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THE GO-AHEAD GROUP PLC

(“GO–AHEAD” OR “THE GROUP”)

Half year results for the six months ended 1 January 2022

Business overview

- Encouraging underlying financial performance and passenger volume recovery as Go-Ahead emerges from a challenging period
- Group operating profit (before exceptional items)[1] of £42.6m (H1’21: £56.4m restated). H1'21 included non-recurring items totalling £20.2m[2]. Excluding these items, like-for-like operating profit[1] increased by £6.4m, up 17.7%
    - Regional Bus reverts to more commercial model as passenger numbers rebuild – currently above 80% of pre-pandemic levels
    - Resilient results from London & International Bus
    - UK Rail performance primarily reflects end of Southeastern contract
    - Management action reduces losses in International Rail
- Statutory profit before tax of £50.1m (H1’21: £50.3m restated) includes a net exceptional credit of £13.0m, primarily relating to the expected settlement of the financial penalty relating to London & South Eastern Railway and associated matters of concern
- Strong balance sheet and significant liquidity: adjusted net debt[3] of £217.3m (3 July 2021: £305.9m) and available cash and headroom on facilities of £329.3m (3 July 2021: £240.3m). Adjusted net debt to EBITDA ratio[3] of 1.21x (3 July 2021: 1.56x) providing significant capacity for investment
- Launched new strategy “The Next Billion Journeys” and medium-term financial targets, including growth in Group operating profit to at least £150m
- The Group will reinstate its pre-COVID-19 dividend policy of paying a dividend to shareholders equivalent to between 50% and 75% of underlying earnings per share from the 2022 full year and the board intends to recommend a dividend of not less than 50 pence per share in respect of the year ending 2 July 2022 in line with this policy
- Trading in the second half of the year to date is robust and the Board now anticipates a full year result ahead of its previous expectations

1 Before exceptional net credit of £13.0m (H1'21: £4.9m credit). Details are provided in note 5 to the financial statements

2 H1'21 included £7.2m of CBSSG funding revenue and a £3.8m performance fee in GTR both relating to the 2020 financial year, and a £9.2m one-off timing benefit relating to Quality incentive contract (QIC) recognition

3 On a pre-IFRS 16 basis, in line with bank covenants

Financial summary

	H1’22	H1’21[1]	Increase/ (decrease) %
Revenue (£m)	**1,797.7**	2,070.7	(13.2)
Adjusted operating profit (£m)	**42.6**	56.4	(24.5)
Adjusted profit before tax (£m)	**37.1**	45.4	(18.3)
Adjusted basic earnings per share (p)	**63.1**	73.7	(14.4)
Statutory operating profit (£m)	**55.6**	61.3	(9.3)
Statutory profit before tax (£m)	**50.1**	50.3	(0.4)
Statutory basic earnings per share (p)	**85.0**	83.4	1.9

Adjusted measures are presented on a pre-exceptional item basis

1 Restated (see note 2)

	H1’22			H1’21[3]		
	Under IFRS 16	Impact of IFRS 16	Under IAS 17	Under IFRS 16	Impact of IFRS 16	Under IAS 17
Cashflow generated from operations (excluding restricted cash) (£m)	**303.6**	**207.0**	**96.6**	316.0	252.5	63.5
Free cashflow (£m)	**286.4**	**204.6**	**81.8**	279.0	246.8	32.2
Adjusted net debt (£m)[1]	**340.4**	**123.1**	**217.3**	699.6	399.7	299.9
Adjusted net debt/EBITDA[2,3]	**n/a**	**n/a**	**1.21x**	n/a	n/a	1.87x

1 Adjusted net debt excludes restricted cash. Bank covenants continue to be assessed under IAS 17

2 Before exceptional credit of £13.0m. Details are provided in note 5 to the financial statements

3 Prior year restatements have been made. See note 2 to the financial statements

Christian Schreyer, Group Chief Executive, commented:

"These results demonstrate an encouraging performance as Go-Ahead emerges from a challenging period. We're looking ahead with confidence, with a new leadership team in place and a new strategy to improve the efficiency of our bus and rail companies.

"Our bus and rail companies are adapting to meet changing travel patterns as we emerge from the worst of the COVID-19 pandemic. We are digitalising, decarbonising and reducing costs to ensure we deliver an outstanding performance for our customers while delivering attractive returns for shareholders. We have a strong balance sheet, with low net debt, and are well placed to take advantage of expansion opportunities."

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The Go-Ahead Group

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Chief Executive's review

I am pleased to report a robust set of results for our half year ended 1 January 2022. Go-Ahead has emerged from a challenging period with a new management team, a refreshed strategy, resilient operations and ambition for future growth in the business. Having joined the Group during the first half of the year, I have spent time meeting my colleagues across our bus and rail operations in the UK and internationally. As I look to the future and our plans for the business, I have full confidence in our local teams to take the Group forward as we execute on our new strategy, "The Next Billion Journeys", which I set out earlier this month following the conclusion of my business review.

For the public transport industry, the past two years have been the most difficult ever experienced, as the COVID-19 pandemic severely reduced travel. As we emerge from the pandemic, with the importance of our purpose reaffirmed, we, at Go-Ahead, understand the role we have to play in supporting the rebuilding of our communities, the recovery of our economies and the protection of our environment. We are all ready to embark upon the next phase for our business and our industry.

Financial performance

The Group delivered a robust financial performance in the first half of the year. Whilst Group operating profit before exceptional items fell 24.5% to £42.6m (H1'21: £56.4m restated), the prior year included £7.2m of Coronavirus Bus Service Support Grant (CBSSG) funding revenue and a £3.8m performance fee in GTR both relating to the 2020 financial year, and a £9.2m one-off timing benefit relating to Quality Incentive Contract (QIC) recognition. Excluding these items in the prior year, operating profit increased by £6.4m (17.7%).

During the period the Group recognised a total of £13.0m of exceptional credits (H1'21: £4.9m restated), mainly relating to London & South Eastern Railway as detailed below.

Our balance sheet remains strong and we have significant liquidity. As at the half year end, pre-IFRS16 adjusted net debt was £217.3m (3 July 2021: £299.9m). Adjusted net debt to EBITDA was 1.21x, below our target range of 1.5 to 2.5x, reflecting ongoing measures taken to mitigate the impact of COVID-19 including lower capital investment and suspension of dividends.

The underlying strength of our business and financial position supports the Board's intention to reinstate our pre-COVID-19 dividend policy of paying a dividend to shareholders equivalent to between 50% and 75% of underlying earnings per share from the 2022 full year, and to recommend a final dividend of not less than 50p in respect of the year ending 2 July 2022 in line with this policy, as set out earlier this month following the conclusion of my business review.

London & South Eastern Railway Ltd

In September 2021, the Department for Transport (DfT) took the decision that operation of Southeastern rail services would transfer to the Operator of Last Resort in October 2021 when the London & South Eastern Railway (LSER)'s contract ended. This was a consequence of disputes regarding the calculation of profit share payments and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements. Details of these matters were provided in our 2021 year end results, announced on 24 February 2022.

All outstanding matters relating to the identified matters of concern, except for the financial penalty, at LSER have since been settled with the DfT and the DfT has issued a £23.5m financial penalty notice due to breaches of historic franchise agreements. In our 2021 year end results, we recognised a provision of £30.0m for a potential penalty in respect of these matters, and we are therefore now recognising an exceptional credit of £6.5m in relation to the expected financial penalty and a further £12.3m credit in relation to settlement of other matters including affiliated trading. These exceptional credits have been offset by £6.3m of costs in relation to these matters.

Details relating to these settlements are provided within the Business and Finance Review.

As previously indicated, we have taken steps to enhance the Group's corporate governance arrangements, particularly in relation to the way in which complex rail operations are overseen.

Chief Executive's review continued

Divisional performance

Regional Bus

Our Regional Bus businesses began the financial year with services being supported by the Government's Coronavirus Bus Service Support Grant (CBSSG), designed to enable a breakeven operating performance for bus companies while passenger volumes remained suppressed. As expected, we transitioned to another form of support for the industry in September 2021 – the Bus Recovery Grant (BRG) – supporting the shift for bus companies back towards a more commercial model. This funding has been confirmed until October 2022.

Passenger numbers gradually increased over the first half, reaching around 80% of pre-pandemic levels in November 2021 before the emergence of the Omicron variant of COVID-19 prompted the Government to issue 'work from home' guidance in December. This resulted in a temporary reduction in journey numbers which has since reversed, with passenger volumes currently above 80% of pre-pandemic levels.

In April 2022, the DfT announced £1.1 billion of funding allocations for local bus improvement schemes. This will enable a number of Go-Ahead's operating areas to benefit from improved bus priority and revenue support for lower fares – including the North East of England, Brighton & Hove, Greater Manchester and East Anglia. Meanwhile, Oxford has been successful in winning a grant to fund zero emission buses under the Government's ZEBRA Bus Funding scheme.

London & International bus

Our operations in London, Singapore and Ireland have delivered a strong underlying performance in the period. We continue to work closely with our transport authority clients to deliver reliable bus services in these major cities in which we operate.

After the half year, we were pleased to complete the £11.7m acquisition of Flexbuss in Sweden, a bus business delivering contracted bus services (including school transport, medical transfer and private hire buses) without direct exposure to changes in passenger demand. We are pleased to welcome our 600 new Flexbuss colleagues to the Go-Ahead family.

Go-Ahead London has been successful not only in retaining Transport for London routes but in winning additional tenders, and its bus driver apprenticeships scheme won an award for recruitment excellence in the 2021 National Apprenticeship Awards. In April 2022, we completed a £13.5m purchase of land, adjacent to our River Road depot, to support growth in East London.

In Singapore, we are having positive discussions with the Land Transport Authority regarding an extension of our contract, and in Ireland our business is expanding with additional mileage through the BusConnects programme which requires the recruitment of 180 people, taking the total to nearly 800.

UK Rail

During the first half of the year, the Group's UK Rail contracts continued operating under emergency measures contracts that had been introduced in response to the COVID-19 pandemic. As mentioned above, the Southeastern franchise ended on 17 October 2021.

Following the half year end, we were pleased by the DfT's decision to award GTR a National Rail Contract (NRC), which commenced on 1 April 2022. The NRC, which will run until at least April 2025 with the potential for an extension of a further three years, is a management contract with extremely limited exposure to changes in passenger demand and no substantial cost risk to GTR. The maximum fee receivable by GTR is £31.7m per annum calculated, in accordance with the contract, on a pre-IFRS16 basis (equivalent to a pre-IFRS16 operating margin of around 1.85%), combining the fixed management fee and potential performance fees. The contract also allows for individual project fees to be earned by GTR on the delivery of additional initiatives, as directed by the DfT.

International Rail

In the first half of the year, we continued to deliver improvements in our rail contracts in Baden Wurttemberg, Germany, resulting in both stronger operational and financial performance. In addition to the improved operational performance, we also successfully settled the outstanding claim against the rolling stock provider relating to the late delivery of trains when the first contract in the region began in 2019.

The first of two German rail contracts in Bavaria commenced towards the end of the first half, with a strong operational start. In the first 100 days, more than 90% of our trains ran on time and our new fleet of 22 trains performed well. An onerous contract provision was taken against both contracts in this region in the 2020 financial year (the second of which is due to commence in December 2022) and the level of provision required was unchanged at the half year end.

Unlike our German rail contracts, which have limited exposure to changes in passenger demand, financial performance in our rail contract in Norway is impacted by passenger volumes. Throughout the first half and subsequently, passenger volumes remain materially suppressed. Government funding has remained in place, albeit at a reduced level, which mitigates the impact of lower passenger revenue whilst we continue to operate a full service. As previously disclosed, an onerous contract provision was taken in the prior year based on prudent assumptions about the performance of the contract over its remaining life. The level of provision had not materially changed at the half year end. Constructive discussions with the Norwegian Railway Directorate are ongoing and we are hopeful of reaching a satisfactory outcome.

Chief Executive's review continued

The future of Go-Ahead

My review of the business found great strengths in Go-Ahead and reinforced my view that the Group will remain a leading presence in the dynamic public transport market into the future. I set out a new strategy – "The Next Billion Journeys" – that builds on these strengths, aimed at delivering profitable and sustainable growth in existing and new markets. Alongside the announcement of the strategy we set out new medium-term financial targets to grow annual Group revenue to around £4bn, up by around 30% on current continuing operations, and to increase annual Group operating profit to at least £150m.

The strategy focuses on three key priorities:

Performance improvement

Across the board, we will enhance the basics of our business by focusing on operational excellence. A new operating model is being introduced for all Go-Ahead's operating companies to increase transparency and raise the focus on financial performance. This will include drilling down on common cost drivers across bus and rail companies – costs of driving, maintenance, energy, fleet and overheads – to identify and address inefficiencies.

We are committed to turning around underperforming operating companies in our international markets and in the UK, and we will focus on operational improvements across all businesses through increased digitalisation and enhancement and standardisation of processes. This is expected to deliver cost savings in UK Bus of £40m in the medium term.

A key priority for the business is to reduce the breakeven point for zero emission buses to accelerate decarbonisation of our fleets. To facilitate this a Centre for Excellence will be established at Go-Ahead London, the UK's leading operator of electric buses, to leverage the Group's capabilities and support the business case for the transition to zero emission.

Grow organically and inorganically

Whilst we are reassured by the level of passenger recovery to date, as we emerge from the COVID-19 pandemic, the number of journeys taken on bus and rail services in all our markets remains lower than before the pandemic.

We firmly believe in the importance of facilitating a modal shift from private cars to mass transport to support challenging climate goals set by governments around the world, and also to enhance the lives and wellbeing of people across the towns and cities that we serve. In addition to working closely with clients and local authorities to stimulate passenger demand, we are implementing initiatives in our business to accelerate volume growth – including leveraging data to analyse new travel patterns and to tailor routes, schedules and ticketing to match passenger needs. We also realise that for some people, returning to public settings – including transport – may feel daunting after an extended period away during the pandemic. In our local markets, we are introducing initiatives to support these customers and rebuild their confidence in using public transport.

Within existing geographies, Go-Ahead has identified opportunities to grow its UK Regional Bus business, particularly in the north of England. In addition to maintaining its market leading position in the London bus market, the Group will seek opportunities to build business-to-business revenue in the Capital. In UK Rail, following the award of a National Rail Contract to GTR in March 2022, Go-Ahead will play a constructive role in supporting the creation of Great British Railway and in shaping future Passenger Service Contracts to deliver the best possible rail services for customers and an attractive model for private operators.

Internationally, Go-Ahead will seek to replicate our proven business models in franchised and contracted bus services as we have done successfully in Dublin and Singapore. We have identified three markets as development priorities for the Group – France, Australia and Sweden – and will also give consideration to opportunities in other selected markets. We are committed to delivering value-adding growth and will mitigate execution risk when entering new markets by working with experienced local partners.

As well as seeking to grow through contract wins, the Group will consider selected acquisitions to support our growth ambitions.

Progress new opportunities leveraging existing capabilities and resources

Go-Ahead has deep experience and expertise across its business, and extensive resources that can be utilised to progress new opportunities in adjacent markets. We expect to deliver growth in the provision of business-to-business transport services, such as airport transport services and rail replacement buses, and will also explore opportunities in new modes of transport, including metro and light rail. We also see opportunities for new services further along the mobility value chain, such as zero emission services, Mobility as a Service (MaaS) operation and property utilisation.

Our people

Go-Ahead has a renewed purpose – "moving you and the next generation towards a stronger and healthier planet" – underpinned by strong values. These values will guide our 27,000 colleagues globally as we work collectively in building sustainable transport services and a stronger Group.

We know that we can only achieve our ambitions for Go-Ahead by supporting and investing in our people. Doing the right thing by our employees benefits everyone – providing fulfilling careers, delivering the best possible service for our customers and supporting the sustainability of our business. We also know that having a diverse workforce and inclusive workplaces brings benefits to our business, our people and customers, and the communities we serve. A lot of great work at Go-Ahead has already delivered progress on this journey but there is more for us to do, and our new strategy incorporates initiatives to support this.

Conclusion

Today, in the final quarter of our 2022 financial year, I am reassured by the resilient performance across our London & International Bus business and the level of passenger volume recovery in our core Regional Bus business as well as our ongoing plans and constructive discussions with transport authority clients in International Rail. As we move forward, with a new GTR contract and a strong pipeline of opportunities in our target markets, I am confident about the growth prospects for the Group.

Following a very challenging couple of years for bus and rail operators, I believe that we are entering a significant phase for public transport which will see the importance of our vital services grow further still as we play a key role in the sustainable evolution of travel.

Business and finance review

All references to operating profit, EBITDA and margins are on a pre-exceptional basis unless otherwise detailed. There were 26 weeks in H1'22 compared with 27 in H1'21. Like-for-like comparatives have been referenced below where meaningful.

Prior year restatement

A number of restatements and adjustments were identified during the 2021 year end process and, as a consequence, the 2021 interim financial statements have been restated accordingly. Note 2 in the financial statements summarises the impact to each of the primary statements. The impact of these restatements is an increase in profit before tax of £25.7m, a decrease in net assets of £51.7m and an opening reserves decrease of £61.0m to retained earnings and £16.2m to non-controlling interests.

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) German rail onerous contract provisions; iii) correction of errors and iv) presentational adjustments and reclassifications.

As outlined in the Group's 2021 Annual Report, several prior year restatements were identified as a result of the dispute with the Department for Transport (DfT) regarding historical matters relating primarily to the Southeastern franchise. These prior year adjustments impact the balance sheet and opening reserves and therefore have also been restated in the prior year comparatives for the period ended 2 January 2021. The impact of these restatements is: a reduction in profit before tax of £0.5m, a reduction in net assets of £39.8m and a reduction in opening reserves of £26.0m.

In Germany, an understatement of £37.1m was identified in respect of the accounting in the financial year to June 2020 for the onerous contract provision in Bavaria. This has resulted in a restatement to increase the provision in 2020. Correspondingly, there has been a restatement to the 2021 interim results to reduce the amount charged to the income statement in that period by £25.9m. As a result of this restatement, net assets reduced by £11.4m and opening reserves decreased by £36.6m.

The correction of errors primarily relates to provisions and accruals balances which were identified as inappropriate. The adjustments identified during the 2021 year end process also have an impact on the 2021 interim financial statements. The impact of the restatements is a decrease in net assets of £0.5m, a net increase in profit before tax of £0.3m and an increase in opening reserves of £0.4m.

The presentational adjustments and reclassifications primarily relate to balance sheet reclassifications, cashflow statement reclassifications and other presentational adjustments within the financial statements. In the half year 2021 balance sheet, current assets and liabilities both increased by £48.3m.

Financial overview

The Group delivered a solid financial performance in our Bus and UK Rail businesses supported by limited exposure to changes in passenger demand.

Revenue for the half year was £1,797.7m, down £273.0m, or 13.2%, on the prior year (H1'21: £2,070.7m restated). This decrease was primarily due to the end of the Southeastern franchise in October 2021.

Operating profit decreased to £55.6m (H1'21: £61.3m restated) primarily reflecting the reduction in London & International Bus profits following the prior year timing benefit relating to the change in the recognition profiling of Quality Incentive Contract (QIC) revenue in London Bus, and the end of the Southeastern franchise in October 2021 offset by diminishing losses in International Rail.

Exceptional items in H1'22 amounted to a credit of £13.0m (H1'21 £4.9m credit restated), with £12.5m relating to provision releases as a result of the DfT financial penalty and the other matters of concern relating to the LSER investigation, partially offset by associated costs; and £0.5m relating to adjustments to the onerous contract provision for our rail contract in Norway. Excluding exceptional items, operating profit was £42.6m (H1'21: £56.4m restated).

Profit attributable to shareholders increased by £0.5m or 1.4% to £36.5m (H1'21 £36.0m restated) and earnings per share to 85.0p (H1'21 83.4p restated). Excluding exceptional items, profit attributable to shareholders decreased by £4.7m or 14.8% to £27.1m (H1'21: £31.8m restated) and earnings per share decreased by 14.4% to 63.1p (H1'21: 73.7p restated).

Adjusted net debt (excluding restricted cash) on a pre-IFRS 16 basis at the half year was £217.3m (3 July 2021: £305.9m). The reduction in net debt reflects the ongoing measures taken to mitigate the impact of COVID-19 including lower capital investment and suspension of dividends. A reconciliation of net debt to adjusted net debt is included below.

The pre-IFRS 16 adjusted net debt (excluding restricted cash) to EBITDA ratio of 1.21x (3 July 2021: 1.56x) is below our 1.5x to 2.5x target range and well below our bank covenant of 3.5x.

Prior to the 2021 financial year, 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 characteristics and challenges between UK and International Rail contracts.

Group overview

	H1'22 £m	H1'21 (restated) £m
Group revenue	**1,797.7**	2,070.7
Regional Bus operating profit	**11.7**	12.3
London & International Bus operating profit	**25.7**	37.3
Total Bus operating profit[1]	**37.4**	49.6
UK Rail operating profit[1]	**10.8**	22.9
International Rail operating loss	**(5.6)**	(16.1)
Total Rail operating profit[1]	**5.2**	6.8
Group operating profit (pre-exceptional items)	**42.6**	56.4
Exceptional Items	**13.0**	4.9
Group operating profit (post-exceptional items)	**55.6**	61.3
Results of equity accounted investments	**(0.3)**	(0.5)
Net finance costs	**(5.2)**	(10.5)
Profit before tax	**50.1**	50.3
Total tax expense[2]	**(3.9)**	(8.4)
Profit for the period	**46.2**	41.9
Non-controlling interests	**(9.7)**	(5.9)
Profit attributable to shareholders	**36.5**	36.0
Profit attributable to shareholders pre-exceptional items	**27.1**	31.8
Weighted average number of shares (m)	**42.9**	43.2
Proposed dividend per share (p)	**—**	—

1. Here and throughout, H1'21 operating profit is stated before exceptional items.
2. Includes the taxation impact of the H1'21 exceptional items.

BUS

Bus overview

	H1'22	H1'21
Revenue		
Regional Bus	**£225.9m**	£214.5m
London & International Bus	**£325.3m**	£335.6m
Total Bus	**£551.2m**	£550.1m
Operating profit[1]		
Regional Bus	**£11.7m**	£12.3m
London & International Bus	**£25.7m**	£37.3m
Total bus	**£37.4m**	£49.6m
Operating profit margin		
Regional Bus	**5.2%**	5.7%
London & International Bus	**7.9%**	11.1%
Total Bus	**6.8%**	9.0%
Revenue growth		
Regional Bus[2]	**9.4%**	(8.2)%
London & International Bus[3]	**0.6%**	9.4%
Volume growth		
Regional Bus – passenger journeys[4]	**53.9%**	(52.9)%
London & International Bus – miles operated[4]	**2.4%**	2.0%

1. Excluding exceptional items
2. Like for like revenue is calculated after removing £7.9m from H1'21 revenue to adjust for the 27 week period.
3. Like for like revenue is calculated after removing £12.4m from H1'21 revenue to adjust for the 27 week period.
4. On a like for like basis, excluding the impact of the 27 week period in H1'21.

Overall bus performance

The Bus division had a good start to the year owing to London & International Bus generating profits at pre-COVID levels and Regional Bus performance reflecting the post pandemic recovery and return to a more commercial operating model.

Operating profit declined 24.6% to £37.4m (H1'21 £49.6m) despite revenue growth of 0.2%. Operating profit margin subsequently decreased 2.2ppts to 6.8% (H1'21: 9.0%).

The reduction in operating profit is mainly driven by the £9.2m reduction in Quality Incentive Contract (QIC) income in London & International Bus due to a prior year timing benefit. This was a result of Transport for London (TfL) moving from annual to quarterly settlement in the prior year.

BUS continued

Regional Bus

Regional Bus performance in the first half of the year reflects the continued impact of COVID-19 on travel patterns with the receipt of government funding and passenger volumes, despite growing, still below pre-pandemic levels .

Revenue increased by £11.4m or 5.3% to £225.9m (H1’22 £214.5m). Like for like revenue grew £19.3m or 9.4% when adjusting for the 27-week period in H1’22. This growth reflects the recovery of passenger revenue partially offset by a reduction in funding as a result of the replacement of CBSSG with the BRG funding scheme.

Operating profit in Regional Bus decreased £0.6m or 4.9% to £11.7m (H1’21: £12.3m) with the operating profit margin down 0.5 percentage points at 5.2%.

The prior period operating profit comparative included £7.2m of CBSSG which related to the 2019/20 financial year and was only recognised when it was certain it would be received. Excluding the 2019/20 CBSSG recognised in H1’21, underlying increased by £6.6m to £11.7m. This increase reflects the end of CBSSG funding, the introduction of the Bus Recovery Grant (BRG) and the return to a more commercial operating model as passenger volumes continue to recover and funding reduces.

In the first half of the year, excluding funding from central government, revenue improved £32.6m with passenger revenue £33.5m higher than H1’21 as passenger demand recovered to the highest levels since the start of the pandemic at nearly 80% of pre-COVID levels. Demand subsequently dropped following the emergence of the Omicron variant but has since recovered to and exceeded pre-Omicron levels. Demand is currently just over 80% of pre-COVID levels as passengers continue to return to our services.

Service changes and inflation contributed to a £4.3m increase in costs.

The UK Government provided CBSSG funding until the end of August 2021. The funding received was subject to a reconciliation process every 12-16 weeks. At the half year, the reconciliations for the periods to 21 December 2020 had been concluded. CBSSG was replaced by the Bus Recovery Grant (BRG) from September 2021, with £255m of funding being made available for bus operators in England for the period to March 2022. Additional funding was announced on 1 March 2022 with funding extended to October 2022.

Funding received in the first half of the year was £28.9m lower at £33.3m (H1’21: £62.2m). This reduction reflects the end of Coronavirus Job Retention scheme (CJRS) and the change from CBSSG to BRG funding and the transition to a more commercial model. Excluding the £7.2m of CBSSG reported in H1’21, which related to the previous financial year, CBSSG, BRG and CJRS funding was £21.7m lower than the prior year.

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

	£m
H1’21 operating profit	12.3
– CBSSG Prior Year Settlement	(7.2)
2021 excluding CBSSG recognised related to 2020	5.1
Change:	
– Improved revenue (excluding central government funding)	32.6
– Reduced funding (CBSSG, BRG and CJRS)	(21.7)
– Inflation and service changes	(4.3)
H1’22 operating profit	**11.7**

BUS continued

London & International Bus

London & International Bus comprises our operations in London, Singapore and Ireland. All operations performed well in the first half of the year. Our contracts, which run on a gross cost basis without exposure to changes in passenger demand, have continued to generate revenues at pre-crisis levels.

Like for like mileage, when adjusting for the 27 week period, increased by 2.4% mainly due to contract renewals and route wins in London.

Revenue decreased by £10.3m or 3.1% to £325.3m (H1'21: £335.6m), reflecting both the additional week of trading in H1'21 and the QICs timing benefit in the prior year. On a life for like basis, when adjusting for the 27 week period, revenue grew by 0.6%. Excluding the QICs timing benefit and the 27 week period, revenue grew by 3.5% which mainly reflects route wins and contract price inflation in London.

Operating profit was £25.7m (H1'21: £37.3m), down £11.6m, or 31.1% on prior year, with a corresponding reduction in operating profit margin to 7.9% (H1'21: 11.1%). This is a return closer to pre-pandemic margins and reflects the £9.2m reduction in QICs and the higher levels recognised in London in the prior period when QICs moved from an annual to quarterly settlement.

International Bus profits are £3.3m lower than the prior year and performance has returned to pre pandemic levels. The prior year comparative included benefits relating to local government COVID-19 support which did not reoccur in the current period.

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

	£m
H1'21 operating profit	37.3
Change:	
– QICs	(9.2)
– International Bus	(3.3)
– Other	0.9
H1'22 operating profit	**25.7**

Capital expenditure and depreciation

Total capital expenditure, excluding leases, for the Bus division was £5.5m (H1'21: £26.3m), of which £2.6m (H1'21: £25.2m) related to Regional Bus. While this investment is materially below typical pre-pandemic levels, the average age of our buses remains consistent with the prior period at 8.0 years (3 July 2021: 7.9 years).

Depreciation on owned assets for the Bus division was £30.3m (H1'21: £32.7m). The reduction reflects the shorter period of 26 weeks in H1'22 and the lower level of capital expenditure. Depreciation on right of use assets was £12.5m (H1'21: £12.8m).

For the full year, we expect total capital expenditure for the Bus division to be around £40.0m. This is lower than the £55.0m we originally anticipated due to delays in the delivery of new hydrogen buses which are now expected to be delivered in the 2022/23 financial year. Following the half year end, in April 2022, we completed a purchase of land, for additional depot capacity in London, for £13.5m.

Fuel

In the period, the bus division required around 68 million litres of fuel, with a net cost of £49.4m. (H1'21: 67 million litres of fuel, with a net cost of £46.8m).

Bus fuel hedging prices

Our bus fuel hedging programme has continued, using fuel swaps to fix the price of our diesel fuel in advance. Our core policy is 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	2025
% hedged at 1 Jan 2022	**Fully**	76%	39%	12%
Price (pence per litre)	**32.8**	34.4	33.6	38.9

This hedging profile is then maintained on a month by month basis. The position as at April 2022, updated for the latest hedged position and fuel usage expectations is as follows:

	2022	2023	2024	2025
% hedged at April 2022	**Fully**	85%	44%	17%
Price (pence per litre)	**32.8**	35.6	35.1	41.3

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

BUS continued

Bus financial outlook

Regional Bus

Passenger volumes increased over the first five months of the financial year, with a slowing in the recovery, in line with the industry, towards the end of 2021 following the emergence of the COVID-19 Omicron variant. Since the lifting of the UK Government's "Plan B" restrictions, passenger volumes have returned to pre-Omicron levels and are now over 80% of pre-COVID-19 patronage.

Business and finance review continued

We expect passenger numbers to continue to increase over the medium term as workers return to offices, airport travel accelerates and higher education normalises. Longer term, we remain confident that Regional Bus will deliver attractive margins in line with our recently announced Next Billion Journeys plan, as a result of our strong local market positions and networks.

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 DfT announced a £150 million funding package in March 2022 for local bus and light rail services for the six months until October 2022. This will help us maintain and build a broader network of successful bus services whilst passengers continue to return to our services.

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, fast, reliable and value-for-money bus services which will deliver bus priority plans and 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.

Profitability is sensitive to the balance of passenger demand and government support. The Board expects Regional Bus to deliver a 2022 result slightly ahead of the prior two years.

London & International Bus

Through the robust business model we have already secured our expected contractual revenue for the 2022 financial year as a result of successful contract bidding.

In London, the market remains challenging and competitive Quarterly QICs settlements will continue until the end of March 2022 and will start the transition back to annual settlements from April 2022.

We are expanding our successful London & International Bus segment. In April 2022, we acquired the Swedish bus business Flexbuss for £11.7m. All revenue will be generated through contracts, without direct exposure to changes in passenger demand.

In April 2022, we completed a £13.5m purchase of land, adjacent to our River Road depot, to support growth in East London

The ongoing expansion of our business in Ireland continues; the business is increasing capacity in order to meet the requirements of implementing the new BusConnects network design. Go-Ahead Ireland currently operates two services on the recently launched BusConnects network.

The Board expects London & International Bus to deliver a 2022 result similar to that of pre-pandemic levels.

RAIL

Rail overview

	H1'22	H1'21*
Total Rail operations		
Total revenue	**£1,246.5m**	£1,520.6m
Operating profit	**£5.2m**	£6.8m
Operating profit margin	**0.4%**	0.4%
UK Rail		
Total revenue	**£1,164.3m**	£1,454.9m
Operating profit	**£10.8m**	£22.9m
Operating profit margin	**0.9%**	1.6%
International Rail		
Total revenue	**£82.2m**	£65.7m
Operating loss	**£(5.6)m**	£(16.1) m
Operating profit margin	**(6.8)%**	(24.5)%

* Restated

Overall Rail Performance

There have been changes in how results for our Rail business are reported with effect 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.

Total Rail revenue decreased by 18.0%, or £274.1m, to £1,246.5m (H1'21: £1,520.6m restated) reflecting the reduction in UK Rail revenues with the Southeastern franchise ending in October 2021.

Operating profit increased to £18.2m (H1'21: £12.0m restated) due to an exceptional credit of £13.0m being recognised in the period. Operating profit excluding exceptional items was £5.2m (H1'21: £6.8m restated). The reduction in UK Rail profits was offset by reduced losses in International Rail.

These factors resulted in pre-exceptional operating profit margin remaining unchanged at 0.4% (H1'21: 0.4%).

UK Rail

Operating profit reduced by £12.1m or 52.8% to £10.8m (H1'21: £22.9m restated).

The Southeastern franchise ended part way through the period, in October 2021, resulting in £6.4m of lower profits compared to H1'21.

The £5.1m reduction in GTR profits was mainly attributable to the recognition of a £3.8m performance fee in the H1'21 comparative which related to the 2020 financial year and was recognised in H1'21 only once certain. Excluding this, GTR prior period operating profit was down £1.3m.

Head office and bid costs were £0.6m higher than H1'21.

These factors resulted in the pre-exceptional operating profit margin reducing 0.7 percentage points to 0.9% (H1'21: 1.6%).

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

	£m
H1'21 operating profit*	22.9
Change:	
– Southeastern	(6.4)
– GTR	(5.1)
– Head office and bid costs	(0.6)
H1'22 operating profit	**10.8**

* Restated

GTR

Throughout the period GTR operated under an Emergency Recovery Measures Agreement (ERMA) which commenced on 19 September 2020. GTR's ERMA was a management contract with no revenue or cost risk. The ERMA's margin was capped at 1.5% comprising a 0.5% fee and 1.0% performance incentive. Operational performance has been strong, resulting in the achievement of the majority of the 1.0% performance payment under the ERMA, which has been recognised in the period.

On 25 March 2022, the DfT awarded GTR a National Rail Contract (NRC). The new contract commenced on 1 April 2022 and will run until at least 1 April 2025, with the option to extend at the DfT's discretion for a further three years to 1 April 2028.

RAIL continued

UK Rail continued

Southeastern

The Southeastern franchise was operated by LSER under an EMA contract until October 2021. Operating performance was good resulting in the achievement of £0.8m in EMA performance fee recognised in the period.

The EMA commenced in April 2020 and ended on 17 October 2021 when the DfT appointed the Operator of Last Resort to take over the operation of Southeastern services at the end of the franchise term. The DfT's decision not to award a National Rail Contract to LSER was a consequence of disputes 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.

On 17 March 2022, the DfT announced it was issuing a £23.5m penalty notice to LSER due to breaches of historic franchise agreements. The Group had previously recognised a provision of £30.0m in its accounts for the year ended 3 July 2021 in respect of this potential financial penalty. The difference of £6.5m has been recorded as an exceptional credit in the half year income statement. The amount payable to the DfT will be settled from LSER's restricted cash balance and the unutilised provision has been released and recognised within exceptional items, see note 5 for further details.

In addition to this, settlements were reached with the DfT in relation to the outstanding matters relating to LSER and other historic franchises, including affiliate trading disputes. This has resulted in a net credit of £12.3m which has been recorded as exceptional. Amounts payable to the DfT in relation to these items have been settled from LSER's restricted cash balance.

These items are offset by £6.3m of associated legal, professional and other costs incurred in relation to this matter.

International Rail

Operating loss has reduced by £10.5m or 65.2% to a loss of £5.6m (H1'21: £16.1m) due to diminishing losses in Germany following continued improvements to operational and financial performance.

In Germany, the improved performance resulted in a £6.8m reduction in losses compared to H1'21. In addition, the initial settlement of a claim against the rolling stock provider resulted in the recognition of £4.2m (€5m) in the period, the remaining €5m will be recognised over the next 3 years reflecting the settlement reached with the rolling stock provider.

Norway's performance is largely unchanged from the prior year at a broadly breakeven position. The reduction in government funding was offset by the utilisation of the onerous contract provision which was recognised in the 2021 financial year.

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

	£m
H1'21 operating loss	(16.1)
Change:	
– Germany	6.8
– Germany rolling stock provider claim	4.2
– Norway	(0.1)
– Other	(0.4)
H1'22 operating loss	**(5.6)**

Onerous contract provisions

The Group's onerous contract provisions of £89.4m (3 July 2021: £100.3m) primarily relate to the Norwegian rail contract and the German Bavarian rail contracts.

Utilisation of the onerous contract provision in Germany was in line with expectations. Following the confirmation that further government support would be received in relation to the Norwegian rail franchise, a £2.8m release was made in relation to the onerous contract provision. An additional £2.3m has been provided during the period following a reassessment due to increasing cost pressures as a result of higher energy costs.

	£m
At 3 July 2021	100.3
– Provided	2.3
– Utilised	(9.7)
– Released	(2.8)
– Effects of foreign exchange	(0.7)
At 1 January 2022	**89.4**

RAIL continued

International Rail continued

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 first half of the year and operational results were in line with our structured improvement plan. Operational and financial performance have continued to improve with lower and stable levels of operational penalties, improved driver recruitment and improved cost controls. Losses from these operations continue to diminish and are expected to reduce further in the 2022 financial year.

In August 2021, an agreement was reached with the rolling stock provider in relation to liquidated and consequential damage claims resulting in a settlement of €10m. €5m (£4.2m) was received and recognised in the period, the balance will be settled over the next three years.

Operational and financial performance to date for our first Bavaria contract, which started in December 2021, are in line with our expectations and the provision recognised in previous years. The second contract will commence in December 2022 and the level of provision relating to both these contracts will remain under review as we progress through the mobilisation period and into the start of operations of the second contract.

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. 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. 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.

Further detail on the onerous contract provision can be found in note 13 of the interim financial statements.

Norway

Our Norwegian rail contract began in December 2019 and it includes exposure to changes in passenger demand.

Following the impact of COVID-19 on passenger travel, the Norwegian Government introduced a package of financial support early in the pandemic. In the first half of the year, 85-90% of losses were covered by government funding and this support was extended to March 2022 following the emergence of the COVID-19 Omicron variant.

Passenger volumes remain supressed and they reached up to 80% of expected levels in the first half of the year on commuter routes. However recovery on the long distance routes has been slower.

In the prior year, an onerous contract provision was recognised to cover potential losses resulting from an expected reduction in government support and also from the suppressed passenger volumes due to the impact of COVID-19. The model upon which the provision is based is most sensitive to: passenger demand, levels of government support, service performance, energy costs, employee costs and the exercise of the contract's two potential 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 remains under review and constructive discussions with the Norwegian Railway Directorate are ongoing which we are hopeful will lead to a satisfactory outcome which would in turn reduce the required onerous contract provision.

Capital expenditure and depreciation

In the first half of the year, total capital expenditure, excluding leases, for the Rail division was £2.6m (H1'21: £1.7m).

Depreciation on owned assets was £9.6m (H1'21: £10.5m). Depreciation on right of use assets was £196.7m (H1'21: £235.1m), the reduction from prior year reflects the Southeastern franchise ending part way through the period in October 2021.

Full year capital expenditure for the Rail division is expected to be around £5.0m.

RAIL continued

Rail financial outlook

UK Rail

On 25 March 2022, the DfT awarded GTR a National Rail Contract (NRC). The new contract commenced on 1 April 2022 and will run until at least 1 April 2025, with the option to extend at the DfT's discretion for a further three years until 1 April 2028. The NRC, like the Emergency Recovery Measures Agreement (ERMA) contract it replaced, is a management contract with no exposure to changes in passenger demand and no substantial cost risk to GTR.

GTR will earn a fixed management fee of £8.8m per annum (equivalent to a margin of 0.5% on GTR's cost base) to deliver the contract, with an additional performance fee of up to £22.9m per annum (equivalent to an additional 1.35% margin). Subject to the achievement of performance targets set by the DfT, the maximum fee receivable by GTR would therefore be £31.7m per annum (equivalent to a margin of around 1.85%).

The Board expects UK Rail to deliver operating profit of £25-30m in 2022.

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 the smooth introduction of the remaining contract.

There are inherent uncertainties and risks associated with the mobilisation of the second contract and in estimating the impact of the key success factors including driver recruitment. Current performance is in line with financial expectations which reflect the impairments and provisions recognised. As the mobilisation process progresses, the visibility of future income and costs will improve.

In Norway, 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 and additional support has been confirmed until June 2022.

Although COVID-19 restrictions were removed in Norway in February 2022, and we have seen some recovery of passenger volumes since then, the speed and extent of longer term passenger recovery remains unclear. Discussions with the Norwegian Railway Directorate continue regarding the ongoing support of rail services.

The Board expects International Rail to deliver an operating loss of £15-20m in 2022.

Financial review

Earnings per share

Excluding exceptional items, earnings were £27.1m (H1'21: £31.8m restated), resulting in decrease in pre-exceptional earnings per share from 73.7p (restated) in H1'21 to 63.1p. Post-exceptional earnings were £36.5m (H1'21: £36.0m restated), resulting in an increase in earnings per share from 83.4p (restated) to 85.0p. The weighted average number of shares was 42.9 million and the number of shares in issue, net of treasury shares, was 43.1 million.

Dividend

No dividends have been paid or proposed in the period. As set out in the Business Review on 5 April 2022, the Group will reinstate its pre-COVID-19 dividend policy of paying a dividend to shareholders equivalent to between 50% and 75% of underlying earnings per share for the 2022 financial year and the Board intends to recommend a dividend of not less than 50p per share, in respect of the year ending 2 July 2022 in line with this policy, to be announced with the Group's full year results. Dividends paid to non-controlling interests were £nil (H1'21: £nil). Payments to non-controlling interests represent the 35% share of the UK Rail business owned by Keolis through our subsidiary, Govia Limited.

Capital structure & liquidity

	H1'22 £m	H1'21 £m	FY'21 £m
5 year revolving credit facility (RCF) 2025	**280.0**	280.0	280.0
7 year £250m 2.5% sterling bond 2024	**250.0**	250.0	250.0
Euro financing facility	**14.3**	17.0	13.2
Total core facilities	**544.3**	547.0	543.2
Amount drawn down at period end	**350.1**	410.9	389.8
Balance available	**194.2**	136.1	153.4
Total cash	**388.9**	540.8	630.6
Restricted cash	**253.8**	426.1	543.7
Unrestricted cash	**135.1**	114.7	86.9
Headroom on facilities plus unrestricted cash	**329.3**	250.8	240.3

At the half year end, significant medium-term finance was available through a £280m syndicated facility and a £250m sterling bond. The £280.0m syndicated loan facility has had a number of extensions, the most recent of which was agreed during the period in July 2021, extending the maturity to July 2025 with a value of £240.0m in the final year.

Total borrowing reduced by £39.7m to £350.1m (3 July 2021: £389.8m). Borrowing comprises debt arising from the £250m sterling bond, amounts drawn down against the £280m syndicated facility of £87.8m (3 July 2021: £126.7m), and amounts drawn down against the Euro loan facilities of £12.4m (3 July 2021: £13.2m).

Headroom on facilities increased by £89.0m to £329.3m (3 July 2021: £240.3m) as unrestricted cash increased £48.2m to £135.1m (3 July 2021: £86.9m) and available debt increased £40.8m to £194.2m (3 July 2021: £153.4m).

Net debt

	H1'22 £m	H1'21 £m	FY'21 £m
Total borrowing	**350.1**	410.9	389.8
Total lease liabilities	**125.3**	403.4	312.5
Total cash	**388.9**	540.8	630.6
Net debt	**86.5**	273.5	71.8
Restricted cash	**253.8**	426.1	543.7
Adjusted net debt	**340.4**	699.6	615.5
EBITDA (12 month rolling basis excluding exceptional items)	**639.7**	620.7	695.6
Adjusted net debt/EBITDA (12 month rolling basis excluding exceptional items)	**0.53x**	1.13x	0.88x
Adjusted net debt	**340.4**	699.6	615.5
IFRS 16 lease liabilities	**123.1**	399.7	309.6
Adjusted net debt (pre-IFRS 16)	**217.3**	299.9	305.9
EBITDA (12 month rolling basis excluding exceptional items) (pre-IFRS 16)	**180.2**	160.8	195.7
Adjusted net debt/EBITDA (excluding exceptional items)	**1.21x**	1.87x	1.56x

In line with our covenants, adjusted net debt is calculated on a pre-IFRS 16 basis using the outstanding principal value of debt and does not include accrued interest and is gross of debt issue costs.

Adjusted net debt on a pre-IFRS 16 basis, in line with banking covenants, reduced £88.6m to £217.3m (3 July 2021: £305.9m). This included £350.1m (3 July 2021: £389.8m) of debt and non IFRS 16 lease agreements of £2.2m (3 July 2021: £2.9m). This was offset by cash and short term deposits of £388.9m (3 July 2021: £630.6m) including £253.8m of restricted cash in rail (3 July 2021: £543.7m).

The adjusted net debt (excluding restricted cash) to EBITDA reduced to 1.21x, on a pre-IFRS 16 basis, (3 July 2021: 1.56x). This is below our target range of 1.5x to 2.5x. Our primary financial covenant under the syndicated facility is an adjusted net debt to EBITDA ratio (on a pre-IFRS 16 basis) of not more than 3.5x.

Cashflow

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

Unrestricted cash in the Group increased £48.2m to £135.1m (2021: £86.9m). Despite the Group's cash reducing by £241.7m to £388.9m (2021: £630.6m), the reduction in restricted cash of £289.8m to £253.8m (2021: £543.7m) resulted in the increase in unrestricted cash.

We expect £70-80m of GTR restricted cash to become unrestricted with an element being released before year end and the remainder in the 2022/23 financial year. Of this cash 65% will be retained by the Group in line with the ownership structure of GTR.

On a statutory basis, cash flow from operating activities reduced by £257.0m to cash generated of £7.5m (2021: £264.5m). The decrease is mainly due to working capital movements in our UK Rail businesses. Cash generated from operations before tax and excluding movements in restricted cash was £12.4m lower at £303.6m (H1'20: £316.0m).

Summary cashflow

	H1'22		H1'21		Increase/(decrease)	
	IFRS 16 basis £m	IAS 17 basis £m	IFRS 16 Basis * £m	IAS 17 Basis * £m	IFRS 16 basis £m	IAS 17 basis £m
EBITDA[1]	**294.0**	**82.8**	350.9	98.5	(56.9)	(15.7)
Working capital and other operating cashflows	**(280.2)**	**(276.0)**	(83.5)	(83.6)	(196.7)	(192.4)
Movement in restricted cash	**289.8**	**289.8**	48.6	48.6	241.2	241.2
Cashflow generated from operations (excluding movement in restricted cash)	**303.6**	**96.6**	316.0	63.5	(12.4)	33.1
Tax paid	**(6.2)**	**(6.2)**	(2.9)	(2.9)	(3.3)	(3.3)
Net interest paid	**(8.7)**	**(6.3)**	(13.0)	(7.3)	4.3	1.0
Net capital investment	**(2.3)**	**(2.3)**	(21.1)	(21.1)	18.8	18.8
Dividends paid – minority partner	**—**	**—**	—	—	—	—
Free cashflow	**286.4**	**81.8**	279.0	32.2	7.4	49.6
Payment to acquire treasury shares	**(0.4)**	**(0.4)**	(0.1)	(0.1)	(0.3)	(0.3)
Dividends paid	**—**	**—**	—	—	—	—
Inception of new leases	**(18.0)**	**—**	(12.8)	—	(5.2)	—
Other	**7.2**	**7.2**	0.2	(10.4)	7.0	17.6
Movement in adjusted net debt[2]	**275.2**	**88.6**	266.3	21.7		
Opening adjusted net debt[2]	**(615.6)**	**(305.9)**	(965.9)	(321.6)		
Closing adjusted net debt[2]	**(340.4)**	**(217.3)**	(699.6)	(299.9)		

* Restated

1. EBITDA is profit after tax excluding, amortisation, depreciation, results of joint ventures and exceptional items as disclosed in the Interim consolidated cashflow statement in the financial statements
2. Adjusted net debt is net debt less restricted cash

Cash generated from operations before tax and excluding movements in restricted cash was £12.4m lower at £303.6m (H1'20: £316.0m) reflecting lower EBITDA and movements in working capital and restricted cash.

The £56.9m reduction in EBITDA is primarily driven by the end of the Southeastern franchise and the reduction in London & International following a return to pre-pandemic performance.

Cashflow generated from operations on a pre-IFRS 16 basis was £33.1m higher at £96.6m (H1'21: £63.5m). The improvement reflects the movements in working capital and restricted cash. This was partly offset by the £15.7m reduction in EBITDA in the current year.

Free cashflow on a pre-IFRS 16 basis was £49.6m higher at £81.8m (H1'21: £32.2m) reflecting the £18.8m reduction in net capital expenditure and the £33.1m increase in cashflow generated from operations on a pre-IFRS 16 basis.

Tax paid of £6.2m (H1'21: £2.9m) comprised payments on account in respect of the current and prior years' liabilities with the reduction in the current half year reflecting the impact of prior year overpayments. Net interest paid was £8.7m (H1'21: £13.0m) reflecting lower interest on leases. Interest paid on a pre-IFRS 16 basis was down £1.0m at £6.3m (H1'21: £7.3m).

Total capital investment, net of sale proceeds and including spend on intangible assets and assets held for sale was £18.8m lower in the year at £2.3m (H1'21: £21.1m). This reflects continued disciplined capital expenditure since the outset of the pandemic with the Group continuing to conserve cash. The reduction relates to lower spend across the Group.

Capital investment (excluding leases)

Capital investment on tangible and intangible assets during the period can be summarised as:

	H1'22 £m	H1'21 £m	Increase/ (decrease) £m
Regional Bus	**2.6**	25.2	(22.6)
London & International Bus	**2.9**	1.1	1.8
Total Bus	**5.5**	26.3	(20.8)
UK Rail	**1.4**	0.8	0.6
International Rail	**1.2**	0.9	0.3
Total Rail	**2.6**	1.7	0.9
Total capital investment	**8.1**	28.0	(19.9)

In addition, leases with a capital value of £12.7m were entered into during the period (H1'21 £12.8m). Of these, £9.4m (H1'21 £4.6m) related to the London & International bus division where capital expenditure is driven more by contractual requirements.

Group capital investment, excluding leases, is expected to be around £45m in 2022, lower than typical levels in response to the ongoing impact of COVID-19. and lower than our previous guidance of £60m at year end with some spend, mainly in relation to hydrogen buses, now expected in the 2022/23 financial year.

Exceptional operating items

	H1'22 £m	H1'21 £m
Department for Transport financial penalty and associated costs relating to LSER	**(12.5)**	—
Norway franchise onerous contract provision and asset impairment	**(0.5)**	—
Asset impairments and restructuring costs – Regional Bus	**—**	0.3
Asset impairments, provisions and restructuring costs – International Rail	**—**	(5.2)
Exceptional operating credit	**(13.0)**	(4.9)

Total exceptional operating items in the period ended 1 January 2022 comprised a credit of £13.0m (H1'21: credit of £4.9m) to the income statement.

A net credit of £12.5m has been recognised during the period in relation to the matters of concern relating to LSER and other historic franchises and LSER affiliate trading. This consists of amounts relating to settlements reached with the DfT during the period, the financial penalty and other associated costs in relation to these matters, as outlined below.

On 17 March 2022, the DfT announced that it was imposing a financial penalty on LSER of £23.5m due to breaches of historic franchise agreements. The Group had recognised a provision of £30.0m in relation to this in its 2021 financial statements. The release of £6.5m has been recorded as an exceptional operating credit in the current period.

In addition to this, settlements were reached with the DfT in relation to the outstanding matters relating to LSER and other historic franchises, including affiliate trading disputes. This has resulted in a net credit of £12.3m which has been recorded as exceptional.

These credits are offset by £6.3m of associated legal, professional and other costs incurred in relation to this matter.

A net credit of £0.5m has been recognised in relation to the Norwegian rail onerous contract provision. Following the confirmation that further government support would be received, a £2.8m release was made from this provision. This was offset by an additional £2.3m being provided, following a reassessment of the underlying model to take account of increasing cost pressures due to higher energy costs.

Bidding and international developments

Bidding and international development costs in the half year were £2.3m (H1'21: £2.4m), primarily relating to the Nordics and UK business development. We expect full year costs of around £6.4m, with ongoing bidding activity in our target markets.

Amortisation

A non-cash amortisation charge of £2.1m (H1'21: £3.3m) related to software costs, franchise mobilisation costs and customer contracts. Amortisation is £1.2m lower than the prior period following the impairment of International Rails assets in the prior year.

Net finance costs

Net finance costs for the period were lower than the prior year at £5.2m (H1'21: £10.5m restated) due to lower finance costs.

Finance costs of £6.0m (H1'21: £11.7m restated) reduced due to 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 2.3% (H1'21: 2.2%).

Finance revenue was £0.8m (H1'21: £1.2m) and the average interest rate for finance revenue for the period was 0.1% (H1'21: 0.2%).

Non-controlling interests

The non-controlling interest in the income statement of £9.7m (H1'21: £5.9m) arises from our 65% holding in Govia Limited, which owns 100% of our current UK Rail operations and therefore represents 35% of the profit after taxation of these operations.

Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the period of £18.1m (H1'21: £22.2m) comprising bus costs of £1.1m (H1'21: £1.9m) and rail costs of £17.0m (H1'21: £20.3m). Group contributions to the schemes totalled £21.3m (H1'21: £24.6m).

Bus Pensions

Under accounting valuations, the net surplus after taxation on the bus defined benefit schemes was £30.6m (3 July 2021: a surplus of £27.0m), consisting of pre-tax assets of £40.8m (3 July 2021: £36.0m) less a deferred tax liability of £10.2m (3 July 2021: £9.0m). The pre-tax asset consisted of estimated assets of £929.5m (3 July 2021: £906.0m) less estimated liabilities of £888.7m (3 July 2021: £870.0m). The percentage of assets held in higher risk, return seeking assets was 31.3% (3 July 2021: 31.1%).

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

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 at the half year end continues to be £nil (3 July 2021: £nil).

Risk management

Details about the going concern risks can be found in note 2 in the notes to the interim consolidated financial statements.

During the period, the Board reviewed the risks and uncertainties described in the Group's Annual report and Accounts for the year ended 3 July 2021 and confirmed the principal risks and uncertainties affecting the Group's business. These key risks and uncertainties include external, strategic and operational factors as outlined in note 3 in the notes to the interim consolidated financial statements.

The Audit Committee has taken the decision to begin a formal tender process for the position of the Group's external auditor in respect of financial year ending 1 July 2023. The tender process will begin in final quarter of the current financial year. The purpose of the audit tendering exercise will be to market test the quality and effectiveness of the services provided by the incumbent auditor against those offered by other firms, with the aim of obtaining the best quality and most effective audit.

More details about the risks can be found on pages 60-64 of the 'Risk Management' section of the Group Annual Report and Accounts for the year ended 3 July 2021, available on our website at www.go-ahead.com

Interim consolidated income statement

for the six months ended 1 January 2022

		Six months to 1 Jan 22			Six months to 2 Jan 21			53 weeks to 3 Jul 21		
	Note	Pre-exceptional £m Unaudited	Exceptional items £m Unaudited	Post-exceptional £m Unaudited	Pre-exceptional* £m Unaudited	Exceptional items* £m Unaudited	Post-exceptional* £m Unaudited	Pre- exceptional £m Audited	Exceptional items £m Audited	Post-exceptional £m Audited
Group revenue	4	**1,797.7**	**—**	**1,797.7**	2,070.7	—	2,070.7	4,058.5	—	4,058.5
Operating costs	5	**(1,756.5)**	**13.0**	**(1,743.5)**	(2,011.3)	4.9	(2,006.4)	(3,935.9)	(104.1)	(4,040.0)
Impairment losses (including reversals) on financial assets and contract assets		**1.4**	**—**	**1.4**	(3.0)	—	(3.0)	(7.1)	—	(7.1)
Group operating profit		**42.6**	**13.0**	**55.6**	56.4	4.9	61.3	115.5	(104.1)	11.4
Share of result of joint venture		**(0.3)**	**—**	**(0.3)**	(0.5)	—	(0.5)	(0.2)	—	(0.2)
Finance revenue		**0.8**	**—**	**0.8**	1.2	—	1.2	2.1	—	2.1
Finance costs		**(6.0)**	**—**	**(6.0)**	(11.7)	—	(11.7)	(20.2)	—	(20.2)
Profit/(loss) before taxation		**37.1**	**13.0**	**50.1**	45.4	4.9	50.3	97.2	(104.1)	(6.9)
Tax expense	6	**(5.7)**	**1.8**	**(3.9)**	(7.7)	(0.7)	(8.4)	(34.3)	0.5	(33.8)
Profit/(loss) for the period from continuing operations		**31.4**	**14.8**	**46.2**	37.7	4.2	41.9	62.9	(103.6)	(40.7)
Attributable to:										
Equity holders of the parent		**27.1**	**9.4**	**36.5**	31.8	4.2	36.0	46.6	(92.6)	(46.0)
Non-controlling interests		**4.3**	**5.4**	**9.7**	5.9	—	5.9	16.3	(11.0)	5.3
		31.4	**14.8**	**46.2**	37.7	4.2	41.9	62.9	(103.6)	(40.7)
Earnings per share										
– basic	7	**63.1p**	**21.9p**	**85.0p**	73.7p	9.7p	83.4p	108.4p	(215.4)p	(107.0)p
– diluted	7	**62.8p**	**21.8p**	**84.6p**	73.7p	9.7p	83.4p	108.0p	(214.7)p	(106.7)p
Dividend paid (pence per share)	10	**nil**	**nil**	**nil**	nil	nil	nil	nil	nil	nil
Dividend proposed (pence per share)	10	**nil**	**nil**	**nil**	nil	nil	nil	nil	nil	nil

* Restated (see note 2)

Interim consolidated statement of comprehensive income

for the six months ended 1 January 2022

	Notes	Six months to 1 Jan 22 £m Unaudited	Six months to 2 Jan 21 £m Unaudited*	Year to 3 Jul 21 £m Audited
Profit/(loss) for the period		**46.2**	41.9	(40.7)
Other comprehensive income/(expense)				
Items that will not be reclassified to profit or loss:				
Remeasurements on defined benefit retirement plans		**1.2**	(48.2)	(23.2)
Tax relating to items that will not be reclassified	6	**(0.3)**	9.2	5.3
		0.9	(39.0)	(17.9)
Items that may subsequently be reclassified to profit or loss:				
Unrealised losses/(gains) on cashflow hedges		**9.1**	(1.7)	15.7
Tax relating to items that may be reclassified	6	**(1.9)**	0.3	(3.1)
Foreign exchange differences on translation of foreign operations		**1.9**	0.2	5.9
		9.1	(1.2)	18.5
Other comprehensive income/(expense) for the period, net of tax		**10.0**	(40.2)	0.6
Total comprehensive income/(expense) for the period		**56.2**	1.7	(40.1)
Attributable to:				
Equity holders of the parent		**46.5**	(4.2)	(45.4)
Non-controlling interests		**9.7**	5.9	5.3
		56.2	1.7	(40.1)

* Restated (see note 2)

Interim consolidated statement of changes in equity

for the six months ended 2 January 2021 (unaudited)

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total £m
At 30 June 2020*	75.2	(71.3)	(12.3)	1.6	0.7	(2.3)	179.1	170.7	20.7	191.4
Profit for the period	—	—	—	—	—	—	36.0	36.0	5.9	41.9
Net movement on hedges (net of tax) (note 12)	—	—	(1.4)	—	—	—	—	(1.4)	—	(1.4)
Remeasurement on defined benefit retirement plans (net of tax)	—	—	—	—	—	—	(39.0)	(39.0)	—	(39.0)
Foreign exchange	—	—	—	—	—	0.2	—	0.2	—	0.2
Total comprehensive (expense)/income	—	—	(1.4)	—	—	0.2	(3.0)	(4.2)	5.9	1.7
Transfer of cash flow hedging losses and cost of hedging to the initial carrying amount of hedged items (net of tax)	—	—	5.7	—	—	—	—	5.7	—	5.7
Exercise of share options	—	0.6	—	—	—	—	(0.6)	—	—	—
Share based payment charge (and associated tax)	—	—	—	—	—	—	0.2	0.2	—	0.2
Acquisition of own shares	—	(0.1)	—	—	—	—	—	(0.1)	—	(0.1)
At 2 January 2021	75.2	(70.8)	(8.0)	1.6	0.7	(2.1)	175.7	172.3	26.6	198.9

* Restated (see note 2)

For the year ended 3 July 2021 (audited)

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total £m
At 27 June 2020*	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	—	—	—	—	—	—	(46.0)	(46.0)	5.3	(40.7)
Movement on hedges (net of tax) (note 12)	—	—	12.6	—	—	—	—	12.6	—	12.6
Remeasurements on defined benefit retirement plans (net of tax)	—	—	—	—	—	—	(17.9)	(17.9)	—	(17.9)
Foreign exchange	—	—	—	—	—	5.9	—	5.9	—	5.9
Total comprehensive income/(expense)	—	—	12.6	—	—	5.9	(63.9)	(45.4)	5.3	(40.1)
Transfer of cash flow hedging losses and cost of hedging to the initial carrying amount of hedged items (net of tax)	—	—	5.5	—	—	—	—	5.5	—	5.5
Exercise of share options	—	0.6	—	—	—	—	(0.6)	—	—	—
Share based payment charge (and associated tax)	—	—	—	—	—	—	1.2	1.2	—	1.2
Acquisition of own shares	—	(0.6)	—	—	—	—	—	(0.6)	—	(0.6)
Deferred tax on share-based payment transactions	—	—	—	—	—	—	0.1	0.1	—	0.1
Dividends (note 10)	—	—	—	—	—	—	—	—	(3.7)	(3.7)
At 3 July 2021	75.2	(71.3)	5.8	1.6	0.7	3.6	115.9	131.5	22.3	153.8

* Restated (see note 2)

Interim consolidated statement of changes in equity

for the six months ended 1 January 2022 (unaudited)

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Other reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total £m
At 3 July 2021	75.2	(71.3)	5.8	1.6	0.7	3.6	115.9	131.5	22.3	153.8
Profit for the period	—	—	—	—	—	—	36.5	36.5	9.7	46.2
Movement on hedges (net of tax) (note 12)	—	—	7.2	—	—	—	—	7.2	—	7.2
Remeasurements on defined benefit retirement plans (net of tax)	—	—	—	—	—	—	0.9	0.9	—	0.9
Foreign exchange	—	—	—	—	—	1.9	—	1.9	—	1.9
Total comprehensive income	**—**	**—**	**7.2**	**—**	**—**	**1.9**	**37.4**	**46.5**	**9.7**	**56.2**
Transfer of cash flow hedging gains and cost of hedging to the initial carrying amount of hedged items (net of tax)	**—**	**—**	**(3.0)**	**—**	**—**	**—**	**—**	**(3.0)**	**—**	**(3.0)**
Exercise of share options	**—**	**0.8**	**—**	**—**	**—**	**—**	**(0.8)**	**—**	**—**	**—**
Share based payment charge (and associated tax)	**—**	**—**	**—**	**—**	**—**	**—**	**(0.5)**	**(0.5)**	**—**	**(0.5)**
Acquisition of own shares	**—**	**(0.5)**	**—**	**—**	**—**	**—**	**—**	**(0.5)**	**—**	**(0.5)**
At 1 January 2022	**75.2**	**(71.0)**	**10.0**	**1.6**	**0.7**	**5.5**	**152.0**	**174.0**	**32.0**	**206.0**

Interim consolidated balance sheet
as at 1 January 2022

	Notes	1 Jan 22 £m Unaudited	2 Jan 21* £m Unaudited	3 Jul 21 £m Audited
Assets				
Non-current assets				
Property, plant and equipment		**517.6**	570.3	553.8
Right of use assets		**148.8**	414.2	345.4
Goodwill		**73.5**	73.5	73.5
Intangible assets		**7.4**	20.6	8.5
Deferred tax assets		**3.6**	2.6	1.5
Derivative financial assets	12	**5.1**	0.4	3.4
Trade and other receivables		**3.3**	1.4	2.0
Retirement benefit asset	8	**45.5**	18.4	41.5
		804.8	1,101.4	1,029.6
Current assets				
Inventories		**15.1**	20.8	19.5
Trade and other receivables		**375.0**	401.8	413.2
Derivative financial assets	12	**7.9**	0.3	4.9
Assets classified as held for sale	11	**0.1**	0.3	3.2
Current tax asset		**14.6**	—	13.4
Finance lease receivables		**2.5**	10.6	2.3
Cash and cash equivalents		**388.9**	540.8	630.6
		804.1	974.6	1,087.1
Total assets		**1,608.9**	2,076.0	2,116.7
Liabilities				
Current liabilities				
Trade and other payables		**(584.7)**	(807.2)	(883.4)
Derivative financial liabilities	12	**—**	(7.5)	(0.6)
Interest-bearing loans and borrowings		**(8.5)**	(8.3)	(12.0)
Lease liabilities		**(73.2)**	(347.8)	(263.9)
Current tax liabilities		**(17.2)**	(2.4)	(17.6)
Provisions	13	**(132.7)**	(92.3)	(159.1)
		(816.3)	(1,265.5)	(1,336.6)
Non-current liabilities				
Trade and other payables		**(12.1)**	(14.6)	(13.5)
Derivative financial liabilities	12	**(0.2)**	(4.0)	(0.3)
Interest-bearing loans and borrowings		**(343.4)**	(403.9)	(382.5)
Lease liabilities		**(52.1)**	(55.6)	(48.7)
Retirement benefit obligations	8	**(4.7)**	(10.7)	(5.5)
Deferred tax liabilities		**(62.7)**	(39.0)	(59.7)
Provisions	13	**(111.4)**	(83.8)	(116.1)
		(586.6)	(611.6)	(626.3)
Total liabilities		**(1,402.9)**	(1,877.1)	(1,962.9)
Net assets		**206.0**	198.9	153.8
Capital & reserves				
Share capital		**75.2**	75.2	75.2
Reserve for own shares		**(71.0)**	(70.8)	(71.3)
Hedging reserve		**10.0**	(8.0)	5.8
Share premium reserve		**1.6**	1.6	1.6
Capital redemption reserve		**0.7**	0.7	0.7
Translation reserve		**5.5**	(2.1)	3.6
Retained earnings		**152.0**	175.7	115.9
Total shareholders' equity		**174.0**	172.3	131.5
Non-controlling interests		**32.0**	26.6	22.3
Total equity		**206.0**	198.9	153.8

* Restated (see note 2)

Interim consolidated cashflow statement

for the six months ended 1 January 2022

	Notes	**Six months to 1 Jan 22 £m Unaudited**	Six months to 2 Jan 21* £m Unaudited	Year to 3 Jul 21 £m Audited
Profit/(loss) after tax for the period		**46.2**	41.9	(40.7)
Net finance costs		**5.2**	10.5	18.1
Tax expense	6	**3.9**	8.4	33.8
Depreciation of property, plant and equipment		**39.9**	43.2	81.5
Depreciation of right of use assets		**209.2**	247.9	486.5
Amortisation of intangible assets		**2.1**	3.3	6.3
Asset impairment		**0.2**	—	5.7
Share of result of joint venture		**0.3**	0.5	0.2
(Profit)/loss on sale of property, plant and equipment		**(0.1)**	0.2	0.1
Share based payment (credits)/charges		**(0.7)**	0.2	1.2
Difference between pension contributions paid and amounts recognised in the income statement		**(3.1)**	(2.9)	(5.3)
Exceptional items		**(13.0)**	(4.9)	104.1
Decrease/(increase) in inventories		**4.4**	(1.1)	0.2
Decrease/(increase) in trade and other receivables		**37.1**	(113.8)	(125.8)
Decrease/(increase) in trade and other payables, excluding exceptional items		**(297.0)**	36.0	120.7
Movement in provisions, excluding exceptional items		**(20.9)**	(2.0)	2.7
Cashflow generated from operations		**13.7**	267.4	689.3
Taxation paid		**(6.2)**	(2.9)	(12.1)
Net cashflows from operating activities		**7.5**	264.5	677.2
Interest received		**0.4**	1.3	1.1
Proceeds from sale of property, plant and equipment		**2.8**	4.5	6.3
Proceeds from sale of property, plant and equipment held for sale		**7.5**	7.2	7.3
Purchase of property, plant and equipment		**(6.8)**	(27.0)	(52.9)
Movement in finance lease receivables		**5.1**	—	8.4
Purchase of property, plant and equipment held for sale		**(4.4)**	(4.8)	(5.7)
Purchase of intangible assets		**(1.4)**	(1.0)	(2.2)
Net cashflows used in investing activities		**3.2**	(19.8)	(37.7)
Interest paid on lease liabilities		**(2.4)**	(5.7)	(9.0)
Other interest paid		**(6.7)**	(8.6)	(11.3)
Dividends paid to members of the parent	10	**—**	—	—
Dividends paid to non-controlling interests		**—**	—	(3.7)
Payment to acquire own shares		**(0.4)**	(0.1)	(0.6)
Repayment of borrowings		**(59.0)**	(222.6)	(307.2)
Proceeds from borrowings		**21.3**	221.7	289.4
Payment of lease liabilities		**(205.3)**	(258.0)	(534.5)
Net cashflows used in financing activities		**(252.5)**	(273.3)	(576.9)
Net (decrease)/increase in cash and cash equivalents		**(241.8)**	(28.6)	62.6
Cash and cash equivalents at start of period	9	**630.6**	569.8	569.8
Effect of foreign exchange rate changes		**0.1**	(0.4)	(1.8)
Cash and cash equivalents at end of period	9	**388.9**	540.8	630.6

* Restated (see note 2)

Notes to the consolidated financial statements
for the six months ended 1 January 2022

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

2. Basis of preparation
The condensed financial statements for the six months ended 1 January 2022 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and IAS 34, 'Interim Financial Reporting', in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB. The condensed financial statements have been prepared using the same accounting policies and methods of computation used to prepare the Group's 2021 Annual Report and Accounts as described on pages 190 to 199 of that report which can be found on the Group's website at www.go-ahead.com and the adoption of new standards and interpretations, noted below. The annual financial statements of the Group are prepared in accordance with 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 for the six months ended 1 January 2022 and the comparative financial statements for the six months ended 2 January 2021 have not been audited. The comparative financial statements for the year ended 3 July 2021 have been extracted from the 2021 Annual Report and Accounts. The financial statements contained in this interim report do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and do not reflect all of the information contained in the Group's 2021 Annual Report and Accounts. The statutory accounts for the year ended 3 July 2021, which were approved by the Board of Directors on 23 February 2022 and have been filed with the Registrar of Companies, received an unqualified audit report which did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.The preparation of the financial statements requires the use of estimates and assumptions. Although these estimates are based on management's best knowledge, actual results ultimately may differ from these estimates. The key sources of estimation uncertainty disclosed on pages 176–181 of the Group Annual Report and Accounts for the year ended 3 July 2021 continue to apply other than that relating to the expected £30.0m financial penalty levied by the DfT under the Railways Act 1993. The amount payable to the DfT will be settled from LSER's restricted cash balance and the unutilised provision has been released and recognised within exceptional items, see note 5 for further details.

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

New standards
The following new standards or interpretations are mandatory for the first time for the financial year ending 2 July 2022:

- Amendments to IFRS 9 and IFRS 7 Interest Rate Benchmark Reform
- Amendments to IFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021
- Adoption of these standards and interpretations had no material impact on the Group's financial position or related performance.

New standards and interpretations not yet applied
The International Accounting Standards Board ('IASB') has issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
Amendments to 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
IFRS 17 Insurance contracts	1 January 2023
Amendments to IAS 1 Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single transaction	1 January 2023
IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet announced by IASB

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

2. Basis of preparation continued

New standards and interpretations not yet applied continued

Prior year restatements

A number of restatements and adjustments were identified during the 2021 year which also have an impact on the Group's results for the period ending 2 January 2021. The impact of these restatements is an increase in profit before tax of £25.7m, a decrease in net assets of £51.7m and an opening reserves decrease of £61.0m to retained earnings and £16.2m to non-controlling interests.

The misstatements can be aggregated based on their nature and cause into the following:

- London & South Eastern Railway Limited (LSER) matters of concern, other historic franchises, and affiliate trading;
- Germany onerous contract provision;
- Correction of errors; and
- Presentational adjustments and reclassifications.

Consolidated income statement for the six months ended 2 January 2021

	As previously reported Pre-exceptional 2 Jan 21 £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 2 Jan 21 £m	As previously reported Exceptional items 2 Jan 21 £m	Germany onerous contract provision (b) £m	As restated Exceptional items 2 Jan 21 £m	As previously reported Post-exceptional 2 Jan 21 £m	As restated Post-exceptional 2 Jan 21 £m
Group revenue	2,070.2	—	0.5	2,070.7	—	—	—	2,070.2	2,070.7
Operating costs	(2,014.1)	—	(0.2)	(2,014.3)	(21.0)	25.9	4.9	(2,035.1)	(2,009.4)
Group operating profit/(loss)	56.1	—	0.3	56.4	(21.0)	25.9	4.9	35.1	61.3
Share of result of joint venture	(0.5)	—	—	(0.5)	—	—	—	(0.5)	(0.5)
Finance revenue	1.2	—	—	1.2	—	—	—	1.2	1.2
Finance costs	(11.2)	(0.5)	—	(11.7)	—	—	—	(11.2)	(11.7)
Profit/(loss) before taxation	45.6	(0.5)	0.3	45.4	(21.0)	25.9	4.9	24.6	50.3
Tax expense	(7.7)	0.1	(0.1)	(7.7)	(0.7)	—	(0.7)	(8.4)	(8.4)
Profit/(loss) for the period from continuing operations	37.9	(0.4)	0.2	37.7	(21.7)	25.9	4.2	16.2	41.9
Attributable to:									
Equity holders of the parent	32.0	(0.3)	0.1	31.8	(21.7)	25.9	4.2	10.3	36.0
Non-controlling interests	5.9	(0.1)	0.1	5.9	—	—	—	5.9	5.9
	37.9	(0.4)	0.2	37.7	(21.7)	25.9	4.2	16.2	41.9

2. Basis of preparation continued

New standards and interpretations not yet applied continued

Prior year restatements continued

Consolidated statement of other comprehensive income for the six months ended 2 January 2021

	As previously reported 2 Jan 21 £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)	As restated 2 Jan 21 £m
Profit/(loss) for the period	16.2	(0.4)	25.9	0.2	—	41.9
Other comprehensive (expense)/income						
Items that will not be reclassified to profit or loss						
Remeasurements on defined benefit retirement plans	(48.2)	—	—	—	—	(48.2)
Tax relating to items that will not be reclassified	9.2	—	—	—	—	9.2
	(39.0)	—	—	—	—	(39.0)
Items that may subsequently be reclassified to profit or loss						
Unrealised losses on cashflow hedges	(0.9)	—	—	—	(0.8)	(1.7)
Losses/(gains) on cashflow hedges taken to income statement – operating costs	6.1	—	—	—	(6.1)	—
Tax relating to items that may be reclassified	(0.9)	—	—	—	1.2	0.3
Foreign exchange differences on translation of foreign operations	0.4	—	(0.2)	—	—	0.2
	4.7	—	(0.2)	—	(5.7)	(1.2)
Other comprehensive expense for the period, net of tax	(34.3)	—	(0.2)	—	(5.7)	(40.2)
Total comprehensive (expense)/income for the period	(18.1)	(0.4)	25.7	0.2	(5.7)	1.7
Attributable to:						
Equity holders of the parent	(24.0)	(0.3)	25.7	0.1	(5.7)	(4.2)
Non-controlling interests	5.9	(0.1)	—	0.1	—	5.9
	(18.1)	(0.4)	25.7	0.2	(5.7)	1.7

2. Basis of preparation continued

New standards and interpretations not yet applied continued

Prior year restatements continued

Consolidated balance sheet as at 2 January 2021

	As previously reported 2 Jan 21 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) 2 Jan 21 £m	Germany onerous contract provision (b) 2 Jan 21 £m	Correction of errors (c) 2 Jan 21 £m	Presentational adjustments and reclassifications (d) 2 Jan 21 £m	As restated 2 Jan 21 £m
Assets						
Non-current assets						
Deferred tax assets	2.2	—	—	0.4	—	2.6
Other non-current assets	1,098.8	—	—	—	—	1,098.8
	1,101.0	—	—	0.4	—	1,101.4
Current assets						
Trade and other receivables	353.0	—	—	0.5	48.3	401.8
Other current assets	572.8	—	—	—	—	572.8
	925.8	—	—	0.5	48.3	974.6
Total assets	2,026.8	—	—	0.9	48.3	2,076.0
Liabilities						
Current liabilities						
Trade and other payables	(729.9)	(40.8)	—	7.8	(44.3)	(807.2)
Derivative financial liabilities	(6.7)	—	—	—	(0.8)	(7.5)
Interest-bearing loans and borrowings	(5.1)	—	—	—	(3.2)	(8.3)
Current tax liabilities	(2.4)	1.0	—	(1.0)	—	(2.4)
Provisions	(89.2)	—	2.8	(5.9)	—	(92.3)
Other current liabilities	(347.8)	—	—	—	—	(347.8)
	(1,181.1)	(39.8)	2.8	0.9	(48.3)	(1,265.5)
Non-current liabilities						
Provisions	(67.3)	—	(14.2)	(2.3)	—	(83.8)
Other non-current liabilities	(527.8)	—	—	—	—	(527.8)
	(595.1)	—	(14.2)	(2.3)	—	(611.6)
Total liabilities	(1,776.2)	(39.8)	(11.4)	(1.4)	(48.3)	(1,877.1)
Net assets	250.6	(39.8)	(11.4)	(0.5)	—	198.9
Capital and reserves						
Retained earnings	210.5	(26.4)	(10.7)	0.6	1.7	175.7
Translation reserve	(1.4)	—	(0.7)	—	—	(2.1)
Other capital and reserves	(1.3)	—	—	—	—	(1.3)
Total shareholders' equity	207.8	(26.4)	(11.4)	0.6	1.7	172.3
Non-controlling interests	42.8	(13.4)	—	(1.1)	(1.7)	26.6
Total equity	250.6	(39.8)	(11.4)	(0.5)	—	198.9

2. Basis of preparation continued

New standards and interpretations not yet applied continued

Prior year restatements continued

Consolidated cashflow statement for the six months ended 2 January 2021

	As previously reported 2 Jan 21 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) 2 Jan 21 £m	Germany onerous contract provision (b) 2 Jan 21 £m	Correction of errors (c) 2 Jan 21 £m	Presentational adjustments and reclassifications (d) 2 Jan 21 £m	As restated 2 Jan 21 £m
Profit/(loss) after tax for the period	16.2	(0.4)	25.9	0.2	—	41.9
Net finance costs	10.0	0.5	—	—	—	10.5
Tax expense	8.4	(0.1)	—	0.1	—	8.4
Depreciation of property, plant and equipment	43.2	—	—	—	—	43.2
Depreciation of right of use assets	247.9	—	—	—	—	247.9
Amortisation of intangible assets	3.3	—	—	—	—	3.3
Asset impairment	—	—	—	—	—	—
Share of result of joint venture	0.5	—	—	—	—	0.5
Loss on sale of property, plant and equipment	0.2	—	—	—	—	0.2
Share based payment charges	0.2	—	—	—	—	0.2
Difference between pension contributions paid and amounts recognised in the income statement	(2.9)	—	—	—	—	(2.9)
Exceptional items	21.0	—	(25.9)	—	—	(4.9)
Increase in inventories	(1.1)	—	—	—	—	(1.1)
Increase in trade and other receivables	(87.0)	—	—	(0.5)	(26.3)	(113.8)
Increase in trade and other payables	9.7	—	—	—	26.3	36.0
Movement in provisions, excluding exceptional items	(2.2)	—	—	0.2	—	(2.0)
Cashflow generated from operations	267.4	—	—	—	—	267.4
Taxation paid	(2.9)	—	—	—	—	(2.9)
Net cashflows from operating activities	264.5	—	—	—	—	264.5
Interest received	1.3	—	—	—	—	1.3
Proceeds from sale of property, plant and equipment	4.5	—	—	—	—	4.5
Proceeds from sale of property, plant and equipment held for sale	7.2	—	—	—	—	7.2
Purchase of property, plant and equipment	(27.0)	—	—	—	—	(27.0)
Movement in finance lease receivables	—	—	—	—	—	—
Purchase of property, plant and equipment held for sale	(4.8)	—	—	—	—	(4.8)
Purchase of intangible assets	(1.0)	—	—	—	—	(1.0)
Net cashflows used in investing activities	(19.8)	—	—	—	—	(19.8)
Interest paid on lease liabilities	(5.7)	—	—	—	—	(5.7)
Other interest paid	(8.6)	—	—	—	—	(8.6)
Dividends paid to members of the parent	—	—	—	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—
Payment to acquire own shares	(0.1)	—	—	—	—	(0.1)
Repayment of borrowings	(0.9)	—	—	—	(221.7)	(222.6)
Proceeds from borrowings	—	—	—	—	221.7	221.7
Payment of lease liabilities	(258.0)	—	—	—	—	(258.0)
Net cashflows used in financing activities	(273.3)	—	—	—	—	(273.3)
Net decrease in cash and cash equivalents	(28.6)	—	—	—	—	(28.6)
Cash and cash equivalents at start of period	569.8	—	—	—	—	569.8
Effect of foreign exchange rate changes	(0.4)	—	—	—	—	(0.4)
Cash and cash equivalents at end of period	540.8	—	—	—	—	540.8

2. Basis of preparation continued

Notes of restatements

(a) Matters of concern relating to LSER, other historic franchises and LSER affiliate trading

As outlined in the Group's 2021 Annual Report and Accounts, several prior year restatements were identified as a result of the ongoing dispute with the DfT regarding historical matters relating to the Southeastern and other historic franchises. These prior year adjustments impact the balance sheet and opening reserves and therefore have also been restated in the prior year comparatives for the period ended 2 January 2021.

Since the publication of the Group's full year results on 24 February 2022, settlements have been reached with the DfT in respect of the affiliate trading and other outstanding matters. These settlements have been recognised as exceptional items in the current period's results ended 1 January 2022. Refer to note 5 for further details.

(b) Germany onerous contract provision

At the year-end, the directors performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This resulted in the Germany onerous contract provision as at 27 June 2020 being restated by an increase of £37.1m. Correspondingly, there is a reduction of £25.9m charged to the consolidated income statement in the Group's 2021 interim results. Please refer to page 188 of the Group's 2021 Annual Report and Accounts for further details.

(c) Correction of errors

During the 2021 financial year, it was identified that certain provisions and accruals balances were not appropriate. As a result, the Group's 2020 and 2019 consolidated balance sheets were restated in the Group's 2021 Annual Report and Accounts. These adjustments also have an impact on the Group's balance sheet as of 2 January 2021. The adjustments include inaccurate maintenance, dilapidation and employee bonus provisions and accruals. The net impact of these restatements on the consolidated balance sheet is a decrease in net assets of £0.5m and a net increase in profit before tax of £0.3m.

(d) Presentational corrections and reclassifications

1. IAS 32 Balance Sheet Classifications
During the 2021 financial 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. These items relate to the presentation of balances with the DfT and Network Rail. The impact of these reclassifications is to increase both current assets and current liabilities by £48.3m in the consolidated balance sheet as at 2 January 2021.

2. Gross presentation of repayments of and proceeds from borrowings
For the period ending 2 January 2021, 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 period ending 1 January 2022 and the year ended 3 July 2021. This has resulted in an increase to repayment of borrowings of £221.7m 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 each period.

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 consolidated balance sheet as at 2 January 2021. The impact is a decrease in current other payables of £3.2m and an increase in current interest-bearing loans and borrowings of the same amount.

4. IFRS 9 cashflow hedge reclassification
During the 2021 financial 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, £4.9m, net of tax, in relation to this has been reclassified for the period ending 2 January 2021.

Going concern

(i) Going concern assessment

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, which have now been settled with the Department for Transport (DfT). New leadership and a refreshed and strengthened Board to take the Group forward at a pivotal time for our industry, and our business as shared recently in our new strategy, The Next Billion Journeys. 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 continue to play a crucial role.

The Group has a resilient business model, with exposure to changes in passenger demand limited to Regional Bus and our rail contract in 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 COVID-19 crisis.

2. Basis of preparation continued

Going concern continued

During 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 all our geographies we have seen recovery in passenger demand, but the future pace and nature of the recovery remain 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, through the Bus Recovery Grant (BRG) Extension has committed to funding through to October 2022, while in Norway discussions with the Norwegian Government continue regarding the future of rail services as a consequence of the expected cessation of support for ongoing operations in June 2022.

The Board considered 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 this announcement.

The key areas of forecasting uncertainty include:

- The pace and nature of the ongoing recovery from the pandemic in the UK and across the world and the appropriate service levels required to support the resultant levels of passenger demand.
- Revenue recovery rates in Norwegian rail operations along with the duration and scale of government support and the potential to renegotiate or exit the contract.
- Recovery rates in Regional Bus passenger demand, including airline and coach services, and the size of the network required to support that level of passenger demand.
- Losses on our German contracts with impact of potential risks, despite improved operational performance in the Baden-Württemberg franchise since its commencement.

While the most recent liquidity review is based on the Group's Corporate Plan approved by the Board in July 2021, this has been updated to reflect changes since the year end with revised estimates for 2022 based on the latest forecast prepared by all operating companies in March 2022 and with updated assumptions for key areas in the outer years.

Our base case forecast assumes that:

- In Regional Bus, the Bus Recovery Grant Extension funding continues until October 2022 with vehicle mileage at levels commensurate with both the BRG Extension conditions and passenger demand.
- 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, the matters of concern with respect to LSER have been settled and GTR commenced operating under a minimum three-year National Rail Contract on 1 April with the potential for further extensions.
- In International Rail, our German rail operations contractual payments continue to be protected and passenger revenue risk is borne by the transport authority client. In Norwegian rail our forecasts assume that revenue support from the Norwegian Government will continue through to June 2022, support in February covered 90% of losses but this is expected to reduce.

Dividend payments will resume following the announcement of the 2021/22 full year results.

Plausible and severe downside scenarios relate 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 used were:

- Slower recovery of passenger demand in Regional Bus.
- Cost pressures and higher employee sickness rates in London bus.
- Lower than expected performance fees in GTR under the National Rail Contract.
- Continuing operational issues in our German rail operation leading to higher operational losses than those included in the base case.
- Government support for our Norwegian rail operations reduces and passenger demand recovers more slowly than our base case assumes.

In addition to the base case and the reasonable worst case scenario as detailed, the Board has reviewed reverse stress tests, which assess the set of circumstances that would be necessary for the Group to breach the limits of its covenant tests. These are explained in the section of liquidity headroom detailed below.

2. Basis of preparation continued

Going concern continued

(ii) Liquidity headroom

The Group has no debt maturities ahead of 2024, a strong balance sheet and good liquidity with adjusted net debt at 1 January 2022 of £340.4m (£217.3m on a pre-IFRS 16 basis) and unutilised facilities and cash of £329.3m at the half year end.

Funding is covered by a £250m corporate bond, which matures on 6 July 2024, and the 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 not be done.

Our primary bank covenant continues to be assessed on a pre-IFRS 16 basis with an adjusted net debt to EBITDA ratio of 1.21 times at the half year position, below our target range and allowing adequate headroom on our primary bank covenant of 3.5 times. Our covenants are measured twice a year, at half year and full year, and are measured under frozen accounting standards.

Under the modelled scenarios as detailed above, positive liquidity headroom exists throughout the going concern period and the Group remains in compliance with its covenants.

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. In this regard the settlement of the matters of concern with respect to LSER and the subsequent agreement of the National Rail Contract for GTR have significantly reduced the level of uncertainty within the UK Rail business.

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

In applying the reverse stress test to this the directors have concluded that the set of circumstances required to exhaust this level of liquidity headroom is considered to be remote.

(iii) Mitigating actions

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, temporary re-suspension of dividends, 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.

(iv) Going concern conclusion

The consolidated interim financial information for the half year ended 1 January 2022 has been prepared on a going concern basis.

In applying the going concern basis, the directors recognise that the continued uncertainty caused by the COVID-19 pandemic requires a higher level of judgement in assessing whether the Group is a going concern. The directors have considered the expected operational performance of the Group, the significant liquidity headroom, the risk of downside scenarios and identified possible mitigating actions as outlined above and have a reasonable expectation that the Group will continue as a going concern.

The directors confirm they are satisfied that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of this announcement.

3. Risks and uncertainties

The Board has undertaken a review of the principal risks and uncertainties affecting the Group for the six months ended 1 January 2022. The Board considers that the principal risks and uncertainties (as discussed in the 'Risk management' section on pages 56 to 64 of the Group Annual Report and Accounts for the year ended 3 July 2021, available on the Group's website www.go-ahead.com), remain relevant, with only minor changes made to the explanatory narrative.

The successful delivery of the Group's strategic objectives depends on effective identification, understanding and mitigation of its principal risks and uncertainties. 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.

As an outcome of the Independent Review into LSER and the onerous contract provisions recognised in Germany and Norway, the systems and processes used to identify and manage the key risks facing each of our businesses and the Group as a whole, were reviewed. A number of improvements have been implemented, including Board and leadership changes, for example appointing the Audit Committee Chair to the board of GTR, improving bid investment decision making and ongoing contract compliance monitoring.

A summary of the key risks, discussed and agreed during the Board's half-year risk review in April 2022, together with their mitigating actions, are set out below:

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.

Mitigating actions

- 90% of revenue currently contract based; discussing continuation of funding with clients and governments. Main area of exposure is Regional Bus and Norwegian rail
- Take all required actions to provide a safe environment and 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

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.

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 taskforce, 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

3. Risks and uncertainties continued

Strategic risks

3. Sustainability of UK Rail profits

Failure to retain UK Rail franchises on acceptable terms

Mitigating actions

- National Rail Contracts (NRCs) reducing 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% owned by Go-Ahead and 35% by Keolis UK
- Close involvement through RDG and GTR to influence shape of Passenger Service Contracts (PSCs)

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 adaption mechanisms to climate change.

Mitigating actions

- Comprehensive strategic discussions with the Board and advisors
- Extensive valuation and due diligence, supported by external expertise, and strong financial discipline when assessing viability of opportunities
- Review and improvement of Group investment approval process and delegation of authority
- 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; early focus on Bavarian mobilisation; 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

5. Competition

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

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

3. Risks and uncertainties continued

Operational risks

6. Catastrophic incident or 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.

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
- Work 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

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.

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 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 Pension 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

8. Information technology failure/interruption/security breach

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

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 successfully audited against the NIS framework during the year
- Adoption of cyber security strategy and information security management (ISMS) framework across the Group, with the publication of monthly KPIs measuring mitigating measures

3. Risks and uncertainties 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.

Mitigating actions

- Experienced local teams; ability to mobilise internal UK Rail & Bus expertise
- Strengthening of senior leadership team
- Building strong relationships with local authorities
- Compliance with strong 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 are transforming 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

10. Compliance with rail franchise agreements

Failure to comply with contractual obligations.

Mitigating actions

- Specific annual briefings/updates of key commercial terms to the Board and wider management team
- Strengthening of senior leadership team
- Develop KPIs to monitor contract performance
- Increase role of group assurance to complement assurance undertaken at local level
- Group Audit Committee Chair appointed to UK 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

Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and key sources of estimation uncertainty disclosed on pages 176–181 of the Group Annual Report and Accounts for the year ended 3 July 2021 continue to apply other than that relating to expected £30.0m financial penalty levied by the DfT under the Railways Act 1993. The amount payable to the DfT will be settled from LSER's restricted cash balance and the unutilised provision has been released and recognised within exceptional items, see note 5 for further details. In particular, the key sources of estimation uncertainty associated with the German and Norwegian rail franchises and contract and franchise accounting continue to apply. Contract and franchise accounting is specific to the rail business as disclosed in the segmental analysis in note 4, with judgements made on a continuing basis.

4. Segmental analysis

The Group's businesses are managed on a divisional basis. Selected financial data is presented on this basis below.

As outlined in the Group's 2021 Annual Report, for management purposes, the Group is organised into four reportable segments: Regional Bus, London & International Bus, UK Rail and International Rail. International Rail was 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 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:

The Regional Bus segment comprises UK bus operations outside London.

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

4. Segmental analysis continued

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 the half year includes just 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 contract was being mobilised in Germany as at 1 January 2022. 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 by segment 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 as presented 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 six months ended 1 January 2022, the six months ended 2 January 2021 and the year ended 3 July 2021.

Six months ended 1 January 2022 (unaudited)

	Regional Bus £m	London & International Bus £m	Total Bus £m	UK Rail £m	International Rail £m	Total Rail £m	Total operations £m
Passenger revenue	155.6	—	155.6	580.0	37.9	617.9	773.5
Contract revenue	33.4	331.6	365.0	0.2	—	0.2	365.2
Other revenue	38.5	2.1	40.6	79.0	8.9	87.9	128.5
Franchise subsidy	—	—	—	512.3	35.4	547.7	547.7
Segment revenue	227.5	333.7	561.2	1,171.5	82.2	1,253.7	1,814.9
Inter-segment revenue	(1.6)	(8.4)	(10.0)	(7.2)	—	(7.2)	(17.2)
Group revenue	225.9	325.3	551.2	1,164.3	82.2	1,246.5	1,797.7
Operating costs	(214.2)	(299.6)	(513.8)	(1,153.5)	(87.8)	(1,241.3)	(1,755.1)
Group operating profit (pre-exceptional items)	11.7	25.7	37.4	10.8	(5.6)	5.2	42.6
Exceptional operating items	—	—	—	12.5	0.5	13.0	13.0
Group operating profit (post-exceptional items)	11.7	25.7	37.4	23.3	(5.1)	18.2	55.6
Share of result of joint venture							(0.3)
Net finance costs							(5.2)
Profit before tax and non-controlling interests							50.1
Tax expense							(3.9)
Profit for the period							46.2

Further information on exceptional operating items is disclosed in note 5.

Inter-segment revenue relates to transactions between the Group's operating segments and includes rail replacement services and revenue from intercompany sub-leases.

During the six months ended 1 January 2022, segment revenue of £128.9m (H1'21: £113.6m; 2021: £234.8m), related to external customers outside the United Kingdom, from the Singapore and Irish bus operations and the German and Nordic rail operations.

4. Segmental analysis continued

Six months ended 2 January 2021 (unaudited)

	Regional Bus[2] £m	London & International bus £m	Total bus £m	As previously reported UK Rail £m	Restate-ments[1] £m	UK Rail £m	International Rail[3] £m	Total Rail £m	Total operations £m
Passenger revenue	122.2	—	122.2	331.3	—	331.3	25.8	357.1	479.3
Contract revenue	36.0	346.7	382.7	0.3	—	0.3	—	0.3	383.0
Other revenue	58.4	0.8	59.2	65.1	—	65.1	2.5	67.6	126.8
Franchise subsidy	—	—	—	1,079.1	0.5	1,079.6	37.4	1,117.0	1,117.0
Segment revenue	216.6	347.5	564.1	1,475.8	0.5	1,476.3	65.7	1,542.0	2,106.1
Inter-segment revenue	(2.1)	(11.9)	(14.0)	(21.4)	—	(21.4)	—	(21.4)	(35.4)
Group revenue	214.5	335.6	550.1	1,454.4	0.5	1,454.9	65.7	1,520.6	2,070.7
Operating costs	(202.2)	(298.3)	(500.5)	(1,431.8)	(0.2)	(1,432.0)	(81.8)	(1,513.8)	(2,014.3)
Group operating profit (pre-exceptional items)	12.3	37.3	49.6	22.6	0.3	22.9	(16.1)	6.8	56.4
Exceptional operating items	(0.3)	—	(0.3)	—	—	—	5.2	5.2	4.9
Group operating profit (post-exceptional items)	12.0	37.3	49.3	22.6	0.3	22.9	(10.9)	12.0	61.3
Share of result of joint venture									(0.5)
Net finance costs									(10.5)
Profit before tax and non-controlling interests									50.3
Tax expense									(8.4)
Profit for the period									41.9

1. Details of the restatements in respect of the period ending 2 January 2021 are explained in note 2, including restatements to the Group's net finance costs.
2. In addition to the restatements outlined in note 2, the presentation of Regional Bus revenue for the period ending 2 January 2021 has also been restated in order to disclose this on a consistent basis with the equivalent disclosure for the period ending 1 January 2022 and 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 £14.5m such that the 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.

Year ended 3 July 2021 (audited)

	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)
Group revenue	427.7	660.9	1,088.6	2,829.7	140.2	2,969.9	4,058.5
Operating costs	(409.8)	(592.4)	(1,002.2)	(2,773.0)	(167.8)	(2,940.8)	(3,943.0)
Group operating profit (pre-exceptional items)	17.9	68.5	86.4	56.7	(27.6)	29.1	115.5
Exceptional operating items	(0.2)	—	(0.2)	(32.4)	(71.5)	(103.9)	(104.1)
Group operating profit (post-exceptional items)	17.7	68.5	86.2	24.3	(99.1)	(74.8)	11.4
Share of result of joint venture							(0.2)
Net finance costs							(18.1)
Loss before tax and non-controlling interests							(6.9)
Tax expense							(33.8)
Loss for the year							(40.7)

4. Segmental analysis continued

The capital expenditure and depreciation charges for the Group is as follows:

	Six months to 1 Jan 22 £m Unaudited	Six months to 2 Jan 21 £m Unaudited	Year to 2 Jul 21 £m Audited
Tangible capital expenditure (excluding leases)			
Regional Bus	**2.4**	24.7	28.5
London & International Bus	**2.2**	1.1	21.5
UK Rail	**1.2**	0.8	2.3
International Rail	**1.0**	0.4	0.6
Total	**6.8**	27.0	52.9
Leases capital expenditure			
Regional Bus	**—**	7.6	7.9
London & International Bus	**9.4**	4.6	9.9
UK Rail	**0.4**	0.5	168.2
International Rail	**2.9**	0.1	1.0
Total	**12.7**	12.8	187.0
Depreciation (excluding right-of-use assets)			
Regional Bus	**17.9**	18.5	37.5
London & International Bus	**12.4**	14.2	27.6
UK Rail	**9.0**	9.9	15.3
International Rail	**0.6**	0.6	1.1
Total	**39.9**	43.2	81.5
Right-of-use assets depreciation			
Regional Bus	**2.8**	2.5	5.3
London & International Bus	**9.7**	10.3	20.2
UK Rail	**196.5**	234.9	460.6
International Rail	**0.2**	0.2	0.4
Total	**209.2**	247.9	486.5

During the six months to 1 January 2022 the carrying value of the Group's right-of-use assets fell to £148.8m (H1'21: £414.2m; 2021: £345.4m). Similarly, in the same period, the Group's total lease liability fell to £125.3m (H1'21: £403.4m; 2021: £312.6m). These decreases can be primarily attributed to the planned end dates of the Southeastern and GTR UK Rail franchises in September 2021 and March 2022 respectively. On 17 October 2021, the LSER franchise ended. On 25 March 2022, it was announced that GTR had been awarded a National Rail Contract (NRC) commencing on 1 April 2022 to at least 1 April 2025, with up to a further three years extension at the Secretary of State's discretion.

5. Exceptional operating items

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

	Six months to 1 Jan 22 £m Unaudited	Six months to 2 Jan 21* £m Unaudited	53 weeks to 3 Jul 21 £m Audited
Department for Transport settlements, financial penalty and associated costs relating to LSER and other historic franchises	**(12.5)**	—	32.4
Norway franchise onerous contract provision and asset impairment	**(0.5)**	—	76.7
Asset impairments and restructuring costs – Regional Bus	**—**	0.3	0.2
Asset impairments, provisions and restructuring costs – International Rail	**—**	(5.2)	(5.2)
Exceptional operating items	**(13.0)**	(4.9)	104.1

* In the interim report for the period ending 2 January 2021, the German onerous contract provision was included in the 'Asset impairments, provisions and restructuring costs – International Rail' line. The onerous contract provisions for Germany and Norway have now been presented separately. The German onerous contract provision has been restated – see note 2 for further details.

Six months ended 1 January 2022 (unaudited)

Total exceptional operating items in the period ended 1 January 2022 comprised a credit of £13.0m to the income statement.

Department for Transport settlements, financial penalty and associated costs relating to LSER and other historic franchises

A net exceptional credit of £12.5m has been recognised during the period ending 1 January 2022 in relation to the matters of concern relating to LSER and other historic franchises and LSER affiliate trading. This consists of amounts relating to settlements reached with the DfT during the period, the financial penalty and other associated costs in relation to these matters, as outlined below.

5. Exceptional operating items continued

Six months ended 1 January 2022 (unaudited) continued

Department for Transport settlements, financial penalty and associated costs relating to LSER and other historic franchises continued

On 17 March 2022, the Department for Transport announced that it was imposing a financial penalty on LSER of £23.5m due to breaches of historic franchise agreements. The Group had recognised a provision of £30.0m in relation to this in the Group's 2021 Annual Report. This was recorded as an exceptional operating charge. The financial penalty will be paid from LSER's restricted cash balance. The release of £6.5m has been recorded as an exceptional operating credit in the current period.

In addition to this, settlements were reached with the DfT in relation to the outstanding matters relating to LSER and other historic franchises, including affiliate trading disputes. This has resulted in a net credit of £12.3m which has been recorded as exceptional.

This is offset by £6.3m of associated legal and professional costs incurred in relation to this matter.

Norway franchise onerous contract provision and asset impairment

For the period ending 1 January 2022, a net credit of £0.5m has been recognised in relation to the Norwegian onerous contract provision.

This is due to further government support being confirmed in relation to the Norwegian rail franchise by the Railway Directorate in Norway. As a result of this, a release was made in relation to the onerous contract provision of £2.8m relating to the additional periods covered by the extended government support.

This is offset by a further provision of £2.3m being made at the reporting date, following a reassessment of the provision. It was identified during this review that increasing cost pressures due to higher energy costs and the continuing impacts of the COVID-19 Omicron variant resulted in an increase of the provision. Overall, this resulted in a net credit of £0.5m in the period.

The onerous contract provision was recorded as an exceptional operating charge in the prior year, and therefore the release and further provision amounts have also been treated as exceptional for consistency.

Six months ended 2 January 2021 (unaudited)

Total exceptional operating items in the period ended 2 January 2021 comprised a credit of £4.9m (restated) to the income statement.

Asset impairments and restructuring costs – Regional Bus

During the period ended 2 January 2021, further contracts were terminated in the Regional Bus division resulting in an impairment charge of £1.1m in relation to plant, property and equipment.

This is partially offset by a profit on disposal of assets of £0.8m. During the year ended 27 June 2020, the carrying values of a number of coaches were impaired, some of which have subsequently been sold for an amount greater than the impaired carrying value. This resulted in a profit on disposal and therefore a partial reversal of the previous exceptional impairment charge.

Asset impairments, provisions and restructuring costs – International Rail

During the year ended 27 June 2020, freehold land and buildings were impaired by £4.4m in the German rail division and recognised as an exceptional operating item. In the period ended 2 January 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 relating to the depot which were provided for at the year-end, and therefore this provision has been released. This has resulted in an exceptional operating credit of £5.2m in the period ended 2 January 2021.

German Bavaria franchise onerous contract provision

At 3 July 2021 the directors 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 the year ended 27 June 2020 and the Group's FY21 interim results.

A number of errors were 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 provision as at 27 June 2020 was determined to be understated by £36.6m which resulted in a restatement 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.

Year ended 3 July 2021 (audited)

Total exceptional operating items in the year comprised a charge of £104.1m to the income statement.

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. In the absence of specific precedent or relevant guidance, it was difficult to precisely estimate the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, included a provision of £30.0m which reflected the Group's best estimate of any penalty as at the date of signing the Group's 2021 Annual Report and Accounts. The Group also recognised associated legal and professional costs in relation to this of £2.4m.

5. Exceptional operating items continued

Year ended 3 July 2021 (audited) continued

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 were also recognised in relation to loss making contracts where passenger demand was not recovering at the same levels as the wider commercial network. This was 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, provisions and restructuring costs – International Rail

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 was no longer an obligation to pay break fees on the depot which were provided for as of 27 June 2020, and therefore this provision was released. This resulted in an exceptional operating credit of £5.2m.

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 resulted 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 June 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.

6. Taxation

a. Tax recognised in the income statement

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

	Six months to 1 Jan 22 £m Unaudited	Six months to 2 Jan 21 £m Unaudited	Year to 3 Jul 21 £m Audited
Current tax charge	**4.7**	9.5	21.0
Adjustments in respect of current tax of previous years	**—**	—	(0.7)
Total current tax	**4.7**	9.5	20.3
Deferred tax relating to origination and reversal of temporary differences in the period at 25% (3 Jul 2021: 25%; 2 January 2021: 19%)	**0.3**	(1.1)	(1.1)
Adjustments in respect of deferred tax of a prior period	**—**	—	0.2
Impact of opening deferred tax rate	**(1.1)**	—	14.4
Total deferred tax	**(0.8)**	(1.1)	13.5
Tax reported in the consolidated income statement	**3.9**	8.4	33.8

The taxation charge has been calculated by applying the directors’ best estimate of the annual effective tax rate to the profit for the period. The pre-exceptional effective tax rate is 15.4% (H1’21(pre-exceptional): 16.5%; 2021 (pre-exceptional): 35.3%). The pre and post-exceptional effective tax rates include a £1.1m (H1’21: £nil; 2021 charge: £14.4m) credit 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 18.3% (H1’21: 16.5%; 2021: 20.5%).

6. Taxation continued

b. Tax recognised in equity

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

	Six months to 1 Jan 22 £m Unaudited	Six months to 2 Jan 21 £m Unaudited	Year to 3 Jul 21 £m Audited
Tax on remeasurements on defined benefit pension plans	0.3	(9.2)	(5.3)
Deferred tax on cashflow hedges (other comprehensive income and equity)	1.2	0.9	4.4
Deferred tax on share based payments (taken directly to equity)	—	—	(0.1)
Tax reported outside of profit or loss	1.5	(8.3)	(1.0)

c. Factors affecting future 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 period ended 1 January 2022. Legislation advised a UK corporation tax rate to 25.0% from 1 April 2023 and this rate was applied, where applicable, to the Group's deferred tax balance as at the balance sheet date.

7. Earnings per share

Basic and diluted earnings per share

	Six months to 1 Jan 22			Six months to 2 Jan 21			Year to 3 Jul 21		
	Pre-exceptional Unaudited	Exceptional items Unaudited	Post-exceptional Unaudited	Pre-Exceptional* Audited	Exceptional Items* Audited	Post-exceptional Audited	Pre-exceptional Audited	Exceptional items Audited	Post-exceptional Audited
Net profit attributable to equity holders of the parent (£m)	27.1	9.4	36.5	31.8	4.2	36.0	46.6	(92.6)	(46.0)
Basic weighted average shares in issue ('000)	42,934	—	42,934	43,159	—	43,159	42,988	—	42,988
Dilutive potential share options ('000)	201	—	201	15	—	15	142	—	142
Diluted weighted average number of shares in issue ('000)	43,134	—	43,134	43,174	—	43,174	43,130	—	43,130
Earnings per share:									
Basic earnings per share (pence per share)	63.1	21.9	85.0	73.7	9.7	83.4	108.4	(215.4)	(107.0)
Diluted earnings per share (pence per share)	62.8	21.8	84.6	73.7	9.7	83.4	108.0	(214.7)	(106.7)

* Restated (see note 2). Earnings per share has been restated due to impact of restatements to profit and loss.

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

No shares were bought back and cancelled by the Group in the period from 2 January 2022 to 26 April 2022.

8. Pensions

Retirement benefit assets consist of the following:

	1 Jan 22			3 Jul 21		
	Bus £m Unaudited	Rail £m Unaudited	Total £m Unaudited	Bus £m Audited	Rail £m Audited	Total £m Audited
Pre-tax pension scheme asset	40.8	—	40.8	36.0	—	36.0
Deferred tax liability	(10.2)	—	(10.2)	(9.0)	—	(9.0)
Post-tax pension scheme asset	30.6	—	30.6	27.0	—	27.0

The net surplus before taxation on the bus defined benefit scheme was £40.8m (3 July 2021: surplus of £36.0m), consisting of estimated assets of £929.5m (3 July 2021: £906.0m) less liabilities of £888.7m (3 July 2021: £870.0m).

The net deficit before taxation on the rail schemes was £nil (3 July 2021: £nil). The nature of these schemes means at the end of the franchise, any deficit or surplus in the schemes 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.

8. Pensions continued

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

	Six months to 1 Jan 22 % Unaudited	Year to 3 Jul 21 % Audited
Retail price index inflation	**3.4**	3.2
Consumer price index inflation	**3.0**	2.7
Discount rate	**1.8**	1.8
Rate of increase in salaries*	**n/a**	n/a
Rate of increase of pensions in payment and deferred pension	**2.9**	2.7

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

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

	1 Jan 22		3 Jul 21	
	Bus Years Unaudited	Rail Years Unaudited	Bus Years Audited	Rail Years Audited
Pensioner	**21**	**21**	21	21
Non-Pensioner	**22**	**22**	22	22

Sensitivity analysis

The following is an approximate sensitivity analysis of the impact of the change in the key assumptions for the bus scheme calculated as at 3 July 2021. In isolation the following adjustments would adjust the pension (deficit)/surplus as shown.

	Bus 2021 Pension surplus/ deficit) %
Discount factor – increase of 0.5%	(7.9)
Price inflation – increase of 0.5%	7.4
Rate of increase of pension in payment – increase of 0.5%	4.1
Increase in life expectancy of pensioners or non-pensioners by 1 year	4.2

9. Notes to the cashflow statement

Analysis of Group net debt (unaudited)

	Cash and cash equivalents £m Unaudited	Syndicated loan facility £m Unaudited	Lease liabilities £m Unaudited	£250m Sterling Bond £m Unaudited	Euro financing facilities £m Unaudited	Total £m Unaudited
At 3 July 2021	630.6	(126.7)	(312.6)	(256.2)	(13.2)	(78.1)
Net cashflow (excluding interest)	(241.8)	37.2	205.3	—	0.5	1.2
Interest (received)/paid	(0.2)	0.4	2.4	6.3	0.1	9.0
Inception of new leases	—	—	(18.0)	—	—	(18.0)
Interest income/(expense)	0.2	(0.5)	(2.4)	(3.1)	(0.1)	(5.9)
Effect of foreign exchange rate changes	0.1	1.8	—	—	0.3	2.2
At 1 January 2022	**388.9**	**(87.8)**	**(125.3)**	**(253.0)**	**(12.4)**	**(89.6)**

Cash and cash equivalents include overdrafts amounting to £388.9m (3 July 2021: £630.6m).

On 16 July 2014, the Group entered into a £280.0m syndicated loan facility. The loan facility is unsecured and interest is charged at SONIA + 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.

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%.

Group net debt excludes unamortised issue costs of £1.4m (3 July 2021: £1.6m).

9. Notes to the cashflow statement continued

As at 1 January 2022 balances amounting to £253.8m (H1'21: £426.1m; 3 July 2021: £543.7m) were restricted, including amounts to cover deferred income for season tickets sold in advance of £12.2m (H1'21: £16.2m; 1 July 2021: £18.3m) and amounts held by rail companies which can only be distributed up to the value of distributable reserves, subject to DfT dispensation.

10. Dividends paid and proposed

	Six months to 1 Jan 22 £m Unaudited	Six months to 2 Jan 21 £m Unaudited	Year to 3 Jul 21 £m Audited
Declared and paid during the period			
Equity dividends on ordinary shares:			
Final dividend for 2021: nil per share (2020: nil per share)	**—**	—	—
Interim dividend for 2021: nil per share	**—**	—	—
	—	—	—

	Six months to 1 Jan 22 £m Unaudited	Six months to 2 Jan 21 £m Unaudited	Year to 3 Jul 21 £m Audited
Dividend proposed (not recognised as a liability)			
Equity dividends on ordinary shares:			
Interim dividend for 2022: nil per share (2021: nil per share)	**—**	—	—

11. Assets classified as held for sale

At 1 January 2022, assets held for sale had a carrying value of £0.1m (3 July 2021: £3.2m) and related to property, plant and equipment. Assets held for sale, relating to bus rolling stock, had a carrying value of £nil (3 July 2021: £3.1m). Assets held for sale, relating to land and buildings, had a carrying value of £0.1m (3 July 2021: £0.1m).

12. Derivatives and financial instruments

a. Fair values

The fair values of the Group's financial derivatives carried in the financial statements have been reviewed as at 1 January 2022 and 3 July 2021 and are as follows:

	1 Jan 22 £m	3 Jul 21 £m
Non-current financial assets: fuel price derivatives	**5.1**	3.4
Current financial assets: fuel price derivatives	**7.9**	4.9
	13.0	8.3
Current financial liabilities: fuel price derivatives	**—**	(0.6)
Non-current financial liabilities: fuel price derivatives	**(0.2)**	(0.3)
	(0.2)	(0.9)
Net financial derivatives	**12.8**	7.4

The fair value of all other financial assets and liabilities is not significantly different from their carrying amount, with the exception of the £250.0m sterling 7 year bond which has a fair value of £246.8m (3 July 2021: £257.6m) but is carried at its amortised cost of £250.0m (3 July 2021: £250.0m). The fair value of the £250m sterling 7 year bond has been determined by reference to the price available from the market on which the bond is traded. The fuel price derivatives were valued externally by the respective banks by comparison with the market fuel price for the relevant date.

All other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

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

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

12. Derivatives and financial instruments continued

a. Fair values continued

As at 1 January 2022, the Group has used a level 2 valuation technique to determine the fair value of the fuel price derivatives. The valuations are based on the external Mark-to-Market (MtM) valuations provided by the derivative providers and are prepared in accordance with the providers own internal models and calculation methods based upon well recognised financial principles, relevant current market conditions and reasonable estimates about relevant future market conditions. There are a small number of foreign currency hedges in place as at 1 January 2022. The foreign currency hedge valuations are based on the external MtM valuations and are currently not material to the Group.

During the period ended 1 January 2022 and year ended 3 July 2021, there were no transfers between valuation levels.

b. Hedging activities

Fuel derivatives

The Group is exposed to commodity price risk as a result of fuel usage. The Group closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate.

Bus

As at 1 January 2022 the Group had derivatives against UK bus fuel of 180 million litres for the three and a half 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 acquisition of the instruments due to the movement in market fuel prices.

As at 1 January 2022 the Group's external hedging profile is as follows:

	H2'22	2023*	2024*	2025*
Actual percentage of forecast usage externally hedged	**Fully**	**76%**	**39%**	**12%**
Litres hedged (million)	**53.8**	**80.6**	**38.4**	**10.8**
Price (pence per litre)	**32.8**	**34.4**	**33.6**	**38.9**

* Assuming consistent usage and that hedging is completed at 1 January 2022 market price

The movement during the six months ended 1 January 2022 on the hedging reserve was £7.2m credit (net of tax) (H1'2021: £1.4m debit (net of tax)) taken through other comprehensive income.

13. Provisions

	Franchise commitments £m Unaudited	Onerous contract provisions £m Unaudited	Uninsured claims £m Unaudited	DfT Penalty £m Unaudited	Other £m Unaudited	Total £m Unaudited
At 3 July 2021	83.5	100.3	47.9	30.0	13.7	275.4
Provided	2.7	2.3	10.1	—	1.5	16.6
Utilised	(9.9)	(9.7)	(6.8)	—	(0.8)	(27.2)
Released	(0.5)	(2.8)	(3.8)	(6.5)	(0.2)	(13.8)
On transfer of franchise	(6.2)	—	—	—	—	(6.2)
Effect of foreign exchange rate changes	—	(0.7)	—	—	—	(0.7)
At 1 January 2022	**69.6**	**89.4**	**47.4**	**23.5**	**14.2**	**244.1**

	1 Jan 22 £m Unaudited	3 Jul 21 £m Audited
Current	**132.7**	159.1
Non-current	**111.4**	116.1
	244.1	275.2

Franchise commitments of £69.5m (3 July 2021: £83.5m) comprise dilapidation provisions on vehicles, depots and stations, mainly across LSER and GTR rail franchises. At both 1 January 2022 and 3 July 2021, all franchise commitment provisions were categorised as current.

Onerous contract provisions of £89.4m (3 July 2021: £100.3m) primarily relate to the Norwegian rail franchise and the German Bavarian rail franchise. A review of each contract was performed at the reporting date. Of the onerous contract provisions, £21.2m (3 July 2021: £28.1m) is classified as current, with £68.2m (3 July 2021: £72.2m) as non-current.

Uninsured claims represent the cost to the Group to settle claims for incidents occurring prior to the balance sheet date, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Of the uninsured claims, £14.1m (3 July 2021: £13.5m) are classified as current and £33.4m (3 July 2021: £34.4m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years.

13. Provisions continued

The provision for DfT financial penalty relates to the penalty of £23.5m (3 July 2021: £30.0m) due to the Department for Transport, of which £23.5m (3 July 2021: £30.0m) is classified as current. Under the Railways Act 1993, the DfT has the power to impose a financial penalty in relation to LSER in relation to the historic matters of concern. The DfT announced it was imposing this penalty on 17 March 2022 and therefore £6.5m has been released in the period.

The other provisions of £14.2m (3 July 2021: £13.7m) include dilapidations in the Bus division of £13.6m (3 July 2021: £13.5m), of which £3.8m (3 July 2021: £4.0m) are classified as current and £9.8m (3 July 2021: £9.5m) are classified as non-current, and other current legal provisions of £0.6m (3 July 2021: £0.2m) the International Rail division. 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.

14. Commitments and contingencies

Capital commitments

Capital commitments contracted but not provided at 1 January 2022 were £34.9m (3 July 2021: £26.0m).

Performance bonds and other guarantees

The Group has provided bank guaranteed performance bonds of £39.1m (3 July 2021: £37.5m), a loan guarantee bond of £36.3m (3 July 2021: £36.3m) and season ticket bonds of £50.6m (3 July 2021: £66.5m) in favour of the DfT in support of the Group's rail franchise operations. In addition, the Group, together with Keolis, has a joint parental company commitment to provide funds of £136.4m (3 July 2021: £136.4m) to the DfT in respect of the Govia Thameslink Railway franchise, of which Group has a 65% share equating to £88.7m (3 July 2021: £88.4m). At the period end £nil (3 July 2021: £nil) has been provided.

To support subsidiary companies in their normal course of business, the Group has indemnified certain banks and insurance companies who have issued certain performance bonds and a letter of credit. The letter of credit at 1 January 2022 is £55.1m (3 July 2021: £59.8m).

The Group has a bond of $4.2m SGD (3 July 2021: $4.2m SGD) in favour of the Land Transport Authority of Singapore in support of the Group's Singapore bus operations. At the period end exchange rate this equates to £2.3m (3 July 2021: £2.3m).

The Group has bonds of €33.8m (3 July 2021: €34.5m) in favour of the local rail authorities in support of the Group's German rail operations. At the period end exchange rate these equate to £30.1m (3 July 2021: £29.6m). The Group has provided parental company guarantees to provide funds of €200.6m (3 July 2021: €158.2m) in respect of the Germany operations, of which €nil (3 July 2021: €nil) has been provided for at period end. At the period end exchange rate this equates to £168.5m (3 July 2021: £135.7m).

The Group has bonds of €10.0m (3 July 2021: €10.0m) in favour of the National Transport Authority in Ireland in support of the Group's Irish bus operations. At the period end exchange rate this equates to £8.4m (3 July 2021: £8.6m).

The Group has bonds of 271.3m NOK (3 July 2021: 271.3m NOK) in favour of the local rail authorities in Norway in support of the Group's Nordic rail operations. At the period end exchange rate this equates to £22.8m (3 July 2021: £22.8m). The Group has provided a parental company guarantee to provide funds of 300.0m NOK (3 July 2021 300.0m NOK) in respect of the Norway operations, of which €nil (2021: €nil) has been provided for at year end. At the year end exchange rate this equates to £25.2m (3 July 2021: £25.2m).

Contingent liabilities

Boundary Zone Fare proceedings against London & Southeastern 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 Go-Ahead Group plc and Govia Limited have since also been added as defendants to the claim. 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. LSER's appeal will be heard in June 2022.

14. Commitments and contingencies continued

Contingent liabilities continued

Boundary zone fare proceedings against London & Southeastern Railway Limited (LSER) continued

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. Should the CPA be granted the DfT has permission to intervene.

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. GTR has since filed its response, and the Proposed Class Representatives have filed a Reply.

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.

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.

15. Own shares reserve

The reserve for own shares is in respect of 4,088,044 (03 July 2021: 4,094,851) ordinary shares (8.7% of share capital), of which 185,814 (03 July 2021: 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 six months ended 1 January 2022 the Company has repurchased 42,882 shares (3 July 2021: 57,176). No shares were cancelled in the period (3 July 2021: no shares cancelled).

16. Reconciliation of alternative performance 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:

	Six months to 1 Jan 22 £m Unaudited	Six months to 2 Jan 21* £m Unaudited	Year to 3 July 21 £m Audited
Operating profit	**55.6**	61.3	11.4
Exceptional items:			
– Department for Transport financial penalty and associated costs relating to LSER and other historic franchises	**(12.5)**	—	32.4
– Norway franchise onerous contract provision and asset impairment	**(0.5)**	—	76.7
– Asset impairments and restructuring costs – Regional Bus	**—**	0.3	0.2
– Asset impairments, provisions and restructuring costs – International Rail	**—**	(5.2)	(5.2)
Operating profit pre-exceptional items	**42.6**	56.4	115.5

* Restated. Details of the restatements and the impact on the above table in respect of the six months to 2 January 2021 are explained in note 2.

A summary of the impact of the exceptional items on other statutory measures can be seen in the consolidated income statement.

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.

	Six months to 1 Jan 22 £m Unaudited	Six months to 2 Jan 21 £m Unaudited	Year to 3 July 21 £m Audited
Syndicated loans	**280.0**	280.0	280.0
£250m sterling seven-year bond	**250.0**	250.0	250.0
Euro financing facilities	**14.3**	17.0	13.2
Total core facilities	**544.3**	547.0	543.2
Amount drawn down at period end	**350.1**	410.9	389.8
Headroom on facilities	**194.2**	136.1	153.4
Unrestricted cash	**135.1**	114.7	86.9
Headroom on facilities and unrestricted cash	**329.3**	250.8	240.3

16. Reconciliation of alternative performance measures (APMs) continued

EBITDA

The Group's 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. EBITDA (excluding exceptional items) is defined as earnings before interest, tax, depreciation, amortisation and impairment and excludes exceptional items.

Reconciliation of EBITDA (IFRS 16 basis):

	Six months to 1 Jan 22 £m Unaudited	As previously reported six months to 2 Jan 21 £m Unaudited	Restatements*	As restated six months to 2 Jan 21 £m Unaudited	Year to 3 July 21 £m Audited
(Loss)/profit after tax	**46.2**	16.2	25.8	41.9	(40.7)
Exceptional items	**(13.0)**	21.0	(25.9)	(4.9)	104.1
Net finance costs	**5.2**	10.0	0.5	10.5	18.1
Tax expense	**3.9**	8.4	—	8.4	33.8
Depreciation of property, plant and equipment	**39.9**	43.2	—	43.2	81.6
Depreciation of right of use assets	**209.2**	247.9	—	248.0	486.5
Amortisation of intangibles	**2.1**	3.3	—	3.3	6.3
Share of JV result	**0.3**	0.5	—	0.5	0.2
Asset impairment	**0.2**	—	—	—	5.7
Investment impairment	**—**	—	—	—	—
EBITDA	**294.0**	350.5	0.4	350.9	695.6

* Restated. Details of the restatements and the impact on the above table in respect of the six months to 2 January 2021 are explained in note 2.

The impact of IFRS16 on EBITDA is £211.2m. The pre-IFRS 16 EBITDA was £82.8m (H1'21: £98.5m).

Adjusted net debt

Adjusted net debt excludes restricted cash. Bank covenants continue to be assessed on a pre-IFRS16 basis.

Reconciliation of adjusted net debt:

	Six months to 1 Jan 22 £m Unaudited	Six months to 2 Jan 21 £m Unaudited	Year to 3 July 21 £m Audited
Cash	**388.9**	540.8	630.6
Bank borrowing	**(350.1)**	(410.9)	(389.9)
Finance lease creditor	**(2.3)**	(3.6)	(2.9)
Net cash pre-IFRS16	**36.5**	126.3	237.8
Restricted cash	**(253.8)**	(426.2)	(543.7)
Adjusted net debt pre-IFRS16	**(217.3)**	(299.9)	(305.9)

17. Related party transactions

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

18. Post balance sheet events

UK Rail

On 25 March 2022 the Department for Transport (DfT) awarded a National Rail Contract (NRC) to Govia Thameslink Railway (GTR) to continue operating the Thameslink, Southern and Great Northern rail services, the UK's largest railway network. The new contract commenced on 1 April 2022 and will run until at least 1 April 2025, with the option to extend until 2028.

GTR will earn a fixed management fee of £8.8m per annum (equivalent to a margin of 0.5% of GTR's cost base) to deliver the contract, with an additional performance fee of up to £22.9m per annum (equivalent to an additional 1.35% margin). Subject to the achievement of performance targets set by the DfT, the maximum fee receivable by GTR would therefore be £31.7m per annum (equivalent to a margin of around 1.85%).

18. Post balance sheet events continued

London & International Bus

On 1 April 2022, the Group's subsidiary, Go-ahead Sverjge AB acquired 100% shareholding in Flexbuss Sverige AB, a bus company in Sweden for a consideration for £11.7m.

On the 12 April 2022, the Group also acquired 100% shareholding in Netcourt Properties Limited, a transaction to acquire land for depot development for a cash consideration of £13.5m. This asset will be used by Go Ahead London.

Board changes

The Interim Group Chief Finance Officer, Gordon Boyd, who was appointed to the Board in September 2021, left the Group as planned on 28 March 2022. A new Group Chief Financial Officer, Sarah Mussenden, will join the Group on 9 May 2022.

Responsibility and cautionary statements

Responsibility statements

We confirm that to the best of our knowledge:

- the interim financial statements, which have been prepared in accordance with IAS 34 'Interim Financial Reporting', give a true and fair view of the assets, liabilities, financial position and profit or loss of The Go-Ahead Group plc as required by the Financial Conduct Authority's Disclosure and Transparency Rules ('DTR') 4.2.4R;
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

The directors of The Go-Ahead Group plc are listed in the Group Annual Report and Accounts for the year ended 3 July 2021. Following the conclusion of the Group's General Meeting on 28 March 2022, Gordon Boyd resigned from the Board as Interim Chief Financial Officer. A list of current directors is maintained on Go-Ahead's website: www.go-ahead.com.

By order of the Board

Christian Schreyer
Group Chief Executive Officer
26 April 2022

Cautionary statement

This report is addressed to shareholders of The Go-Ahead Group plc and has been prepared solely to provide information to them and should not be relied on by any other party or for any other purpose.

This half yearly report is intended to inform the shareholders of the Group's performance during the six months to 1 January 2022 and this report and the announcement under which it was released do not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Go-Ahead Group shares or other securities. This report contains forward looking statements based on knowledge and information available to the directors at the date the report was prepared. These statements should be treated with caution due to the inherent uncertainties underlying any such forward looking information and any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

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