service with the 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 £150 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.

### 3. Dividends

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

	2021 £m	2020 £m
<b>Declared and paid during the year</b>		
Equity dividends on ordinary shares:		
Final dividend for 2020: nil per share (2019: 71.91p)	—	30.9
Interim dividend for 2021: nil per share (2020: nil)	—	—
	—	30.9

	2021 £m	2020 £m
<b>Proposed for approval at the AGM (not recognised as a liability as at 3 July 2021)</b>		
Equity dividends on ordinary shares:		
Final dividend for 2021: nil per share (2020: nil)	—	—

### 4. Intangible assets

	Software £m
<b>Cost</b>	
At 28 June 2020	14.3
Additions	0.9
<b>At 3 July 2021</b>	<b>15.2</b>
<b>Amortisation and impairment</b>	
At 28 June 2020	11.7
Charge for the year	1.1
<b>At 3 July 2021</b>	<b>12.8</b>
<b>Net book value</b>	
<b>At 3 July 2021</b>	<b>2.4</b>
At 27 June 2020	2.6

Software costs capitalised exclude software that is integral to the related hardware. Software is amortised on a straight-line basis over its expected useful life of three to five years.

During the year ended 27 June 2020 £2.0m of software assets were fully impaired to a net book value of £nil and were recognised as an exceptional item. Please refer to note 3 for further details. There have been no impairments to software assets in the year ended 3 July 2021.

## Notes to the Company financial statements continued

## 5. Property, plant and equipment

	Plant and equipment £m
<b>Cost</b>	
At 28 June 2020*	8.4
<b>At 3 July 2021</b>	<b>8.4</b>
<b>Depreciation and impairment</b>	
At 28 June 2020*	7.5
Charge for the year	0.3
<b>At 3 July 2021</b>	<b>7.8</b>
<b>Net book value</b>	
<b>At 3 July 2021</b>	<b>0.6</b>
At 27 June 2020*	0.9

\* Restated to remove freehold and leasehold land and buildings which are now presented within investment property – see note 1 for details of the restatement.

## 6. Leases

The Company has lease liabilities for land and buildings. These contracts have no terms of renewal or purchase option escalation clauses.

## Right of use assets

The right of use assets were brought onto the balance sheet on 30 June 2019 on transition to IFRS 16 Leases.

	Leasehold land and buildings £m
<b>Cost</b>	
At 28 June 2020*	3.6
<b>At 3 July 2021</b>	<b>3.6</b>
<b>Depreciation and impairment</b>	
At 28 June 2020*	0.6
Charge for the year	0.5
<b>At 3 July 2021</b>	<b>1.1</b>
<b>Net book value</b>	
<b>At 3 July 2021</b>	<b>2.5</b>
At 27 June 2020*	3.0

\* Restated – see note 1.

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a sale and leaseback of certain properties used by the Group. Lease liabilities for the inter-group leases are disclosed within note 9.



**6. Leases** continued**Lease liabilities**

The balance sheet includes the following amounts:

	2021			2020		
	Right of use assets £m	Investment property - right of use assets £m	Total £m	Right of use assets £m	Investment property - right of use assets £m	Total £m
Current	(0.1)	(2.0)	(2.1)	(0.5)	(1.9)	(2.4)
Non-current	(2.2)	(3.0)	(5.2)	(2.4)	(5.0)	(7.4)
	<b>(2.3)</b>	<b>(5.0)</b>	<b>(7.3)</b>	<b>(2.9)</b>	<b>(6.9)</b>	<b>(9.8)</b>

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2021			2020		
	Right of use assets £m	Investment property - right of use assets £m	Total £m	Right of use assets £m	Investment property - right of use assets £m	Total £m
Less than one year	(0.1)	(2.1)	(2.2)	(0.5)	(2.1)	(2.6)
One to two years	(0.6)	(1.1)	(1.7)	(0.1)	(2.1)	(2.2)
Two to three years	(0.6)	(0.4)	(1.0)	(0.6)	(1.1)	(1.7)
Three to four years	(0.5)	(0.4)	(0.9)	(0.6)	(0.4)	(1.0)
Four to five years	(0.5)	(0.1)	(0.6)	(0.5)	(0.4)	(0.9)
More than five years	—	(1.5)	(1.5)	(0.5)	(1.6)	(2.1)
Total undiscounted lease liability	<b>(2.3)</b>	<b>(5.6)</b>	<b>(7.9)</b>	<b>(2.8)</b>	<b>(7.7)</b>	<b>(10.5)</b>

**7. Investment property**

	Owned property £m	Inter-group leasehold land and buildings £m	Right of use assets £m	Total £m
<b>Cost</b>				
At 28 June 2020*	130.4	76.6	9.0	216.0
<b>At 3 July 2021</b>	<b>130.4</b>	<b>76.6</b>	<b>9.0</b>	<b>216.0</b>
<b>Depreciation and impairment</b>				
At 28 June 2020*	17.6	1.9	1.8	21.3
Charge for the year	2.1	0.3	2.0	4.4
<b>At 3 July 2021</b>	<b>19.7</b>	<b>2.2</b>	<b>3.8</b>	<b>25.7</b>
<b>Net book value</b>				
<b>At 3 July 2021</b>	<b>110.7</b>	<b>74.4</b>	<b>5.2</b>	<b>190.3</b>
At 27 June 2020*	112.8	74.7	7.2	194.7

\* Restated – see note 1.

Owned property includes non-depreciable land amounting to £68.1m (2020: £68.1m restated).

If investment properties had been revalued, they would have been included at the following fair value:

	2021 £m	2020* £m
Owned property	<b>113.8</b>	113.8

Owned investment properties were valued on market value basis in April 2021 by a third party chartered surveyor.

## Notes to the Company financial statements continued

## 8. Investments

	Loans to Group companies £m	Shares in Group companies £m	Total £m
<b>Cost</b>			
At 3 July 2021 and 28 June 2020	<b>63.2</b>	<b>151.9</b>	<b>215.1</b>
<b>Provisions</b>			
At 3 July 2021 and 28 June 2020	—	—	—
<b>Net carrying amount</b>			
At 3 July 2021 and 27 June 2020	<b>63.2</b>	<b>151.9</b>	<b>215.1</b>

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a transaction involving certain properties used by the Group. This has been accounted for as a sale and leaseback and results in a long-term investment of £63.2m in an intermediate Group company.

The Company expects that the loans to Group companies will be repaid in full at maturity or if the Group companies were unable to repay loan balances, the Company expects that in such circumstances the counterparty would negotiate extended credit terms with the Company. As such, the expected credit loss is either considered immaterial based on discounting the loan over the extended payment term. No change in credit risk is deemed to have occurred since initial recognition and therefore a 12-month expected credit loss has been calculated based on the assessed probability of default.

For details of the subsidiary undertakings as at 3 July 2021, refer to note 29 of the Group financial statements.

## 9. Trade and other receivables

## Amounts falling due within one year

	2021 £m	2020* £m
Amounts owed by Group companies	<b>217.2</b>	177.5
Other debtors	<b>9.2</b>	3.8
	<b>226.4</b>	181.3

\* Restated - see note 1.

## Amounts falling due after more than one year

	2021 £m	2020* £m
Amounts owed by Group companies	<b>539.2</b>	521.5

\* Restated - see note 1.

All outstanding amounts owed by Group companies are repayable on demand and arise from funding provided by the Company to its subsidiaries. No change in credit risk is deemed to have occurred since initial recognition, and therefore a 12-month expected credit loss has been calculated based on the assessed probability of default. An impairment charge of £7.9m has been recognised as a result in the year (2020: £11.9m).

**10. Trade and other payables****Amounts falling due within one year**

	2021 £m	2020* £m
Amounts owed to Group undertakings	<b>88.4</b>	69.7
Trade and other creditors	<b>14.3</b>	12.8
	<b>102.7</b>	82.5

\* Restated - see note 1.

**Amounts falling due after more than one year**

	2021 £m	2020 £m
Amounts owed to Group undertakings	<b>60.6</b>	63.0

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a sale and leaseback of certain properties used by the Group. Included in the amounts owed to Group undertakings is an amount of £62.9m (2020: £65.0m) relating to this transaction. This arrangement has no terms of renewal or purchase option escalation clauses and there are no restrictions imposed by the arrangement. The remaining contractual maturities of these lease liabilities, which are gross and undiscounted, are as follows:

	2021 £m	2020 £m
Less than one year	<b>5.1</b>	4.9
One to two years	<b>5.2</b>	5.1
Two to three years	<b>5.4</b>	5.2
Three to four years	<b>5.5</b>	5.3
Four to five years	<b>5.7</b>	5.5
More than five years	<b>59.5</b>	65.3
Total undiscounted lease liability	<b>86.4</b>	91.3

**11. Interest-bearing loans and borrowings****Amounts falling due within one year**

	2021 £m	2020* £m
Accrued interest on £250m sterling seven-year bond	<b>6.2</b>	6.2
Debt issue costs	<b>(0.5)</b>	(0.6)
	<b>5.7</b>	5.6

**Amounts falling due after more than one year**

	2021 £m	2020* £m
£250m sterling seven-year bond (due in 1-4 years)	<b>250.0</b>	250.0
Debt issue costs	<b>(0.6)</b>	(1.1)
	<b>249.4</b>	248.9

\* Restated - see note 1.

Interest-bearing loans and borrowings comprise a £250m sterling bond, less issue costs. For further details refer to note 21 of the Group financial statements. The Company has no security over its liabilities.

## Notes to the Company financial statements continued

**12. Financial instruments at fair value**

The fair values of the Company's financial instruments carried in the financial statements have been reviewed as at 3 July 2021 and 27 June 2020 and are as follows:

	2021 £m	2020 £m
Non-current financial assets: fuel price derivatives	3.4	0.1
Current financial assets: fuel price derivatives	4.9	0.1
	<b>8.3</b>	0.2
Current financial liabilities: fuel price derivatives	<b>(0.6)</b>	(9.9)
Non-current financial liabilities: fuel price derivatives	<b>(0.3)</b>	(5.6)
	<b>(0.9)</b>	(15.5)
Net financial derivatives	<b>7.4</b>	(15.3)

Further information on the financial derivatives can be found in note 23 of the Group financial statements.

**13. Provisions**

	Uninsured claims £m	Other £m	Total £m
At 30 June 2019	7.7	0.3	8.0
Provided (after discounting)	4.3	—	4.3
Released	(1.2)	—	(1.2)
Utilised	(1.0)	—	(1.0)
Unwinding of discounting	0.1	—	0.1
At 27 June 2020	9.9	0.3	10.2
Provided (after discounting)	<b>5.8</b>	<b>0.5</b>	<b>6.3</b>
Released	<b>(2.3)</b>	—	<b>(2.3)</b>
Utilised	<b>(0.9)</b>	—	<b>(0.9)</b>
<b>At 3 July 2021</b>	<b>12.5</b>	<b>0.8</b>	<b>13.3</b>

Uninsured claims represent the cost to the Company to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Company by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within six years. Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historical trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Uninsured claims are provided on a gross basis and a separate reimbursement asset, for amounts due back from the insurance providers, of £nil (2020: £nil) is included within other receivables.

The other provisions include £0.3m relating to dilapidation costs which are expected to be incurred within four to five years. The remaining £0.5m relates to an onerous contract provision for a vacant property. Future costs relating to rental charges, business rates and dilapidation costs have been provided for and will be utilised within one to four years.

Reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year.

## 14. Current and deferred taxation

### Amounts falling due within more than one year

Deferred taxation provided at the enacted rate is as follows:

	2021 £m	2020 £m
Accelerated capital allowances	(12.7)	(8.5)
Other timing differences	(13.8)	(11.1)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(13.8)	(11.4)
Retirement benefit obligations	(10.4)	(12.0)
<b>Deferred taxation</b>	<b>(50.7)</b>	<b>(43.0)</b>

The movements in deferred tax in the income statement and other comprehensive income for the year ended 3 July 2021 are as follows:

	At 27 June 2020 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	At 3 July 2021 £m
Accelerated capital allowances	(8.5)	(4.2)	—	—	(12.7)
Asset backed funding pension arrangement	(10.5)	(2.7)	—	—	(13.2)
Other temporary differences	(0.4)	(0.8)	—	—	(1.2)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(11.4)	(2.4)	—	—	(13.8)
Retirement benefit obligations	(12.0)	(4.6)	6.2	—	(10.4)
Share based payments	(0.2)	0.7	—	0.1	0.6
	(43.0)	(14.0)	6.2	0.1	(50.7)

The deferred tax asset related to the share-based payments was recognised in the prior year as it was considered probable that there would be future taxable profits available.

## 15. Retirement benefits

### Defined contribution scheme

During the year ended 3 July 2021, the Company participated in the defined contribution scheme of The Go-Ahead Group Pension Plan (the Go-Ahead Plan). This scheme is not contracted out of the State Second Pension Scheme. It is now closed to new entrants and has been replaced by a Workplace Savings Scheme, which is also a defined contribution pension scheme. The expense recognised in these accounts for the year in respect of the defined contribution scheme of the Go-Ahead Plan was £0.4m (2020: £0.3m), being the contributions paid and payable. The expense recognised for the Workplace Saving Scheme was less than £0.1m (2020: less than £0.1m), being the contributions paid and payable.

### Defined benefit scheme

During the year ended 3 July 2021, the Company participated in a scheme which is part of the Go-Ahead Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The defined benefit section of the Go-Ahead Plan has been closed to new entrants and to future accrual.

The most recent actuarial valuation of the scheme was at 31 March 2018 and was updated by Willis Towers Watson to take account of the requirements of IAS 19 (Revised) in order to assess the liabilities of the scheme at 3 July 2021 and 27 June 2020.

The total net assets and liabilities of the scheme are recognised on the Company balance sheet.

	2021 £m	2020 £m
Pre-tax pension scheme asset	41.5	63.3
Deferred tax liability	(10.4)	(12.0)
<b>Post-tax pension scheme asset</b>	<b>31.1</b>	<b>51.3</b>

## Notes to the Company financial statements continued

**15. Retirement benefits** continued**Defined benefit scheme** continued

The following disclosures provide details of the entire defined benefit scheme.

The main assumptions are:

	2021 %	2020 %
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment and deferred pensions	2.7	2.2
Discount rate	1.8	1.5
Retail price index inflation	3.2	2.9
Consumer price index inflation	2.7	2.2

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 the pension scheme at age 65.

	2021 Years	2020 Years
Pensioner	21	21
Non-pensioner	22	22

**Sensitivity analysis**

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

	2021 Pension deficit %	2020 Pension deficit %
Discount rate – increase of 0.5%	(8.0)	(8.0)
Price inflation – increase of 0.5%	7.5	7.5
Rate of increase in salaries – increase of 0.5%	n/a	n/a
Rate of increase of pensions in payment – increase of 0.5%	4.0	4.0
Increase in life expectancy of pensioners or non-pensioners by one year	4.2	4.2

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.5% and one year in the sensitivity analysis is considered to be a reasonable approximation of possible changes, as these variations can regularly arise.

**Maturity profile of defined benefit obligation**

The following table shows the expected future benefit payments of the plan.

	2021 £m
June 2022	26.4
June 2023	27.1
June 2024	27.8
June 2025	28.6
June 2026	29.3
June 2027 to June 2031	158.9

**Category of assets at the year end**

	2021		2020	
	£m	%	£m	%
Equities	68.7	8.1	66.7	7.6
Bonds	84.0	9.9	86.9	9.9
Property	61.1	7.2	55.3	6.3
Liability driven investment portfolio	406.3	47.9	445.2	50.7
Cash/other	228.2	26.9	223.9	25.5
	<b>848.3</b>	<b>100.0</b>	878.0	100.0

All of the asset categories above are held within pooled funds and are classed as quoted in an active market where the underlying assets are exchanged, traded or can be valued with a reasonable degree of certainty based on market data. Any liquidity funds have been classed as unquoted in active markets.

**15. Retirement benefits** continued**Funding position of the Group's pension arrangements**

	2021 £m	2020 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	<b>(806.8)</b>	(814.7)
Assets at fair value	<b>848.3</b>	878.0
Pension scheme asset	<b>41.5</b>	63.3
Deferred tax liability	<b>(10.4)</b>	(12.0)
Post-tax pension scheme asset	<b>31.1</b>	51.3

**Pension cost for the financial year**

	2021 £m	2020 £m
Administration costs	<b>2.0</b>	1.7
Past service costs	<b>1.0</b>	—
Settlement gain	<b>—</b>	—
Interest cost on net liabilities	<b>(1.0)</b>	(1.3)
Total pension costs	<b>2.0</b>	0.4

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

	2021 £m	2020 £m
Pension scheme liabilities – at start of year	<b>814.7</b>	748.3
Interest cost	<b>12.0</b>	16.5
Remeasurement (gains)/losses due to:		
– Experience on benefit obligations	<b>(2.2)</b>	(5.9)
– Changes in demographic assumptions	<b>—</b>	—
– Changes in financial assumptions	<b>7.0</b>	81.5
Past service cost	<b>1.0</b>	—
Benefits paid	<b>(25.7)</b>	(25.7)
Pension scheme liabilities – at end of year	<b>806.8</b>	814.7

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

	2021 £m	2020 £m
Fair value of assets – at start of year	<b>878.0</b>	802.1
Interest income on plan assets	<b>13.0</b>	17.8
Remeasurement gains due to return on assets greater than discount rate	<b>(22.0)</b>	78.2
Administration costs	<b>(2.0)</b>	(1.7)
Group contributions	<b>7.0</b>	7.0
Benefits paid	<b>(25.7)</b>	(25.4)
Fair value of plan assets – at end of year	<b>848.3</b>	878.0

**Estimated contributions for future**

	£m
Estimated Company contributions in financial year 2022	<b>7.1</b>
Estimated employee contributions in financial year 2022	<b>—</b>
Estimated total contributions in financial year 2022	<b>7.1</b>

Risks associated with the defined benefit plan, the nature of the benefits provided by the plan, a description of the regulatory framework and a description of the responsibilities for the governance of the plan are outlined in note 28 to the Group financial statements.

Compensation of key management personnel is detailed in note 29 of the Group financial statements.



## Notes to the Company financial statements continued

**16. Issued capital and reserves**

	Allotted, called up and fully paid			
	Millions	2021 £m	Millions	2020 £m
At 3 July 2021 and 27 June 2020	47.1	4.7	47.1	4.7

The Company has one class of ordinary shares which carry no right to fixed income and have a par value of 10p per share.

**Share capital**

Share capital represents proceeds on issue of the Group's equity, both nominal value and share premium. The nominal value is set out above and the balance is share premium.

**Revaluation reserve**

The revaluation reserve represents the value of properties involved in an asset backed funding transaction with the Go-Ahead Pension Plan, adjusted for amortisation, together with historical revaluation balances. The movement on the revaluation reserve represents the write down of the revaluation reserve over the expected useful life of the properties, offsetting the depreciation charges being taken to the profit or loss account.

**Share premium reserve**

The share premium reserve represents the premium on shares that have been issued to fund or part fund acquisitions made by the Group. This treatment is in line with Section 612 of the Companies Act 2006.

The information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the Directors' report.

**Capital redemption reserve**

The capital redemption reserve reflects the nominal value of cancelled shares.

**Reserve for own shares**

The reserve for own shares is in respect of 4,094,851 ordinary shares (8.7% of share capital), of which 192,621 are held for LTIP and DSBP arrangements. The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for reissue in appropriate circumstances. During the year ended 3 July 2021, the Company has repurchased 57,176 shares for £0.6m for LTIP and DSBP purposes (2020: 39,770 shares repurchased for £0.7m). The Company has not cancelled any shares during the year (2020: no shares cancelled).

**Retained earnings**

The audit fee for the audit of the financial statements payable in respect of the Company was £0.1m (2020: £0.1m). Please refer to note 5 of the Group financial statements.

**17. Capital commitments**

There were capital commitments of £nil at 3 July 2021 (2020: £nil).

**18. 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 in respect of scheme liabilities arising. Total assets on a post-tax basis in respect of this guaranteed scheme were £31.1m as at 3 July 2021 (2020: assets of £51.3m).

At 3 July 2021 letters of credit amounting to £59.8m (2020: £62.0m) were provided by a Company banker, guaranteed by the Company, in favour of the Group's insurers, to cover liabilities of the Company and its subsidiaries.

### 19. Related party transactions

The Company has taken advantage of the exemption under FRS 101, 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. London & South Eastern Railway Limited (Southeastern), London & Birmingham Railway Limited (London Midland), Thameslink Rail Limited (Thameslink), New Southern Railway Limited (New Southern), Southern Railway Limited (Southern) and Govia Thameslink Railway Limited (GTR) are 100% owned by Govia Limited and hence the Company owns a 65% interest.

	100% owned Group subsidiaries		Govia		Southeastern		London Midland		Thameslink		New Southern		GTR	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Interest received from related party	—	—	0.1	0.3	—	—	—	—	—	—	—	—	—	—
Repayment of loan by related party	—	—	35.0	—	—	—	—	—	—	—	—	—	—	—
Management charges	7.7	7.4	—	—	2.8	3.0	—	—	—	—	—	—	5.1	4.8
Amounts owed from related party	731.9	681.6	5.8	28.7	3.4	0.3	1.7	—	—	—	—	—	2.3	0.3
Amounts owed to related party	74.8	33.0	—	—	—	—	—	—	0.6	0.6	3.8	3.8	—	—

## Shareholder Information

### Annual General Meeting (AGM)

The 34th AGM of the Group was held at Herbert Smith Freehills LLP, Exchange House, Primrose Street, London, EC2A 2EG on Tuesday 21 December 2021 at 11.00am.

Details of the business considered can be found in the Notice of AGM which is available on the Group's corporate website ([www.go-ahead.com](http://www.go-ahead.com)).

Given the delay to the publication of the Group's Annual Report and Accounts, certain items of business usually considered at the AGM will be considered at a General Meeting of shareholders to be convened in March 2022. Shareholders will be provided with further details of this meeting in due course.

### Dividends

The Board understands the importance of dividends to Go-Ahead's shareholders, demonstrated by our record of attractive dividend payments for 24 consecutive years up until the unprecedented impact of COVID-19.

Whilst the Board has concluded that it would not be prudent or right to propose a final dividend to shareholders for the year ended 3 July 2021 (2020 total dividend: £nil), it remains committed to the resumption of dividends at the appropriate time.

We would like to thank our shareholders for their loyalty, patience and continued support.

### Shareholder profile by size of holding as at 3 July 2021

	No. of holdings	% of holdings	No. of shares held	% of issued share capital
1-10,000	2,779	92.33	1,804,872	3.83
10,001-100,000	149	4.95	5,457,265	11.59
100,001-500,000	64	2.13	13,731,146	29.17
500,001-1,000,000	7	0.23	4,685,463	9.95
Over 1,000,001	11	0.36	21,400,874	45.46
<b>Total</b>	<b>3,010</b>	<b>100.00</b>	<b>47,079,620*</b>	<b>100.00</b>

\* This total includes 3,902,230 shares held in treasury.

### Shareholder profile by category as at 3 July 2021

	No. of holdings	% of holdings	No. of shares held	% of issued share capital
Treasury shares	1	0.03	3,902,230	8.29
Directors	5	0.17	99,425	0.21
Other individuals	2,504	83.19	3,578,686	7.60
Institutional investors	500	16.61	39,499,279	83.90
<b>Total</b>	<b>3,010</b>	<b>100.00</b>	<b>47,079,620</b>	<b>100.00</b>

It should be noted that many private investors hold their shares through nominee companies. Therefore, the percentage of shares held by private holders is likely to be higher than that shown.

### Electronic communications

In order to reduce our impact on the planet, we encourage all shareholders to consider receiving their communications from the Group electronically instead of printed documents. By opting for this service, you will be able to receive your communications from the Group more quickly and securely. To register for this service, you should go to our website: [www.go-ahead.com/investors/email-alerts](http://www.go-ahead.com/investors/email-alerts) or [www.shareview.co.uk](http://www.shareview.co.uk) and follow the steps detailed in "Managing your shares online" below.

### Managing your shares online

The Group's Registrar, Equiniti, is responsible for maintaining our register of members. Shareholders with queries relating to their shareholding should contact Equiniti directly.

Go-Ahead shareholders can go online to manage their shareholdings and find out about Go-Ahead's performance by joining Shareview.

Through Shareview, you can:

- Select how you wish to receive Go-Ahead communications – either direct to your email or via post
- Update your address and bank details online
- Vote in advance of general meetings
- Sell or purchase shares in the Group

To register, go to [www.shareview.co.uk](http://www.shareview.co.uk) and click on "Register" where you will be prompted to provide your details. You will need your 11-digit shareholder reference which is shown on your last dividend confirmation voucher or share certificate. As far as possible, the Group provides shareholder documents via the corporate website. By electing to receive shareholder communications electronically you will be allowing us to communicate with you securely in a more environmentally friendly way.

### Duplicate documents

If you have more than one account on the Share Register and receive duplicate documentation from us as a result, please contact Equiniti to request that your accounts be combined.

### Shareholder security

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted, please inform the FCA using the share fraud reporting form at <https://www.fca.org.uk/consumers/report-scam-us>. You can also call the FCA helpline on 0800 111 6768 or through Action Fraud on 0300 123 2040. More detailed information, guidance and key contact details are available on the FAQs page within the investor section of our corporate website.

By law, the Group's register of members is available for public inspection. We do not, however, endorse any specific share dealing facilities and will not pass on shareholder information to any third party, and any requests for access to the register are subject to "proper purpose" requirements which ensure that personal data is not used unlawfully.

### Shareholder and control structure

As at 3 July 2021, the Group's issued share capital comprised a single class of shares referred to as ordinary shares, with a nominal value of 10p each. As at this date, there were 47,079,620 ordinary shares in issue, of which 3,902,230 were held in treasury.

The Group did not purchase any of its own shares during the year either for cancellation or to hold as treasury shares, and no such shares were purchased between the period end and the date of this report. However, Computershare Trustees (Jersey) Limited, the Trustees of The Go-Ahead Group Employee Trust (the Trust), purchased 57,176 ordinary shares of 10p each in the Group as part of a planned programme of share purchases (2020: 39,770) to satisfy awards made under the Group's Long Term Incentive Plan and Deferred Share Bonus Plan awards. Since the period end and the date of this report, the Trust has purchased 42,882 ordinary shares of 10p each in the Group.

The Group is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights other than:

- Certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws)
- Restrictions pursuant to the Listing Rules of the FCA whereby certain employees of the Group require the approval of the Group to deal in the Group's securities

All shareholders have the same voting rights for each share regardless of the total number of shares held. On the show of hands at a general meeting of the Group, every holder of shares present in person or by proxy and entitled to vote shall have one vote (except in circumstances 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 member to vote for the resolution and by one or more member 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 AGM specified deadlines for exercising voting rights either in person or by proxy in relation to resolutions to be passed at the 2021 AGM. All proxy votes were counted, and the numbers for, against or withheld in relation to each resolution were announced following the AGM on 21 December 2021 and published on the Group's corporate website ([www.go-ahead.com](http://www.go-ahead.com)).

The directors currently have no intention to allot shares other than in connection with employee share schemes. The authorities for the Group to allot relevant securities, up to an aggregate nominal amount of £1,439,246 and for the disapplication of pre-emption rights on the allotment of equity securities, for cash up to an aggregate nominal amount of £215,886, as passed by ordinary and special resolutions at the 2020 AGM, were not utilised in the financial year or up to the date of the 2021 AGM.

These authorities expired at the 2021 AGM and approval for new authorities were sought and passed. 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 Group to make market purchases of its own ordinary shares, as passed by special resolution at the 2020 AGM, was still in effect at the end of the financial year and expired at the 2021 AGM.

Under the previous authority granted at the 2020 AGM, the maximum aggregate number of shares that could be purchased was 4,317,739. The authority also limited the maximum number of shares held in treasury to 10% of the issued share capital of the Group and stated minimum and maximum prices payable for shares purchased under the authority. During the financial year ended 3 July 2021 this authority was not utilised and at the 2021 AGM this authority was renewed by shareholders.

In January 2022, the Group was informed by its Registrar, Equiniti, that an error in the collection of certain proxy votes had been discovered in relation to resolutions put to shareholders at the 2021 AGM. For further information, please see page 83.

The Group's UK Rail franchise agreement, and any successor thereof, 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 6 July 2017, and the revolving credit and loan facilities dated 16 July 2014, 27 April 2017, 23 October 2017, 20 July 2018, 9 July 2019 and 30 September 2021 are subject to change of control clauses that contain certain specified conditions which could lead to a compulsory prepayment of the bond and loans respectively. Transport for London, the Land Transport Authority in Singapore and the National Transport Authority in Ireland all have powers to prevent the operation of, respectively, London Bus, Go-Ahead Loyang PTE. Limited and Go-Ahead Transport Services (Dublin) Limited contracts by an existing operator which is the subject of a change of control. In Germany, certain areas of our franchise arrangements contain change of control provisions which require approval from the Passenger Transport Authority. These are the E-Net Allgäu Bavaria and ABN Lot 1 franchise arrangements. Also in Norway there is a change of control clause in the agreement stating that change of control must be approved by the client, the Railway Directorate.

**Shareholder Information** continued**Major shareholders**

As at 3 July 2021, the following percentage interests in the ordinary share capital of the Group, disclosable under the Disclosure Guidance and Transparency Rules (DTR), had been notified to the directors.

	Number of ordinary shares disclosed	% of voting rights disclosed
HSBC Global Custody Nominee (UK) Limited	4,273,107	9.90
abrtn plc*	5,413,920	12.54

\* Formerly called Standard Life Aberdeen plc, having changed its name to abrtn plc on 2 July 2021.

In the period from 3 July 2021 to the date of this report, we received five further notifications in accordance with the DTR. One was received from Jupiter Fund Management plc on 25 October 2021 disclosing a holding of 2,179,783 ordinary shares (5.05% of voting rights) and the remaining four notifications were received from abrtn plc, the most recent being 14 December 2021, disclosing a holding of 5,731,658 ordinary shares (13.3% of voting rights).

**Corporate website**

Our corporate website, [www.go-ahead.com](http://www.go-ahead.com), provides up-to-date, detailed information on the Group's operations and brands. It includes a dedicated investor relations section that has a wealth of information including access to reports, consensus estimates, latest news and presentations, as well as share price analysis. Stakeholders are encouraged to sign up to receive email notification of results and press announcements as they are released by registering at [www.go-ahead.com/investors/email-alerts](http://www.go-ahead.com/investors/email-alerts).

**Shareholder relations**

To give us your feedback or if you have any questions, please contact: [investorrelations@go-ahead.com](mailto:investorrelations@go-ahead.com).

## Greenhouse gas emissions

### Our carbon footprint in tonnes of equivalent carbon dioxide (CO<sub>2</sub>e):

Scope 1	2021		2020		2019		2018		2017 (current baseline)	
	Consumption	tCO <sub>2</sub> e	Consumption	tCO <sub>2</sub> e	Consumption	tCO <sub>2</sub> e	Consumption	tCO <sub>2</sub> e	Consumption	tCO <sub>2</sub> e
Gas buses (kWh)	6,363,349	1,166	5,640,483	1,037	6,015,533	1,106	6,075,632	1,118	3,721,896	685
Gas premises (Bus) (kWh)	28,954,884	5,303	25,327,060	4,657	23,811,076	4,381	22,081,195	4,062	19,100,488	3,518
Gas premises (Rail) (kWh)	23,238,039	4,256	23,026,795	4,234	24,922,178	4,582	31,305,147	5,759	34,172,777	6,293
Bus diesel (10% biodiesel blend)(ltrs)	132,291,707	332,360	136,608,713	347,810	142,617,090	369,964	137,374,506	360,875	138,863,052	361,066
Gas oil (Rail) (ltrs)	3,862,768	10,656	4,325,028	11,927	5,381,957	14,845	11,698,766	34,751	18,475,417	54,567
<b>Total scope 1 (tCO<sub>2</sub>e)</b>		<b>366,372</b>		<b>383,082</b>		<b>394,878</b>		<b>406,564</b>		<b>426,130</b>
<b>Scope 2</b>										
Traction electricity (kWh)	1,386,760,708	295,863	1,477,645,807	346,306	1,356,323,985	346,676	1,389,289,129	393,266	1,371,415,035	482,135
Mains electricity premises (Bus) (including Singapore and Ireland) (kWh)	19,861,682	5,010	19,264,512	5,179	18,789,409	3,953	18,374,050	5,387	17,722,995	6,231
Mains electricity premises (Rail) (kWh)	71,293,912	15,165	71,999,941	16,814	74,410,676	19,019	82,862,076	23,456	90,511,067	31,820
Mains electricity premises (Head office) (kWh)	115,257	24	122,954	29	183,629	47	162,890	46	95,683	34
Mains electricity electric bus (kWh)	9,181,299	2,036	4,729,277	1,110	2,352,029	601	1,726,965	489	822,497	289
Solar electricity generated and consumed in premises (Bus) (kWh)	222,800	0	211,301	0	175,415	0	102,836	0	114,661	0
Solar electricity generated and consumed in premises (Rail) (kWh)	857,865	0	734,430	0	431,706	0	0	0	0	0
Solar electricity generated and consumed in premises (Total) (kWh)	1,080,665	0	945,731	0	607,121	0	102,836	0	114,661	0
<b>Total scope 2 – location (tCO<sub>2</sub>e)</b>		<b>318,099</b>		<b>369,439</b>		<b>370,297</b>		<b>422,644</b>		<b>520,508</b>
<b>Total scope 2 – market (tCO<sub>2</sub>e)</b>		<b>43,242</b>		<b>67,279</b>		<b>61,971</b>		<b>63,306</b>		<b>61,037</b>
<b>Scope 3</b>										
Electricity – transmission and distribution		27,945		31,554		31,510		36,012		48,666
<b>Breakdown by division</b>										
<b>Scope 1, 2 and 3</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>
Bus (tCO <sub>2</sub> e)	354,396	349,260	368,761	364,115	381,314	382,413	372,677	373,666	372,611	372,057
Rail (tCO <sub>2</sub> e)	357,993	88,297	415,283	117,798	416,169	105,084	492,755	132,155	622,869	163,728
Group (tCO <sub>2</sub> e)	27	2	31	2	51	63	50	60	37	33
<b>Total (tCO<sub>2</sub>e)</b>	<b>712,415</b>	<b>437,559</b>	<b>784,075</b>	<b>481,916</b>	<b>797,534</b>	<b>487,559</b>	<b>865,482</b>	<b>505,881</b>	<b>995,516</b>	<b>535,819</b>
<b>Scopes 1-3 by country</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>
UK (tCO <sub>2</sub> e)	625,865	333,678	703,158	389,243	742,915	432,914	819,851	460,018	958,216	498,310
Singapore (tCO <sub>2</sub> e)	46,594	46,594	47,010	47,010	48,283	48,283	45,630	45,863	37,300	37,509
Ireland (tCO <sub>2</sub> e)	13,715	13,762	11,964	12,010	6,336	6,364	0	0	0	0
Norway (tCO <sub>2</sub> e)	1,044	768	1,025	736	0	0	0	0	0	0
Germany (tCO <sub>2</sub> e)	25,197	42,758	20,919	32,915	0	0	0	0	0	0
<b>Total (tCO<sub>2</sub>e)</b>	<b>712,415</b>	<b>437,559</b>	<b>784,075</b>	<b>481,916</b>	<b>797,534</b>	<b>487,561</b>	<b>865,482</b>	<b>505,881</b>	<b>995,516</b>	<b>535,819</b>
<b>Out of scopes</b>										
Biogenic content of biodiesel (tCO <sub>2</sub> e)	20,144		15,188		12,436		7,858		9,373	
<b>Scope 1, 2 and 3 and Out of scopes</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>	<b>Location</b>	<b>Market</b>
Total (tCO <sub>2</sub> e)	732,559	457,703	799,263	497,104	809,121	500,795	873,078	513,740	1,004,677	545,207
YoY % change	-8.35%	-7.93%	-1.22%	-0.74%	-7.33%	-2.52%	-13.10%	-5.77%	n/a	n/a
% change on 2017 baseline	-27.10%	-16.05%	-20.45%	-8.82%	-19.46%	-8.15%	n/a	n/a	n/a	n/a
Total vehicle miles operated	749,034,991		733,702,870		706,393,581		683,223,210		684,511,871	
<b>Total bus and rail mileage</b>										
All scopes kg CO <sub>2</sub> e/vehicle mile	0.9780	0.6111	1.0894	0.6775	1.1454	0.7089	1.2779	0.7519	1.4677	0.7965
YoY % change	-10.22%	-9.81%	-4.90%	-4.43%	-10.37%	-5.72%	-12.93%	-5.59%	n/a	n/a
% change on 2017 baseline	-33.37%	-23.28%	-25.78%	-14.94%	-21.96%	-10.99%	-12.93%	-5.59%	n/a	n/a
Total global energy consumption (kWh)	2,917,925,461		3,032,726,257		2,983,369,795		3,042,437,920		3,207,016,101	

Annual emissions figures for prior years have been restated to reflect the collation of subsequent changes in consumption data and the correction of emissions.

## Greenhouse gas emissions continued

### Methodology, scope and exclusions

We report on greenhouse gas (GHG) emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard, and the UK Government's Environmental Reporting Guidance methodologies.

In line with the GHG Protocol and guidance, we have reported all Scope 1 and 2 emissions, and CO<sub>2</sub> relating to fugitive emissions from air-conditioning equipment in our premises and fleet, the consumption of ad blue (used in exhaust abatement technology installed on some of our latest diesel buses to reduce NoX emissions) and CO<sub>2</sub> emissions relating to fuel consumption by some ancillary vehicles that was not previously accounted for. These additional sources of CO<sub>2</sub> emissions were quantified as part of work in setting a Science Based Target (SBT) for reducing our CO<sub>2</sub> emissions. The baseline year for our SBT is 2020, and therefore the figures for 2020 have been restated to account for these additional CO<sub>2</sub> emissions. Historical data prior to 2020 has not been restated. These additional CO<sub>2</sub> emissions account for less than 2 per cent of our total scope 1 and 2 CO<sub>2</sub> emissions and not accounting for them prior to 2020 is well within our 5 per cent materiality threshold.

We do not currently report on our scope 3 emissions other than those arising from losses within the electricity transmission and distribution systems. A scope 3 screening exercise was carried out in 2021 to quantify our scope 3 emissions as part of the work in setting a SBT. This screening exercise established that our scope 3 emissions are under the 40 per cent threshold specified by the Science Based Target Initiative, (SBTi). Therefore, we did not have to set reduction targets for our scope 3 emissions, but plan to do so later this year as well as incorporating scope 3 emissions into future GHG reporting. We also report our 'out of scopes' CO<sub>2</sub>e emissions which relate to the bio-genic content of the bio-diesel that is used in our diesel bus fleet.

All scope 1 emissions are calculated by using the appropriate CO<sub>2</sub>e conversion factor for each energy source. We report our scope 2 emissions on both a 'location' and a 'market' basis. This dual reporting applies to CO<sub>2</sub>e emissions arising from our electricity consumption only. The location-based method uses the national average carbon emission factors for mains electricity that take the whole mix of fuels used to generate electricity in each country we operate in into account. The correct location based CO<sub>2</sub>e conversion factors for 2021 were used for all electricity consumed. The market-based method uses supplier or product-specific carbon factors, (where available), that reflects supply contract specifications agreed between supplier and customer. In some instances, particularly for traction electricity where we do not contract directly with the supplier, supplier or product-specific market-based CO<sub>2</sub> conversion factors are not available. Where this occurs, we follow the hierarchy of market-based factors as specified in the GHG Reporting Protocol and have used the most recent national mix residual factors that are available instead.

All the above emissions sources fall within the businesses included in our consolidated financial statements. We define our organisational reporting boundary by applying the financial control approach with a materiality threshold set at 5 per cent.

Emissions are expressed in terms of equivalent carbon dioxide (CO<sub>2</sub>e). Our relative performance metric is kilogrammes of CO<sub>2</sub>e per vehicle mile operated. This metric ensures there is a direct correlation between our performance and the purchase of increasing numbers of ultra-low carbon vehicles as well as the measures we are taking to improve our energy efficiency. For 2020, the mileage figures provided by our German and Norwegian rail operations (1.1 per cent of total mileage) were for fleet mileage rather than for vehicle mileage. Therefore, the total vehicle mileage figure for 2020 was slightly understated. As our performance metric is CO<sub>2</sub>e per vehicle mile, understating the mileage has a negative impact on performance, so performance has also been slightly understated. Correct vehicle mileage figures for 2021 have been obtained and reported.

To maintain transparency and enable stakeholders to see our performance trends over time, we provide historical data for both our absolute CO<sub>2</sub>e emissions and for our relative performance metric. We restate figures for historical CO<sub>2</sub>e emissions and our relative performance when there has been a subsequent change in energy consumption data or if methodologies change or if accounting errors were made.

### Context

Performance over time must be seen in the context of the changes in the composition of the Go-Ahead Group since our 2017 baseline year. The loss of the London Midland rail franchise in December 2017 resulted in a significant absolute reduction in our energy consumption and scope 1 and 2 CO<sub>2</sub> emissions (107,955 tCO<sub>2</sub> for 2017 - the last full reporting year), from that date onwards. However, that reduction has been offset by the additional energy consumption and CO<sub>2</sub> emissions caused by the acquisition or start-up of Go-Ahead Singapore (September 2016), East Yorkshire Motor Services (June 2018), Go-Ahead Ireland (September 2018) and Go North West (June 2019), plus the start of rail services we operate in Germany and Norway in 2020. Additionally, the significant expansion of Govia Thameslink Railway operations between 2018 and 2019 increased in traction electricity consumption. Similarly, Go South West's operations and CO<sub>2</sub> emissions increased by 40 per cent year on year in 2021 following the start of the contract to operate bus services throughout Cornwall. The aggregate total of scope 1 and 2 CO<sub>2</sub> emissions by the companies acquired since the start of our 2017 baseline year in 2021 was 110,532 tCO<sub>2</sub>e, so the net effect of these changes in the Group since 2017 is that the additional CO<sub>2</sub> from additional operations/acquisitions is marginally higher than the reduction that resulted from the loss of the London Midland rail franchise. Lower CO<sub>2</sub>e conversion factors for grid electricity since 2017 have also contributed to our performance.



## Performance

Overall, in absolute terms, on a location-basis, our equivalent carbon dioxide (CO<sub>2</sub>e) emissions in 2021 were 8.35% lower year on year and are 27.1% lower than in our baseline year 2017.

We set ourselves a target to achieve a 25 per cent reduction on CO<sub>2</sub>e per vehicle mile by 2021 from our 2017 baseline performance. This target was supported by secondary targets over the same timescale to improve bus fuel efficiency (fleet average miles per gallon) by 5 per cent and to improve traction electricity energy efficiency (fleet average vehicle miles/kWh) at GTR by 15 per cent, (therefore not including Southeastern as this franchise was originally due to end in April 2020).

In 2021, we achieved a 10.22 per cent year on year reduction in CO<sub>2</sub> emissions per vehicle mile and a reduction of 33.38 per cent against our 2017 baseline, thus our headline CO<sub>2</sub> reduction target has been achieved. CO<sub>2</sub> reduction performance has largely been driven by improved fleet energy efficiency. Bus fuel efficiency has improved by 4.98 per cent year on year and by 12.25 per cent since 2017. And, although GTR's traction electricity efficiency fell by 0.9 per cent year on year in 2021, it has improved by 21.4 per cent since 2017. Subsequently, both of the secondary efficiency improvement targets have also been achieved.

## Actions that were implemented during 2021 to reduce energy consumption and improve energy efficiency to drive down our CO<sub>2</sub> emissions

- The financial impact of COVID-19, due to loss of revenue for passengers, combined with the structural change of our UK rail contracts and the imminent end of those contracts, has meant that the number and/or scale of energy reduction/efficiency improvement measures that we have been able to implement in 2021 was reduced. The clearest demonstration of this is investment in new buses. New buses are a significant driver of improved fuel efficiency and were only purchased to service confirmed new contract work and will remain this way for 2022.
- Conversely, both diesel and electric bus fleet efficiency has improved significantly since the start of the pandemic. The improvement in fleet efficiency pre-dates the pandemic but it has undoubtedly accelerated the rate of improvement. Lockdowns and other related restrictions significantly reduced the amount of road traffic and congestion and buses were therefore able to operate more efficiently. We are not able to quantify exactly how much of the improvement in efficiency that we have seen is attributable to COVID-19, but it did make some contribution to our improved efficiency rates in 2021.
- Though investment in our bus fleet in 2021 was significantly lower than normal due to the financial impact of COVID-19, 130 new diesel buses were purchased in 2021, all of which were certified as Low Emission Buses (LEBs), LEBs are, by definition, the most fuel-efficient and cleanest diesel buses available to us to purchase. These new diesel buses would have contributed to the 4.98 per cent year on year improvement seen in diesel fleet average MPG across the whole of the Group in 2021. On the same basis, diesel fleet fuel efficiency has improved by 12.3 per cent since 2017. As noted above, some of this improvement is also likely to be attributable to the impact of COVID-19.
- Notwithstanding the above, we also purchased 71 electric buses in 2021, taking the total number of electric buses operated by the Group to nearly 300 and making Go-Ahead by far the largest operator of electric buses in the UK. Most of these new electric buses were purchased to service route contract wins in London, but Go North East also began operating its first electric bus route, purchasing nine new electric buses in 2021. The increase in the size of our electric bus fleet and in the number of services operated on them, accounts for the 149 per cent year on year increase in electric bus mileage operated and the 94 per cent year on year increase in electricity consumption by electric buses in 2020. Nearly all of this additional mileage would previously have been operated by diesel buses, so the increase in electric bus mileage and consumption is the beginning of the transition from diesel to low carbon bus fleets. Across all Go-Ahead's electric bus operations, CO<sub>2</sub> per mile operated was 78.3 per cent lower than CO<sub>2</sub> per mile operated by all of Go-Ahead's diesel bus operations, demonstrating the positive impact that this transition will have on our CO<sub>2</sub> emissions. The partial transition achieved so far has contributed to reducing our CO<sub>2</sub> emissions per mile operated by over 33 per cent since 2017, well ahead of our 25 per cent reduction target.
- We recognise that electric buses are not the only option to replace diesel buses and that there is a significant role for hydrogen buses, particularly when operating long-distance routes where constraints of battery technology mean that electric buses are not a feasible option. Go-Ahead regional bus company Brighton and Hove recently won external funding for 20 hydrogen buses. Delivery of these buses is expected at the end of 2022.
- The purchase of these hydrogen buses, as well as the operation of the largest fleet of electric buses in the UK and LEB-certified diesel buses previously, such as the extended range electric/diesel hybrids with 'geo-fencing', clearly demonstrates the Group's innovative and sector leading approach to adopting low carbon vehicle technologies that also contribute to reducing air pollution.
- The results of the trial of solar panels installed on the roofs of 18 buses at Go South Coast were promising but inconclusive, partly because of the impact of COVID-19 on bus fuel efficiency, but the trial has been extended to include buses operated by Go-Ahead London and Go-Ahead Singapore. The electricity generated by the panels will reduce the load on the vehicles' alternators/drivetrain, and will contribute to a marginal improvement in fuel efficiency. Go South Coast also has a number of fitted with a roof mounted filter, designed to remove particulates from the air and so contribute to improving air quality.
- New rolling stock that is significantly more energy efficient than the rolling stock that it replaced has been the main driver of improved fleet energy efficiency (vehicle miles per kWh) within our rail division. Very little new rolling stock was introduced in 2021, which, combined with significant changes in timetabling and services operated because of COVID-19, impacted on our efficiency performance in 2021. Understated train mileage figures were reported for German and Norwegian rail operations in 2020. In addition to this, the 2020 figures for Norwegian rail only accounted for part of the year as operations started in December 2019. German Rail operations have also grown significantly since 2020. Taking all these factors into consideration means that year on year comparison of traction electricity efficiency for the whole of the rail division is not possible. For UK rail operations, traction electricity efficiency

## Greenhouse gas emissions continued

### Actions that were implemented during 2021 to reduce energy consumption and improve energy efficiency to drive down our CO<sub>2</sub> emissions continued

- deteriorated by 1.7 per cent year on year in 2021, with both GTR and Southeastern's performance worsening slightly. As noted above, GTR's electric fleet efficiency in 2021 was 21.4 per cent better than it was in 2017, so the target of improving electric fleet efficiency by 15 per cent over the same period was still achieved.
- Solar PV has been installed at four Southeastern railway depots, Go-Ahead Germany's Essingen depot and four bus depots in the UK. We plan to install solar PV at two more bus depots in 2022 and are presently carrying out a feasibility study to identify further potential sites for solar PV across all UK bus premises so that we can increase the amount of self-generated, zero carbon electricity that we consume. Additionally, we have continued to replace existing lighting with LED lighting to reduce electricity consumption within our premises.
  - From 1 July 2019, all electricity supplied to Group premises within our central Group electricity supply contract has been generated from fully renewable sources (wind, solar, hydro, etc.) and is zero rated for CO<sub>2</sub>e under a market-based reporting approach. Southeastern Railway operates train services on the High Speed 1 (HS1) rail network. HS1, rather than Southeastern, is responsible for procuring and supplying electricity to the HS1 network and the procurement specifications for this electricity did not specify that it should be generated from renewables and be zero rated for CO<sub>2</sub>. Southeastern is one of the main users of this electricity and worked in partnership with HS1 so that electricity generated from renewables was specified, starting from April 2020.
  - Go-Ahead's bus division achieved ISO 50001 certification in October 2018. The scope of the certification was extended during 2020 to include East Yorkshire Motor Services and Go North West and extended again in 2021 to include Go-Ahead Ireland. With the existing certifications already held by the Group's two UK train operating companies, all of Go-Ahead's UK and Ireland operations are now covered by ISO 50001 certification, recognised as best practice for energy management. Our bus division's ISO 50001 certification expires in October 2021 and we are currently working towards achieving re-certification.
  - The main focus of our activities to reduce future energy consumption and CO<sub>2</sub> emissions in 2021 was the development of our new climate change strategy which incorporates a Science Based Target, validated by the Science Based Target Initiative, to reduce our scope 1 and 2 CO<sub>2</sub> emissions by 75 per cent by 2035 relative to our 2020 baseline performance and our commitment to achieve net zero for scope 1 and 2 CO<sub>2</sub> emissions by 2045. Further information about our climate change strategy and how we will achieve it and our net zero by 2045 commitment can be found at: <https://www.go-ahead.com/sustainability/climate-change>.

### Actions that were implemented during 2019/20 to improve energy efficiency include:

- On-going investment in our bus fleet: The majority of new buses purchased in the year were Euro VI and 172 new buses entered service with our operating companies in the year. In line with the Group's vehicle procurement policy to only purchase diesel buses certified as Low Emission Buses (LEB) other than in exceptional circumstances, virtually all of these new buses are certified as LEBs. Thirty of these new buses were next generation extended range electric/diesel hybrid buses, certified as ultra-low emission buses, that were purchased by Brighton & Hove Bus Company. They use 'geo-fencing' to enable them to operate in purely electric, zero-emissions mode throughout the city's Ultra-Low Emission Zone. These buses are fully electric with an electric motor which drives the bus at all times. They use a small on-board Euro 6 diesel generator for recharging the buses' batteries, when needed, which enables them to operate longer routes than standard plug-in battery electric buses. All of these new buses are significantly more fuel efficient than those they have replaced and contributed to an overall improvement in fleet average miles per gallon of 2.6% year on year and 6.9% better than in 2017.
- Notwithstanding the above, we also introduced over 100 electric buses to our fleet, bringing the total number of electric buses operated by the Group to nearly 200 and making the Group the largest operator of electric buses in the UK. This increase in the size of our electric bus fleet, and the number of services operated on them, accounts for the significant increase in electric bus electricity consumption in 2020. However, these ultra-low emission electric buses also contributed to lower overall CO<sub>2</sub>e emissions from the fleet as they have generally replaced diesel buses. Additionally, following extensive feasibility studies carried out in 2019, Go-Ahead successfully bid for funding to assist with the purchase of 20 new hydrogen buses. Following delays caused by issues with the manufacturer and COVID-19, these buses will now be delivered to Brighton & Hove Bus Company in 2021 if funding arrangements can be carried forward. The purchase of these buses, as well as those such as the extended range electric/diesel hybrids with 'geo-fencing', clearly demonstrate the Group's innovative and sector leading approach to adopting low carbon vehicle technologies that also contribute to reducing air pollution.
- Trial of solar panels installed on 18 bus roofs at Go South Coast with the trial shortly to be extended to buses at Go-Ahead London and Brighton & Hove Bus Company. The electricity generated by the panels will reduce the load on the vehicles' alternators/drivetrain and contribute to a marginal improvement in fuel efficiency. One of these trial buses is also fitted with a roof mounted filter designed to remove particulates from the air, contributing to improving air quality.

**Actions that were implemented during 2019/20 to improve energy efficiency include:** continued

- New rolling stock, which is significantly more energy efficient than the units it replaced, have continued to be introduced on the GTR franchise. Excluding London Midland from 2017 and the new German and Norwegian rail operations, this new rolling stock contributed to an overall year on year improvement in electric fleet energy efficiency (vehicle miles/kwh) of 1.5% (6.4% better than in 2016/17). For GTR only, the year on year improvement was 5.2% and against the 2017 baseline, a 22.6% improvement was achieved, exceeding the 15% improvement target a year earlier than planned.
- Solar PV was installed at four Southeastern Railway depots, Thames Travel's Didcot bus depot and Go North East's Hownsgill depot in 2019 adding to the existing installations at Oxford and Hull bus depots, increasing the amount of self-generated, zero-carbon electricity that we consumed. Additionally, we have continued to roll out LED lighting to reduce electricity consumption within our premises.
- From 1 July 2019, all electricity supplied to Group premises within our central Group electricity supply contract was entirely generated from fully renewable sources (wind, solar, hydro, etc.) and is zero rated for CO<sub>2</sub>e under a market based reporting approach.
- Go-Ahead's bus division achieved ISO 50001 certification in September 2018. The scope of the certification was extended during 2020 to include East Yorkshire Motor Services and Go North West bus operations and, with the existing certifications held by the Group's two train operating companies, all of Go-Ahead's UK operations are now covered by ISO 50001 certification, recognised as best practice for energy management.
- During 2019, Go-Ahead has also carried out a review of the climate change risks and opportunities, including scenario planning, as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). We are currently working on incorporating the review findings into a new Group climate change strategy which will also feature a long term science based CO<sub>2</sub> reduction target and a commitment to achieve net zero by a specified date. These workstreams are still ongoing and the outcomes will be included in our 2021 Annual Report when our current energy and CO<sub>2</sub> reduction targets expire.
- Go-Ahead also continued to collaborate with partners on a variety of innovative 'future of transport' initiatives such as demand-responsive transport (DRT) services and potential tie-ups with logistics companies that will achieve net reductions in carbon emissions as well as reducing air pollution from transport and congestion.

## Corporate information

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**Summary Verification Statement from Bureau Veritas UK Ltd**

Bureau Veritas UK Ltd (Bureau Veritas) has provided verification for The Go-Ahead Group plc (Go-Ahead) over selected sustainability indicators contained within the Group's Annual Report. The information and data reviewed in this verification process covered the period 28 June 2020 to 3 July 2021.

The full verification statement including Bureau Veritas' verification opinion, methodology, recommendations and a statement of independence and impartiality can be found on the Go-Ahead Group website:

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



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Bureau Veritas UK Ltd

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