Annual Report and Accounts

for the year ended 2 July 2022

Registered No: 02100855

Strategic report

Corporate governance

Group financial statements

Company financial statements

Section 172(1) and non-financial information statements

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

The directors are mindful of the duty they have under Section 172(1) to promote the success of the Company over the long term for the benefit of shareholders as a whole, having regard to the interests of a range of other key stakeholders. In doing so, the Board's desire to act fairly between members, maintain a reputation for high standards of business conduct, and consider the long term consequences of the decisions it takes has underpinned its operation at every level of the business for the year ended 2 July 2022. For further information see pages 1 to 64 of the Strategic Report and pages 65 to 115 of the Corporate Governance Report.

Read more about:

- Why and how we engaged with our stakeholders, the key topics of engagement during the year ended 2 July 2022 and how we responded, pages 25 to 27
- The Group's goals, strategy and business model in the Strategic Report, pages 9 to 11
- The interests of the Group's employees, pages 37 and 39
- Our approach to sustainability including our impact on the community and environment, pages 43 to 48
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- The Board's key focus areas and principal decisions for the year ended 2 July 2022, page 70
- How our corporate governance principles:
  - Shape and monitor the culture of the Group to ensure it supports our purpose, values and strategy, page 74
  - Ensure stakeholders are considered in the decision making process and their views are understood in the boardroom including those of the workforce, pages 75 to 76
  - Ensure there is proper consideration of the potential impact of decisions in the long term.

Section 172(1) and non-financial information statements continued

Non-financial information statement

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

Reporting requirement and policies and standards which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
Environmental matters • Environment policy • Group energy and climate change policy • Taskforce on Climate-related Financial Disclosures (TCFD) • Climate change strategy	Environment impact, page 45 Climate change strategy, page 28 TCFD, page 30 GHG emissions, page 111
Employees • Whistleblowing policy • Conflicts of interest policy • Equal opportunities, diversity and inclusion policy • Code of conduct policy • Health and safety policy • Health and wellbeing policy	Our people, page 37 Culture, page 74 Directors' Report, page 106
Human rights • Human rights policy • Modern slavery policy • Code of conduct policy • Sustainable Supply Chain Charter	Our business model, page 9 Our people, page 37 Communities, page 43 Culture, page 74
Social matters • Community and charitable investment policy • Community investment strategy • Sustainable Supply Chain Charter • Health and safety policy	Our business model, page 9 Communities, page 43 Safety, page 35
Anti-bribery and anti-corruption • Anti-bribery and anti-corruption policy	Our people, page 37
Principal risks and impact on business activity	Risk management, page 51 Audit Committee Report, page 83
Description of the business model	Our business model, pages 9 and 10
Non-financial key performance indicators	Non-financial key performance indicators, pages 30 to 48

* Further details on our policies and procedures are available on our corporate website www.go-ahead.com

Chair's statement

This has been an exceptional year for the business. As the COVID-19 pandemic receded, new challenges arose, with the war in Ukraine, spiralling energy costs and a cost-of-living crisis all having a tremendous impact on individuals, communities and businesses across the globe.

Alongside this, we navigated the settlements with the Department for Transport (DfT) in relation to London & South Eastern Railway (LSER) and other historic franchises, the appointment of a new leadership team and, most recently, a bid for the Group which completed in October 2022.

Throughout this extraordinary period, our colleagues across the Group have shown considerable commitment and resilience to ensure we continued to deliver safe, reliable services for our customers and communities that rely upon them. I would like to extend my deep appreciation and thanks to every colleague across the business for their dedication to Go-Ahead and our customers.

While some challenges remain, we are collectively focused on fulfilling our important purpose in supporting society, our communities and the environment. This purpose was evidenced throughout the COVID-19 pandemic and it has continued to be demonstrated as a new normal has been established. I am once again proud of how well we have lived up to this purpose.

The year in review

Corporate Governance

As reported in the previous year, the Board identified a number of areas to enhance the Group's corporate governance and internal controls. Primarily identified as a consequence of franchise matters in LSER and International Rail, the Board committed to a series of improvements, including Board and leadership changes, improvements in bid investment decision making and ongoing contract compliance monitoring. Whilst progress has already been observed through 2022 such as the refreshed management team in Germany and the enhanced governance structure in GTR, the Board is cognisant that further improvements are required and that these will continue to be a focus in the coming year. The impact of the new leadership team will take time to embed and the change of ownership of the Group will also bring a fresh perspective to the control environment.

LSER

During the year, the DfT took the decision to appoint the Operator of Last Resort to take over the operation of Southeastern services, at the end of the franchise term on 17 October 2021, rather than awarding LSER a National Rail Contract (NRC). This decision was a consequence of failings relating to LSER which did not reflect the strong values to which Go-Ahead holds itself.

The shares and corporate bonds of Go-Ahead were temporarily suspended from trading between 4 January 2022 and 24 February 2022. At the time, I apologised sincerely to our investors for the uncertainty and inconvenience these circumstances caused, and I wish to thank our shareholders for their patience and support throughout the year.

Board and senior leadership changes

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

Following the retirement of David Brown in late 2021, Christian Schreyer was appointed as our new Group Chief Executive. Christian's appointment was the result of a thorough search process. His background working at global mobility company Transdev, experience of building relationships and collaborating with public stakeholders, and solid record of driving efficiency and better service for passengers and clients have already shown their value and I believe they will serve Go-Ahead well into the future as we navigate both the challenges and opportunities ahead. To further bolster the senior leadership team, Christian was joined by Group Chief Financial Officer Sarah Mussenden, who was appointed on 9 May 2022. Sarah replaced Gordon Boyd, who served as Interim Group Chief Financial Officer from 28 September 2021 following the resignation of Group Chief Financial Officer Elodie Brian until the end of March 2022.

Following the year end, David Blackwood, Harry Holt and Leanne Wood stepped down from the Board on 10 October 2022 following the change in ownership of the Group (see below). Sarah Mussenden also left the Group at the end of December 2022 and an Interim Group Chief Financial Officer has been appointed.

The Next Billion Journeys

Following Christian's appointment, an in-depth strategic review of the business was undertaken, resulting in the announcement of our new strategy, "The Next Billion Journeys". This strategy aims to deliver profitable growth and a sustainable future for the business in a dynamic public transport market. The business review was undertaken in collaboration with colleagues from around the Group drawing on experience and expertise from our UK and international bus and rail operations. This collaborative approach resulted in a strong buy-in from colleagues and a commitment to "The Next Billion Journeys". The new strategy, which aims to deliver growth in existing and new markets, is underpinned by new medium term financial targets and supports the Group's renewed purpose of "moving you and the next generation towards a smarter and healthier planet.". Further details on the new strategy can be found on page 11.

The year in review continued

Strategic progress

Since the development of our new strategy, we have already made significant progress in a number of areas. I was very pleased with the DfT's decision to award GTR a National Rail Contract (NRC), which commenced on 1 April 2022, demonstrating the DfT's continued confidence in Go-Ahead to operate a UK rail franchise.

I was also delighted that, in December 2022, Go-Ahead won both of the two bus contracts to be tendered by the Mayor of Manchester in Bolton and Wigan. The contracts comprise 55 routes, served by a fleet of 308 buses, and are worth up to £400 million in revenue over seven years. Around 750 people will be transferring into Go North West to run the services, which will be branded as part of Manchester's new Bee Network.

In the same month, we won a contract to operate buses in Sydney, under a joint venture with an Australian company, UGL. This takes us into a new market, and it's in line with the ambition we set out for international expansion under our new strategy. The buses will run under a brand we've created for the joint venture, called U-Go Mobility. From July 2023, we'll be operating a network of 225 buses, to be run by more than 400 colleagues in an area stretching from Sydney's southern beaches to the city's south-western suburbs. We'll be delivering more than 500,000 passenger journeys daily.

In Norway, following constructive discussions with the Norwegian Rail Directorate, a new agreement was reached in June 2022 regarding the structure of the rail contract. The new contract took effect on 1 July 2022 and runs, for the duration of the original contract, to December 2027, with an optional two-year extension, and provides revenue support as well as an incentive scheme linked to revenue growth. As a result of this new agreement, we have been able to reduce the onerous contract provision relating to rail operations in Norway by £51.6m.

In Germany, we continue to progress our improvement plans in Baden-Württemberg, although financial penalties relating to operational performance have been slightly higher than anticipated in the period. Following discussions with our client in Baden-Württemberg, we reached a memorandum of understanding which will result in a modest improvement to the financial performance of the contract over its life. Further negotiations remain underway. In Bavaria, the first of two contracts started on 12 December 2021 and performance has been in line with expectations. Mobilisation of the second contract commenced in December 2022. As previously indicated, there are inherent uncertainties and risks associated with the mobilisation of this contract and in estimating the impact of key success factors including service performance, driver recruitment and energy consumption. A detailed review and challenge of the assumptions within the contract took place. Upon reassessment of the Bavarian rail contracts' onerous contract provision under IAS 37, it was determined than an increase in the provision of £36.0m was necessary based on the contracts' forecast future cashflows discounted at a risk-free rate having considered these in light of updated market conditions and experience gained in running operations during the year. In addition, a prior year adjustment of £5.1 million has been identified in respect of the GABY onerous contract provision primarily relating to prior year modelling errors within the model and errors relating to revenue for which there was contractual entitlement, but which had been omitted from the original onerous contract provision, over the life of the 12 year contract. The impact of the restatement is to increase the provision by £5.1 million in the year ended 27 June 2020 with a corresponding reduction of retained earnings. Refer to "Critical accounting judgements and key Sources of estimation uncertainty" section for further details on page 140.

In line with our new strategy, we continue to explore opportunities in bus and light rail markets, and in April 2022, we acquired Flexbuss, a family run bus company operating in southern Sweden providing scheduled bus services, school transport, medical transfer and private hire buses. This acquisition sees the expansion of our successful London and International franchised bus business and will play to our strengths in operating bus contracts on behalf of local authorities, partners and third parties. Our new Flexbuss colleagues have been warmly welcomed to the Go-Ahead family.

In Singapore, we were delighted that the Land Transport Authority granted a three-year contract extension to Go-Ahead Singapore to continue operating buses in the Loyang region of the island until September 2026.

France was identified as a priority market under our new strategy and so the exciting new partnership between Go-Ahead and Lacroix & Savac, announced in June 2022, will offer a platform to explore opportunities to bid together for public transport contracts in Paris. Under the partnership, the two companies will target the market for bus services in and around Paris, where the city authorities have begun a process of putting routes out to tender as the Parisian bus market is set up to open up to competition from 2025. These routes would benefit from Go-Ahead's considerable experience in running busy commuter routes in densely populated cities like London.

Chair's statement continued

The year in review continued

Change in ownership

In June 2022, it was announced that a consortium comprising Kinetic TCo Pty Limited (Kinetic), a leading provider of bus services in Australia and New Zealand, and Globalvia Inversiones S.A.U. (Globalvia), a worldwide infrastructure leader in the mobility industry, intended to make an offer to acquire Go-Ahead. This announcement followed the consortium making a series of offers earlier in the year. Following the year end, Go-Ahead's shareholders voted to accept the consortium's final offer of 1,450p plus a special dividend of 100p per share. Following the shareholder vote, the High Court of Justice in England and Wales sanctioned the acquisition at the Court Sanction Hearing and following the delivery of a copy of the Court Order to the Registrar of Companies, the acquisition completed on 10 October 2022.

The Board recommended this offer, believing it represents fair value for shareholders. Whilst the ownership of Go-Ahead has changed, Go-Ahead itself is not. The heritage and culture that have made Go-Ahead the Group it is today remain. The purpose and the people that have made Go-Ahead so important to the communities it serves are unchanged. Our new owners are committed to delivering our purpose for the benefit of all stakeholders, and they share our values and support the growth strategy we set out earlier this year. They have placed their trust in our management team, led by Christian, to deliver our strategy and take the Group forward at this pivotal time for public transport. Go-Ahead remains a standalone business within a global platform and Kinetic and Globalvia will leverage their experience and strong brand equity to support new growth opportunities for Go-Ahead, both in the UK and internationally.

Christian and his senior team continue to lead the business, I remain as Chair and Dominic Lavelle continues in his role as Independent Non-Executive Director and Audit Committee Chair. However, the change in ownership means that the other members of the Board stepped down upon the transfer of ownership on 10 October 2022. I would like to extend my most sincere thanks to every Board member for their commitment, wisdom and perseverance as they helped navigate the Group through this challenging time, and for their support to me as Chair. I would also like to extend a warm welcome to the incoming Board members and look forward to working with them as we work towards continued success for the Group and our stakeholders.

Cyber security

On 5 September 2022, unauthorised access to Go-Ahead's IT systems was discovered. The Go-Ahead IT team, in collaboration with an external incident response specialist, acted quickly to contain the incident and restore critical services. For further information on the steps taken, please see the Corporate Governance Report on page 73.

Suspension of corporate bond

On 19 December 2022, Go-Ahead announced a delay to the publication of its Annual Report and Accounts for the year ended 2 July 2022 due to its external auditor requiring additional time to finalise the audit process and procedures. This delay resulted in the temporary suspension of the listing of the Company's £250m sterling bond from 3 January 2023. The Board has applied to the FCA for the restoration of the listing of the corporate bond.

Looking ahead

With a new strategy, new leadership team and new ownership structure, I look forward to the next chapter for Go-Ahead. While we continue to face challenges in some areas of the business, we have a clear direction and an important purpose to fulfil.

As the world recovers and rebuilds following the COVID-19 pandemic, faces macro-economic challenges and continues on the path to decarbonisation, I have no doubt that public transport will play a crucial role. At Go-Ahead, we are committed to shaping a successful future which delivers value to all our stakeholders, and I am excited by the opportunities we have as we move forward.

Operating review

New ownership structure

Following the year end, on 16 August 2022, Go-Ahead's shareholders approved the recommended cash offer for the entire issued and to be issued share capital of the Group, made by a consortium comprising Kinetic TCo Pty Limited (Kinetic) and Globalvia Inversiones S.A.U (Globalvia) for 1,450p plus 100p special dividend per share. This was effected by means of a Court-sanctioned Scheme of Arrangement under Part 26 of the Companies Act 2006 which completed on 10 October 2022.

Overall performance in the year

The Group delivered a solid set of results for the year ended 2 July 2022 with encouraging performance in continuing operations. Revenue fell 19.0 per cent , largely due to the end of the Southeastern contract in October 2021, and operating profit (pre-exceptional items) dipped 22.9 per cent reflecting the end of the Southeastern contract and a stronger prior year which benefited from a number of one-off items, such as one-off pre-Emergency Measures Agreement (EMA) items in GTR and timing benefits in the recognition of Quality Incentive Contract payments in London Bus. Performance was also impacted by a number of exceptional items, resulting in an exceptional credit of £21.2m (2021: £104.1m cost) which largely relates to changes in onerous contract provisions (net £15.6m credit) and settlements reached with the Department for Transport (DfT) in relation to London & South Eastern Railway Limited (LSER) (£9.3m credit). The changes in the onerous contract include a reduction of £51.6m in the Norwegian onerous contract provision recognised in the prior year and an increase of £36.0m in the existing onerous contract provision in Germany for the Bavarian contract.

Our divisions

Bus

Regional Bus

The Regional Bus division typically generates the majority of revenue through passenger fares. The companies comprising the division are 100 per cent owned by Go-Ahead.

At the start of the year, Regional Bus services continued to be supported by the COVID-19 Bus Service Support Grant (CBSSG) as passenger volumes remained suppressed following the pandemic. This funding, which enabled a broadly breakeven position for operators, was replaced in September 2021 by the Bus Recovery Grant (BRG) which continues to support the transition back to a more commercial model through the provision of a fixed sum of funding for the industry.

The Regional Bus division continued to see a steady recovery in passenger demand over the year, with commercial volumes across the business reaching in excess of 85 per cent of pre-pandemic levels by the year end.

Since the year end, we have seen further recovery in commercial volumes, in some cases reaching more than 90 per cent of pre-pandemic levels. These trends give us confidence in the continuation of passenger recovery in the coming months.

London & International Bus

The London & International Bus division comprises contracted bus operations in London, Singapore, Ireland and Sweden. It generates the majority of its revenue through contracts with transport authorities. The companies comprising the division are 100 per cent owned by Go-Ahead.

Operations in London, Singapore and Ireland traded well during the year and the acquisition of Flexbuss in Sweden in April 2022 has seen a successful introduction and is contributing to the division's profitability.

Revenue increased due to contract wins, however operating profit and operating profit margin for the year were lower than prior year, which reflects the contractual nature of the operations and the £8.0m reduction in Quality Incentive Contracts (QICs) following the higher levels recognised in London in the prior year when QICs moved from an annual to quarterly settlement thus creating greater levels of certainty, leading to the acceleration of the recognition of this revenue and crystalising additional QICs in the prior year.

Following the year end, we were pleased to be awarded a contract extension in Singapore running from the previous end date of September 2023 to September 2026.

Rail

UK Rail

UK Rail consists of GTR, the UK's largest rail franchise. GTR generates revenue through a management contract with the DfT. GTR is 65 per cent owned by Go-Ahead. Keolis UK controls the remaining 35 per cent stake.

At the beginning of the financial year, UK Rail comprised GTR and Southeastern which operated under an Emergency Recovery Measures Agreement (ERMA) and an EMA respectively. Under both agreements a fixed margin was paid for the operation of rail services, with the potential to earn performance incentives fees in addition. In October 2021, the Southeastern contract ended following the DfT's decision to appoint the state-owned Operator of Last Resort (OLR).

GTR was awarded a National Rail Contract (NRC) in April 2022, running until April 2025 with the potential for a further three years at the Secretary of State's discretion. Like the ERMA it replaced, the NRC is a management contract through which GTR provides agreed rail services for a fee. The contract has limited cost risk and exposure to changes in passenger demand. Changes in allowable costs (as defined in the contract) are at the risk of the DfT, not the operator. In addition to the fixed management fee and potential performance fee stipulated by the contract, the NRC also allows for individual project fees to be earned by GTR on the delivery of additional initiatives as directed by the DfT.

Our divisions continued
Rail continued
UK Rail continued
Throughout 2022 and into 2023, industrial action has impacted rail services across the UK, including GTR on some days. We regret the impact such action has on our customers and urge the unions to engage with us over changes to the industry that are required to secure a sustainable and positive future. Under the management contract structure, which is based upon a management fee and performance-related fees, in respect of industrial action, the associated cost and revenue risk of such action remains with Government, not GTR.

International Rail
The International Rail division comprises operations in Germany and Norway. It generates the majority of its revenue through contract fees from transport authorities. The companies comprising the division are 100 per cent owned by Go-Ahead.

Onerous contract provisions are in place in relation to rail contracts in Norway and Germany. In the financial year, there were material exceptional items which included an onerous contract release in Norway following the contract amendment and an increase in the existing onerous contract provision in Germany for the Bavaria contract following a reassessment of the provision using updated market conditions. The quantum of these provisions is material and subject to a degree of estimation and uncertainty. See page 143 for more information within the key sources of estimation uncertainty section.

In Norway, passenger volumes have started to show improvement albeit have not yet reached pre COVID-19 levels. The original contract, which began in 2019, included exposure to changes in passenger demand, and the Norwegian Government introduced a package of financial support early in the COVID-19 crisis enabling a broadly breakeven performance. Government support although reduced remained in place during the year and towards the end of the year, a new agreement was reached between the Norwegian Railway Directorate and Go-Ahead Norway, regarding the structure of the contract. The amended contract took effect from 1 July 2022 and runs for the duration of the original contract, until December 2027 (plus a two-year extension option until December 2029), providing a revenue support scheme until the end of the contract. The amended contract also includes an incentive scheme linked to revenue growth.

Subsequent to the year-end, a dispute has arisen with the Norwegian Rail Directorate relating to specific terms for the compensation for loss of passenger income mechanism that had been agreed under the revised agreement traffic agreement dated 28 June 2022. Based on legal advice obtained and review of correspondence between the Company and the Rail Directorate at the time of the signing of the revised agreement in June, the Directors are satisfied that the onerous provision has been calculated based on the terms of the revised agreement. Whilst the Directors are confident of a successful outcome, until such time as the dispute is resolved with the Directorate there remains a possible risk that if successfully challenged by the Directors, this could increase the onerous contract provision by up to £20.0m. The Directors consider that the onerous contract provision reflects their best estimate of the terms agreed at the time.

In Germany, Go-Ahead's Bavarian contracts have limited direct exposure to passenger demand. For the contracts in Baden-Württemberg, the focus remains on continued improvement of operational performance. Following the introduction of the first contract in December 2021, mobilisation for the second, and final, contract in the region commenced in December 2022.

Markets
Megatrends and recent trends
The public transport industry is becoming increasingly important to society. A number of overarching societal trends will shape a broader, but evolving, role for public transport in the years to come.

Climate change is an issue that requires swift and global action. For industrialised countries to achieve their legally binding net zero goals, there will need to be a huge shift away from private cars to walking, cycling and public transport. Our role in this is significant – we must build on the momentum initiated by governments by promoting this modal shift. Simultaneously, we must minimise and mitigate the negative direct and indirect environmental impacts our operations have.

Go-Ahead's first climate change strategy was published in July 2021, with a commitment to be net zero by 2045, five years before the UK Government's collective national target of 2050.

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

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

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

Markets continued
Megatrends and recent trends continued

The long term legacies of the COVID-19 pandemic are yet to become clear. We know that commuting patterns have changed for good, with hybrid working here to stay for many people. Other changes include where people choose to live and the make-up of our high streets. Neighbourhoods are set to benefit from home working, with more money and time spent close by, which creates opportunities for local buses. A car-based recovery would be hugely detrimental to the environment and our communities. Investment in local bus services (including bus priority measures) is needed to service demand and support a resurgence in our neighbourhoods. Public transport has a huge role to play in addressing many of society's challenges, including climate change, physical and mental health, social isolation and loneliness, and equal access to education and employment. To effect real change, the balance must be redressed from today's dependence on private car use to the more sustainable options of bus and rail travel.

In a high inflationary environment, with the current cost of living placing households under financial pressure, public transport can provide a more economical option for people than the private car.

Government policy

In the UK, Go-Ahead's core market, public transport is high on the Government's agenda, with 2021 seeing two major Government announcements: the Bus Back Better national bus strategy and the Williams-Shapps Plan for Rail. Go-Ahead is supportive of the broad objectives of both and welcomes the additional investment the UK Government is putting into local bus services. Go-Ahead agrees with the need for a long term strategy for rail and believes an appropriate structure must be put in place to incentivise rail operating companies to bring innovation into the network and to grow passenger numbers. More recently, the "Levelling Up" White Paper emphasised the importance of public transport in enhancing regional economies. These policies will shape the future of public transport in the UK, and their significance should not be underestimated.

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

Mass transport is high on the agenda of the authorities in all our operating areas and, whilst there have not been any significant government policy updates in the other markets we operate in, we aim to foster good relationships at all levels of government wherever we operate.

Outlook

We remain confident about the long term prospects of the Group. Public transport usage is recovering well across our markets following the pandemic and the megatrends and recent trends impacting the industry highlight the importance of public transport, and continued investment in it, going forward.

Specific challenges, particularly in German rail, continue to be actively managed to deliver improvements in the outlook over the remaining lives of the contracts.

Individual divisional outlooks are provided on pages 6 to 8.

Our business model

Our purpose: Moving you and the next generation towards a smarter and healthier planet

Delivered through our strategy:

- Performance improvement
- Organic and external growth
- Progression of new opportunities

Read about our strategy on page 11

Supported by a strong financial profile:

Strong market traction

- Modal shift resulting from policy regulation and increasing fuel prices
- Rapid urbanisation
- Market liberalisation

Unique competitive positioning

- Leading position in UK rail and London bus
- Leader in electrical transition in the UK market
- Industry leading passenger satisfaction scores

Resilient business model

- Diversified portfolio by sector and geography
- Limited exposure to passenger demand risk
- Long-term contracts

Strong financial position with a proven track record

- Track record of growth
- Robust balance sheet
- Disciplined approach to capital allocation

Positive social and environmental impact

- Science based targets to reduce carbon emissions
- Delivering public transport – a vital element in tackling climate change
- Services support social and economic inclusion

Experienced leadership

- Leadership team with significant international experience
- Highly respected Managing Directors at operating company level

How we deliver our business model:

Approach

- Strong capability in urban commuter markets
- Customer-focused decision making
- Industry leading climate change strategy
- Well defined values and behaviours

Market position

- Leading position in UK rail, London bus and UK regional bus
- High quality of service
- Strong relationships with strategic partners and stakeholders
- The UK's largest operator of zero emission buses

Management

- Experienced leadership
- Devolved structure
- Robust balance sheet
- Strong risk management

Executive remuneration

During the year, executive remuneration was aligned to both shareholders' and other key stakeholders' interests and operated in line with our business model, long term strategy, culture and values. See page 94 for more details on the executive directors' remuneration.

Our business model continued

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

Our people

Financial value - We look after our people, paying competitive salaries and offering attractive benefit packages.

Non-financial value - We create safe and enjoyable inclusive working environments in which people are empowered and enabled to develop personally and professionally. We offer occupational health and other wellness services for both physical and mental health.

Customers

Financial value - We provide value for money services, offering convenient alternatives to car travel against a backdrop of rising costs of private motoring.

Non-financial value - Our services facilitate our passengers' lives, connecting people with friends and family and enabling access to services, facilities, work and education. Our buses and trains provide safe and convenient places for people to use their travel time as they wish.

Strategic partners and suppliers

Financial value - We support suppliers in the UK and internationally through the procurement of goods and services.

Non-financial value - Through our Sustainable Supply Chain Charter, we demonstrate high standards of integrity, responsibility and professional conduct. We endeavour to support our suppliers to improve the sustainability of their business.

Government

Financial value - Our contribution to the Government includes corporation tax and National Insurance contributions.

Non-financial value - Through our experience and expertise we help shape policies at national and local levels through our contribution to reviews and consultations. Through our activities we support government targets and objectives in areas such as climate change, diversity and social inclusion.

Communities

Financial value - Our services enable and promote economic activity in our communities, providing access to retail and leisure facilities, work and education.

Non-financial value - We strive for our services to be accessible and inclusive. We promote social inclusion in our communities, often providing vital transport links to vulnerable people. Operating responsibly, we are committed to maximising the role we play in slowing global climate change and improving air quality for our communities.

Investors

Financial value – During the year, prior to the acquisition of Go-Ahead's entire issued share capital in October 2022, we aimed to provide attractive shareholder returns. As part of the acquisition arrangements, a special dividend of 100p per share was paid to shareholders upon completion of the transaction.

Non-financial value - Confidence in the long term sustainability of the Group is built through our approach to operating responsibly, such as measuring and reducing our impact on climate change.

Strategy

Go-Ahead communicated a new strategy in April 2022 following a business review undertaken by Christian Schreyer after his appointment as Group Chief Executive in November 2021. The strategy is underpinned by medium term financial targets.

The business review found fundamental strengths in the Group and identified areas to deliver improvements and enable sustainable growth. Under the new strategy the Group will strengthen, digitalise and decarbonise its operations, delivering greater profitability and financial returns alongside improvements for customers and communities.

New strategy: "The Next Billion Journeys"

Three strategic priorities have been identified, aimed at delivering profitable and sustainable growth in existing and new markets:

Performance improvement

- Enhance the basics by focusing on operational excellence, particularly in performance management, standardisation of processes and digitalisation
- Turn around underperforming operating companies
- Reduce the zero-emission breakeven point to accelerate fleet decarbonisation

Organic and external growth

- Accelerate passenger recovery and increase modal shift
- Grow in existing geographies, notably the UK regional bus market, maintain London market share and promote an attractive model for Passenger Service Contracts in the UK rail market
- Replicate the successful London & International Bus business model in selected international markets, exploring partnership and acquisition opportunities where appropriate

Progress new opportunities by leveraging existing capabilities and resources

- Explore new urban mass transit modes such as metro, light rail and bus rapid transit
- Accelerate in B2B, such as airport transport and rail replacement services
- Explore new services within the mobility value chain with existing capabilities and resources, such as zero-emission services, Mobility as a Service (MaaS) operation and property utilisation

These strategic priorities are underpinned by five key enablers

- Strengthening governance and transparency
- Improving digital and data capabilities
- Consolidating zero-emission capabilities
- Rebuilding post COVID-19 confidence with passengers and clients
- Enhancing people engagement and collaboration

Medium term targets

- An increase in annual Group revenue to around £4bn, up by around 30 per cent*, in the medium term
- Medium term annual cost savings of £40m in bus business
- An increase in annual Group operating profit to at least £150m in the medium term

* Excluding recently ended LSER contract

KPIs for the new strategy are being developed.

Business and finance review

Group overview

	2022 £m	2021 £m	Movement £m	Movement %
Group revenue	**3,288.1**	4,058.5	(770.4)	(19.0)
Regional Bus operating profit	**26.9**	17.9	9.0	50.3
London & International Bus operating profit	**57.8**	68.5	(10.7)	(15.6)
Total Bus operating profit	**84.7**	86.4	(1.7)	(2.0)
UK Rail operating profit	**23.6**	56.7	(33.1)	(58.4)
International Rail operating (loss)	**(19.2)**	(27.6)	8.4	30.4
Total Rail operating profit	**4.4**	29.1	(24.7)	(84.9)
Group operating profit (pre-exceptional items) [2]	**89.1**	115.5	(26.4)	(22.9)
Exceptional operating items	**21.2**	(104.1)	125.3	120.4
Group operating profit (post-exceptional items)	**110.3**	11.4	98.9	867.5
Results of equity accounted investments	**(0.1)**	(0.2)	0.1	50.0
Net finance costs	**(15.5)**	(18.1)	2.6	14.4
Profit/(loss) before tax	**94.7**	(6.9)	101.6	1,472.5
Total tax expense	**(13.5)**	(33.8)	20.3	60.1
Profit/(loss) for the period	**81.2**	(40.7)	121.9	299.5
Non-controlling interests	**(13.3)**	(5.3)	(8.0)	(150.9)
Profit/(loss) attributable to shareholders	**67.9**	(46.0)	113.9	247.6
Profit attributable to shareholders (pre-exceptional items)	**50.9**	46.6	4.3	9.2
Weighted average number of shares (m)	**43.0**	43.0	—	—
Earnings per share (pre-exceptional items) (p) [2]	**118.3p**	108.4p	9.9p	9.1
Earnings/(loss) per share (post-exceptional items) (p)	**157.9p**	(107.0)p	264.9p	247.6
Proposed dividend per share (p)	**—**	—	—	—
Special dividend per share (p) [1]	**100.0p**	—	100.0p	—
Additional dividend per share (p) [1]	**37.00p**	—	37.0p	—

1 Special dividend paid on completion of sale and additional dividend to the Group's new shareholders were not recognised as a liability at 2 July 2022. See note 11 in the consolidated financial statements for further details.

	2022 £m	2021 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Adjusted net debt (pre-IFRS 16 basis) [2]	**241.0**	305.9	(64.9)	(21.2)
EBITDA (excluding exceptional items and on a pre-IFRS 16 basis) [2]	**161.1**	195.7	(34.6)	(17.7)
Adjusted net debt (excluding restricted cash) to EBITDA (excluding exceptional items) on a pre IFRS 16 basis	**1.50x**	1.56x	(0.06)	(3.8)
Liquidity [2]	**320.5**	240.3	80.2	33.3

2 Non-GAAP measure. Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

Financial performance

All references to operating profit, EBITDA and margins are on a pre-exceptional basis unless otherwise detailed. A full reconciliation between pre and post-exceptional operating profit/loss is shown within the income statement and associated notes. The year ended 2 July 2022 was a 52 week period whereas the year ended 3 July 2021 was a 53 week period. Like for like comparatives have been referenced below where meaningful.

Overview

- The Group reports encouraging financial performance for the year. The Group generated operating profit (post-exceptional items) of £110.3m (2021: £11.4m) and operating profit (pre-exceptional items) of £89.1m (2021: £115.5m).
- An exceptional credit of £21.2m (2021: £104.1m cost) has been recognised in the year which relates largely to changes in onerous contract provisions and settlements reached with the Department for Transport (DfT) in relation to London & South Eastern Railway (LSER) (net £9.3m credit). The changes in the onerous contract include a reduction of £51.6m in the Norwegian onerous contract provision recognised in the prior year and an increase of £36.0m in the existing onerous contract provision in Germany for the Bavarian contract.
- The settlements reached in the year with the DfT related to matters of concern for LSER, other historical franchises and LSER affiliate trading. Settlements were lower than the provision recognised in the prior year exceptional items and a credit has been recognised in exceptional items in the current year. The prior year provision reflected the groups best estimate of the settlement amount with information available at the time. Refer to "Critical accounting judgements and key Sources of estimation uncertainty" section for further details on page 140.
- Material exceptional items include a reduction in the Norwegian onerous contract provision recognised in the prior year and an increase in the existing onerous contract provision in Germany for the Bavarian contract.
- On 16 August 2022, the recommended cash offer by Gerrard Investment Bidco Limited (Bidco), a newly formed company indirectly owned by Kinetic TCo Pty Ltd and Globalvia Inversiones S.A.U. (the Consortium), for the entire issued and to be issued share capital of The Go-Ahead Group plc was approved by the requisite majority of shareholders. Completion of the offer occurred on 10 October 2022.
- Under the terms of the offer, the Board agreed to pay a special dividend of 100p per share. This was paid on 24 October 2022. On 29 November 2022, an additional dividend of 37p per share was paid to the new shareholders.
- The Group is positive on the long term outlook and is progressing well towards the medium term targets set as part of the Group's strategy, "The Next Billion Journeys".

Performance

- The reduction in revenue principally reflects the end of the Southeastern franchise which was operated until 17 October 2021.
- The increase in operating profit (post-exceptional items) principally reflects the movement in exceptional items which was a cost in the prior year and is a credit in the current year. Exceptional items relate largely to the onerous contract provision movements in International Rail and settlements reached in UK Rail as well as goodwill impairment, legal, professional and takeover costs.
- The reduction in operating profit (pre-exceptional items) principally reflects the reduction in UK Rail and London & International Bus profits following the end of the Southeastern franchise and the one-off items in the prior year which included one-off pre-Emergency Measures Agreement (EMA) items in GTR and Quality Incentive Contracts (QICs) timing benefits in London.
- Earnings per share increased mainly due to the movement in exceptional items. There was a small increase in earnings per share on a pre-exceptional basis.

Position

- At the year end, the Group has a robust balance sheet and improved liquidity following disciplined cashflow management.
- Adjusted net debt (excluding restricted cash) on a pre-IFRS 16 basis reduced and the ratio of pre-IFRS 16 adjusted net debt (excluding restricted cash) to EBITDA (excluding exceptional items) has also reduced and is at the bottom of our target range of 1.5 times to 2.5 times.

Outlook

- Overall, whilst the Group continue to face challenges in some areas of the business, the outlook for the Group is positive as we move forward with a new strategy, new leadership team and new ownership structure.
- We continue to make progress towards our medium term strategic financial targets, although net debt is expected to increase, in part due to the impact of the Group's acquisition which has resulted in increased dividends and costs relating to the acquisition.

Bus

Bus overview

	2022 £m	2021 £m	Movement £m	Movement %
Total bus operations				
Revenue (£m)	**1,123.9**	1,088.6	35.3	3.2
Operating profit[1] (£m)	**84.7**	86.4	(1.7)	(2.0)
Operating profit margin[1]	**7.5%**	7.9%	n/a	(0.4ppt)
Regional Bus				
Revenue (£m)	**460.3**	427.7	32.6	7.6
Operating profit[1](£m)	**26.9**	17.9	9.0	50.3
Operating profit margin[1]	**5.8%**	4.2%	n/a	1.6ppt
London & International Bus				
Revenue (£m)	**663.6**	660.9	2.7	0.4
Operating profit[1] (£m)	**57.8**	68.5	(10.7)	(15.6)
Operating profit margin[1]	**8.7%**	10.4%	n/a	(1.7ppt)
Like for like revenue growth				
Regional Bus[2]	**9.7%**	(1.9%)	n/a	11.6ppt
London & International Bus[3]	**1.2%**	6.7%	n/a	(5.7ppt)
Like for like volume growth				
Regional Bus passenger journeys[4]	**65.1%**	(42.1%)	n/a	107.2ppt
London & International Bus miles operated [5]	**(0.3%)**	3.8%	n/a	(4.1ppt)

1. Excluding exceptional items. Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.
2. Like for like revenue is calculated after removing £8.1m in 2021 to adjust for the 53 week year.
3. Like for like revenue is calculated after removing £7.6m from 2022 revenue relating to contracts started part way through the year. £12.4m was removed in 2021 to adjust for the 53 week year in the prior year.
4. On a like for like basis, excluding the impact of the 53 week year in the prior year.
5. On a like for like basis, excluding the mileage relating to contracts started part way through the year and adjusting for the 53 week year in the prior year.

Regional Bus

	2022 £m	2021 £m	Movement £m	Movement %
Revenue and funding				
Passenger revenue	**325.1**	233.6	91.5	39.2
Contract revenue	**70.0**	70.6	(0.6)	(0.8)
Other revenue	**68.8**	127.5	(58.7)	(46.0)
Inter-segment revenue	**(3.6)**	(4.0)	0.4	10.0
Total revenue	**460.3**	427.7	32.6	7.6
Government funding *	**58.4**	120.0	(61.6)	(51.3)

* Funding is included in other revenue and includes COVID-19 Bus Service Support Grant (CBSSG) and Business Recovery Grant (BRG).

Continued Regional Bus recovery occurred during the year although profits were still below pre-COVID-19 levels. Improved year on year profitability reflects passenger demand growth and government recovery funding for operating services. Patronage continued to recover with total like for like passenger numbers up on prior year and commercial passenger numbers in excess of 85 per cent of pre-COVID-19 levels at year end. The return of passenger numbers has resulted in the increase in like for like revenue although this was partially offset by reduced funding. Vehicle mileage for the year was 90 per cent of pre COVID-19 levels.

Finance review

- Revenue growth primarily reflects passenger revenue recovery and reduced funding.
- Operating profit for the year increased and operating profit margins improved principally reflecting the recovery of passenger revenues and the return to a more commercial operating model as passenger volumes continue to recover and funding reduces.
- Reduced government funding reflects the change from COVID-19 Bus Service Support Grant (CBSSG) to Business Recovery Grant (BRG) funding and the transition to a more commercial model as passenger volumes continue to recover and funding reduces.
- Total capital expenditure, excluding right of use asset additions, was £13.3m (2021: £29.4m).

Bus continued

Regional Bus continued

Outlook

- Profitability is sensitive to the balance of revenue recovery, cost inflation, government funding initiatives and matching services to demand.
- We expect further recovery in passenger demand as funding ends and we move to a more commercial operating model
- BRG funding has been extended further until June 2023 and a funded £2 fare cap has been introduced by the DfT for the period January 2023 to June 2023.
- In April 2022, the DfT announced £1.1bn 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
- Regional bus margin is returning to pre-pandemic margins and closer to our medium term strategic margin and is expected to outperform our expectations in 2023 following continued extended funding and stronger passenger demand in certain areas of the division.
- In December 2022, Transport for Greater Manchester awarded Go-Ahead two contracts to operate Manchester's Bee Network with bus services starting in September 2023. The contracts do not carry passenger revenue risk as Go North West will be paid a fee to operate the buses with all fares going to TfGM.
- 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.

London & International Bus

Profits and margins in line with pre-COVID-19 levels. Continued growth and investment in the successful division where our contracts are operated on behalf of transport authority clients on a gross cost basis without exposure to changes in passenger demand.

Finance review

- Like for like revenue increased reflecting contract renewals, route wins and contract price inflation. Like for like mileage was broadly in line with prior year with service cuts offset by route wins.
- Operating profit margins are closer to pre-pandemic margins and contract price inflation has helped, and will continue to help, mitigate the risk of inflationary pressures.
- In April 2022, we acquired the Swedish bus business Flexbuss for £13.8m. Revenue is generated through contracts with the local transport authority, without direct exposure to changes in passenger demand. Trading is positive and in line with our expectations.
- Revenue is in line with prior year. Like for like revenue is higher which principally reflects the 53-week year in the prior year, contract price inflation and that service cuts in the year have been offset by route wins.
- Operating profit and operating profit margin for the year were lower than prior year. This is closer to pre-pandemic margins which reflects the contractual nature of the operations and the £8.0m reduction in Quality Incentive Contracts (QICs) following the higher levels recognised in London in the prior year when QICs moved from an annual to quarterly settlement.

Outlook

- The division has a robust business model and has already secured expected contractual revenue for the 2023 financial year through successful contract bidding. Whilst the London & International Bus division is expected to underperform in 2023, this is mainly due to driver shortages and the time lag of indexation. The Group expects an indexation benefit in 2024 and for the division to recover and return to the Group's strategic margins. In the 2023 financial year, continued revenue growth is anticipated in the division due to indexation benefits and ongoing expansion which is driven by investment in London, the acquisition of Flexbuss in Sweden and contract extensions.
- On 24 August 2022, the Land Transport Authority of Singapore granted a three-year contract extension to Go-Ahead Singapore to continue operating in the Loyang region of the island. The extension begins in September 2023 and will run until September 2026.
- In December 2022, Go-Ahead signed a contract to operate buses in Sydney, under a joint venture with an Australian company UGL with bus services starting in July 2023.

Rail

Rail overview

	2022 £m	2021 £m	Movement £m	Movement %
Total Rail operations				
Total revenue (£m)	**2,164.2**	2,969.9	(805.7)	(27.1)
Operating profit* (£m)	**4.4**	29.1	(24.7)	(84.9)
Operating profit margin *	**0.2%**	1.0%	n/a	(0.8ppt)
UK Rail				
Total revenue (£m)	**1,973.0**	2,829.7	(856.7)	(30.3)
Operating profit* (£m)	**23.6**	56.7	(33.1)	(58.3)
Operating profit margin*	**1.2%**	2.0%	n/a	(0.8ppt)
International Rail				
Total revenue (£m)	**191.2**	140.2	51.0	36.4
Operating loss* (£m)	**(19.2)**	(27.6)	8.4	30.4
Operating profit margin*	**(10.0%)**	(19.7%)	n/a	9.7ppt

* Excluding exceptional items. Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

UK Rail

The Southeastern franchise ceased in October 2021 and GTR moved from the Emergency Recovery Measures Agreement (ERMA) contract to the National Rail Contract (NRC) in April 2022.

Finance review

Revenue, operating profit and operating profit margin were lower than last year. The reduction principally reflects the end of the Southeastern franchise which ceased in October 2021 and a benefit in the prior year relating to favourable pre Emergency Measures Agreement (EMA) balance sheet liability settlements in GTR. Pre EMA liabilities were estimates and the final settlements were less than estimated resulting in the favourable settlement and balance sheet release.

GTR

- GTR operated under an ERMA up to 31 March 2022. The ERMA was a management contract with no revenue or cost risk and the margin was capped at 1.5 per cent comprising a 0.5 per cent fee and 1.0 per cent performance incentive.
- On 1 April 2022, GTR was awarded an NRC. The NRC, like the ERMA contract it replaced, is a management contract which has limited exposure to changes in passenger demand and no substantial cost risk to GTR.
- Under the NRC, GTR earns a fixed management fee of £8.8m per annum (equivalent to a margin of 0.5 per cent 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 per cent margin). Subject to the achievement of performance targets set by the DfT, the maximum fee receivable by GTR, on a pre-IFRS 16 basis, would therefore be £31.7m per annum (equivalent to a margin of around 1.85 per cent).
- Operating performance for the duration of the ERMA was good, resulting in the achievement and recognition of £9.7m of ERMA performance bonus fee in the year. This position has been confirmed by the DfT to 31 March 2022.
- Operational performance during the NRC has been in line with expectation resulting in an accrued performance fee of £2.9m, yet to be confirmed by the DfT.
- GTR have provisions for income and costs which relate to unsettled historical performance regimes and contractual obligations. The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations, within the UK Rail franchises, is set out in note 25. Significant elements of the dilapidation provisions are subject to interpretation of franchise agreements and rolling stock agreements. The Group has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the most probable outcomes. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from professional external advisors to support provision levels.

LSER

- The Southeastern franchise was operated by LSER under an EMA contract until 17 October 2021 when the DfT appointed the Operator of Last Resort (OLR) to take over the operation of Southeastern services at the end of the franchise term.
- Operating performance during the contract was good resulting in the achievement of a £3.9m EMA performance fee recognised in the year.
- Discussions are ongoing regarding the finalisation of LSER's net asset statement.

Contingent liabilities

- The Group has disclosed contingent liabilities for (i) Boundary Zone Fare proceedings against LSER, GTR, The Go-Ahead Group Limited, Govia Limited and Keolis (UK) Limited; and (ii) Pricing Practice proceedings against GTR, The Go-Ahead Group Limited and Keolis (UK) Limited. No provision associated with the claim has been made and 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. Provisions for legal fees of £9.4m have been recognised.

Rail continued

International Rail

Improved underlying financial performance, plus amended and improved contracts. Material exceptional items which include an onerous contract release in Norway and an increase in the existing onerous contract provision in Germany for the Bavaria contract.

Finance review

- Revenue increased from last year which reflects principally the start of the first of the Bavaria contracts in December 2021. Operating loss for the year reduced which principally reflects diminishing losses in Germany following continued improvements to operational and financial performance, and benefits from ongoing contract renegotiations, as well as the settlement of a claim against the rolling stock provider.
- In Norway, a new contract was negotiated with the Rail Directorate on 28 June 2022 with improved contractual arrangements. This has resulted in a significant reduction in the onerous contract provision as the new contract removes a significant amount of risk from the contract.
- In Germany, the existing onerous contract provision for the Bavaria contract has been increased following a review of operational requirements which led to revised revenue and the forecast of additional costs. Refer to 'Key sources of estimation uncertainty' on page 140 for further detail.
- A prior year adjustment of £5.1 million has been identified in respect of the GABY onerous contract provision, primarily relating to prior year modelling errors within the model and errors relating to revenue for which there was contractual entitlement, but which had been omitted from the original onerous contract provision, over the life of the 12 year contract. The impact of the restatement is to increase the provision by £5.1 million in the year ended 27 June 2020 with a corresponding reduction of retained earnings.

Germany

- Improvement plans in Baden-Württemberg have resulted in improved operational and financial performance. Whilst there have been improvements, operational performance has not been as good as anticipated.
- 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. An initial €5m (£4.2m) was received and recognised in the period with the remaining balance to be settled in due course.
- In Baden-Württemberg, we have reached a memorandum of understanding with the client which has resulted in a modest improvement to the financial performance of the contract over its life.
- The first of two contracts in Bavaria started on 12 December 2021 and the second commenced in December 2022. A detailed review and challenge of the assumptions within the contract has taken place. Upon reassessment of the Bavarian rail contracts' onerous contract provision under IAS 37, using updated market conditions and experience gained in running operations during the year it was determined that an increase in the provision was necessary based on the contracts' forecast future cashflows discounted at a risk free rate. The increase in the onerous contract provision relates to the forecast of additional driver and conductor costs, a reassessment of energy costs and a detailed review of revenue components.

Norway

- Under the original contract, which began in December 2019, the revenue risk associated with changes in passenger demand rested with Go-Ahead. During the COVID-19 pandemic, the Norwegian Government provided financial support to rail operators, preventing material losses. This support, although reduced, was in place until June 2022.
- In the prior year, an onerous contract provision was recognised, and the provision covered losses in the current year.
- In June 2022, a new agreement was reached with the Norwegian Railway Directorate regarding the structure of its rail contract. The amended contract took effect from 1 July 2022 and the contract provides a revenue support scheme until the end of the contract which has significantly reduced the contract's revenue risk.
- As a result of these improved contractual arrangements, the Group has significantly reduced the onerous contract provision.

Outlook

Germany

- Improvement plans in Baden-Württemberg continue to progress.
- We have reached a memorandum of understanding with our client in Baden-Württemberg which will result in an improvement to the financial performance of the contract over its life. Further negotiations remain underway.
- Mobilisation of the second contract in Bavaria commenced in December 2022. There are inherent uncertainties and risks associated with the mobilisation of this contract and in estimating the impact of key success factors including driver recruitment. Whilst there has been some difficulties regarding driver shortages, plans are in place to ensure the operation of full services.

Norway

- The new agreement with the Norwegian Railway Directorate runs for the duration of the original contract, until December 2027 (plus a two-year extension option until December 2029) and it provides a revenue support scheme until the end of the contract. The amended contract also includes an incentive scheme linked to revenue growth.

Financial review

Depreciation and amortisation

	2022 £m	2021 £m	Movement £m	Movement %
Depreciation and amortisation				
Property, plant and equipment depreciation	**73.2**	81.5	(8.3)	(10.2)
Right of use depreciation	**371.4**	486.5	(115.1)	(23.7)
Amortisation	**3.5**	6.3	(2.8)	(44.4)
	448.1	574.3	(126.2)	(22.0)

The total depreciation and amortisation charge for the year reduced, which is largely attributable to lower right of use depreciation.

Depreciation consists of right of use depreciation and property, plant and equipment depreciation. The reduction in depreciation is attributable to the Southeastern franchise ending and the partial year of right of use depreciation costs. The reduction in property, plant and equipment depreciation is attributable to the lower depreciation costs in Bus and UK Rail and is driven by the increased level of fully depreciated/impaired assets.

The amortisation charge relates to software, franchise mobilisation and customer contracts. The decrease largely reflects the prior year intangible asset impairment in Norway and the end of the Southeastern franchise.

Exceptional items

The change in exceptional items is largely due to the movement in the onerous contract provisions and the settlements reached in the year with the DfT relating to Southeastern, which were lower than the provision recognised in the prior year. In Norway, there was a reduction in the existing onerous contract and in Germany there was an increase in the existing onerous contract provision for the Bavaria contract.

	2022 (charge)/ credit £m	2021 (charge)/ credit £m	Movement £m	Movement %
Norway franchise onerous contract provision and asset impairment	**51.6**	(76.7)	128.3	167.3
German Bavaria franchise onerous contract provision	**(36.0)**	—	(36.0)	n/a
Department for Transport potential financial penalty and associated costs relating to LSER	**9.3**	(32.4)	41.7	128.7
Asset impairments, provisions and restructuring costs – Regional Bus	**1.2**	(0.2)	1.4	700
Goodwill impairment – Regional Bus	**(2.7)**	—	(2.7)	n/a
Asset impairments and restructuring costs – International Rail	**—**	5.2	(5.2)	100
Fees associated with recommended cash acquisition of the Group	**(2.2)**	—	(2.2)	n/a
Exceptional operating (charge)/credit	**21.2**	(104.1)	125.3	120.4

Refer to Note 7. Exceptional items on page 166 for full details of Exceptional items.

In Norway, the onerous contract provision has been reduced by £51.6m. The reduction is attributable to an amended contract, between Go-Ahead Norway A/S and the Norwegian Railway Directorate, which was signed on 28 June 2022. The amended contract provides a revenue support mechanism which takes effect from 1 July 2022 and runs for the duration of the original contract. The amended contract takes effect from 1 July 2022 and runs for the duration of the original contract, until December 2027 (plus a two-year extension option until December 2029). The contract provides a revenue support mechanism until the end of the contract. The contract also includes an incentive scheme linked to revenue growth.

As a result of these improved contractual arrangements, the onerous contract provision has been reassessed and has significantly decreased. This has resulted in a net release of £51.6m of the provision, which has been recognised as an exceptional operating credit during the year.

In Germany, the first of the Group's two rail franchises in Bavaria started in December 2021; the second Bavarian franchise is still in its mobilisation phase and became operational in December 2022. Directors have performed a reassessment of the onerous contract provision in relation to the two Bavaria franchises. Based on the Group's current knowledge and expectations of the income and costs associated with these contracts, it has been deemed necessary under IAS 37 to reassess the onerous contract provision. As a result, it has been determined that an increase of £36.0m in the provision is required, which has been recognised as an exceptional operating charge in the year ended 2 July 2022. This is primarily due to updated information and circumstances becoming available during the current financial year, resulting in a change in assumptions to several inputs in the model, such as increased staff costs as a result of more reliable information available through operations beginning in Bavaria in 2021. As a result, the provision recognised as at 2 July 2022 totals £58.8m (2021: £38.9m restated).

Financial review continued

Exceptional items continued

A net exceptional credit of £9.3m was recognised in relation to the matters of concern relating to LSER, other historical franchises and LSER affiliate trading. This consists of amounts relating to settlements reached with the DfT during the year, the financial penalty confirmation and other associated costs in relation to these matters. The provision was an estimate and the final settlement and fine was less than the estimated resulting in the release.

In Regional Bus, successful contract renegotiations have removed the need for the onerous contract provision. As a result, this provision has been released and recognised as an exceptional operating credit in the year.

During the year, goodwill of £2.7m has been impaired relating to Go North East due to the challenges in the current performance of the business and slow recovery from COVID-19. The carrying value of Go North East goodwill following this impairment is £nil (2021: £2.7m).

On 13 June 2022, it was announced that the board of directors of the Group and Gerrard Investment Bidco Limited (Bidco) had reached an agreement on the terms of a recommended cash acquisition of the Group. Subsequent to the year-end, the shareholders of the Group voted in favour of this agreement. Costs incurred by the Group in the year ended 2 July 2022 in relation to this totalled £2.2m and have been recognised as exceptional given that they are expected to be one-off in nature. Subsequent to the year-end, further costs of approximately £12m have been incurred relating to the takeover. No provision was included for the additional costs at year-end on the basis that the outcome of the transaction was uncertain.

Net finance costs

	2022	2021	Movement	
	£m	£m	£m	%
Finance revenue	**1.8**	2.1	(0.3)	(14.3)
Finance costs	**(17.3)**	(20.2)	2.9	14.4
Net finance costs	**(15.5)**	(18.1)	2.6	14.4

Net finance costs for the year were lower than the prior year reflecting lower finance costs. Finance costs are lower as they include the £1.3m release of an interest accrual in LSER; this release was in relation to amounts owed to the DfT. Finance costs were also lower due to reductions in the Group's net debt which resulted in reduced interest payable on bank loans.

Profit/(loss) before taxation

	2022	2021	Movement	
	£m	£m	£m	%
Profit before tax (pre-exceptional) *	**73.5**	97.2	(23.7)	(24.4)
Profit before tax (post-exceptional)	**94.7**	(6.9)	101.6	1,472.5

* Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

Profit before tax increased largely due to the change in exceptional items. Profit before tax (before exceptional items) decreased largely due to the reduction in operating profit in UK Rail and London & International Bus.

Taxation

	2022	2021	Movement	
	£m	£m	£m	%
Tax (pre-exceptional) *	**13.1**	34.3	(21.2)	(61.8)
Effective tax rate (pre-exceptional) *	**17.8%**	35.3%	—	(18.6ppt)
Tax (post-exceptional)	**13.5**	33.8	(20.3)	(60.1)
Effective tax rate (post-exceptional)	**14.3%**	(489.9%)	—	504.1ppt

* Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

Tax (pre and post-exceptional) for the year was lower. The exceptional items in current and prior year are largely non taxable, with the effective tax rate on exceptional items being 1.9% (2021: 2%), therefore the reduction is primarily due to a reduction in pre-exceptional profit and a £14.4m deferred tax charge in the prior year (2022: £1.3m) due to the rate change on deferred tax liabilities from 19.0 per cent to 25.0 per cent.

Financial review continued

Non-controlling interests

	2022 £m	2021 £m	Movement £m	Movement %
Non-controlling interests (pre-exceptional) *	**9.5**	16.3	(6.8)	(41.7)
Non-controlling interests (post-exceptional)	**13.3**	5.3	8.0	150.9

* Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

Non-controlling interests arise from our 65 per cent holding in Govia Limited, which owns our UK Rail operations and therefore represents 35 per cent of the profit after taxation of these operations.

Non-controlling interest (on a pre-exceptional basis) in the income statement reduced following the reduction in pre-exceptional profit after tax in UK Rail. The reduction is due to the cessation of the Southeastern franchise in the year and the pre-EMA benefits in GTR in the prior year.

Non-controlling interests in the income statement (on a post-exceptional basis) increased as prior year profit after tax was lower. This is largely due to the prior year exceptional costs which included the DfT's potential financial penalty and associated costs relating to LSER.

Earnings per share

Earnings per share (post-exceptional items) attributable to the equity shareholders of the parent increased. The increase is largely due to the exceptional costs in the prior year.

Earnings per share (pre-exceptional items) attributable to the equity shareholders of the parent increased slightly on prior year. Reductions in pre-exceptional operating profit were offset by lower tax and pre-exceptional non-controlling interest.

The weighted average number of shares was 43.0 million and the number of shares in issue, net of treasury shares, was 43.0 million.

	2022	2021	2020*	2019*	2018*
Earnings per share pre-exceptional items *	**118.3p**	108.4p	50.0p	169.4p	181.6p
Earnings per share after exceptional items	**157.9p**	(107.0p)	(153.3p)	136.8p	207.2p

* Restated. Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

Dividends

No dividend payments were made in the current year (2021: £nil). The Board agreed to pay a special dividend of 100p per share under the terms of the acquisition by Gerrard Investment Bidco Limited, a newly formed company indirectly owned by Kinetic TCo Pty Ltd and Globalvia Inversiones S.A.U. (the Consortium). This was paid on 24 October 2022. On 29 November 2022, an additional dividend of 37p per share was paid to the new parent.

There were no dividends paid to non-controlling interests in the year. Non-controlling interests represent the 35 per cent share of the UK Rail business owned by Keolis UK through our subsidiary, Govia Ltd.

Cashflow and liquidity

	2022 £m	2021 £m	Movement £m	Movement %
Net cashflows from operating activities	**9.3**	677.2	(667.9)	(98.6)
Net cashflows used in investing activities	**(38.4)**	(37.7)	(0.7)	(1.9)
Net cashflows used in financing activities	**(411.8)**	(576.9)	165.1	(28.6)
Effect of foreign exchange rate changes	**2.1**	(1.8)	3.9	216.7
Net increase/(decrease) in cash and cash equivalents after foreign exchange rate changes	**(438.8)**	60.8	(499.6)	(821.7)

	2022 £m	2021 £m	Movement £m	Movement %
Cash	**191.8**	630.6	438.8	69.6
Restricted cash	**50.5**	543.7	(493.2)	(90.7)
Unrestricted cash	**141.3**	86.9	54.4	62.6
Available debt *	**179.2**	153.4	25.8	16.8
Balance available	**320.5**	240.3	80.2	33.4

* Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

Financial review continued

Cashflow and liquidity continued

The Group's cash and restricted cash reduced in the year. The reduction was largely driven by cash movements in UK Rail following the end of the Southeastern franchise and the award of GTR's NRC.

Unrestricted cash and headroom on debt both increased which has resulted in improved liquidity at year end. Improved liquidity is attributable to the Group generating a positive free cashflow. Cashflow from operating activities reduced. The reduction is mainly due to working capital movements and reduced EBITDA attributable to the Southeastern franchise ending.

Cashflow from investing activities increased slightly. The increase is due to the acquisition of Flexbuss and it is partly offset by lower net capital expenditure as the Group continues to carefully manage its capital requirements.

Net cashflow from financing activities reduced. The reduction is due to lower lease liability payments which are attributable to the Southeastern franchise ending.

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

Summary cashflow

	2022		2021		Movement	
	IFRS 16 basis £m	Pre-IFRS 16 basis £m	IFRS 16 basis £m	Pre-IFRS 16 basis £m	IFRS 16 basis £m	Pre-IFRS 16 basis £m
EBITDA excluding exceptional items [1]	**538.2**	**161.1**	695.6	195.7	(157.4)	(34.6)
Movement in restricted cash[2]	**493.2**	**493.2**	(68.9)	(68.9)	562.1	562.1
Cash exceptional items	**(8.6)**	**(8.6)**	—	—	(8.6)	(8.6)
Working capital and other operating cashflows	**(506.0)**	**(504.6)**	(6.5)	(48.5)	(499.5)	(456.1)
Cashflow generated from operations (excluding restricted cash movements)	**516.8**	**141.1**	620.2	78.3	(103.4)	62.8
Tax paid	**(14.3)**	**(14.3)**	(12.1)	(12.1)	(2.2)	(2.2)
Net interest paid	**(17.4)**	**(8.5)**	(19.2)	(10.2)	1.8	1.7
Net capital investment	**(39.4)**	**(39.4)**	(47.2)	(47.2)	7.8	7.8
Dividends paid – minority partner	**—**	**—**	(3.7)	(3.7)	3.7	3.7
Free cashflow	**445.7**	**78.9**	538.0	5.1	(92.3)	73.8
Net cash on issue/purchase of shares	**(0.4)**	**(0.4)**	(0.6)	(0.6)	0.2	0.2
Inception of new leases and lease modifications	**(916.6)**	**—**	(198.3)	—	(718.3)	—
Net debt impact of business purchase	**(29.2)**	**(22.7)**	—	—	(29.2)	(22.7)
Other	**9.1**	**9.1**	11.2	11.2	(2.1)	(2.1)
Movement in adjusted net debt	**(491.4)**	**64.9**	350.3	15.7	(841.7)	49.2
Opening adjusted net debt	**(615.6)**	**(305.9)**	(965.9)	(321.6)	350.3	15.7
Closing adjusted net debt	**(1,107.0)**	**(241.0)**	(615.6)	(305.9)	(491.4)	64.9

1 Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

2 Restricted cash changes in the summary cashflow have been updated to be shown in the movement in the restricted cash line only.

Cash generated from operations before tax and excluding movements in restricted cash reduced. The reduction was largely due to the reduction in EBITDA which was driven by the cessation of the Southeastern franchise part way through the year.

Cashflow generated from operations on a pre-IFRS 16 basis increased. The increase was driven by working capital and changes in restricted cash; this was partly offset by a reduction in EBITDA on a pre-IFRS 16 basis.

Free cashflow (on a pre-IFRS 16 basis) increased. The increase was largely due to the increase in cashflow generated from operations (on a pre-IFRS 16 basis) and also due to continued measures taken to control and conserve the Group's cash including limited capital investment.

Net debt increased primarily due to the inception of new leases in GTR following the award of the NRC which resulted in an increase in IFRS 16 lease liabilities. Net debt on a pre-IFRS 16 basis reduced mainly due to the increase in the Group's free cashflow.

Financial review continued

Capital expenditure

	2022 £m	2021 £m	Movement £m	%
Additions				
Property, plant and equipment	**45.5**	52.8	(7.5)	(14.2)
Intangible	**1.4**	2.2	(0.8)	(36.4)
Capital expenditure (excluding right of use)	**46.9**	55.0	(8.3)	(15.1)
Assets held for sale and proceeds from sale of assets*	**7.9**	7.3	0.6	8.2
Net capital expenditure (excluding right of use)	**39.0**	47.7	(8.7)	(18.2)
Right of use additions	**900.8**	187.0	713.8	381.7

*Calculated as proceeds from sale of property, plant and equipment and assets held for sale less purchase of property, plant and equipment held for sale

Capital expenditure (excluding right of use assets) was lower than prior year and the reduction related to lower spend in Regional Bus which was partly offset by an increase in London & International Bus. Capital expenditure in Regional Bus is typically more discretionary and in London & International Bus capital expenditure is driven more by contractual requirements and continued investment in the growth of the division.

Right of use additions have materially increased in the year. The material increase is attributable to UK Rail and specifically the award of the National Rail Contract in GTR, which has resulted in additional lease liabilities and right of use assets coming on the balance sheet for the duration of the three-year contract.

Total capital expenditure (excluding right of use assets) and net capital investment (net of sale proceeds) reflect continued disciplined capital expenditure and the phasing of London bus contract renewals.

Group capital investment is expected to be around £100m in 2023 with investment in our London bus fleet to meet contractual requirements. The net cash cost to the Group is expected to be lower as investment in Regional Bus is linked to the availability of grants and government funding.

Investments

In April 2022, we acquired the Swedish bus business Flexbuss for £13.8m. The overall net debt impact (on a pre-IFRS 16 basis) at the point of acquisition was £22.6m, comprising debt acquired of £15.1m the £7.5m net cash outflow of consideration paid less cash acquired.

Capital structure

	2022 £m	2021 £m	Movement £m	%
Syndicated facility 2025	**280.0**	280.0	—	—
7 year £250m 2.5% sterling bond 2024	**250.0**	250.0	—	—
Euro financing facilities	**16.2**	13.2	3.0	22.7
Flexbuss loan	**13.8**	—	13.8	n/a
Total core facilities	**560.0**	543.2	16.8	3.1
Amount drawn down at year end	**380.8**	389.8	(9.0)	(2.3)
Balance available *	**179.2**	153.4	25.8	16.8

* Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

Total core facilities increased in the year. The increase is attributable to Flexbuss and the financial agreements that were entered into after the acquisition. Further details can be found in note 22 of the financial statements.

At the 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 in July 2021, extending the maturity to July 2025.

As part of the takeover (which took place after the year-end), the Group has also considered the change of control requirements under its financing arrangements, including its syndicate loan facility and corporate bond. It has obtained waivers from its banks, though one member of the banking syndicate group left the syndicate causing the facility to decrease from £280.0m to £240.0m on 11 October 2022. In January 2023, both Fitch and S & P reconfirmed the Group's credit ratings. Therefore, any risk of a put event in relation to the bond is no longer relevant and the bond will continue to its maturity date on 6 July 2024.

Financial review continued

Net debt/cash

	2022 £m	2021 £m	Movement £m	Movement %
Total borrowing[1]	**380.8**	389.8	(9.0)	(2.3)
Total lease liabilities	**867.6**	312.7	554.9	177.5
Total cash	**(191.8)**	(630.6)	(438.8)	(69.6)
Net debt	**1,056.5**	71.9	984.6	1,369.4
Restricted cash	**50.5**	543.7	(493.2)	(90.7)
Adjusted net debt	**1,107.0**	615.6	491.4	79.8
EBITDA (excluding exceptional items) [2]	**538.2**	695.5	(157.3)	(22.6)
Adjusted net debt/EBITDA (excluding exceptional items)	**2.06x**	0.89x	1.17x	n/a
IFRS 16 lease liabilities	**(866.0)**	(309.7)	556.3	179.6
Adjusted net debt (pre-IFRS 16)	**241.0**	305.9	(64.9)	(21.2)
EBITDA (excluding exceptional items) (pre-IFRS 16) [2]	**161.1**	195.7	(34.6)	(17.7)
Adjusted net debt/EBITDA (excluding exceptional items)	**1.50x**	1.56x	(0.06x)	n/a

1 Including interest accrued and debt issue costs

2 Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

Net debt increased primarily due to the material increase in lease liabilities following the award of the National Rail Contract in GTR and the reduction of cash in UK Rail.

Cash and restricted cash was lower than prior year which is due to the end of the Southeastern franchise and the reduction in cash held by GTR under the NRC at year end.

In line with our covenants, adjusted net debt is calculated using the outstanding principal value of debt and does not include accrued interest and is gross of debt issue costs. Our primary financial covenant under the syndicated facility is a ratio of adjusted net debt to EBITDA (excluding exceptional items and on a pre-IFRS 16 basis) of no more than 3.5x.

Adjusted net debt on a pre-IFRS 16 basis has decreased with the Group generating positive free cashflow. The adjusted net debt (excluding restricted cash) to EBITDA (excluding exceptional items) ratio was at the bottom of our target range of 1.5 times to 2.5 times reflecting the reduction in net debt.

Liquidity

	2022 £m	2021 £m	Movement £m	Movement %
Cash	**191.8**	630.6	438.8	69.6
Restricted cash	**50.5**	543.7	(493.2)	(90.7)
Unrestricted cash	**141.3**	86.9	54.4	62.6
Available debt *	**179.2**	153.4	25.8	16.8
Balance available *	**320.5**	240.3	80.2	33.4

* Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

Improved liquidity at year end is attributable to the Group generating a positive free cashflow which has resulted in both an increase in unrestricted cash and headroom on debt facilities.

Fuel hedging

Our bus fuel hedging programme has continued, using fuel swaps to fix the price of our diesel fuel in advance. The year end position was aligned with our core policy to be fully hedged for the next financial year before that year begins, and 50 per cent and 25 per cent hedged for the two following years respectively. In light of the current market position on fuel, the Group has paused any further hedging in our London Bus division, where fuel price inflation is covered by indexation. We continue to hedge our Regional Bus business in line with our core policy.

At each period end, the fuel hedges are marked to market price. At year end the market fuel prices are higher than the hedged prices resulting in the recognition of fuel derivative assets of £54.1m (2021: £8.3m). Fuel derivative liabilities were £0.1m (2021: £0.9m).

Financial review continued

Pensions

Operating profit includes the net cost of the Group's defined benefit pension plans for the year of £32.6m (2021: £41.2m) consisting of bus costs of £2.3m (2021: £2.3m) and rail costs of £29.6m (2021: £39.0m). Group contributions to the schemes totalled £38.2m (2021: £47.5m).

Bus pensions

Under accounting valuations, the net surplus after taxation on the bus defined benefit schemes was £60.1m (2021: £27.0m), consisting of pre-tax assets of £80.2m (2021: £36.0m) less a deferred tax liability of £20.1m (2021: £9.0m). The pre-tax asset consisted of assets of £755.9m (2021: £906.0m) less estimated liabilities of £675.7m (2021: £870.0m). The percentage of assets held in higher risk, return seeking assets was 37.5 per cent (2021: 31.1 per cent).

Rail pensions

As the long term responsibility for the rail pension schemes rests with the DfT, the Group only recognises the share of surplus or deficit expected to be realised over the life of each franchise. As a result, our pre-tax liability continues to be £nil (2021: £nil).

Non-GAAP measures

Our consolidated financial statements are prepared in accordance with UK-adopted International Accounting Standards. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures and include measures such as like for like revenue. We believe this information, along with comparable GAAP measurements, is useful in providing a basis for measuring our financial performance. Note 3 to the consolidated financial statements provides further information on these non-GAAP financial measures.

Stakeholder engagement

Stakeholder engagement

Our relationships with our stakeholders are key to our success. By engaging meaningfully, we gain insights into their needs. This feedback forms part of our decision making process at every level of the business, from the Board to our local management teams. The examples which follow demonstrate consideration of the matters set out in Section 172 of the Companies Act 2006. The Board's key focus areas and principal decisions for the year ended 2 July 2022 together with information on how we understand the views of stakeholders in the boardroom can be found in our Corporate Governance Report on pages 75 to 76.

Stakeholders	Why we engage	How we engage	Key topics of engagement during 2022 financial year	How we responded
Our people Our business is built by colleagues whose commitment, innovation and ambition help deliver the best possible transport service to our customers. We have an experienced, diverse and dedicated workforce who we recognise as a key asset of our business and to whom we have a strong commitment to personal development.	To maintain a highly engaged and motivated workforce To create a constructive, two-way dialogue, ensuring colleagues have a platform to have their voices heard To promote wellbeing and ensure the safety of our people To understand how we can best provide a supportive and collaborative workplace To ensure alignment between people agenda and business strategy To encourage equal opportunities and a more diverse workforce To ensure we develop colleagues through professional development and training	Defined new values and behaviours for leadership Colleague engagement surveys Effective leadership and line management Communication through the Group intranet, newsletters, forums and ad hoc meetings Performance and development reviews Colleague training programmes and workshops Focus on development and succession planning Lunch and learn sessions Business update presentations Board and senior management site visits Annual management conference Engagement with trade unions	Health, safety and wellbeing Diversity and inclusion Maintaining and continually improving colleague engagement Development and training opportunities Opportunities for progression Opportunity to share ideas and make a difference Flexible working Modernising and transforming working environments Colleague recognition and reward Working throughout the COVID-19 pandemic, job security and pay	Increased colleague engagement and communication Development of health and wellbeing initiatives Continued dialogue to understand likely scenarios around return to office working Continued focus on diversity and inclusion, including maintaining relevant KPIs introduced last year Employee apps across operations for safer and more efficient working Reshaped Executive Development and Senior Management Development Programmes Support for remote working practices to balance childcare/home-schooling, etc. where appropriate
Customers Customers are at the heart of Go-Ahead and we are dedicated to providing them with safe, convenient and reliable services. We understand our local markets and strive to exceed our customers' expectations.	To identify priority areas for improvement in order to maintain our high level of customer satisfaction To respond quickly and effectively to meet changes in customers' needs and preferences To fully understand the needs of our different and diverse customer groups To improve or maintain a high quality, reliable and safe passenger transport service To enable us to deliver new and innovative products and integrated, customer-focused solutions To maintain a reputation for high standards of business conduct	Online communications – website, newsletters, emails and social media Customer satisfaction surveys Continual review of customer feedback Customer-facing colleague feedback Customer panels and focus groups Customer, industry and on-site events Collaboration on product innovation and service design	Reliability and punctuality of services Safety measures Overall on-board experience Value for money, including ticket price Quality and amount of delay and disruption information including timetable changes Station amenities Route and timetable enquiries Colleague training and development Accessibility and support for passengers with different needs Active travel initiatives	Enhanced safety features and cleaning regimes Local interaction regarding timetable changes Continued rollout of tap-on/tap-off contactless ticketing, and increasing emphasis on non-cash transactions Ongoing updates to bus app to improve journey planning and real time tracking Rail station improvements with significant cycle hubs to make active travel easier Created Go-Ahead Accessibility Taskforce to progress continuous and customer-focused improvements

Stakeholder engagement continued

Stakeholders	Why we engage	How we engage	Key topics of engagement during 2022 financial year	How we responded
Strategic partners and suppliers Collaborative strategic partnerships are core to our business model. We build strong relationships with transport authorities and industry bodies to deliver efficient, high quality services. Our suppliers, which range from large multinational companies to small independently run businesses, partner with us in delivering innovative solutions for our customers.	To develop strong relationships To ensure closer alignment of values To provide collaborative and innovative solutions to societal challenges To ensure those with whom we work demonstrate a commitment to sustainability, employee wellness and diversity To ensure the effective delivery of contracts To enhance competitive advantage To effectively monitor, manage and mitigate risks in our supply chain	Joint membership of industry groups Collaborative working with partners to deliver specific solutions Engagement groups to build long term relationships Periodic surveys of our current suppliers A dedicated contract manager for each supplier Regular meetings to discuss supplier performance and areas for improvement, identifying risk and mitigating plans	Specific industry solutions Long term partnerships Collaborative approach Raising standards and delivering long term goals Delivering value, consistency, engagement and better planning Sustainability challenges Open terms of business Fair contract and payment terms Prompt payment Supply chain disruption contingency planning	Maintained key principles introduced last year to our pre-qualification and tender documents in relation to ethical employment practices, the environment, health and wellbeing and community cohesion Independently assessed as working in compliance with the sustainable procurement standard ISO 20400 Set targets on payment performance and complied with the Prompt Payment Code Enhanced our Sustainable Procurement Charter with a target of 33 per cent controllable spend on local businesses by 2023 Continued engagement with Network Rail and local transport authority providers at multiple levels
Government Policy and regulatory change affect our bus and rail businesses and create the framework through which we operate. Working closely with both central and local government enables us to contribute our private sector experience and expertise to the public agenda and produce better policy outcomes and service delivery.	To secure recovery in passenger volumes that support economic development, environmental targets and social priorities To raise public transport higher up government agendas To influence and inform policy making To represent the views of other stakeholders: customers, colleagues, communities and shareholders To formulate innovative and attractive bids as opportunities arise We operate services on behalf of the Government via the DfT in the UK and other transport authorities and continually engage on matters relating to the contracts we operate	Ongoing engagement with government bodies and clients, such as the Department for Transport (DfT) Membership of the All Party Parliamentary Group on environment Participating in various expert working groups, select committees and government consultations Engaging in policy discussions over key industry topics and advising on delivery implementation Ongoing dialogue with local MPs Membership of the Zemo Partnership Membership of International Association of Public Transport Partnering with campaign groups such as Campaign for Better Transport and Sustrans Membership of ALLRAIL, the Alliance of Passenger Rail New Entrants in Europe	Passenger volume recovery Negotiation of a National Rail Contract for GTR Financial support for the provision of bus and rail services Contractual arrangements and features National bus strategy and rail reform Regional Bus service provision Environmental policy and compliance, including climate change and transition to zero-emissions Active travel Apprenticeships, skills and diversity Proactive engagement with local authorities Support for local economic plans and strategies Sharing experience and expertise LSER matters of concern	Engagement with DfT and industry partners on rail reform: publication of Go-Ahead manifesto, "A new vision for train operations" Response and participation in Transport Select Committee enquiry on the UK national bus strategy Response to UK Government consultation on phasing out the sale of diesel buses Campaigns on customer recovery and confidence, tackling loneliness, active travel and air quality, including through speaking engagements Participation in COP26, the United Nations Climate Change Conference Ongoing engagement with transport authority clients in the UK and internationally regarding financial support for bus and rail services and contractual arrangements and features Agreed a settlement with the DfT regarding LSER matters of concern Negotiation with Government and transport authorities in Norway and Germany with regard to amended contracts for rail operation

Stakeholder engagement continued

Stakeholders	Why we engage	How we engage	Key topics of engagement during 2022 financial year	How we responded
Communities As an operator of public transport, we provide a vital service to communities, transporting passengers to work, education, facilities and services. We strive to provide the social and economic benefits of affordable and accessible travel in the towns and cities in which we operate.	To maintain our role at the heart of our communities and play our part in helping communities thrive To address economic, social and environmental issues and priorities To find the best solutions for connecting people with family, friends, work and facilities To enable us to respond appropriately to the needs of our communities To maintain our focus on operating responsibly within society To achieve our environmental objectives and targets To support social inclusion and tackle isolation	Meetings with councillors, planning officers and other key officials to work in partnership for common community goals Continual two-way communication with local businesses and organisations Onsite community engagement events to understand the needs of the local community Collaboration with local charities, participating in volunteering and fundraising initiatives Regular updates through social media, our website and apps to keep communities informed	Effectively managing our environmental impact Investment in local infrastructure Engaging and responding to community needs Direct contributions through utilising local suppliers, community volunteering, sponsorship and fundraising Providing timely and accurate travel information to ensure safety and adherence to government guidelines on public transport Investigating and investing in sustainable transport solutions Providing safe and affordable public transport solutions to support social mobility	Direct community investment through volunteering, sponsorship and fundraising Local meetings with MPs, the Chamber of Commerce and Local Economic Partnership Boards Regular stakeholder newsletters Active member of Business in the Community 'Place-making' campaign Contributed to policy discussion Developed active travel plans for customers at bus and rail stations Open days at depots to educate local communities on the importance of public transport Continued support of initiatives to combat loneliness through our "Chatty Bus" activity
Investors We provide investors with open and transparent information and encourage two-way communication. Feedback from our shareholders forms part of the strategic Board discussions. We operate our business responsibly and with strong financial discipline to protect the interests of our investors.	To ensure that our long term strategy is aligned with the interests of shareholders To explain how we aim to deliver sustainable growth and maximise the growth potential of the business To provide updates relating to the financial performance and position of the business To ensure the views of shareholders are considered in policy setting and aligned to their ESG investment criteria	Face-to-face meetings and phone calls Trading updates including full year and half year results Results presentations and webcasts Investor roadshows and conferences Annual General Meeting Annual Report Investor section of the website Formal consultations Independent disclosure platforms for investors such as the Carbon Disclosure Project	Takeover approach Southeastern rail franchise Leadership changes and Board succession planning Corporate governance and internal controls Strategy and business model Shareholder returns Financial performance Risk management Passenger demand and travel pattern Future of UK Rail franchising ESG performance Political environment	Commitment to transparent reporting with clear communications at regular intervals throughout the year Regular equity market updates as COVID-19 scenarios evolved Increased engagement with investment community Access to Chair and executive and non-executive directors Strategy update – presentation to analysts and investors

Climate change strategy

We are fully committed to reducing our carbon emissions and increasing our resilience to the impacts of climate change.

Overview

In July 2021, we released our climate change strategy with ambitious targets that are driving our environmental practices and the decarbonisation of our business.

The climate crisis is upon us and already impacting businesses and communities around the globe. The latest United Nations' Intergovernmental Panel on Climate Change (IPCC) report has concluded that to limit warming to 1.5ºC, global emissions must peak before 2025 and halve by the early 2030s.

In the UK, the transport sector is responsible for 24 per cent of the carbon footprint. While buses, coaches and rail account for 3 per cent of the country's transport-related emissions, cars and taxis are responsible for 52 per cent. These numbers highlight why the most important role we play in tackling climate change is to enable people to reduce private car usage and make more use of public transport.

It is also vital that we reduce our own carbon emissions. This is a top priority for the business and our climate change strategy clearly demonstrates our commitment and the pathway we have taken.

Ambitious targets

Our climate change strategy outlines our key initiatives to reduce carbon emissions and mitigate the impacts of climate change in our business. This includes decarbonising our transport fleet, reducing the negative impact of our operations on air quality, reducing our water consumption and increasing our waste recycling rate.

We have set an ambitious science-based target to reduce our scope 1 (direct emissions from Company-owned and controlled resources) and scope 2 (indirect emissions from purchased energy e.g. electricity) carbon emissions by 75 per cent by 2035 against a 2019/20 baseline, which was independently verified. This target was validated by the Science Based Targets Initiative, a collaboration between CDP, UNGC[1], WRI[2] and WWF[3] to ensure organisations' emissions reduction targets are in line with leading climate science. We have also committed to becoming a net zero carbon business by 2045.

Our climate change strategy was subjected to a thorough review as part of the wider business review undertaken during the year. Other than ratifying our targets for each one of our workstreams, this work was the starting point for the creation of the Zero Emission Centre of Excellence, a new area within Go-Ahead that will support our operating companies to decarbonise their fleet by creating a hub of intelligence and expertise in zero-emission vehicles.

1. United Nations Global Compact.
2. World Resources Institute.
3. World Wide Fund for Nature.

On the right track

During the year, the deployment of our climate change strategy focused on engagement with key stakeholders (employees, operating companies, suppliers and transport authorities) to bring them on board and ensure roles and activities to achieve our targets were clearly defined. Just one year after the launch of our climate change strategy, we can already see positive results of our efforts (please see page 28) and, even though we are still at the beginning of our climate journey, we are confident we are on the right track.

Visit www.go-ahead.com to read our climate change strategy in full.

Summary of our climate change strategy

Climate change adaptation	Mitigation: Decarbonisation	Mitigation: Air quality	Mitigation: Water	Mitigation: Waste
Identify how climate change impacts our businesses, passenger services, premises and supply chains, and identify adaptation plans	**Decarbonise our fleet and operations**	**Reduce our negative impact on air quality by reducing emissions: CO, HCs, NOx and PM**	**Reduce our water footprint by embedding responsible water management practices**	**Reduce our overall waste volumes and increase reuse and recycling, by implementing waste initiatives**
1. Identify risks and vulnerabilities 2. Quantify costs and source funding 3. Identify risks to properties 4. Work with suppliers to identify and reduce exposure and vulnerabilities 5. Develop business cases for adaptation measures 6. Work with partners	1. Bus fleet decarbonisation 2. Rail fleet decarbonisation 3. Ancillary fleet decarbonisation 4. Decarbonisation of properties 5. Develop net/carbon zero commitment	1. Improve bus fleet by procuring electric vehicles 2. Purchase new buses at the latest emissions standards 3. Remove older, lower emissions standards vehicles from the fleet 4. Work on bus priority solutions with local authorities	1. Address leaks better 2. Reduce third-party use of our water 3. Reduce water use 4. Improve water sourcing	1. Improve rail and bus waste management contracts 2. Increase recycling rates 3. Behaviour change programmes for customers and colleagues 4. Reduce waste in supply chain and operational activities
	Net zero business by 2045 **Zero-emission bus fleet in the UK by 2035** **Non-diesel rail fleet by 2035** **By 2035, reduce carbon emissions by 75 per cent**	**By 2025, reduce:** **Carbon monoxide (CO) by 17 per cent** **Hydrocarbons (HCs) by 49 per cent** **Nitrogen oxides (NOx) by 63 per cent** **Particulate matter (PM) by 55 per cent**	**By 2025, reduce water use by 25 per cent**	**By 2025, increase waste recycling rate to 60 per cent**

Management principles and governance	Identify projects for investing, influencing stakeholders, driving behaviour change and finding external funding	Prioritise solutions by their impact on customers, colleagues, carbon and cost

Task Force on Climate-related Financial Disclosures

Established by the Financial Stability Board (FSB), the Task Force on Climate-related Financial Disclosures (TCFD) was set up to support companies to account for and disclose the impacts of climate change on/from their business.

Having transparency as one of our core values and complying with the UK's climate-related regulations, the Go-Ahead Group has taken the TCFD reporting journey. After reporting a summarised version of our disclosures in last year's Annual Report, in the sections below we are taking a further step and expanding our commitments to the guideline's recommendations with enhanced reporting.

Our initial aspiration was to incorporate the TCFD recommendations fully in this year's report. We are in the process of embedding climate-related issues into our financial system and we did make significant progress on that task (more information below). However, given the structural changes in our organisation that took place in the last year, we progressed at a slower pace than expected and are now aiming to achieve full alignment with TCFD recommendations and report accordingly in our next Annual Report.

Since 10 October 2022, Go-Ahead is no longer a publicly listed company; however, we remain committed to ESG best practices and, as a large UK-based company, we will be required to comply with the Climate-related Financial Disclosure Regulations going forward.

Governance

Board

Go-Ahead has strong climate governance. The Board is ultimately responsible for the Group's business strategy and long term performance, which includes climate change-related issues, and has full oversight of our climate change strategy, including its development (2020-2021), review (2022) – as part of "The Next Billion Journeys" strategy review – and ongoing performance.

The Board receives updates at least twice annually on progress against targets, changes in legislation, and risks and opportunities arising from climate change. The Group Chief Executive is responsible for leading discussions on climate-related topics at Board and Group Executive Committee meetings.

The Board has ultimate accountability for Group risk management and reviews our top overall business risks at least twice a year. Climate-related risks are identified, assessed and responded to within this risk management process in the same way as all other risks to the Group. This work is supported by the Audit Committee, to which the Board has delegated responsibility for reviewing the effectiveness of the Group's risk management and internal control systems.

There is by design, a frequent and clear line of sight from the activity taking place across the business to tackle climate change to the Board and senior leadership with full authority to set direction, manage strategic priorities and allocate resources.

Executive Committee

The Group Chief Executive is a member of the Group Board and, together with the Group Chief Financial Officer, they sit on the Group Executive Committee, at which Group strategy, targets, business and investment priorities are discussed and overseen. The executive sponsor of the climate change strategy, the Group Strategy and Transformation Director, also sits on the Group Executive Committee, which creates an even stronger link between climate-related issues and overall business strategy.

Climate Change Task Force

Led by the Group Customer and Commercial Director, the Climate Change Task Force is a multi-functional, multi-business team of people drawn from across the bus and rail businesses (UK and international divisions) – including directors of operating companies – created to develop, implement and monitor the progress of our climate change strategy. The Task Force has established leaders for each one of its five workstreams (Climate Change Adaptation, Decarbonisation, Air Quality, Water and Waste), meets every month to discuss climate-related data, metrics and detailed action plans, and reports to the Group Strategy and Transformation Director.

Operating companies

Senior leadership teams in the Group's individual operating companies are responsible for implementing the climate change strategy within their business and for reporting performance back to the Group Executive Committee.

As part of our climate change strategy, each operating company developed its own action plan to support the Group's targets which were disclosed in their individual 2021 sustainability reports. Operating companies are responsible for implementing their plan and reporting performance back to the Group Executive Committee.

Giving operating companies local ownership of actions, data and reporting is part of our strategy to ensure that adequate resources are available, and risk/ issues are promptly identified and communicated to the Group.

Strategy

Understanding how climate-related issues may affect our business, strategy and financial planning is vital to managing risks and ensuring Go-Ahead's sustainability.

Our approach to risk management generally combines a top-down strategic risk assessment with a bottom-up operational identification and reporting process. All risks are assessed for their potential impact over the short (0-3 years), medium- (3-5 years) and long term (5-25 years) in a multi-disciplinary/Group-wide risk management process, which ensures that adequate controls are put in place to respond to identified risks.

Not all Group-wide strategic risks apply in the same way to all our operating companies. The inverse is also true: some operating companies may have specific local strategic risks and opportunities that don't make it onto the Group Risk Register. For example, some of our biggest strategic risks at Group level relate to the decarbonisation of our bus fleets but this has little relevance to our train companies, which already operate over 95 per cent electric fleets. Similarly, the risk of flooding may be much higher for some operating companies, or even individual sites, than others.

To ensure specific risks were captured, all operating companies were asked to develop a climate change adaptation risk register with the most relevant climate-related risks to their business/geography. The risks are classified according to their likelihood and operation/financial impact, which are categorised into financial bands (£10k, £100k, £500k, £1m, >£1m). The risks considered as substantive/strategic are incorporated in the general business risk registers, which track the substantive risks from climate change at a local and then Group level, including its potential financial impacts.

Going forward, the adaptation risk register will serve as a template to capture/monitor all climate-related events and enable us to better assess their frequency and intensity and establish more accurate trends. This way we may move from estimated to actual financial impacts over time.

Thorough climate risk review

In 2020, as part of the work to develop our climate change strategy, a complete review of climate-related risks and opportunities was carried out by the Group's Climate Change Task Force. The review considered the 2°C and 4°C scenario planning analysis out to 2030 – which is aligned with TCFD requirements – and identified over 100 risks and opportunities, categorised into strategic, substantive and operational risks. The Board and Executive Committee actively engaged and took part in this review.

All risks and opportunities were scored in a qualitative way, based on: (1) level of likelihood; (2) scale of the impacts; and (3) potential cost/benefit, to enable the most substantive/strategic Group-level risks and opportunities to be identified and prioritised.

The main output of this review was the development of a Group Risk Register exclusively focused on all climate change-related risks and opportunities. This register is maintained, reviewed and updated twice annually by the Taskforce – aligned with the overall business risk review and reporting process described above. The risks and opportunities identified by this process include topics such as:

- Risks
  - Present and future carbon regulations
  - Increased fleet operating costs
  - Disrupted revenues due to weather-related events
  - Commercial impacts of climate-related commitment or/and progress
- Opportunities
  - Increased public transport ridership
  - Increased the resilience/competitiveness of the business
  - Energy cost savings
  - Reputational improvement

For more information about how we manage our business risks, please read pages 51 to 64

Impact of climate-related risks and opportunities

The assessment of climate-related risks and opportunities has had a profound influence on our business. It was one of the primary drivers that made us realise that a step-change in our response to tackling climate change was needed, which resulted in the development of our climate change strategy, with a science based target (SBT) to reduce our scope 1 and 2 CO_2 emissions (details below) which was validated by the Science Based Targets initiative (SBTi), and also a net zero commitment.

We have set ourselves a goal to transition our whole fleet to zero-emission vehicles by 2035. To enable us to deliver this goal we created a Zero Emission Centre of Excellence (mentioned above). Through our Climate Change Adaptation workstream, we have also significantly improved climate-related risk management processes to understand in more depth the impacts of extreme weather-related events and gradually adapt our business.

From a supply chain perspective, we identified our most business-critical suppliers and are engaging with them to ensure they have climate change adaptation/mitigation plans in place to increase the resilience of their business and, indirectly, protect our own operation.

From an R&D perspective, we are working closely with zero-emission bus manufacturers to address technical and operational efficiency issues (e.g. the range of electric vehicles and heating/cooling systems). We also have a number of projects to decrease our carbon emissions/energy consumption, including Go-Ahead London's Bus2Grid, Brighton & Hove's geo-fenced hybrid buses and Go-Ahead Singapore's trial with solar panels for buses.

From a stakeholder perspective, our climate-related risks and opportunities drove our engagement with (1) organisations responsible for the infrastructure that is essential for our operation (e.g. Network Rail) to identify key risks and develop contingency plans; (2) bus and rolling stock manufacturers to make our vehicle fleets more resilient to extreme weather; and (3) government and local authorities to discuss zero-emission bus funding, bus priority lanes, zero/low emission zones and other measures to accelerate transport decarbonisation and modal shift.

Assessing our resilience through different climate scenarios

As previously mentioned, in 2019 the Group's climate-related risks and opportunities were subject to a scenario analysis that encompassed the bus and rail divisions (UK focus only) with a horizon that would extend to 2030. In this exercise, two scenarios were chosen:

1) An "aggressive mitigation" scenario whereby global warming is limited to 2ºC by the end of the century
2) A "rapid warming" scenario whereby global GHG emissions continue on an upward trajectory, and global warming reaches 4ºC by the end of the century

These scenarios were chosen because they represent two opposing pathways: one of rapid policy and technological change that would help to limit the physical impacts of climate change; and another one representing "business as usual" from a policy perspective such that rising GHG emissions result in higher-magnitude physical climate impacts.

In terms of impacts on our business, in an aggressive mitigation scenario (2ºC), these would include carbon regulation's direct and indirect impacts, and the key risks to our business would be more connected to our ability to transition to a zero-emission fleet in a timeframe aligned with the UK Government.

As a response to these risks, we:

- Developed a decarbonisation strategy (part of our climate change strategy) with a commitment to transition 100 per cent of our fleet to zero-emission vehicles by 2035
- Set up SBTi validated carbon target
- Developed a financial model to have a granular understanding of our key transition costs and levers
- Created a Zero Emission Centre of Excellence to support all our operating companies in their transition to a zero-emission fleet

In a rapid warming scenario (4ºC), the key risks would be related to the chronic and acute physical impacts of climate change, such as extreme heat, floods, sea level rises, an increase in landslips and other climate-related events.

As a response to these risks, we:

- Developed a climate change adaptation strategy (part of our climate change strategy) with a roadmap of planned activities
- Identified over 100 climate-related risks and prioritised them considering their likelihood, scale of business impact and potential financial costs
- Asked each operating company to develop a climate change adaptation risk register
- Are engaging with key stakeholders to ensure they are monitoring climate change impacts and have climate change adaptation/mitigation plans in place

Risk management

Our approach to risk management

Our robust risk management and internal controls system categorises risks into financial, operational and strategic. Operational and financial risks are deemed to be "substantive" if our bus and rail contract performance targets are impacted, and/or if one per cent or more of our annual profit is impacted.

Strategic risks are deemed to be substantive if the Board, the executive directors and the Audit Committee understand they can materially affect our ability to implement our business strategy, and/or cause reputational damage to the Group.

Our processes for identifying and assessing climate-related risks have been integrated into our risk management process. It starts at the operating companies:

1) Each operating company undertakes biannual risk reporting that includes the submission of a series of risk reports, and an annual assessment of its compliance with the Group's Policies and Procedures. These registers follow the same template of identifying the risk source, likelihood, impact on operations and financial impact

2) These risk reports are then consolidated in a single risk register, which enables our Executive Team to "look across" the business and consider aggregate Group-wide risks, as well as to challenge any inconsistencies. The executive directors' review includes an assessment of emerging risks, and their potential impact and/or inclusion within the Group's existing principal risks

3) Risk reports are also completed for Head Office functions. These reports compile risk-related information from the whole Group and are discussed annually at a Group Executive Committee meeting, which allows for wider input from other areas of the business

4) The risks considered by the executive directors to be financially or reputationally material are included in the Risk Register Report and in the Board papers for discussion at the Audit Committee and Board meetings

5) The Group Board also discusses risk and risk appetite at the annual Group Board Strategy Day in the context of the Group's key strategic objectives, in addition to it also being part of routine Board reporting

For more information about our risk management processes, please read pages 51 to 64.

Our key climate-related risks

The key risks we monitor could be classified into *transition* and *physical* risks. The first category would include risks related to:

- **Current regulation:** Considers the climate change regulations in in all the regions we operate in and their impact on the transport sector
- **Emerging regulation:** Considers regulations such as new low/ultra-low emission zones in towns and cities we operate in, vehicle emission standards for buses and the future ban of the sale of new non-zero-emission buses and coaches
- **Technology:** Considers risks such as Go-Ahead investing in zero-emission technologies that won't progress and scale up at the pace that is needed to be economically and operationally sustainable
- **Legal:** Considers the potential future litigation directed at carbon-intensive companies
- **Market:** Considers risks such as failing to win new contracts due to lack of commitment/progress on carbon-related targets and new entrants or "green disruptors" in the transport sector
- **Reputation:** Considers risks such as not being perceived as a climate leader and attractive for private and public investment/funding

Within the category of *physical risks*, these could be classified into:

- **Acute:** Considers risks such as increased frequency/severity of extreme weather conditions and the impact on our ability to provide reliable bus and train services
- **Chronic:** Considers risks such as record high summer temperatures, increased winter rainfall and flooding, and storm surge events in coastal areas where we operate

Metrics and targets

Climate-related KPIs

We have a range of KPIs to help us manage climate-related risks and opportunities and performance against targets and monitor our carbon emissions.

With regards to climate-related risks, we rely on the set of risk reports (which include climate-related risks) produced by our operating companies that feeds into the Group risk processes (as described in the TCFD subsection Risk management). They indicate the status of each risk and enable the Group's management to make timely decisions.

As we progress with the operating companies' individual climate change adaptation risk registers, these will be the key tool/template to monitor the frequency and intensity of climate-related events and how they are impacting our business.

With regards to performance indicators, we monitor and report our scope 1 and 2 GHG emissions, and other key metrics used to oversee the performance of our climate change strategy and its five workstreams (please refer to page 29 to see metrics in detail).

We also monitor a range of internal indicators related to our carbon footprint, such as fuel efficiency and ultra-low emission vehicles. These are embedded into operating company monthly reporting and reviewed by our senior leadership team biannually, which allows clear oversight of progress and review of risks and opportunities against targets.

Science-based targets for scope 1 and 2

As previously mentioned, Go-Ahead is committed to reducing its emissions across all three scope categories and has developed a science-based target to reduce our scope 1 and 2 CO_2 emissions by 75 per cent by 2035 which was validated by SBTi. We also set a target, separate to the science-based targets, to become a net zero business for scope 1 and 2 emissions by 2045, which considers that the residual carbon that cannot be removed will be offset.

In 2021, as part of the science-based target development, we carried out a screening exercise to quantify our scope 3 emissions which established that these are less than 40 per cent of our overall GHG emissions. We are, however, currently working to develop reduction targets for our scope 3 emissions.

Safety

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

KPIs

	2022 Per million miles	2021 Per million miles	2020 Per million miles	2019 Per million miles
UK Rail SPADs	**0.71**	0.66	0.80	0.76

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

Performance: By keeping the focus on managing key operational safety risks through the introduction of a monthly Operational Safety Forum, which brings the operational safety communities across our rail operators together to share good practices, raise common concerns and deal with challenges jointly, we have seen a reduction in many operational incidents. There has been an improved focus on investigations and sharing lessons and mitigation strategies. Post-COVID-19 operations have presented many challenges including changes to passenger demand and travel patterns as we recover and return to a new normal and, as such, the operational risks have changed and we have noted a slight increase in the number of SPADs compared with the previous year, which is consistent with the industry trends.

	2022 Per 100 employees	2021 Per 100 employees	2020 Per 100 employees	2019 Per 100 employees
RIDDOR*	**0.45**	0.47	0.44	0.61

*Excludes Singapore and Sweden bus and international rail

Description: The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) relate to a workplace incident that results in any employee absence from work for over seven days or any legally reportable incident to the Health and Safety Executive across our UK operations.

Performance: Current performance has normalised to a similar level to the years pre- and post-COVID-19. Workforce injuries associated with accidents have increased. While events have increased, the injury degree has improved, with a 10 per cent decrease of lost time events. Most injuries occur in the engineering depot environment due to the nature of their work, with the remaining injuries attributed to slips, trips and falls, carrying an object or making contact with a stationary object. The risk has not diminished, and work is underway to understand the legacy impact of COVID-19 on our operation and our colleagues so that targeted interventions can be actioned to manage the risk down further.

	2022 Per million miles	2021 Per million miles	2020 Per million miles	2019 Per million miles
Bus accidents	**40.8**	32.4	36.6	37.4

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

Performance: Performance has returned to pre-pandemic levels. The operating environment during the pandemic presented additional challenges; whilst some of those risks have now diminished, a shift in our customer travel demands post pandemic has presented new challenges. Our bus operating companies understand the local communities they serve and have plans in place to reduce the risk of accidents, which include the use of new technology on buses.

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

Safety culture

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

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

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

Harnessing technology

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

GTR continues to be at the forefront in the use of app technology, taking the lessons learned through the pandemic and continually refining app-based products. GTR's safety reporting app, which was introduced in 2021 and enables faster and more accurate reporting of all safety-related incidents, is now on version 3 and has been instrumental in improving reporting, realising an increase in reporting of all incidents of approximately 40 per cent. With better data and insights, GTR has been able to ensure that initiatives are targeted, and resources focused, in the right areas.

Continuous improvements and shared best practice

Our bus operators in the UK and abroad have embarked on a comprehensive review of the methods currently used to manage health and safety, and a workshop was held comprising all health and safety and risk specialists. The workshop developed a full and detailed health and safety strategy with six workstreams, work for which has started to create detailed action plans.

GTR's zero harm ambition, now embedded across the organisation, is moving to its next phase post pandemic of getting back to basics, ensuring all colleagues are equipped to deliver on the promise of caring for each other, our customers and vulnerable persons. To assure ourselves that our safety culture continues to move in the right direction, an assessment of safety maturity is underway with improvements being defined that align to areas identified. Safety governance has been strengthened to ensure safety is discussed regularly and best practice is disseminated across the organisation.

COVID-19

The health, wellbeing and safety of our colleagues and passengers has remained a top priority. Turning the lessons learned during the pandemic into contingency plans that could be mobilised at any stage in response to a resurgence or new threat has been a priority.

We recognise that the pandemic has impacted each and every one of our colleagues in a different way, which is why our health and wellbeing programmes continue as an enduring feature of our daily business, from Wellbeing Wednesdays to Brunch and Learn sessions, dedicated intranet pages, training, briefings and communications and signposting, help to ensure that our colleagues are supported as we return to a new normal.

The same can be said of our customers. We continue to refine our messaging and assess the residual risk associated with post-pandemic life and the current socio-economic environment. We recognise that our customers can be vulnerable; that is why GTR was the first rail company to employ a dedicated suicide prevention manager and to train colleagues to make life-saving interventions.

Additionally, new risks have emerged, such as an increase in antisocial behaviour. To respond to this, we have pioneered the first-ever joint policing plan which has been countersigned by GTR and the British Transport Police. It pledges to collectively improve passenger and staff confidence by increasing visibility and engagement and reducing violence and antisocial behaviour. The plan also aims to reduce assaults and increase prosecutions and protect, support and safeguard vulnerable people and those at risk of exploitation and harm, as well as tackle violence against females, hate crimes and sexual harassment.

GTR also instigated Operation Safeguard, which saw the introduction of Travel Safe Officers across the network, who have collectively made over 25,000 interventions since July 2021.

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

KPIs

	2022 Per cent	2021 Per cent	2020 Per cent	2019 Per cent
Employee engagement index UK Bus*	**68**	71	n/a**	62
Employee engagement index UK Rail*	**73**	72	72	69

* Excludes international divisions.

** In 2020, bus employee engagement surveys were suspended in order to better align the timing of colleague feedback with action being taken.

Description: We measure how engaged our people are through surveys across our UK businesses. The results provide a measure of colleague engagement and help us identify areas where we can improve as an employer. We are working to include our international colleagues in this process over the next two years.

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

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

Engagement

Employee wellbeing has remained at the heart of the Group's engagement strategy as we emerge from the pandemic. Across all operations, we were pleased to see that 77 per cent of employee participants noted that they enjoyed working for the Group and 79 per cent of people said that their managers treated them with respect.

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

Learning and development

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

Equipping our leaders, and future leaders, with the skills to manage our businesses, lead our teams and deliver on our strategy is a key area of focus. Throughout the year, we reshaped our two talent programmes – the Executive and Senior Management Development Programmes – to more effectively align with our business strategy. Both programmes, aimed at accelerating the development of our brightest talent, grew during the year, with an increase in the number of delegates and female representation within these programmes. We also rolled out an online "Train the Trainer" behaviour-led programme, to allow nominated colleagues to run training at a local level for supervisors. We have set new targets for levels of female participation in our internal talent programmes.

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

New talent

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

Go-Ahead is the only public transport operator registered as an approved provider of apprenticeships across both bus and rail. During the year, the Group received an official stamp of approval, passing the Ofsted New Provider Monitoring Visit. We have received a number of awards and accreditations for our apprenticeship programme which is sector leading.

Throughout the pandemic, Go-Ahead recruited more than 50 apprentices a month despite the disruption caused by COVID-19. Training was adapted to the challenges of the pandemic and our teams pioneered new ways of remote working and social distancing in our academies to ensure colleagues were always safe. We hired more than 1,055 apprentices across bus and rail in 2022. The theme of the programme, “Build the Future”, focuses on the importance of training and retaining apprentices, delivering a return on investment.

Health and wellbeing

There has been a sustained focus on health and wellbeing throughout the year, communicating with and signposting colleagues to the available support. Both rail and bus have increased the pool of health and wellbeing advocates, wellbeing champions and mental health first aiders to provide additional support to colleagues during this challenging year. And with health and wellbeing programmes now an integral feature of our day-to-day business, examples of best practice are evident across the Group. GTR recently won an “Inside Out” award for its mental health initiatives. This includes a network of more than 100 Wellbeing champions and a volunteer support group for colleagues.

Meanwhile, Go-Ahead is training mental health champions at all of its bus companies in the UK and Ireland. Champions are trained to spot triggers, reassure people in distress and seek support. Brighton & Hove was the first Go-Ahead bus company to launch the mental health first aider programme in 2020 with over a tenth of the workforce using the scheme.

In 2021, Go-Ahead London ran a Leading Resilient Teams virtual training course in partnership with the British Red Cross. Aimed at giving an insight into assisting and supporting colleagues who required help with their own mental health, this course trained 100 employees including managers, union representatives and apprentice assessors.

Diversity and inclusion

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

We have female-focused recruitment campaigns, open days and initiatives to showcase opportunities, each with the aim of increasing the opportunities available to women to work in the industry over the coming years. The Go-Ahead “Women in Bus” network continues to offer online workshops focusing on topics that are pertinent to the members, including emotional resilience and building self-confidence. We maintain our initiatives to support, develop and empower women across our bus companies, with the main goal to increase female representation in bus to 15 per cent by 2025.

We also support the ‘Women in Rail’ initiative and are targeting female representation of 25 per cent across our rail business by 2025 and we continue to make encouraging progress against this target. Go-Ahead has launched numerous initiatives to promote careers in rail to women, including recruitment campaigns, such as working with Mumsnet, and launching unconscious bias training to help make the organisation a more inclusive place to work.

For the year ended 2 July 2022, the Group’s Board comprised four male (2021: three) and three female directors (2021: three) and senior management comprised 70 male (2021:77) and 12 female (2021: 17) employees. Overall, the Group comprised 25,580 male (2021: 26,082) and 5,027 female (2021:4,740) employees.

While our focus has been on increasing gender diversity across the Group for a number of years, we recognise the importance of diversity in all its forms. Building a diverse colleague base supported by an inclusive culture is key to our success. We were pleased to learn that 80 per cent of colleagues surveyed as part of our employee engagement consider Go-Ahead’s culture to be inclusive to all. Our apprentice intake has strong ethnic minority representation with 70 per cent of new apprentices being from ethnic minority backgrounds.

We are sharing best practice across the Group to make all our workplaces more inclusive. This includes introducing new ways to attract and recruit talented people from diverse backgrounds, reinvigorating the women’s network group, rolling out unconscious bias training for all managers and updating relevant policies and practices to support our communities. We recognise that colleagues of different ethnicities are better represented at operational level and first line management than they are at senior/director level. We have therefore set a strategic target of 10 per cent ethnic diversity in UK director roles (for Rail, Bus and Group) by 2024.

Our policies

We have a comprehensive range of policies at Group and local levels. We believe in equal opportunities and apply fair and equitable employment practices.

Our Code of Conduct facilitates the understanding and embodiment of behaviours that align colleagues with the culture as set by the Board and sets out what is expected from colleagues and stakeholders to ensure they protect themselves as well as the Group's reputation and assets. It states that all employees should be treated with respect and that their health and safety should be protected. Respect for human rights and ethical behaviour underpin this, with our human rights policy setting out how we are committed to conducting our business in a manner that respects and upholds the rights of all those people with whom we engage and who are affected by our actions.

Go-Ahead has a zero-tolerance approach to bribery and corruption and all our colleagues are required to adhere to our policies in place for the prevention of corruption, fraud and bribery. We have bespoke online training for competition law, anti-bribery and corruption which colleagues in high risk areas (including Board and senior leadership) are required to complete periodically.

Conflicts of interest, which interfere with proper performance or independent judgement, are prohibited. We also have well established whistleblowing procedures where colleagues can, in confidence, raise concerns about wrongdoing within their workplace.

In addition to the above, colleagues are required to comply with our equal opportunities, diversity and inclusion policy; health and wellbeing policy; and health and safety policy. Compliance with these policies is mandatory and is incorporated within all new joiner induction programmes.

Customer satisfaction will always be a top priority for us. As we emerge from the challenges faced during COVID-19, it is essential that we continue to build, improve and innovate the customer experience for our existing passengers, as well as provide the best platform to attract more passengers to our buses and trains.

KPIs

	2022 Per cent	2021 Per cent	2020 Per cent	2019 Per cent
Customer satisfaction UK Regional Bus*	**87**	n/a	n/a	n/a

* Transport Focus suspended its bus passenger surveys during the COVID-19 pandemic. In 2022, our bus division conducted its own customer surveys hence no comparative figures are presented.

	2022 Rating out of 10	2021 Rating out of 10	2020 Rating out of 10	2019 Rating out of 10
Customer satisfaction UK Rail *	**6.7**	n/a	n/a	n/a

* Transport Focus suspended its rail passenger surveys during the COVID-19 pandemic. Therefore, in the absence of any industry insight, our rail division conducted its own customer survey in 2022. As this was a new survey with a different methodology, there was no previous like-for-like data hence no comparative figures are presented. However, the score was trended against previous waves to track progress and that any actions had been taken.

Description: Customer satisfaction is a key measure of how well we are meeting our customers' needs. For Regional Bus and UK Rail, customer satisfaction is normally measured by the independent passenger watchdog, Transport Focus. Due to the impact of the pandemic, the Transport Focus surveys for both bus and rail have been suspended. However, to keep capturing the voice of the customer, we started conducting our own customer surveys in 2021 and continued to do so in 2022. For London Bus and our International operations, we continue to work with our clients on their own local passenger satisfaction surveys and work in partnership to drive continuous improvements to overall satisfaction.

Performance: In 2022, our customer satisfaction result for UK Regional Bus was mainly impacted by the quality of bus stop facilities where we, as transport operators, have limited direct control. It was also impacted by a much smoother ticketing experience with the introduction of flexible capping, multi-operator contactless and other purchasing facilities. In UK Rail, GTR used its online passenger panel to measure customer satisfaction which was mostly driven by train performance, helpful information and the ambience of both our stations and trains. In Norway, we developed specific customer services training for conductors which led to improved levels of overall customer satisfaction on both local and long-distance lines.

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

Welcoming passengers back

In 2022, we have seen more passengers returning and choosing to use public transport following the pandemic. Our bus and rail companies have continued to reassure our customers about the safe nature of public transport undertaking stringent cleaning regimes alongside delivering services within the local Government guidelines as restrictions eased across the UK.

As customers return, our local bus companies in the UK continue to deliver new and exciting innovations, such as flexible weekly season tickets and Oyster style Tap On Tap Off (TOTO), as well as incentives to travel such as new flat fares for evening travel. Enabling people to get back out after the pandemic has been a focus for us. The more journeys taken on public transport, the more benefits to local economies and local communities.

Continuing to innovate in ticketing

We know that travel patterns have changed. Our customers using Brighton & Hove Buses and Metrobus can now benefit from a new flexible way of managing their tickets. In 2022, we introduced scalable capping of tickets bought via contactless payments, better suiting the more flexible travel patterns of many of our customers. This means a customer can travel the number of times they need to each week and still get rewarded for regular travel. Any customer who reaches the weekly price cap can travel the rest of the week for free.

In Cornwall and Bournemouth, we introduced multi-operator capping on fares via contactless payments. This enables customers to benefit from capped fares on both Go-Ahead and non-Go-Ahead services in the region without having to worry about multiple tickets. This means passengers now receive the best value fares by just tapping on and enjoying their bus journey, no matter who is operating it. It also improves accessibility for customers and removes the need for customers to pre-purchase their tickets.

Oxford Bus Company worked alongside Stagecoach to successfully introduce the Oxford SmartZone. Providing a simpler way to travel for all residents and visitors to Oxford, it gives passengers the freedom to get in and around the city. This means passengers no longer need to get a physical ITSO enabled smartcard (The Key) for travelling and can purchase tickets that last for 24 hours to a whole year.

Appy days

Providing a smartphone app which is user friendly and easy to use is essential to our customer experience strategy. During the year, we launched new apps across our UK Regional Bus companies, delivered in partnership with Passenger Transport Group. These apps have been well received, scoring highly in both the Google and Apple stores for customer feedback. We also continued to develop our app in Norway to ensure the smoothest possible retail experience.

Our UK bus apps bring real-time bus tracking into the hands of our customers, providing convenient journey planning, easy purchasing of tickets and information on when their bus will arrive at their stop. It also enables our marketing teams to provide targeted fare promotions and to promote the value offered by bus travel.

The new Contactless Portal rolled out at some of our bus companies also enables customers who use TOTO as their way of travelling and, by signing up, they have a convenient place to view their contactless journey history. This innovation helps reassure passengers and puts them in control of their weekly spend.

Lower bus fares in Cornwall

From April 2022, ticket prices on buses operating in Cornwall were cut by up to 40 per cent under a Government-backed pilot scheme, “Make Big Savings By Bus”. Additionally, in July, we welcomed the launch of a county-wide “Tap & Cap” scheme that offers more convenience as well as guarantees the best ticket value for bus customers in Cornwall.

Through that scheme, passengers tap their payment card when they get on the bus and tap off when they get off and are charged the correct fare automatically. Regardless of the number of journeys taken in a day customers will not pay more than £5 and no more than £20 for a week.

These initiatives are consistent with goals under the UK Government’s national bus strategy to encourage partnership working between operators and local authorities, and to promote the social, economic and environmental benefits of bus usage.

Participation in the UK DfT’s Open Data Scheme

Analysing our data enables us to deliver new and important insights into our services. Since 2021, we started sharing our data responsibly with the Department for Transport, particularly focused on real-time information and fares. This initiative was a positive step toward future innovation, and it has given us the platform to collaborate with third party services and improve access to new and, sometimes overlooked, insights.

Customer satisfaction

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

In 2022, we conducted a bus passenger online survey during the winter which had nearly 14,000 respondents across all our UK brands. The results indicated that 87 per cent of our regional customers are satisfied with our services. Our performance was mainly impacted by the quality of bus stop facilities – where our operators have limited direct control – balanced by a smooth ticketing experience: 95.99 per cent of passengers found it easy to buy their tickets.

The satisfaction regarding ticket purchasing was driven through initiatives such as the introduction of flexible capping in Brighton in 2022, allowing customers scalable discounts with different travel patterns week to week, and the deployment of our new Contactless Portal with app integration for single sign-on, which offers our passengers greater visibility of their journeys and fares whenever required.

In rail, with Transport Focus having ceased the National Rail Passenger Survey (NRPS) in 2019, there is currently no national industry-wide customer satisfaction survey/measure. During this time, GTR used its online passenger panel to keep up to date with customers’ satisfaction levels. For the year ended 2 July 2022, we have seen an average rating of 6.7/10 for overall satisfaction, a result mainly driven by train performance, helpful information and the ambience of both our stations and trains despite it being a challenging period.

For London Bus and our International operations, we continue to work with our clients on their own local passenger satisfaction surveys and work in partnership to drive continuous improvements to overall satisfaction.

Accessibility

We are continuously working to ensure our bus and rail services are as accessible as possible for all passengers. We also aim to equip colleagues to support passengers across all and any access needs, including non-visible disabilities. All customer-facing staff are specifically trained, including by expert disability trainers, to assist disabled passengers and others needing assistance to support independent accessible travel.

Across our bus operations and in Singapore, we rolled out our "Helping Hand" card scheme, which enables the holder to discreetly advise the bus driver if they need further assistance. On our rail services, customers can count on our Travel Support and Priority Seat Cards. To make travelling as easy as possible for all customers, we continue to introduce audio-visual "next stop" technology on all our buses.

Brighton & Hove Buses was one of only two public transport providers in England to be given the "Highest Leader" status under the Department for Transport (DfT)'s Inclusive Transport Leaders scheme. The bus company was the first company outside of London to have 100 per cent of its fleet with screens and audio announcements, and the first bus operator to implement dementia-friendly flooring, which means that none of their buses has black floors.

GTR has an established Access Advisory Panel made up of real customers representing a range of disabilities who provide support and insight to our rail business with their lived experience. The company also hosts "Try a Train" sessions, to assist those who may lack confidence and the experience of travelling by rail.

GTR's Accessibility Travel Policy outlines in detail our commitment to accessible travel and recent developments, such as the reduced time required to book assistance from six to two hours before departure, for those who prefer to pre-book. We continue to extend our Mobile Assistance team approach, with teams now providing assistance support from hub locations at 27 of our smaller accessible (unstaffed or partially staffed) stations and further teams will be established to provide support at a further 24 stations in due course.

Our Accessibility Forum meets regularly to share best practice from across the Group and to enable continuous improvement and innovation for our passengers both in the UK and internationally.

Read about our engagement with transport authority customers on page 25

Communities

The towns and cities where we operate our services are vital stakeholders to our business. Our community investment aims to support societies with their local needs and create shared value.

KPIs

	2022 (£m)	2021 (£m)	2020 (£m)	2019 (£m)
Community investment	**1.7**	1.0	0.9	1.0

Description: We contribute to the communities we serve across the UK and internationally.

Performance: Through a number of initiatives that included cash and goods donations, sponsorship, free travel, volunteering and partnerships with not-for-profit organisations, we supported our communities and contributed to the UK Government's social goals.

Community investment strategy

Public transport is an essential service. Our buses and trains sit at the heart of the communities we serve and create significant social value by connecting people to work, family and leisure in an easy, safe and affordable way.

The towns and cities in which we operate are vital stakeholders to our business. When they thrive, we thrive. We're committed to supporting these stakeholders and have a community and charitable investment policy in place. In line with this policy, our businesses regularly join in national and local fundraising events, and we support our colleagues in their volunteering activities within local communities.

To offer extra guidance to all Group employees regarding our vision for community investment, during the year we developed a community investment strategy that includes:

- The principles that guide us
- The social issues we focus on
- Tools we can use to create a positive social impact
- How we measure our positive social impact in local communities

Aligned with the UK Public Services (Social Value) Act 2012, and the UK Social Value Model, the ultimate purpose of our community investment strategy is to maximise the impact of our social investment and create even greater social value for the communities we serve.

Tackling loneliness

In 2019, we launched a campaign called "Chatty Bus" to encourage passengers to talk to someone new every day on one of our bus services. Since then, our operating companies have shaped and moulded the initiative to suit the passengers within their communities. This has included working with local charities and organisations to help spark conversations with passengers. In 2022, this initiative integrated the Seeing is Believing Programme, established in 1990 by His Majesty King Charles III, and it was showcased as a case study to all participants that joined the programme in Norwich.

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

Humanitarian support to Ukraine

In 2022, the world witnessed the start of the war in Ukraine, which already has cost the lives of thousands of civilians and triggered the biggest refugee crisis in Europe since the Second World War. The Group and its operating companies stepped up and offered humanitarian support to Ukrainians through multiple initiatives.

At Group level, we created a match funding scheme and invited all of our employees to contribute to the Disasters Emergency Committee and, for each employee pound donated, the Group offered another pound. In total, £36,000 was raised through this initiative.

Amongst our operating companies, GTR, Go-Ahead Germany, and Oxford Bus Company offered free travel for refugees. Go-Ahead London and Go South Coast donated supplies such as first aid kits, gloves, torches, waterproof jackets and canned food. Go South West wrapped a bus with a "support for Ukraine" banner with details about how to donate and printed 600 T-shirts for their drivers to demonstrate support.

Social value in our supply chain

Go-Ahead is a 27,000-strong company and the way we manage our business and our supply chain has a significant social, environmental and economic impact.

Through our code of conduct and ethical procurement policies, we set our parameters regarding how we expect our partners to behave. We work in accordance with ISO 24001 for sustainable procurement, which has been independently verified, and we remain a signatory to the "Prompt Payment Code" with 95 per cent of all invoices paid within 60 days.

In 2019, we launched the industry's first Sustainable Supply Chain Charter in the UK, which established minimum criteria in core areas of corporate responsibility. It outlined our priorities within our supply chain and included small and medium-sized enterprises (SMEs) as an area of focus.

Read about our SME strategy on our website, www.go-ahead.com

Creating social value

Go-Ahead and its operating companies invest in the communities we operate in through a number of initiatives.

Twelve of our Go-Ahead London colleagues successfully took on the challenge of walking an incredible 45 miles from Sutton Garage to the centre of Brighton and raised £1,400 for the Great Ormond Street Hospital Children's Charity.

Go South West branded a double-decker bus to support St Luke's Hospice Plymouth in its 40th anniversary year and gave free bus travel to help Plymouth Albion RFC (local rugby team) attend its training and matches. The operating company also continued to support Jeremiah's Journey campaign named "Follow the Bear'" a self-funded charity that help families dealing with the death of relatives, and, with volunteers' support, raised over £2,000 for the Children's Hospice South West.

Through its Community Support Fund, Brighton & Hove receives applications from local charities and offers support to several causes. During the year, the company also donated hundreds of bus tickets, offered travel discounts to charities and took part in many community events, including Black History Family Day and Dementia Action Week.

At Go South Coast, each one of the bus company's different brands has a community fund to support local needs. In 2022, they gave free or heavily discounted tickets to cancer patients and charities that help people to treat the disease. The operator also helped Shirley community litter pickers to buy a new trolley.

In our international division, Go-Ahead Nordic and Flexbuss engaged with local communities through various activities such as visiting schools and universities to talk about the public transport contribution to local societies. They also worked with local suppliers to offer locally produced food on their trains and sponsored local events.

During the year, in addition to our community investment initiatives and as part of our partnership with Transaid, we donated a Go-Ahead London single-decker bus to Dar Es Salaam in Tanzania, to be used as part of a Professional Driver Training initiative. Before departing for Africa, the bus received a full repaint and repanelling. Go-Ahead's Managing Director of UK Regional Bus, Martin Dean, is a member of Transaid's Road Safety Advisory Board, which facilitates sharing industry best practice, supporting efficiency, quality assurance and generating ideas.

Through our corporate donations, colleague fundraising and volunteering efforts, we have invested £1.7m in our local communities in the period covered by the report.

Environment impact

Continuously improving our environmental performance is vital to reducing our impact, managing risks and enhancing the resilience of our business.

KPIs

	2022 Tonnes CO_2e	2021 Tonnes CO_2e	2020 Tonnes CO_2e	2019 Tonnes CO_2e
Absolute carbon emissions - scope 1 and 2 (location based)	**607,694**	682,787*	752,040*	765,175

* Figure restated due to actual data provided on premises energy consumption by the energy supplier. More information on the carbon emissions table below.

Description: We monitor all our energy consumption to calculate our absolute CO_2 emissions (CO_2e) for scope 1 (direct emissions) and scope 2 (emissions from purchased energy). Our scope 2 emissions are monitored on both location and market-based approaches*.

* According to the GHG Protocol guidelines, companies shall report their scope 2 emissions according to location-based (average emissions of grids on which energy consumption occurs) and market-based (emissions from electricity contracts) methods. The Group reports on both methodologies.

Performance: An 11 per cent year-on-year reduction in CO_2e and a 19 per cent reduction against our climate change strategy baseline (2020). Our GHG emissions were significantly impacted by the decarbonisation of the UK's grid, and the exit of London & South Eastern Railway Limited (LSER) from the Group, along with other changes to our Company structure – more details are in the greenhouse gas (GHG) emissions performance section below. Energy efficiency improvements and the ongoing transition of bus fleet to zero-emission vehicles also contributed to the reduction.

Go-Ahead is leading the transition to a low-carbon economy in the UK public transport sector. We continue to work to maximise the environmental benefits of mass transport while, at the same time, addressing and reducing the impacts of our operations.

We have a comprehensive environment policy and energy and climate change policy at Group and local levels. These set out the measures we are taking to tackle the environmental impacts caused by our activities including reducing our carbon footprint. Policies, objectives and performance are monitored and reviewed periodically, and colleagues are provided with information and training to help them contribute towards achieving our objectives and targets.

We were selected as one of Britain's Most Admired Companies, coming top of the list for the transport sector in the category "Community and Environmental Responsibility". Go-Ahead was also named one of the top 300 "European Climate Leaders" by the Financial Times for our carbon-cutting initiatives.

Looking at ESG rating agencies, Go-Ahead was once more given the highest score by MSCI (AAA) and classified as "low risk" by Sustainalytics. Additionally, in 2022, we maintained our highest ever rating from the CDP (A minus) – the highest score of any UK transport operator.

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

Environment impact continued

Decarbonisation

In 2021, we set out our strategy to lead the transport industry in carbon reduction by cutting our scope 1 and 2 carbon emissions by 75 per cent by 2035 (against a 2020 baseline) and by becoming a net zero business by 2045. To achieve these targets our goal is to run a zero-emission fleet by 2035.

Carbon reduction initiatives

As set out in our climate change strategy, we have a pathway to deliver our carbon and air quality targets that include transitioning to zero-emission vehicles and increasing the energy efficiency of our fleet and premises.

In March 2022, Oxford Bus Group was approved by the Zero Emission Bus Regional Areas (ZEBRA) scheme to receive funding to implement 104 electric vehicles in its fleet. These buses will replace existing diesel buses and will make the company's fleet significantly greener. A substation has already been installed at Cowley depot and will provide 8 megawatts of power to support rapid charging of vehicles.

One of the largest electric bus operators in the UK, Go-Ahead London is progressing with a Bus2Grid proof of concept trial, which is set to be the world's first high power discharge "vehicle to grid" project. Located at Northumberland Park, where over 100 electric vehicles are based, the trial will create a "virtual power station", taking surplus energy from the batteries of parked buses and feeding it back into the national grid.

After undertaking a trial of clean hydrogen fuel cell buses, Brighton & Hove and Metrobus purchased 54 hydrogen buses for their operations in Crawley, Redhill and the Gatwick Airport area. The buses offer a long-range, quick charging capability and enhanced accessibility and will start to be operated in late 2022.

In addition to our efforts to transition our fleet to zero-emission buses, we are also constantly investing in energy efficiency measures. All our operating companies engage with their drivers and use different methods (e.g. training and telemetry) to support them to drive more efficiently. Throughout the years we have also constantly upgraded our diesel bus fleet with vehicles that are more fuel efficient and emit less carbon and air emissions.

In rail, GTR is the UK's largest operator of electric trains with 98 per cent of our fleet comprised of electric trains. The operator's electric fleet includes Siemens Class 700 trains, which recycle 15.8GWh of energy each month from its braking system and return it to the network.

Regarding our premises, we invest in behaviour change (e.g. switching off lights and equipment not in use) and also in infrastructure improvements. For instance, in July 2021, Go North West replaced all of its light fittings with LEDs in its Manchester depot which resulted in a 31 per cent reduction in electricity consumption.

Read about our climate change strategy on page 28

Greenhouse gas (GHG) emissions performance

In terms of absolute figures, our scope 1 and 2 carbon emissions were reduced by 11.0 per cent in the 2022 financial year when compared to the previous year and by 19.2 per cent against 2020, the baseline year for our climate change strategy. This performance is aligned with our science-based target, which basically requires us to reduce our scope 1 and 2 carbon emissions by 5 per cent year on year.

Our scope 1 carbon emissions presented a slight increase of 1.2 per cent against 2021, mainly due to the acquisition of Flexbuss in Sweden, the start of the contract to operate bus services in Cornwall (UK) through Go South West, and the recovery from the COVID-19 pandemic, which meant busier trains and buses, and more traffic on the roads across all our operations.

Our location-based scope 2 carbon emissions, on the other hand, decreased 25.2 per cent mainly due to the exit of London & South Eastern Railway Limited from the Group and the inherent reduction in traction electricity consumption, and the decarbonisation of the UK grid. Our energy efficiency initiatives also contributed to the reduction in our GHG scope 2 emissions.

Environment impact continued

Our carbon footprint in tonnes of equivalent carbon dioxide (CO_2e)

Read more on page 111

	2022 Tonnes CO_2e	2021 Tonnes CO_2e	2020 Tonnes CO_2e	2019 Tonnes CO_2e
Scope 1				
Total	**371,333**	366,942*	382,602*	394,878
Scope 2				
Total scope 2 – location-based	**236,362**	315,844*	369,438	370,296
Total scope 2 – market-based	**12,415**	39,325*	67,279	61,971
Total scope 1 and 2 aggregated (location based)	**607,694**	682,787*	752,040*	765,175
YoY % change	**-11.00%**	-9.21%	-1.72%	-7.65%
% change on 2020 baseline	**-19.19%**	-9.21%	n/a	n/a
Scope 3				
Electricity – transmission and distribution (total)	**21,261**	27,820*	31,554	31,510
Out of scopes – biogenic content of bio-fuels	**15,870**	20,144	15,188	12,436
Total kWhs	**2,631,385,885**	2,917,925,461*	3,032,726,257	2,983,369,795
Scope 1, 2 and 3 and out of scopes				
UK – location	**538,538**	626,479*	703,158	742,915
Non-UK – location	**90,416**	84,128*	80,918	54,616
Total – location	**644,825**	730,751*	784,076	797,534
UK – market	**330,985**	334,292*	389,243	432,914
Non-UK – market	**74,022**	99,795*	92,671	54,647
Total – market	**405,008**	434,087*	481,916	487,561
Total vehicle miles operated	**659,413,857**	749,034,991	733,702,870	706,393,581

Energy consumption	**2022 kWhs**	2021 kWhs	2020 kWhs	2019 kWhs
UK	**2,277,156,069**	2,578,251,899	2,728,037,565	n/a**
Non-UK	**354,229,816**	339,673,561	304,688,691	n/a**
Total kWhs	**2,631,385,885**	2,917,925,461	3,032,726,257	2,983,369,795

Total bus and rail mileage (locations)	**2022**	2021	2020	2019
All scopes kgs CO_2e (location)/vehicle mile	**0.9779**	1.0045*	1.0841	1.1454
YoY % change	**-2.7%**	-7.4%	-4.9%	-10.4%
% change on 2020 baseline	**-9.8%**	-7.4%	n/a	n/a

* Figure restated due to actual data provided on premises energy consumption by the energy supplier. This data replaced estimations provided by the supplier at the end of the 2020/21 reporting period.

For more information on methodology, scope and exclusions, see page 112

Environment impact continued

Air quality

As set out in our climate change strategy, we have 2025 targets to decrease our air emissions for four pollutants: carbon monoxide, hydrocarbons, nitrogen oxides, and particulate matter. We calculate our air emissions performance based on the transition rate of our fleet to low/zero-emission vehicles.

Our latest figures show that a year after setting our targets, driven mainly by the changes in our fleet (e.g. upgraded diesel fleet and increased number of electric vehicles), we are on track to achieve our targets for hydrocarbons, nitrogen oxides and particulate matter. Carbon monoxide emissions have proved to be more challenging, mainly because they depend exclusively on the transition to zero-emission vehicles, which is happening more slowly than initially projected.

Water

Water is a precious resource for our operation. This year our activities to reduce water consumption focused on measurement and monitoring improvement. We engaged extensively with our operating companies to share best practice and encourage them to read water meters frequently and install data loggers/smart meters where appropriate.

At Group level, we enhanced our data intelligence by moving our water figures to our main business intelligence software (Power BI), aiming to spot inconsistencies (e.g. spikes in consumption) more rapidly and investigate potential leaks more quickly.

In 2022 we used 756,268m^3 of water, which is a 15.6 per cent reduction year on year and a 19.7 per cent decrease against our baseline year. The reduction in consumption was achieved due to initiatives to reduce usage but was heavily impacted by changes in the Group's composition previously mentioned.

Waste

We are making substantial progress towards our target of increasing our recycling rate to 60 per cent by 2025. Our performance in 2022 was driven by improvements in the reporting scope (more waste streams were included) and by two waste projects:

- A trial at Brighton train station in partnership with Green Block, a waste consultancy that deployed a Mobile Segregation Unit (MSU) to facilitate the segregation of unsorted waste and provide access to real-time data
- An internal initiative named Project Go Eco, through which we are increasing waste segregation by engaging with specific teams at our depots (e.g. cleaners and maintenance staff) to drive behaviour change

During the year, we recycled 46.0 per cent of our waste, against 37.8 per cent in the previous year and 36.5 per cent in 2020.

Going concern

Background

The financial statements for the year ended 2 July 2022 were approved by the Board on 24 February 2023.

We have responsibilities in relation to going concern under UK legislation and International Accounting Standard 1 Presentation of Financial Statements. The Board needs to state whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties to the Group's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.

Going concern assessment

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

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

Key areas of forecasting uncertainty include:

- The extent of any further recovery in Regional Bus revenue and the size of the network required to support passenger demand after BRG funding ceases
- The impact of inflationary pressures and continued challenges with respect to driver recruitment on our operations
- Further losses on our German contracts following the challenging operational performance, which has impacted the Baden-Württemberg franchise since its commencement, and the start of our final Bavarian operations which occurred in December 2022

The forecasts were modelled using the base case set out below based on the Group's three-year Corporate Plan adjusted for M&A activity which would be dependent on circumstances and the impact of the takeover of the Group by Gerrard Investment Bidco Limited (Bidco), a company jointly owned by Kinetic TCo Pty Ltd (Kinetic) and Globalvia Inversiones S.A.U. (Globalvia), (together the Consortium).

The base case

The Regional Bus forecast assumes that Regional Bus services are maintained at the level required to qualify for Bus Recovery Grant (BRG) funding and, thereafter, at a level commensurate with passenger demand. Fares, fuel and wages are all assumed subject to inflation with there being no restriction on the business' ability to recover increased costs through fare increases, and savings identified as part of the strategic business review begin to be realised during the year. BRG funding, initially expected to end in October 2022, has been extended until June 2023 which provides further support to the delivery of Regional Bus forecasts but terms and conditions for the duration of this extension remain outstanding. The current Bus Fare Cap is assumed financially neutral with the impact of the scheme offset by the funding provided.

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. While cost pressures will impact the business, there are price mechanisms within the contracts that allow these to be recovered.

In UK Rail, GTR is contracted under a National Rail Contract through to 1 April 2025 with the potential for up to a three-year extension at the discretion of the Secretary of State for Transport.

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

In Norway an agreement was reached with the Norwegian Railway Directorate regarding the structure of the rail contract. The amended contract, which took effect from 1 July 2022 and runs to the end of the previous contract (December 2027 with a potential two-year extension to December 2029), provides a revenue support scheme combined with an incentive scheme linked to revenue growth and represents a significant change from the prior contract under which revenue risk arising from changes in passenger demand rested with Go-Ahead.

Reasonable worst case scenario

This included assessing forecasts of severe but plausible downside scenarios related to our principal risks, notably the extent to which the recovery in passenger demand and levels of government support is less favourable than assumed in our base case forecasts. The reasonable downside scenario assumptions, which together reduce pre-IFRS 16 EBITDA by c. 20 per cent over the 12-month period, were:

Regional Bus

- Slower recovery of passenger demand in Regional Bus with passenger demand lower and the impact of inflationary pressures

London & International Bus

- Impact of inflationary pressures on electricity and driver pay and the impact of driver shortages and absences

UK Rail

- Lower level of performance fees in GTR than planned.

International Rail

- Operational issues in our German operations leading to higher operational losses than those already included in the base case

Liquidity and covenant testing

The Group has no debt maturities ahead of July 2024. We have a strong balance sheet and good liquidity with adjusted net debt as at 2 July 2022 of £1,107.0m (£241.0m on a pre-IFRS 16 basis) and unutilised facilities and cash of £320.5m at the year end.

Funding is covered by a £250m corporate bond, which matures on 6 July 2024, and a revolving credit facility of £240m which matures in July 2025. Although these arrangements extend beyond the going concern period, we would expect to refinance prior to the end of the current going concern period and, given the level of headroom on existing covenants and forecast levels of net debt, there is no reason not to assume that this could be done.

Following the acquisition by the Consortium, seven of the Group banks continue to participate in the funding syndicate. one bank, however, has exercised change of control clauses and has exited the arrangement. Following the reconfirmation of the group's credit ratings by both Fitch and S & P in January 2024, any risk of a put event in relation to bond is no longer relevant and therefore will continue to its maturity date on 6 July 2024.

Our primary bank covenant continues to be assessed on a pre-IFRS 16 basis. At the year end, adjusted net debt was £241.0m on a pre-IFRS 16 basis (2020: £305.9m). Consequently, adjusted net debt to pre-IFRS 16 EBITDA (excluding exceptional items) was 1.5 times, at the bottom of our target range of 1.5 times to 2.5 times and allowing adequate headroom on our primary bank covenant of 3.5 times. Our covenants are measured twice a year, at year end and half year.

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. This includes the impact of reduced funding availability and further downside in London Bus, and UK and International Rail.

Even in the most severe of the downside scenarios, in which each of the four risks set out in the reasonable worst case scenario are all assumed to have more severe impact resulting in breach of the EBITDA covenant threshold, there remains sufficient liquidity with minimum thresholds achieved throughout the going concern period after taking account of controllable mitigating actions.

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

Mitigating action

The Board has considered all mitigations that would be within its control if faced with a short term material EBITDA reduction that would reduce covenant headroom or a reduction in the level of funding available. These include cost efficiencies, adjustments in service levels in Regional Bus to align to passenger demand, reduction or postponement of capital expenditure and sale of other assets.

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

Going concern statement

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

Identifying and managing our risks and uncertainties

How we manage risk

Our governance
The successful delivery of the Group's strategic objectives depends on effective identification, understanding and mitigation of its principal risks and uncertainties. Ultimate accountability for risk management lies with the Board, supported by the Audit Committee, sub-committees and executive directors. The Board's means of mitigating and managing these risks are set out within the Group's Policies and Procedures Manual. Compliance with these policies and procedures is mandatory, with local senior management tasked with ensuring compliance and reporting any non-compliance to the executive directors.

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

Risk management is part of good management and we empower all our colleagues to manage risk. We believe that to be effective, risk management has to exist at every level within our organisation and form part of business as usual activities. The operating companies are the owners of the risks they manage and are best qualified to understand those risks. Responsibility for facilitating the risk management process resides with the Group Internal Audit function, to ensure adequacy and consistency of approach across our devolved organisational model and to offer risk mitigation advice to management teams facing the same operational risks across the Group. The Group Internal Audit function reports on risk quarterly to the Audit Committee. Additionally, the key risk movements identified from quarterly risk reviews are included in quarterly business reviews undertaken by the executive directors and the operating company management teams, including risk identification, assessment, mitigation plans and due dates.

Our risk appetite
Risk appetite is the level of risk the Group is willing to take to achieve its strategic objectives, together with the level of risk shock that it can withstand. The Board is responsible for setting and monitoring the Group's risk appetite, as set out in its risk appetite statement outlined on page 53. The Group's risk appetite statement also provides a reference point for the quarterly risk reviews, with any changes in risk profile being reported by management. Those risk changes are consolidated and reported on a quarterly basis to the Audit Committee by the Group Internal Audit function, as outlined on pages 51 to 52.

The Group's risk appetite statement remains an active benchmark through which the Board's strategic objectives are determined and maintained. The Board reviews its risk appetite on at least an annual basis, in the context of the regulatory and economic environment, particularly as it affects the sectors in which we operate, but also within the broader framework of our strategic ambition and the culture of the business.

Emerging risks
An important component of the Group's risk management process is for emerging risks to be reported promptly so that the Board can understand and consider whether any of those identified have the potential to become a principal risk in the medium to long term. The greater uncertainty attached to these risks means it can be more difficult to predict their likelihood, timing and impact. Emerging risks are considered as part of the quarterly risk review process undertaken with each operating company by Group Internal Audit as mentioned above.

Risk management framework

Board: ultimate accountability for risk management

- Sets strategic priorities
- Agrees the Group's appetite for risk
- Assesses risks and tolerance levels
- Top-down risk identification
- Sets delegated levels of authority
- Approves Group policy and procedures

Audit Committee: monitors risk management and assurance arrangements and reviews the effectiveness of key risk management and control processes through:

- Internal audit
- External audit
- Insurance
- Risk surveys
- Health and safety auditing

Executive directors: monitor performance and changes in key risks:

- Provide regular reports and updates to the Board
- Report to the Board and the Audit Committee on the status of key risks
- Provide guidance and advice to the operating companies to assist with:
  - Identifying risks, assessing extent of risks' impact and implementing mitigating actions
  - Health and safety auditing
  - Insurance

Operating companies:

- Identify, manage and report local risks
- Maintain local risk management plans
- Assess emerging risks
- Implement mitigating actions

Risk appetite

Our risk appetite statement below sets out how we balance risk and opportunity in pursuit of achieving our strategic objectives. It forms an integral part of the development of our corporate strategy, governance and reporting framework. During the year, the principal risks were reviewed by the Board in the context of the Group's risk appetite statement, which helped determine the level of mitigation and resource required to reduce the potential impact of each principal risk. For further information on the Board's assessment of the risk appetite for each of the Group's principal risks, please see pages 53 to 64.

Go-Ahead's risk appetite statement:

The Group recognises the distinction between risks which are outside of the Group's control or against which mitigations are limited, such as a pandemic or other extraordinary events, and the risks the Group has an appetite for, which are categorised in this statement.

Performance improvement

The Group has zero tolerance for certain safety risk exposures, including an incident such as a major passenger accident or an act of terrorism.

Grow organically and externally

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

Progress new opportunities by leveraging existing capabilities and resources

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

Develop for the future of transport

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

Definitions

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

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

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

Our principal risks

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

Details of the key risks within each of the Group's principal risk areas are shown on pages 53 to 64.

External risks

1. Macro-economic environment
Increased cost of living and higher fuel and energy prices resulting in increased operational costs. Risk of recession in the economy leading to further cost pressures and slowing the economic recovery from the COVID-19 pandemic.

Risk movement
Increased risk

Strategic objectives impacted
- Grow organically and externally
- Progress new opportunities

Risk tolerance
Low

Potential impact
Increased operational costs and lower margins from:

- Significant increases in the cost of living resulting in higher wage costs
- Increased energy and fuel prices which cannot be passed on through higher fares
- Increase in supply chain costs
- Customers make fewer journeys due to post-pandemic hybrid ways of working
- Customers switch to another mode of transport (to walking, cycling or e-scooter)
- Contractual indexation mechanisms may not reflect reality of cost base in London & International Bus

Mitigating actions
- 90 per cent of revenue is contract based; discussing continuation of funding with clients and governments. Main areas of exposure are Regional Bus and Norwegian rail
- Group fuel hedging in place where appropriate and/or necessary
- Cost of living increases negotiated with trade unions
- 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

Opportunity
- Higher fuel prices for motorists may lead to increased demand for public transport
- Climate change and environmental agenda driving modal shift towards public transport
- Bus Back Better national bus strategy and Bus Services Improvement Plans
- Opportunities for market consolidation once government support ends

Change in risk in the year
Increased risk during the year due to significant increases in the cost of living which cannot be passed on through fares in Regional Bus.

External risks continued

2. Climate change

Climate change is physically impacting in the world in which we operate, resulting in increased instances of extreme weather impacting the reliability of our services and the cost of maintaining our fleet.

Risk movement

Increased

Strategic objectives impacted

- Performance improvement

Risk tolerance

Low

Potential impact

- Serious injury to the public, our passengers or our people
- Service disruption with financial losses and reputational damage
- Extreme weather impacting the reliability of services, the level of passenger demand or the cost of maintaining our infrastructure

Mitigating actions

- Rigorous, high profile health and safety programme throughout the Group; high levels of safety performance; promotion of safety culture; and reassurance over the use of public transport
- Thorough and regular training of colleagues
- Working closely with our industry partners, such as rail infrastructure provider Network Rail and government agencies
- Adaptation of workstreams as part of Climate Change Task Force

Opportunity

- Government policy and funding to tackle the effects of climate change
- Continuous review of processes and procedures can identify areas for operational improvement to mitigate the impact of extreme weather and ensure the overall safety of operations
- Environmental awareness drives modal shift towards public transport

Change in risk in the year

Increase in risk during the year reflecting the increase in impact and occurrence of extreme weather.

External risks continued

3. Political and regulatory framework

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

Risk movement

No change

Strategic objectives impacted:

- Performance improvement
- Grow organically and externally
- Progress new opportunities
- Develop for the future of transport

Risk tolerance

Low

Potential impact

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

Mitigating actions

- Maintain strong levels of punctuality and customer satisfaction
- Limit exposure to local authority funding through optimisation of network and cost base and stimulation of passenger demand
- Active participation in key industry, trade and government steering and policy development groups, including the Williams-Shapps Plan for Rail, Bus Back Better national bus strategy and bus franchising
- Collaboration and partnership working with local authorities
- Strong track record on air quality initiatives: electric bus depots in London, air filtering buses, Climate Change Task Force and 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 and apprenticeships and colleague engagement plans to support recruitment and retention

Opportunity

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

Change in risk in the year

No change in risk during the year due to:

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

Strategic risks

4. Delivery of strategic targets including decarbonisation

Failure to deliver our new strategic objectives and failure to identify appropriate funding solutions to deliver our climate strategy and associated targets, particularly the decarbonisation of our fleet. Failure to manage organisational change and digitisation to planned timescales, resulting in efficiencies and savings not being realised.

Risk movement

New risk introduced during the year

Strategic objectives impacted

- Performance improvement
- Grow organically and externally

Risk tolerance

Low

Potential impact

- Lower profitability
- Loss of contracts
- Reputational damage

Mitigating actions

- Strengthening of executive leadership with the appointment of a new Group Chief Executive, Group Chief Financial Officer and Group Strategy and Transformation Director
- Development of quarterly business reviews and KPIs to monitor performance and progress against plans
- Clear direction and expectation on strategy communicated throughout the business with improved coordination and control of strategy from the centre
- Open and transparent dialogue with contractual counterparty and wider external stakeholders

Opportunity

- Improved understanding of business model and cost base resulting in improved operational efficiency and effectiveness
- Centralised coordination and decision-making supports delivery of strategy across individual operating companies
- Work collaboratively with contractual counterparty and wider stakeholders
- Government policy in relation to the Green Agenda and net zero targets

Change in risk in the year

New risk introduced in the year.

Strategic risks continued

5. Competition and the transport sector

Competition from existing and new market participants and loss of business to other modes of transport and from market disruptors. Risk that the anticipated modal shift to public transport does not happen.

Risk movement

No change

Strategic objectives impacted

- Performance improvement
- Grow organically and externally
- Develop for the future of transport

Risk tolerance

Moderate

Potential impact

- Loss of revenue and profits
- Reputational damage
- Rapid change required to business model and structure

Mitigating actions

- Adapt to changing customer requirements and technological advancements
- Foster close relationships with stakeholders to ensure we are meeting requirements including service quality, price and offering
- Work in partnership with local authorities and other operators, including through interoperability
- Promote multi-modal travel, improving the overall door-to-door experience for passengers
- Focus on customer needs and expectations, including improved channels for ticket purchase and journey planning

Opportunity

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

Change in risk in the year

No change in risk during the year.

Operational risks

6. Catastrophic incident or severe infrastructure failure

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

Risk movement

No change

Strategic objectives impacted

- Performance improvement

Risk tolerance

Zero

Potential impact

- Serious injury to the public, our passengers or our people
- Service disruption with financial losses, reputational damage and switch to other modes of transport
- Acts of terrorism, while not directly targeting rail/bus public transport, may discourage travel and tourism

Mitigating actions

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

Opportunity

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

Change in risk in the year

No change in risk during the year.

Operational risks continued

7. Employee relations, resource planning and talent management

Rising inflation making wage negotiations more challenging. Changes in the labour market causing staff shortages and retention issues, particularly drivers. Failure to effectively engage with our people and trade unions to provide reassurance, manage costs and drive organisational change. Requirement to drive rail workforce reform could lead to industrial dispute and service disruption. Organisational change strategy increases the demands on our people leading to higher staff turnover. Further risk to staff engagement and retention due to change of business ownership and delisting. Failure to develop and retain our top talent.

Risk movement

Increased

Strategic objectives impacted

- Performance improvement

Risk tolerance

Low

Potential impact

- Wage costs increase higher than necessary or affordable in light of higher costs of living
- Service disruption, costs and reputational damage arising from industrial action
- Rail workforce reform leading to industrial action
- Low levels of morale and engagement lead to inadequate customer service or inability to deploy new technology and work practices for the benefit of customers
- Inability to recruit and retain enough drivers resulting in bus and train service disruption
- Expansion in bus services further impacting driver resource and operational delivery
- Failure to attract, retain and develop the diverse talent required for robust succession planning

Mitigating actions

- People strategy focusing on leadership, talent and succession, management, culture and organisation, diversity and inclusion and employee experience
- Succession planning exercise carried out annually
- Apprenticeship, graduate and leadership development programmes
- 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
- Widening the recruitment pool through initiatives aimed at attracting diverse talent, for example the Women in Bus network, active recruitment of female drivers and defining our employee proposition around ESG and climate change

Opportunity

- Through fostering positive employee relations and offering good employment packages we have a motivated and committed workforce, and offer a good employee value proposition
- Workforce planning and identification of critical skills shortage improve visibility and ability to plan
- Access to a wider recruitment pool through our focus on diversity and inclusion and a purpose-driven employee proposition

Change in risk in the year

Increase in risk during the year due to increased cost of living, inflation and rail workforce reform.

Operational risks continued

8. Information technology failure/interruption/security breach

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

Risk movement

Increased

Strategic objectives impacted

- Performance improvement

Risk tolerance

Low

Potential impact

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

Mitigating actions

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

Opportunity

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

Change in risk in the year

Increase in risk due to increases in cyber-attacks, including ransomware attacks, across the public and private sector during the year. Following the year-end, unauthorised access to Go-Ahead's IT systems was identified. Further details are set out in the Chair's statement on page 5.

Operational risks continued

9. German rail contracts
Failure to deliver required levels of operational performance.

Risk movement
No change

Strategic objectives impacted
- Performance improvement
- Grow organically and externally

Risk tolerance
Moderate

Potential impact
- Significant financial losses (e.g. lost mileage, penalties etc.)
- Reputational damage impacting future international business opportunities
- Safety incident

Mitigating actions
- New Group Chief Executive in place with significant German rail experience
- Quarterly business review process in place
- Experienced local teams; ability to mobilise internal UK Rail and Bus expertise
- Strengthening of senior leadership team with the appointment of a new Group Strategy and Transformation Director
- Building strong relationships with local authorities
- Compliance with local regulation; established Safety Management Systems and Group Safety Audits
- Governance review of the German bid and mobilisation processes undertaken, with all lessons learnt categorised into future bid processes and contract mobilisations
- Chief Executive of Go-Ahead's German rail operations and restructuring consultancy have transformed operational performance and delivery in Germany

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

Change in risk in the year
No change in risk during the year.

Operational risks continued

10. UK Rail contract compliance
Failure to comply with contractual obligations.

Risk movement
New risk introduced during the year

Strategic objectives impacted
- Performance improvement
- Grow organically and externally

Risk tolerance
Low

Potential impact
- Financial penalties
- Loss of contract
- Reputational damage

Mitigating actions
- Strengthening of the senior leadership team with the appointment of a new Chief Financial Officer of Govia Thameslink Railway
- Strengthening of the Group senior leadership team with the appointment of a new Group Strategy and Transformation Director
- Develop KPIs to monitor contract performance
- Elimination of revenue risk from the new contract
- Group Audit Committee Chair appointed to the board of Govia Thameslink Railway Limited
- Open and transparent dialogue with contractual counterparty
- Remit and scope of Internal Audit has expanded, with a clear responsibility for the compliance functions within our rail businesses

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

Change in risk in the year
Increased risk due to the change in contractual requirements from a franchise model to the new contract.

Operational risks continued

11. Supply chain

Increased costs due to suppliers passing on their increased costs of raw material, energy, fuel and labour which we cannot pass on through fare increases. Disruption in the supply chain due to the war in Ukraine and sanctions against Russia. Global shortages of raw materials for electrical components increase their costs and limit availability of supply.

Risk movement

Increased

Business objective

- Performance improvement

Risk tolerance

Low

Potential impact

- Lower profitability due to increases in costs
- Disruption to bus and rail operations due to shortages of supplies
- Reputational loss arising from operational disruption

Mitigating actions

- Fuel hedging in place
- Group procurement contracts for essential supplies in place
- Flexible and experienced Group procurement team actively engaged with our suppliers and the market
- Supplier contract performance monitoring in place

Opportunity

- Strengthening of purchasing power from new ownership

Change in risk in the year

Increase in risk due to higher costs, increased pressure on diesel stocks in the UK due to the embargo of Russian fuel, and delays in receiving orders for electrical components due to global shortages.

The strategic report was approved by the Board and signed on behalf of the Board:

Carolyn Ferguson
Group Company Secretary

24 February 2023
The Go-Ahead Group Limited
Registered in England and Wales
No. 02100855

Promoting the long term sustainable success of the Group

Statement of corporate governance arrangements

On 13 June 2022, the board of directors of Gerrard Investment Bidco Limited (Bidco) and Go-Ahead announced they had reached agreement on the terms of a recommended cash offer for Go-Ahead, pursuant to which Bidco would acquire the entire issued and to be issued share capital of Go-Ahead (the Scheme of Arrangement). That offer was increased on 4 August 2022 and approved by the requisite majority of shareholders on 16 August 2022. The Scheme of Arrangement was sanctioned by the Court on 6 October 2022 and became effective on 10 October 2022 with the Group's shares ceasing to be listed on the London Stock Exchange with effect from 7.30am on 11 October 2022.

For the year ended 2 July 2022, while it was equity listed, the Company applied the principles of the UK Corporate Governance Code (the Code), issued by the Financial Reporting Council (available from www.frc.org.uk). Following delisting of the Group's shares on 11 October 2022, the requirements in the FCA Listing Rules in relation to the Code ceased to apply. Therefore, this Annual Report does not provide detailed disclosure regarding the Company's compliance with Code provisions, but it does provide information on how the Company has applied the Principles of the Code during the year as signposted in the table below. In the future, we will be subject to the Companies (Miscellaneous Reporting) Regulations 2018 which require us to provide a statement in the Directors' Report about the corporate governance arrangements applied by the Company.

Board leadership and Group purpose	Role of the Board	Read more page 78
	Purpose, values and strategy	Read more page 9
	Culture	Read more page 74
	Control framework	Read more page 52
	Stakeholder engagement	Read more page 75
	Workforce policies and practices	Read more page 37
Division of responsibilities	Chair	Read more page 79
	Roles and responsibilities	Read more page 78
	Board policies, procedures and logistics	Read more page 79
Board composition, succession and evaluation	Board appointments and succession	Read more page 81
	Composition and refreshing	Read more page 82
	Evaluation	Read more page 77
Audit, risk and internal control	Independence and effectiveness of internal and external audit	Read more page 88
	Fair, balanced and understandable reporting	Read more page 88
	Risk management	Read more page 51
Remuneration	Alignment of remuneration to purpose, values and strategy	Read more page 90
	Development of remuneration policy	Read more page 105
	Determination of director and senior management remuneration	Read more page 105
	Remuneration outcomes	Read more page 94

Board overview

Biographies

The Directors and Officers of the Group who were in office during the year ended 2 July 2022 were:

Clare Hollingsworth, Non-Executive Chair

Appointment: Clare Hollingsworth joined the Board as Non-Executive Chair Designate on 1 August 2019 before becoming Non-Executive Chair of the Group on 31 October 2019.

Independent: On appointment.

Committee membership: Nomination Committee Chair and Remuneration Committee member

Relevant skills, experience and contributions: Extensive board experience both at executive and non-executive level across a range of sectors, including safety critical businesses in rail, aviation and healthcare. Worked nationally and internationally, and within different ownership models. Significant stakeholder management experience, including across regulators and UK Government. Former Non-Executive Chair of Eurostar International Ltd, Non-Executive Director of UK Government Investments, Savills plc and Assura plc and Chief Executive Officer of Caledonian Airways Ltd, Bupa Hospitals Ltd and Spire Healthcare Ltd.

Other appointments: None.

Christian Schreyer, Group Chief Executive

Appointment: Christian Schreyer was appointed to the Board on 1 November 2021 and became Group Chief Executive with effect from 5 November 2021.

Independent: Not applicable.

Committee membership: None.

Relevant skills, experience and contributions: Christian is a highly experienced transport leader. As a former senior executive of Transdev, he oversaw large scale bus and rail operations at an international level with accountability for seven countries and more than 26,000 people. Prior to that, he worked at Deutsche Bahn where he held several senior roles including Head of Corporate Strategy. He brings to the Board a high level of strategic awareness, significant experience in sustainability and decarbonisation, a deep understanding of the relationships between government and public transport and a wealth of experience of delivering outstanding transport services to customers.

Other appointments: None.

Sarah Mussenden, Group Chief Financial Officer

Appointment: Sarah Mussenden was appointed to the Board as Group Chief Financial Officer on 9 May 2022. Sarah left Go-Ahead at the end of the year and an interim CFO has been appointed.

Independent: Not applicable.

Committee membership: None.

Relevant skills, experience and contributions: A qualified Chartered Accountant, Sarah has extensive experience across multiple sectors. Her previous roles include Interim Chief Financial Officer of Royal Mail UK, Chief Financial Officer of Centrica Consumer Services (British Gas), Chief Financial Officer of Barts and The London NHS Trust and Financial Director of British Airways.

Other appointments: Non-Executive Director of Premier Miton Group plc (member of the Audit and Risk Committee).

David Blackwood, Senior Independent Director

Appointment: David Blackwood joined the Board as Independent Non-Executive Director and Senior Independent Director Designate with effect from 1 January 2022 and became Senior Independent Director with effect from 19 January 2022.

Independent: Yes.

Committee membership: Nomination, Audit and Remuneration Committee member

Relevant skills, experience and contributions: David has extensive business and listed company experience, notably in finance, audit and risk. He has previously been Audit Committee Chair and Senior Independent Director of Scapa plc and Dignity plc, and, for both, served on the Nomination and Remuneration Committees. David was formerly Chief Financial Officer of Synthomer plc, prior to which he was Group Treasurer and Group Financial Controller of Imperial Chemical Industries plc (ICI). David has previously served as a member of the Cabinet Office Audit and Risk Committee and on the Board for Actuarial Standards.

Other appointments: Non-Executive Chair of Smiths News plc (Chair of the Nomination Committee and a member of the Remuneration Committee) and Deputy Chairman and Senior Independent Director of FTSE SmallCap Esken Limited (previously Stobart Group Limited) (Chair of the Audit Committee and member of the Remuneration and Nomination Committees).

Board overview continued

Biographies continued

Dominic Lavelle, Non-Executive Director and Audit Committee Chair

Appointment: Dominic Lavelle joined the Board as Independent Non-Executive Director and Audit Committee Chair Designate with effect from 1 January 2022 and became Audit Committee Chair with effect from 19 January 2022.

Independent: Yes.

Committee membership: Audit Committee Chair and Nomination and Remuneration Committee member

Relevant skills, experience and contributions: Dominic has extensive corporate and financial experience in listed businesses, with previous positions including Chief Financial Officer of SDL plc, Group Finance Director of Alfred McAlpine plc and Group Finance Director of Allders plc. He has also previously served as Non-Executive Director of McColls Retail Group plc where he was Chair of the Audit and Risk Committee.

Other appointments: Non-Executive Director of AIM quoted company FIH group plc (Chair of the Audit Committee and member of the Nomination and Remuneration Committees) and Senior Independent Non-Executive Director of AIM quoted company Fulcrum Utility Services Limited (Chair of the Audit Committee and member of the Remuneration Committee).

Leanne Wood, Non-Executive Director and Remuneration Committee Chair

Appointment: Leanne Wood joined the Board on 23 October 2017 and was appointed as Remuneration Committee Chair on 31 October 2019.

Independent: Yes.

Committee membership: Remuneration Committee Chair and Nomination and Audit Committee member

Relevant skills, experience and contributions: Leanne has broad expertise in leading corporate strategy and organisational transformation obtained while working in senior roles at major consumer brands, including Vodafone, Burberry and Diageo. She has a particular strength for customer insight, which is key in leading Board discussions on stakeholder engagement and considering the views of the workforce. Her ability to consider the consequences of remuneration decisions, drawing on her understanding of the employee and wider business perspectives, allows her to be an effective Remuneration Committee Chair.

Other appointments: Chief Human Resources Officer at Vodafone Group plc and non-independent Non-Executive Director of Vodacom (member of the Remuneration, Nomination and Social and Ethics Committees).

Harry Holt, Non-Executive Director

Appointment: Harry Holt joined the Board on 23 October 2017 and, during the year, was the non-executive director responsible for workforce engagement.

Independent: Yes.

Committee membership: Nomination, Audit and Remuneration Committee member.

Relevant skills, experience and contributions: Harry has fulfilled a number of senior executive positions at Rolls-Royce including President of its Nuclear Business Division and Chief People Officer. He is skilled in all aspects of leadership, with a deep and practical experience of leading large organisations through change to successful attainment of their strategic ambitions.

Other appointments: Deputy Chief Executive Officer and Chief Operating Officer of Vertical Aerospace Group Ltd until October and March 2022 respectively.

Carolyn Ferguson, Group Company Secretary

Appointment: Carolyn Ferguson was appointed as Group Company Secretary on 1 July 2006.

Independent: Not applicable.

Committee membership: Secretary to Nomination, Audit and Remuneration Committees.

Relevant skills, experience and contributions: Carolyn is an experienced Company Secretary and governance professional with a proven track record of working with the Group Board and senior leadership team to the highest of ethical and professional standards, supported by robust corporate governance principles. She is also an effective driver of pensions de-risking strategy for the Group's defined benefit bus schemes. She is a fellow of The Chartered Governance Institute and a qualified and practising coach and mentor. Her previous employment includes working for Northern Electric, predominantly in the field of pensions.

Other appointments: Non-Executive Director of Better Boards Ltd.

Board overview continued

Board changes during the year ended 2 July 2022

As set out in last year's Annual Report, following the retirement of Group Chief Executive, David Brown, in late 2021, Christian Schreyer was appointed as Group Chief Executive. At the time of Christian's appointment, he was supported by an experienced Interim Group Chief Financial Officer, Gordon Boyd, who was appointed to the Board in September 2021 following the resignation of the former Group Chief Financial Officer, Elodie Brian. Gordon remained in the role until the end of March 2022 and a permanent Group Chief Financial Officer, Sarah Mussenden, was appointed on 9 May 2022.

On 1 January 2022, we welcomed David Blackwood and Dominic Lavelle to the Board as non-executive directors. David and Dominic succeeded Adrian Ewer as Senior Independent Director and Audit Committee Chair respectively on 19 January 2022.

Full details for all new appointments can be found in the Nomination Committee Report from page 81 and in the Remuneration Committee Report from page 90.

Board changes following Scheme of Arrangement

Following completion of the Scheme of Arrangement between Go-Ahead and Bidco on 10 October 2022, Clare Hollingsworth, Christian Schreyer and Dominic Lavelle remain as Chair, Group Chief Executive and Audit Committee Chair respectively. Sarah Mussenden left Go-Ahead at the end of the year and an interim CFO has been appointed. David Blackwood, Leanne Wood and Harry Holt stepped down from the Board as non-executive directors with effect from 10 October 2022.

With effect from 10 October 2022, Michael Sewards, Adam Begg and James Culley were appointed as directors to the Board by Kinetic TCo Pty Ltd and Javier Perez Fortea, Lucas Martinez Vuillier and Daniel Quintero Martinez were appointed as directors to the Board by Globalvia Inversiones S.A.U.

Board balance

At 2 July 2022, the Board composition was 57 per cent male, 43 per cent female, 29 per cent executive and 71 per cent non-executive.

Board overview continued

Board and committee meeting attendance

The following table shows the directors' attendance at scheduled meetings they were eligible to attend for the year ended 2 July 2022:

	Board[11]	Audit Committee[12]	Remuneration Committee[13]	Nomination Committee[14]
Board attendance	Scheduled	Scheduled	Scheduled	Scheduled
Total meetings	**8**	**5**	**4**	**3**
Clare Hollingsworth[1]	8/8	—	4/4	3/3
Christian Schreyer[2 3]	6/6	—	—	—
Sarah Mussenden[2 4]	2/2	—	—	—
David Blackwood[5]	4/4	2/2	1/1	1/1
Dominic Lavelle[5]	4/4	2/2	1/1	1/1
Leanne Wood[6]	8/8	4/5	4/4	3/3
Harry Holt[6]	7/8	5/5	3/4	3/3
David Brown[2 7]	3/3	—	—	—
Elodie Brian[2 8]	2/2	—	—	—
Gordon Boyd[9]	3/3	—	—	—
Adrian Ewer[10]	4/4	3/3	3/3	2/2

1. The Chair attended Audit Committee meetings by invitation as appropriate but, not being a member, her attendance has not been included.
2. The executive directors attended committee meetings by invitation as appropriate but, not being members, their attendance has not been included.
3. Christian Schreyer joined the Board on 1 November 2021 and succeeded David Brown as Group Chief Executive with effect from 5 November 2021.
4. Sarah Mussenden was appointed as Group Chief Financial Officer on 9 May 2022.
5. David Blackwood and Dominic Lavelle were appointed as non-executive directors on 1 January 2022 and succeeded Adrian Ewer as Senior Independent Director and Audit Committee Chair with effect from 19 January 2022 respectively.
6. Leanne Wood was unable to attend one Audit Committee meeting and Harry Holt was unable to attend one Board and Remuneration Committee meeting due to pre-existing commitments.
7. David Brown retired from the Board as Group Chief Executive with effect from 5 November 2021.
8. Elodie Brian resigned from the Board as Group Chief Financial Officer with effect from 27 September 2021.
9. Gordon Boyd was appointed to the Board as Interim Group Chief Financial Officer on 28 September 2021 and resigned with effect from 28 March 2022.
10. Adrian Ewer resigned from the Board as Senior Independent Director and Audit Committee Chair with effect from 19 January 2022.
11. Several unscheduled Board meetings were held during the year in relation to a number of corporate actions (the acquisition of the Group by Bidco, the delayed announcement of year end results and subsequent suspension of share trading and LSER matters of concern) as well as in relation to succession planning, new Board appointments, the strategic business review and contract wins.
12. Unscheduled Audit Committee meetings were held throughout the year in relation to outstanding audit-related matters regarding the delayed publication of the 2021 Annual Report and Accounts, LSER matters of concern, the independent review, remit of Internal Audit and risk management and internal control procedures.
13. Unscheduled Remuneration Committee meetings were held during the year relating to the executive remuneration policy review, executive director appointment and leaver arrangements, the Restricted Share Plan and actions relating to the acquisition of the Group by Bidco.
14. Unscheduled Nomination Committee meetings were held during the year relating to non-executive and executive succession planning, including the appointments of the new Audit Committee Chair and Senior Independent Director and search for a permanent Group Chief Financial Officer.

Board activities

The Board held eight scheduled meetings during the year ended 2 July 2022, including a meeting dedicated to discussing the Group's strategy. Board members attended the majority of scheduled meetings physically with video conference being used where this was not possible. The meeting attendance record of Board members can be found on page 69.

The Board's key focus areas and principal decisions for the year ended 2 July 2022 are set out below.

Offers for takeover

During the year, the Board considered cash offers for the entire issued share capital of the Group from a consortium consisting of Kinetic TCo Pty Ltd and Globalvia Inversiones S.A.U (the Consortium) and also from Kelsian Group Limited (Kelsian).

The Board carefully evaluated the approaches of each offer together with its financial advisor, Rothschild & Co. Increased offers were submitted by both the Consortium and Kelsian before the Board deemed them both at a level which, should a firm offer be made, the Board would be minded to recommend to Go-Ahead's shareholders. Such a level was reached in June 2022, with both parties given access to undertake confirmatory due diligence. Kelsian subsequently withdrew its intention to make an offer for the Group in July 2022.

At the outset of receiving the offers, the Board appointed a Defence Committee comprising the Chair, Group Chief Executive, Senior Independent Director, Audit Committee Chair and Interim Group Chief Financial Officer/Group Chief Financial Officer with power to carry out all actions which were necessary, appropriate, desirable or expedient in connection with the offers. This included discussions with the bidder and its advisors and negotiating the terms of any appropriate arrangements and related documentation, as well as overseeing the robust due diligence process. The Chair provided regular updates from the Defence Committee to the Board.

On 13 June 2022, the Board and Gerrard Investment Bidco Limited (Bidco), a newly formed company indirectly owned by the Consortium, announced they had reached agreement on the terms of a recommended cash acquisition of the Group by Bidco which was intended to be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006 (the Scheme).The initial acquisition value proposed was 1,500p for each Go-Ahead share comprising 1,450p in cash and a special dividend of 50p per Go-Ahead share and was subsequently increased to 1,550p per Go-Ahead share comprising 1,450p in cash and a special dividend of 100p per Go-Ahead share on 4 August 2022. Approval for the Scheme was granted by shareholders on 16 August 2022 and became effective on 10 October 2022 having received Court Sanction.

In reaching the decision to recommend the offer to shareholders, the Board carefully considered the terms of the offer and was comfortable that they were fair and reasonable. It also carefully considered all matters relating to deal certainty, management, governance, employees and pensions. Each director's personal assessment with regard to Section 172 of the Companies Act 2006 remained at the forefront of all Board discussions.

London & South Eastern Railway Limited (LSER)

As reported in the Group's 2021 Annual Report and Accounts, the Board and the Audit Committee carefully considered findings from the Independent Committee established in relation to LSER. The Independent Committee's focused, open, collaborative and constructive engagement with the DfT helped resolve substantially all of the remaining LSER matters of concern including the historic profit share and affiliate trading disputes. As previously indicated, the Board has taken steps to enhance the Group's corporate governance arrangements, particularly in relation to the way in which complex rail operations are overseen. Further details are set out below with work to strengthen processes and underlying financial controls still ongoing.

Strategic business review and renewed purpose

In conjunction with the comprehensive strategic business review that was undertaken shortly after the Group Chief Executive took office, the Board considered and approved a new strategy, "The Next Billion Journeys". This strategy, which aims to deliver profitable and sustainable growth in both existing and new markets, is underpinned by new medium term financial targets. It will be delivered through three strategic pillars, supported by five strategic enablers of governance, digital, zero emissions, customers and people. See our business model and strategy sections on pages 9 to 10 and page 11 respectively for further details.

In reaching approval of the strategy, discussions centred around critical market challenges with agreement reached on which market segments would not be considered for strategic development. The Board also reviewed and agreed the setting of ambitious but deliverable targets for revenue, operating margin, net debt, dividends and climate change.

Purpose, values and behaviours were also a key focus area with the Board reviewing and approving a renewed purpose of "Moving you and the next generation towards a smarter and healthier planet", which was underpinned by a set of new values and behaviours. The implementation of these values and behaviours is supported by a cultural roadmap, further details of which are provided on page 74.

Whilst implementation and delivery of the new strategy will be overseen by the new Board, a decision was taken to reshape the Group Executive Committee which now comprises the Group Chief Executive, Group Chief Financial Officer, Group Strategy and Transformation Director, Group HR Director, Managing Director (UK Rail), Managing Director (London & International Bus), Managing Director (UK Regional Bus) and Group Company Secretary. There has also been a change in reporting structure with the Managing Directors of Go-Ahead Nordic and Go-Ahead Germany now reporting directly to the Group Chief Executive.

Board activities continued

Strategic business review and renewed purpose continued

In reaching its decision to approve the new strategy, the Board was comfortable that it had explicitly considered the impact on each of the Group's key stakeholder groups. Through its comprehensive discussions, the Board also took into account the matters set out in Section 172(1) of the Companies Act 2006 including how the proposed strategy underpinned long term value creation and the implications for business resilience.

Further information on the conclusions of the business review and "The Next Billion Journeys" strategy can be found on our corporate website.

Governance

As reported in the previous year, the Board identified a number of areas to enhance the Group's corporate governance and internal controls. Primarily identified as a consequence of franchise matters in LSER and International Rail, the Board committed to a series of improvements, including Board and leadership changes, improvements in bid investment decision making and ongoing contract compliance monitoring. Whilst progress has already been observed throughout 2022, such as the refreshed management team in Germany and the enhanced governance structure in GTR, the Board is cognisant that further improvements are required and that these will continue to be of focus in the coming year. The impact of the new leadership team will take time to embed and the change of ownership of the Group will also bring a fresh perspective to the control environment.

During the year, the Board approved a new operating model aimed at better understanding and challenging value creation in the operating companies with the implementation of a simple set of digitalised key performance indicators bringing more transparency and consistency of interpretation. This devolved model and a number of key processes will be optimised to strengthen governance with the role of the Group and operating companies having more clearly defined responsibilities going forward.

Reflecting the reviewed devolved model, the Board also approved a new governance framework under which freedoms, accountabilities and individual/collective responsibilities have been more clearly defined and local leaders empowered and equipped to deliver for their companies, customers, stakeholders and the Group. The new framework optimises the benefits of our scale and enables the effective co-ordination and focus of change and innovation. Governance bodies within the Group have been strengthened to ensure more transparency and collaboration with new platforms and forums facilitating the sharing of information and driving improvement. The opportunity has also been taken to harmonise existing core policies, processes and tools which are now aligned to the optimised devolved model.

Shorter monthly operating company board meetings have been replaced with longer quarterly and deep dive review meetings. In GTR, board meetings continue to be held on a monthly basis, with longer deep dive review meetings held every quarter. The Group's Audit Committee Chair was appointed to the board of GTR with effect from 1 April 2022, the date of the new National Rail Contract, and provides a clear line of sight to the Group Audit Committee and Group Board.

As set out on page 51 of the Risk Management section, risk reviews with local senior management now take place quarterly instead of every six months, and these reviews are supported by more robust procedures and documentation around risk identification, mitigation and reporting. A summary of the risk and control framework and its effectiveness is set out in the Strategic Report on pages 51 to 53.

Investment approval process

During the year the Board reviewed the Group's investment approval process with this being the first area optimised to reinforce the new approach to governance. New rules of investment for tenders, acquisitions and capital expenditure, including clearly defined thresholds for investment validation committees and delegations of authority, were set to better manage risks and an independent challenge team was created to challenge the financial, technical and legal assumptions of the projects.

Dividend

In conjunction with the business review, the Board resolved to reinstate its pre-COVID-19 dividend policy of paying a dividend to shareholders equivalent to between 50 per cent and 75 per cent of earnings per share (pre-exceptional items) and intended to recommend a dividend of not less than 50p in respect of the financial year ended 2 July 2022. Under the terms of the Scheme of Arrangement between Go-Ahead and Bidco, which became effective on 10 October 2022, the Board subsequently resolved to pay an increased special dividend of 100p per share in lieu of the financial year ended 2 July 2022 and, on the 29 November 2022, an additional dividend of 37p per share was paid. In reaching these decisions, the impact on shareholders and other stakeholder groups, particularly with regard to the Scheme of Arrangement, remained at the forefront of the Board's considerations and discussions.

Board activities continued

Climate change

Climate change has remained a key focus area for the Board during the year. The Group Chief Executive is ultimately responsible for delivering the Group's climate change strategy and leads discussion on climate change response, risks and opportunities at Board meetings. A governance framework has been put in place specifically for climate change which supports clear accountability and transparent reporting structures.

The Board acknowledges the importance of working in collaboration with governments, partners and suppliers in order to deliver the strategy and is responsible for monitoring performance against the targets set. The Board's latest review, which took place in July 2022, concluded that the Group continues to effectively deliver our climate change strategy and remains on track to deliver CO2 emissions reduction targets.

During the year, the Board was also updated on the wider workflows underway to strengthen our ESG credentials. Such activities included engaging with ESG rating agencies, focusing on improving our Carbon Disclosure Project (CDP) rating (currently A-), planning to develop carbon targets for scope 3 (indirect emissions), planning to refresh materiality assessment, launching a cross-Group community investment strategy, supporting overseas operating companies with upcoming human rights regulations, the publication of new sustainability and social value policies and working on new key performance indicators to monitor modal shift. For further information, please read pages 28 to 48.

Risk reviews

During the year, the Board undertook in-depth risk reviews on cyber security and data protection, and on operations in Germany. These took the form of presentations by the Group IT Director and the Chief Executive of German operations respectively followed by Q&A with the Board. This format enabled key developments to be presented by the relevant senior manager and discussed with the Board.

A deep dive review was also performed on the Norwegian rail contractual arrangements with the Group Chief Executive providing an overview of the main terms and conditions of the renegotiations enabling the Board to make an informed assessment of the risks involved.

Contract, bids and acquisitions

A key focus area for the Board during the year has been oversight of a number of contracts/bid submissions with discussions centred on rationale, contract components, profitability, deliverability and key risks and mitigations.

GTR was awarded a National Rail Contract by the Department for Transport which commenced on 1 April 2022. Undertaking an extensive review of the contract terms formed a key focus area during the year and, in doing so, the Board, GTR board and Govia board received regular training on NRC contract compliance from external counsel to support each board's assessment of compliance requirements.

The Board was also delighted by the acquisition of Flexbuss in Sweden in April 2022 (a bus operator in southern Sweden which runs local bus routes and school buses and provides medical transfer and charter services). The Board also noted the agreement of an amended contract between the Norwegian Railway Directorate and Go-Ahead Norway A/S (which became effective from 1 July 2022, provides a revenue support scheme until the end of the contract and includes an incentive scheme linked to revenue growth), and that Singapore had been awarded a contract prolongation for three years to 2026.

Post year end, the group has won the first two contracts to be awarded by Transport for Greater Manchester as part of its plan to re-regulate bus services in the city region under its new Bee Network and has acquired 100% of the issued share capital of both Dartline Coaches and Southline Buses. Refer to "Post-balance sheet events" for further details on page 106.

Board discussions throughout the year also centred on German rail operations. Since his appointment in January 2022, the Chief Executive of Go-Ahead's German operations has regularly attended Board meetings, providing an update on progress against improvement plans in Baden-Württemberg and progress with mobilisation in Bavaria. Additionally, the Board provided oversight of the robust process followed to review and challenge the preparation of onerous contract provisions. This process included detailed reviews undertaken by the local German finance team with full sign-off by the German Chief Executive and Finance Directors and an independent review and challenge process undertaken by a team comprising senior members from the Group Finance and Financial Planning & Analysis teams in addition to rail specialists who had previously worked in GTR and LSER. Final oversight and review was provided by the Group Chief Financial Officer. The Board was also updated on the scope and conclusions of independent reviews commissioned by the Group on the financial models for Bavaria and income model of Baden-Württemberg.

Board activities continued

Cyber security incident

On 5 September 2022, unauthorised access to Go-Ahead's IT systems was discovered. The Go-Ahead IT team, in collaboration with an external incident response specialist, acted quickly to contain the incident and restore critical services. As a precaution, steps were taken to disconnect inbound and outbound data centre traffic, as well as identify and disconnect connections to operational systems. Improved monitoring and response tools were also installed to detect and stop malicious activities on the IT infrastructure and network as soon as possible. The police and data protection authorities were notified, and communications were sent to all employees (including former employees and members of the Go-Ahead pension scheme) outlining the precautionary measures they should take in relation to personal data. The Board was kept informed from the moment the incident was discovered and on a regular basis throughout the containment and system recovery processes. The forensic investigation into the root cause has been completed, and a set of recommendations to improve the cyber security posture has been agreed. Following the incident, Go-Ahead Finance teams followed procedures to ensure the integrity of financial information, with no data loss or corruption noted. We have been informed by the ICO that regulatory action is not required in this case. In addition, the PDPC have concluded they will not be taking further action in relation to the incident. As is customary in these matters both Regulatory Authorities reserve the right to revisit these decisions should further relevant information become available. We are still engaging with the DPC in Ireland in providing responses to their enquiries.

How the Board reviews strategy

This year's annual review of strategy took place in March 2022 and was aligned with the conclusion of the new Group Chief Executive's business review. On an ongoing basis, strategy is reviewed at each Board meeting, with the Group Chief Executive providing updates on performance against strategic objectives and any opportunities arising throughout the year.

Culture

Cultural framework

The Board is responsible for shaping and monitoring the culture of the Group to ensure it supports our purpose, values and strategy and is a key driver of performance. A number of key cultural indicators, examples of which are shown in the table below, continued to inform the Board's assessment of culture across the Group during the year.

As part of the wider business review, a culture change programme was introduced during the year, the implementation of which is supported by a cultural roadmap consisting of two phases each with their own articulated high-level deliverables.

The Board will monitor the successful implementation of the culture change programme through regular updates from the Group HR Director, targets and key performance indicators, annual leadership and pulse surveys and a new personal development review process. Our new operating model that supports our devolved approach and the senior leadership team in particular will be the most effective levers of driving and sustaining culture change.

How the Board monitors culture

Cultural indicator	Link to culture
Health and safety performance	KPI reporting on a range of safety metrics enables the Board to assess the effectiveness of safety practices and behaviours and receive assurance that the business continues to drive a culture of continuous improvement. For further information on safety, together with KPIs, see pages 35 to 36.
Workforce and remuneration policies	The Group HR Director's annual review of policies and update to the Board provide assurance that policies are consistent with our values, support the right behaviours and support a healthy culture. See page 39 for information on this year's review.
Whistleblowing policies, incidents or matters of concern	The Board's review of the whistleblowing policies in place across the business, and the nature of employee concerns, provides reassurance that policies are clear and accessible with no adverse trends. The Board is also satisfied that appropriate arrangements are in place for the proportionate independent investigation of any such matters together with any follow-up action required.
Colleague experience	Feedback from a number of channels provides the Board with an understanding of the colleague experience, in addition to reviewing indicators such as employee engagement index, absenteeism and employee turnover.
Leadership and talent review	Regular updates provided by the Group HR Director enable the Board to monitor and assess the robustness and diversity of our leadership and talent pipeline. This is supported by a review of leadership, graduate and apprenticeship demographics and targets.
Diversity and inclusion policies and targets	The setting of targets and oversight of the programmes and initiatives underway to support diversity policies enable the Board to see how these measures demonstrably increase diversity and inclusion across our businesses.
Modern slavery statement	The Board's annual review of the Group's modern slavery policy supports its oversight of the steps taken to prevent modern slavery and human trafficking across the business and its supply chain.
Stakeholder survey results	Our annual stakeholder survey provides the Board with direct insights into how our colleagues are perceived by key stakeholders and whether there are any areas for improvement. This enables the Board to reflect on the decisions it makes in the context of stakeholder input both prior to and after decisions have been made.
Other key cultural indicators	The review of other key cultural indicators, such as customer satisfaction survey results, targets on promptness of payment to suppliers and results of internal audit reviews further supports the Board's review of culture throughout the business.

Stakeholder engagement

A description of the Group's key stakeholders and engagement with them is set out on pages 25 to 27 of the Strategic Report.

Board consideration of stakeholder interests

The Board has a meaningful programme of stakeholder engagement. Aimed at identifying and understanding the views of all of our key stakeholder groups, it ensures that their interests are always considered when decisions are taken.

We engage with our stakeholders in different ways including surveys, newsletters and events. Formal feedback is presented to the Board biannually. Whilst the executive directors typically lead on the interface, the Chair and other non-executive directors also have opportunities to talk directly with stakeholders.

At the heart of this programme is an annual stakeholder survey which first began in 2016. This year the survey was conducted for all our UK bus companies (except Go-East Anglia), Go-Ahead Ireland and Go-Ahead Singapore. A separate stakeholder survey was conducted for GTR.

The stakeholder survey is conducted by an independent specialist insight agency using a consistent research methodology which enables us to track trends over time. This year's survey included bespoke questions on COVID-19, climate change strategy and strategic initiatives such as mobility hubs. It also provided helpful insights into key themes such as perception, reputation, service performance and relationship and engagement.

The Board was reassured that, with a few exceptions, the positive sentiment across the business continued from previous years, with the general consensus being that operating companies were professional, reliable and responsive.

The Board understands the importance of assessing the effectiveness of its engagement strategies. The Company works in collaboration and partnership with all our stakeholders which has the benefit of ensuring that ongoing dialogue is maintained throughout the year.

Approach to workforce engagement

During the year, Harry Holt was the non-executive director designated to review and support workforce engagement across the business. Having fulfilled a number of senior executive positions at Rolls-Royce, including the role of Chief People Officer, the Board deemed Harry to have the depth of experience and skills suitable for the role.

Supported by the Group HR Director and Group Company Secretary, Harry undertook an annual review of the effectiveness of the arrangements in place to provide the Board with assurance that its approach remained effective and provided a genuine means of two-way engagement with the workforce.

This year, following the outputs of the business review, culture, devolved model and governance workstreams, an opportunity arose for the Board to consider how its overall approach to workforce engagement could be strengthened.

2021 annual workforce policy and engagement update

In December 2021, the Group HR Director provided the Board with a summary of the annual workforce and remuneration policy review and process. This had been undertaken across the business and highlighted that the future focus would be on developing a harmonised policy framework which allowed for some flexibility for individual operating company policies within their highly unionised working environments. Through this review, the Board concluded that workforce and remuneration policies and practices were consistent with the Group's values and supported its long term sustainable success.

During the year, the Board reviewed the results of pulse surveys, further details of which are provided on page 37. The Board also discussed the key themes that mattered most to colleagues around the business during the year ended 2 July 2022, which broadly included operational issues, COVID-19 recovery, engaging with trade unions, health, safety and wellbeing, leadership and communication and working together.

Further information on how and why we engage with our workforce and the key topics raised during the year, together with examples of how we responded, can be found on page 25.

Stakeholder engagement continued

Customers, strategic partners and suppliers, government and communities

The pandemic has emphasised the importance of public transport services to our customers, communities and society. Engaging with our customers enables us to provide safe, convenient and reliable services that serve our local markets and communities. As the independent Transport Focus customer satisfaction surveys were paused in spring 2020, the Board reviewed the results of the surveys undertaken by our individual operating companies to ensure that we have up to date insights from our customers that help shape our decisions to support our communities effectively.

We have continued to work closely and collaboratively with our key partners, regulators and supply chain to ensure that service provision remains at the right level and that suitable funding is received to enable essential services to continue to be delivered.

The majority of this engagement is through the Group Chief Executive and members of the senior leadership team, particularly in relation to the operation of our bus and rail services, and in shaping the policy landscape within which the business operates. The Board receives regular updates on matters such as government strategy and funding, policy changes, contract negotiations, existing contract performance and changes in regulation or legislation that are relevant to the business.

During the year, the Group has sought to maintain an open, collaborative and constructive engagement with the DfT to help resolve the identified LSER franchise matters of concern. For further information on the Board's response together with actions taken to better safeguard and assure compliance obligations of complex rail contracts, please see the Chair's statement on pages 3 to 5 and Board activities on pages 70 to 73.

Investors

The Board maintained an open dialogue with its investors to ensure that their feedback informed decision making. This was achieved through a programme of structured engagement. The executive directors engaged regularly with investors linked to the reporting cycle and, this year, more frequent discussions took place between the Chair and shareholders. Topics of focus included the situation relating to the Southeastern rail franchise, succession and leadership changes, and the offers made for Go-Ahead (which resulted in shareholder approval of the offer made by the Consortium comprising Kinetic TCo Pty Limited and Globalvia Inversiones S.A.U). During the year, the Board received regular updates on investor sentiment. As reported last year, Leanne Wood, Remuneration Committee Chair, also carried out a consultation exercise with our major shareholders and proxy voting agencies on our new directors' remuneration policy, which was approved by shareholders at the General Meeting in March 2022. More details of this process and the outcome of our engagement are available within the 2021 Directors' Remuneration Report on pages 108 to 142.

Evaluation

Board effectiveness review

For the year ended 2 July 2022, an internally facilitated review of the performance of the Board and its committees was undertaken. Using Independent Audit Limited's new board effectiveness review software, each director completed a questionnaire for the Board and each of the committees of which they were a member. Automated reports were then received and discussed at the respective Board and committee meetings. This process was supplemented by the Chair having a one to one discussion with each director on their personal performance and any training or development needs. The Senior Independent Director appraised the Chair's performance.

The outcome of this review was that the Board and its committees continued to perform effectively, with each director having sufficient time, knowledge and commitment to contribute to the long term sustainable success of the business. In particular, the more recent changes to Board composition and progress against all of the actions identified in last year's review had improved overall Board effectiveness. The Board and Audit Committee in particular will continue to focus on these key areas over the year ahead and take the relevant learnings forward as appropriate Board protocols are established under our new ownership.

The Board's last external evaluation was facilitated by Independent Audit Limited for the year ended 27 June 2020.

Division of responsibilities

Our governance framework

Set out below is a summary of the Group's governance framework during the year ended 2 July 2022.

Board

The Board is collectively responsible for creating and delivering long term sustainable value for the business. The main responsibilities of the Board during the year are set out below:

- Strategic direction, purpose and values
- Decision making in accordance with Section 172
- Risk management and risk appetite
- Health and safety
- Environmental, social and governance factors
- Culture and reputation
- Cyber security
- Corporate plan and KPIs
- Financial reporting and dividends
- Climate change
- Stakeholder engagement
- Contracts, bids and acquisitions
- Board development and effectiveness
- Non-executive director fees
- Oversight of Group's response to major crises and other significant challenges

Board committees

During the year, the Board delegated authority for specific matters to the Nomination, Audit and Remuneration Committees. Each Committee Chair reported to the Board on their respective committee's activities after each meeting, making recommendations to the Board as appropriate. The main responsibilities of each committee during the year are set out below:

- Nomination Committee
- Board and committee composition, structure and size
- Succession planning
- Board appointments
- Diversity and inclusion
- Time commitments and independence

Read more on pages 81 to 82

- Audit Committee
- Financial reporting
- Risk management and internal controls system
- Health and safety auditing
- Internal audit
- External audit

Read more on pages 83 to 89

- Remuneration Committee
- Design and implementation of remuneration policy
- Consideration of exercise of discretion
- Determination of executive and senior leadership remuneration
- Chair fees

Read more on pages 90 to 105

Executive Committee/Investment Committee

Under the new operating model, as explained on page 71, responsibility for the day-to day management of the Group's activities and oversight still resides with the executive directors. They are supported in this role by the newly reshaped Group Executive Committee/Investment Committee which is headed by the Group Chief Executive and comprises the Group Chief Financial Officer, Group Strategy and Transformation Director, Group HR Director, Managing Directors of UK Rail, London & International Bus and UK Regional Bus, and Group Company Secretary. The Executive Committee/Investment Committee oversees implementation of Group strategy, allocates financial and human resources, and oversees and provides support to the bus and rail businesses.

Independent Challenge Team

A newly established Challenge Team comprising members of the Group's Strategy and Transformation, Finance, Legal and, on occasion, Corporate Services teams brings diversity of voice, backgrounds and experience facilitating different perspectives and fresh thinking into the decision making process.

Devolved structure

The Group Executive/Investment Committee is supported by a senior leadership team comprising individuals responsible for key centralised Group corporate functions and the managing directors of each operating company, who are encouraged and empowered to manage our operating companies as autonomous business units. Further details of our senior leadership team and operating company managing directors can be found on our website.

The executive directors formally meet with the senior leadership team on a regular basis, through local operating company, Group Executive/Investment Committee and senior leadership team meetings. These more formal meetings are supported by several cross-business forums that serve to facilitate the sharing of knowledge, ideas and best practice. These meetings and forums are an essential part of the Group's devolved management approach, facilitating quality discussion and decision making while also preserving the management and autonomy of local operations within the Group's values and behaviours. We believe that this approach encourages a good balance between local and Group initiatives and facilitates the sharing of best practice and expertise across the Group.

Division of responsibilities continued

Roles and responsibilities

During the year ended 2 July 2022, there was a clear division of responsibilities on the Board which ensured accountability and oversight. The roles of the Chair and Group Chief Executive are separately held and their responsibilities are well defined, set out in writing, and regularly reviewed by the Board. A summary of the responsibilities of the Chair, Group Chief Executive and Senior Independent Director are set out below.

Group Chair

- Leads the Board and demonstrates objective judgement
- Advocates the highest standards of corporate governance
- Sets the agenda and drives Board effectiveness
- Promotes a culture of open and constructive debate
- Engages with stakeholders and ensures their views are understood and considered appropriately in Board decision making
- Ensures Board decisions are taken on a sound and well-informed basis

Group Chief Executive

- Responsible for the day-to-day management of the Group and the Group's performance
- Leads the senior leadership team, including development and succession planning
- Promotes the Group's purpose, vision and culture agenda
- Ensures the development and execution of strategy, with responsibility for the Group's overall performance
- Facilitates effective two-way communication between the Board, the business and the workforce
- Represents Go-Ahead externally to all stakeholders

Senior Independent Director

Following completion of the Scheme of Arrangement, the Senior Independent Director stepped down from the Board. The responsibilities of this role were acting as a sounding board for the Chair, appraising the Chair's performance and acting as an intermediary for other directors and shareholders, if needed. These responsibilities were in addition to fulfilling normal non-executive director duties of:

- Contributing to strategy development
- Scrutinising and challenging management's execution of strategy within the Group's risk appetite and control framework
- Providing support to the executive directors through external perspective and experience
- Serving on Nomination, Audit and Remuneration Committees

Board decision-making framework

Go-Ahead's culture ensures that there is a proper consideration of the potential impact of decisions. As a matter of course, Section 172 matters are considered in the Board's discussions on strategy, including how they underpin long term value creation and the implications for business resilience. The Board oversees the implementation of decisions taken. Annual Board strategy meetings, effectiveness reviews, post-investment reviews and lessons learned provide the opportunity for reflection.

The Board's general approach to decision making is facilitated as follows:

Board and committee meetings

The Board agenda is set in collaboration between the Chair, Group Chief Executive and Group Company Secretary. The Board's Forward Planner supports meeting agenda content over the year to ensure that time is balanced between different elements of strategy and operational performance, as well as the Board's wide-ranging governance and regulatory responsibilities.

Ensuring there is sufficient time allocated to key strategic decisions is an important consideration for the Chair, to enable directors to discharge their duties fully and effectively.

There is a clearly defined schedule of matters reserved for the Board and the Group Company Secretary ensures all Board procedures are complied with. To allow directors to utilise their time and skills effectively at Board meetings, papers are circulated securely and electronically to all directors a week before each meeting.

During the year, members of the senior leadership team and advisors were invited to attend and present at meetings, providing the non-executive directors with a broader perspective and insight.

Division of responsibilities continued

Board decision-making framework continued

Board and committee meetings continued

Informal meetings and Board dinners are held usually either before or after Board meetings. Unscheduled meetings are held as required where topics warrant more time or decisions need to be made outside of the normal cycle of meetings.

Each director is expected to attend all meetings of the Board and of those committees on which they serve and is required to devote sufficient time to the Group's affairs allowing them to fulfil their duties effectively.

Board training and development

The Board believes that continuous director training and development supports Board effectiveness. With the ever-evolving regulatory and policy landscape in which the Group operates, it is critical that the Board maintains a good working knowledge of the transport sector and how the Group operates within this sector, as well as being aware of recent and upcoming developments in the wider legal and regulatory environment.

Directors are encouraged to be proactive and identify areas where they would like additional information to ensure that they are adequately informed about the Group.

The Board confirms that all members have the requisite knowledge, ability and experience.

Information and support

The Board is supplied with high quality information, presented in a form designed to enhance Board effectiveness. During the year, the Board continued to operate in accordance with its comprehensive Board Procedures Manual, which includes formal procedures for the working of the Board and its committees within the governance framework, delegated authorities, the timely provision of appropriate information and the duties and responsibilities of directors, including standards of conduct and compliance.

The Board also had access to a dedicated online resource centre portal, containing Board related policies, reference documents and training and support materials.

Directors have access to the advice and services of the Group Company Secretary and may also take independent legal and/or financial advice at the Group's expense when it is judged necessary in order to discharge their responsibilities effectively.

Board induction programme

All new directors receive a tailored induction programme either shortly before or upon joining the Board. This programme ensures that new Board members have a full understanding of the business and their responsibilities and duties as directors so that they can be effective in their roles. The Chair and the Group Company Secretary agree the personalised induction plan, which is designed for each individual, taking into account their existing knowledge, specific areas of expertise and proposed committee appointments.

Board composition and succession

Composition of Committee
As at 9 October 2022, being the day prior to the Scheme of Arrangement between Go-Ahead and Gerrard Investment Bidco Limited becoming effective, the Nomination Committee comprised the Committee Chair (Clare Hollingsworth) and four independent non-executive directors (David Blackwood, Dominic Lavelle, Harry Holt and Leanne Wood). By invitation, the executive directors and Group HR Director attended some meetings, with presentations from external advisors as appropriate.

Meetings
Attendance at Committee meetings can be found on page 69.

Overview of responsibilities
During the year, the Committee operated in accordance with its terms of reference which were reviewed and approved by the Board. Key responsibilities were as follows:

Board composition and succession planning
During the year the Committee kept under review the size and structure of the Board with succession planning continuing to be a key priority. The following changes took place to the Board's composition:

- Following retirement of David Brown in late 2021, Christian Schreyer was appointed as the new Group Chief Executive, full details of which were set out in last year's Nomination Committee Report
- David Blackwood and Dominic Lavelle were appointed as non-executive directors in January 2022, succeeding Adrian Ewer as Senior Independent Director and Audit Committee Chair respectively. The step taken to separate the roles of Audit Committee Chair and Senior Independent Director added greater non-executive capacity and therefore greater robustness and independence to the roles and responsibilities of the Board. The Audit Committee Chair was also appointed to the board of GTR to provide a clear line of sight to the Audit Committee and Board
- Sarah Mussenden was appointed as Group Chief Financial Officer in May 2022, succeeding the Interim Group Chief Financial Officer, Gordon Boyd

Biographies for each Board member during the year can be found on pages 66 to 67 including the relevant skills, experience and contributions to the roles. Details of Board changes following the year end can be found on page 68.

Appointment process and time commitments
During the year, the Group engaged Odgers Berndtson (OB) to assist with the search that led to the appointments of the new Board members above. OB was engaged because of its strong credentials, knowledge of the business and cultural fit, in addition to its ability to access a diverse pipeline of talent.

For each appointment, a detailed role specification was agreed and used to produce an initial long-list of candidates. A short-list of candidates was then taken through to the next stages which included fireside chats with the Chair, first stage interviews with a sub-committee of the Committee and then final preferred candidates meeting the wider Committee.

Prior to appointment to the Board, any significant time commitments were required to be disclosed and approved by the Committee. The letters of appointment for the Chair and non-executive directors also set out expected time commitments to the Board, with any additional external appointments following appointment requiring prior approval by the Board. A full list of external appointments held by our directors during the year ended 2 July 2022 can be found on pages 66 and 67.

Leadership and talent succession planning

A key area of focus for the Committee continued to be overseeing the executive talent pipeline and senior leadership succession plans.

The Committee supported the reshaping of the Group Executive Committee which emerged from the Group Chief Executive's business review with the new set of values and behaviours, which underpin Go-Ahead's renewed purpose and the Group's new business model, providing further clarity and focus for leadership.

The Committee was also briefed on the initiatives underway to support, develop and retain the senior leadership team as well as attract new talent into the business. This included updates on the extensive work being carried out across the business to improve ethnic and gender diversity. Importantly our graduate and apprenticeship schemes continue to deliver a good supply of increasingly diverse talent. More details about the initiatives underway are included on pages 37 to 39.

Diversity and inclusion

The Board Diversity Policy, which is reviewed on an annual basis, sets out the approach towards inclusion and diversity for the Board of directors of the Group and this policy sits alongside the Group's wider inclusion and diversity policy and initiatives which seek to have a workforce reflecting the diversity of the communities we serve.

The Board recognises the benefits of having an inclusive and diverse Board, seeing it as an essential element of its strategy and building competitive advantage. It is the Board's belief that a diverse Board with different perspectives enhances the quality of debate and decision making to the benefit of all stakeholders. The objective of the policy is to maintain a Board whose membership reflects as broad a combination of skills, experience, age, disability, ethnicity, gender, sexuality, education and social background as possible.

The Board Diversity Policy has been implemented by ensuring that the terms of reference of the Committee reflect diversity in the criteria for identifying suitable candidates for nomination to the Board. The policy is also reflected in the Committee's discussions with external search consultancies in any search process for a new director.

We consider that our policy in respect of Board diversity has remained effective during the financial year ended 2 July 2022.

In addition to Board diversity, the Group believes in promoting diversity and inclusion at all levels of the organisation. During the year, the Committee welcomed the key areas of focus to deliver the Group's wider diversity and inclusion strategy and the examples of the range of initiatives underway across the business, further details of which are provided on pages 37 to 39.

Gender pay gap

The Committee annually reviews the Group's gender pay gap data and the strategies in place to recruit more women into all positions throughout the business. As at the date of our 2021 Gender Pay Gap Report, the median pay gap was 7.5 per cent and 21.8 per cent across our UK bus and rail businesses respectively against the national average median pay gap of 10.4 per cent in the UK. For further detail on the 2021 Gender Pay Gap Reports, please go to https://www.go-ahead.com/our-people/gender-pay-gap-reporting.

Board and committee effectiveness

For details of the internal effectiveness review undertaken for the Board and committees for the year ended 2 July 2022, please see page 77 of the Corporate Governance Report.

Audit, risk and internal control

Purpose
The Committee has been established by the Board primarily for the purpose of overseeing accounting, financial reporting, the role and remit of our Internal Audit function, internal control and risk management processes and the external audit of the Group's financial statements.

Composition
As at 9 October 2022, being the day prior to the Scheme of Arrangement between Go-Ahead and Gerrard Investment Bidco Limited becoming effective, the Audit Committee comprised the Committee Chair (Dominic Lavelle) and three independent non-executive directors (David Blackwood, Leanne Wood and Harry Holt). Dominic Lavelle has recent and relevant financial experience. Committee members are considered to have the appropriate range of financial, commercial and sectoral competence. Detailed information on their relevant skills, experience and contributions can be found on pages 66 and 67. Committee membership changed following the purchase and delisting of the Group's shares, but the Committee will continue to meet for the purposes outlined above for the foreseeable future.

The Chair, Group Chief Executive, Group Chief Financial Officer, Group Financial Controller, Group Head of Internal Audit, Group Safety Lead and external auditor are regularly invited to attend Committee meetings. The Committee Chair holds additional pre-Committee meetings with the Group Chief Financial Officer, Group Financial Controller and external and internal auditors in preparation for the forthcoming meeting. At least annually, the Committee meets privately with the external and internal auditors without the executive directors or management present.

Meetings
Committee meetings usually take place immediately prior to Board meetings. Attendance at Committee meetings can be found on page 69.

Overview of responsibilities
During the year, the Committee operated in accordance with its terms of reference which were reviewed and approved by the Board. Key responsibilities were as follows:

External audit and financial reporting
- Reviewed the 2021 Annual Report and Accounts, ensuring information was fair, balanced and understandable
- Monitored the continued recovery from the impact of COVID-19
- Reviewed the impact on the 2022 Annual Report and Accounts of the movements in the onerous contract provisions for rail contracts in both Germany and Norway
- Considered findings of the independent review and settlement of LSER matters of concern (as detailed in the 2021 Annual Report and Accounts)
- Considered prior year adjustments, misstatements and related control issues and ensured appropriate mitigations and improvements in processes and controls for the current year end
- Monitored the integrity of the Group's financial statements including related regulatory news announcements
- Reviewed significant financial reporting judgements and estimates made by senior leadership
- Reviewed the going concern assessment
- Reviewed the external auditor's remuneration, terms of engagement and reappointment
- Monitored the independence, objectivity and effectiveness of the external auditor
- Approved the use of the external auditor for non-audit services in line with policy
- Commenced audit retender process
- Reviewed external auditor and senior leadership reports on half and full year results
- Monitored progress of preparation and filing of subsidiary statutory annual accounts

Risk management and internal controls
- Reviewed the effectiveness of risk management and internal control procedures
- Assessed the Group's principal and emerging risks
- Reviewed the impact of the settlement of the LSER matters of concern and the subsequent finalisation of the amounts in the current year Group financial statements

Overview of responsibilities continued

Internal audit including health and safety

- Considered and reviewed reports from the co-sourced internal audit function (PricewaterhouseCoopers LLP (PwC), Ernst & Young LLP (EY) and the Group Internal Audit team) on the Group's financial controls, disclosures and accounting and fraud risk assessment policies and processes
- Reviewed results of health and safety audits across the business, benchmarking against international and best practice standards
- Reviewed the effectiveness of the Internal Audit function
- Agreed a new three-year internal audit plan

Cyber security

Following year end, a major cyber security incident was identified and was a critical focus area for the Board. Further information is provided in the Board activities section of the Corporate Governance Report.

Significant issues and judgements

Significant accounting issues, judgements and estimates are reviewed at the half year and full year Committee meetings. The matters considered by the Committee to be significant for the 2022 Annual Report are set out in the following table. These were subject to robust challenge and debate between the executive directors, management, the external auditor and the Committee.

Key financial matters for 2022	How the Committee addressed these key financial matters
Review of the accounting treatment of income and costs arising from franchise agreements in the rail components of the Group. See pages 148 and 149 for more information	The Committee regularly reviews the accounting policies relating to income and costs arising from franchise agreements and considers a range of reasonably probable outcomes. At interim and year end reviews, a full schedule of material income statement and balance sheet figures is assessed against the Committee's expectations and discussed with the executive directors and, where appropriate, the external auditor. The Committee also considered the accounting for rail as a consequence of the Emergency Measures Agreement and Emergency Recovery Measure Agreement and the new National Rail Contract in GTR and agreed with the treatment that was applied including the assessment and recognition of performance bonuses.
Assessment of settlements and associated accounting treatments in connection with the old Southeastern franchise, including the settlements of financial penalty.	The Committee reviewed the final settlements agreed with the Department of Transport (DfT) in respect of the LSER matters of concern and items in commercial dispute. Where appropriate, independent advice was sought to inform the Committee. Having considered the findings of the Independent Committee, the Committee agreed with management's proposed accounting treatment and related disclosures. Under the Railways Act 1993, the DfT imposed a financial penalty of £23.5m. In the prior year, in the absence of a specific precedent or relevant guidance, it was difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice, included a provision for £30.0m. The difference, a £6.5m credit, has been included as an exceptional item in the financial statements of the year.
Ongoing review of provisions for liabilities, specifically relating to third-party claims, lease return and dilapidation provisions for rolling stock, stations, depots and other properties and measurement of uninsured liabilities. See note 24 of the consolidated financial statements	At interim and year end, the levels of provision for third-party claims, lease return and dilapidation provisions are reviewed with the Committee. This also included the decision by the DfT to award GTR a National Rail Contract on 1 April 2022 and the amounts that are still subject to agreement in relation to dilapidations for both depots and rolling stock. Management's review is supported by reports from appropriate third-party experts who independently assess the required provision based on their industry knowledge and an understanding of the Group's specific circumstances. Specific legal advice is also taken, where appropriate, in relation to third-party claims such as boundary fare claims. Increases in provisions, utilisation and release of provisions are all reviewed for reasonableness in light of these reports and the Group's specific circumstances and having considered the proposed provisions and their reasonableness the Committee agreed with management's proposed treatment and disclosures.
Impairment testing in respect of the value of goodwill and tangible and intangible assets on the Group and company only investments. See note 14 of the consolidated financial statements	The ongoing review of goodwill, tangible and intangible assets and carrying value of investments, as presented by management, is reviewed and challenged, as necessary, by the Committee. The assessment is done by assessing the expected performance of the individual cash generating units and ensuring that relevant risk factors are imputed to the rate of return used to assess net present value of future cashflows. The Committee also reviews historical performance against expectations set in previous years. Having considered the reviews undertaken and financial projections, including the valuation of the takeover, the Committee was satisfied that the process followed, and the accounting treatment were appropriate.

Key financial matters for 2022	How the Committee addressed these key financial matters
Prior year adjustment relating to asset backed pension scheme.	As part of the impairment review carried out above, a review of the investments and intercompany receivables were also undertaken, which identified historical errors in the treatment of pension scheme assets in the Parent Company balance sheet. The Committee has reviewed the re-statement along with independent advice in relation to both the assessment of the fair value of the pension asset and the associated tax treatment. The Committee is satisfied with the process followed and the resulting accounting treatment.
Assessment of the Group's German rail contracts and carrying value of associated assets. See note 7 of the consolidated financial statements	The German business commenced the operation of its rail services in June 2019 in Baden-Württemberg with a further contract in Bavaria going live in December 2021. The remaining contract commenced in December 2022. Whilst initial operating losses were planned due to the initial ramp-up of services, the level of operating losses continues to be higher than was originally expected. In line with IAS 36 and IAS 37, an assessment of the carrying value of assets and future contract liabilities has been performed both at the half and full year with a full review of the future forecast and operational plans to assess whether the contracts are onerous in nature. The Committee challenged the controls for the preparation of the onerous contract provision, enhancing some of the steps from previous years. This included several stages of review and challenge at both Divisional and Group level, and the utilisation of third-party experts as appropriate. Whilst one of the contracts in Bavaria had yet to commence at year end and the other contract has just recently started, due to market changes, clarity gained regarding matters with the local rail authorities and experience obtained since the recent start of operations, there was a need to update the assumptions made in the original bid and in past forecasts. During the year, we performed a full 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. As a result, it has been determined that an increase of £41.1m in the provision is required, of which £36.0m has been recognised as an exceptional operating charge in the year ended 2 July 2022. It was also identified that some of the assumptions and modelling errors applied to the German Bavarian 2020 model were incorrect and therefore a prior year adjustment was recognised as a result. The impact of this adjustment is to decrease the 2021 opening reserves by £5.1m and increase the value of the onerous contract provision by £5.1m. The Committee considered and challenged the inputs of these models and cashflow forecasts as presented by management and considered the appropriateness of the resulting disclosure with reference to IAS 1. The Committee also considered and challenged the changes in judgements in the models made for the FY2022 year end in line with IAS 8.

Key financial matters for 2022	How the Committee addressed these key financial matters
Assessment of the Group's Norwegian rail contracts and carrying value of associated assets. See note 7 of the consolidated financial statements	The Norwegian business commenced the operation of its rail services in December 2019. Under the original contract, which began in December 2019, the revenue risk associated with changes in passenger demand rested with Go-Ahead. During the COVID-19 pandemic, the Norwegian Government provided financial support to rail operators, preventing material losses. The ongoing impacts of COVID-19 and the levels of Norwegian Government support triggered a requirement to update the assumptions made in the original bid. An amended contract takes effect from 1 July 2022 and runs for the duration of the original contract, until December 2027 (plus a two-year extension option until December 2029). The contract provides a revenue support mechanism until the end of the contract. The contract also includes an incentive scheme linked to revenue growth. As a result of these improved contractual arrangements, the onerous contract provision has been reassessed and has significantly decreased. In line with IAS 36 and IAS 37 an assessment of the carrying value of assets and future contract liabilities has been performed post-year end to assess whether the contract is onerous in nature. As a result, it has been determined that a decrease of £51.6m in the provision is required, which has been recognised as an exceptional operating credit in the year ended 2 July 2022. The Committee considered and challenged the inputs of these models and cashflow forecasts as presented by management and considered the appropriateness of the resulting disclosure with reference to IAS 1. The Committee also considered and challenged the changes in judgements in the models made for the FY2022 year end in line with IAS 8. As disclosed on page 211 there are subsequent discussions with the RD in relation to the contract. The committee has made appropriate challenges and assessment as part of their processes.
Assessment of the available resources to support the going concern assumption. See page 49 to 50 for more information	The Committee reviewed and challenged management's forecasts and the impact of various possible downside scenarios including reverse stress assumptions. These took account of the recovery for COVID-19 on passenger volumes, the availability and duration of government funding measures and the impact on the Group's funding arrangements and associated ring-fencing measures as a result of a change of control following the takeover of the Group. In undertaking this evaluation and the sources of liquidity available, including ring-fencing of the Group facilities and the extension of the facilities in the new parent, the Committee concluded that existing debt facilities would continue to be available. Following the review, which the Committee carried out at its meeting in January 2023, the Committee recommended to the Board the adoption of the going concern statement for inclusion in this Annual Report.
Assumptions underpinning the calculation of the Group's defined benefit pension liabilities. See note 28 of the consolidated financial statements	Pension scheme liabilities are assessed on behalf of the Group by independent actuaries. Additionally, management reviews and challenges the underlying assumptions with other professional advisors to ensure that the actuaries' own assumptions are appropriate for the Group. The Committee also discusses the appropriateness of the assumptions with the Group's external auditor.

Key financial matters for 2022	How the Committee addressed these key financial matters
Understanding and treatment of separately disclosed items in the year end accounts. See note 7 of the consolidated financial statements	The Committee has considered separately disclosed items in the light of the FRC recommendations of a balanced and consistent approach. The Committee is mindful of the need to understand the underlying trends of each division within the business with the impact of large and unusual items separated out as necessary to avoid distortions from such non-recurring aspects. For each item, the Committee has considered the judgements made by management, considering each item in isolation, as well as the aggregate view of the impact on both alternative performance measures and statutory profits. In addition, the Committee considers and takes account of any bias towards recording items as exceptional which may have an impact on the covenant reporting. The Committee agreed it was appropriate to treat as exceptional the onerous contract provisions relating to International Rail, and the settlement of the financial penalty and associated matters of concern in relation to LSER. Whilst the Committee considered the treatment of Stadler settlements in Germany and pre-EMA settlements in GTR, it was determined that they should not be treated as exceptional because material contractual settlements such as these, are not uncommon in the normal operation of these businesses and losses relating to Germany from the Stadler issues had been not been taken as exceptional when they arose. Costs relating to the takeover of the Group have also been treated as exceptional. This treatment has been applied in line with the Group's accounting policy for exceptional items.
Ensuring operating company compliance with Group policies and procedures and maintaining the required financial control environment.	The Committee, with input from the executive directors, approves the remit, scope and three-year plan of internal audit including the cycle of visits to test operating company compliance and financial controls, based on a risk assessment. The results of the internal audit visits are considered by the Committee, together with management's responses to any improvement points. Control matters and reporting issues identified as part of the external auditor interim and year end audits are also reviewed by the Committee, which considers the adequacy of any management responses which, in particular, were in respect of IT controls during the year ended 2 July 2022. In addition, management ensures that the recruitment and review process for operating company directors gives confidence in the calibre of the operating company teams and their management, and the control environment in which they operate.

Risk management and internal controls

As reported in the previous year, the Board identified a number of areas to enhance the Group's corporate governance and internal controls. Primarily identified as a consequence of franchise matters in LSER and International Rail, the Board committed to a series of improvements, further information of which can be found in the Chair's statement and Corporate Governance Report.

During the year, and in light of the award to GTR of a National Rail Contract, the Committee Chair and the Group Chief Financial Officer were both appointed to the board of GTR to strengthen the Committee's oversight of risk management and internal control within that business. In addition, GTR's internal audit function, including NRC compliance, was placed under the oversight of the Group Internal Audit function. The Committee considered and approved separate Group and GTR internal audit plans for FY2023, with NRC non-compliance forming a key part of GTR's FY2023 plan.

Throughout the year, the Committee monitored the Group's risk management and internal control systems by receiving regular internal audit reports and holding meetings with the Head of Internal Audit. A summary of the risk and control framework and its effectiveness is set out in the Strategic Report on pages 51 to 64 together with the Board's assessment and description of the Group's principal risks, procedures to identify emerging risks and an explanation of how risks are mitigated and how the mitigating controls are assessed and tested. The Committee receives quarterly reports from the Internal Audit function and formally considers the Group's principal and emerging risks twice a year.

The Committee's review took into account the Board's biannual review of significant risks and emerging risks, as well as the effectiveness of the co-sourced model for internal audit (see below).

Internal Audit

The Head of Internal Audit attends Committee meetings on a quarterly basis to provide an update on progress against the approved internal audit plan. The Committee has approved a new three-year risk-based internal audit plan which focuses on the key financial, IT, operational and compliance risks faced by the business. The Head of Internal Audit reports to the Group Chief Financial Officer and has direct access to the Committee Chair. In FY2022, the Committee approved the move to a co-sourced model it established an in-house internal audit function and retained the services of the outsourced assurance provider to supplement the delivery of assurance engagements.

Fair, balanced and understandable

At the Board's request, the Committee considered whether the 2022 Annual Report, taken as a whole, is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Committee reviewed both the narrative and financial sections of the reports to ensure they were consistent and presented clearly and gave a balanced view of business performance during the year, and that appropriate weight was given to both positive and negative aspects. The Statement of Directors' Responsibilities on page 115 includes a statement that the Annual Report is fair, balanced and understandable.

External audit

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor, Deloitte LLP (Deloitte). This includes making recommendations to the Board concerning the appointment, reappointment and removal of the external auditor, as well as assessing its independence on an ongoing basis and negotiating the audit fee.

Independence and objectivity of external auditor

The Board recognises the importance of auditor independence, and its impact on effectiveness, and is aware of the situations which may give rise to the impairment of auditor independence. The Committee regularly considers the objectivity and effectiveness of the auditor in relation to both the audit process and the relationship with the Group.

In light of the matters of concern at LSER, the Committee reconsidered auditor independence and, following discussions with the external auditor, the Committee was satisfied that the external auditor remained independent.

Policy on the provision of non-audit services

The Committee is responsible for developing, implementing and monitoring the Group's policy on the engagement of the external auditor to supply non-audit services. In line with the FRC's Ethical Standard, the principal requirements of that policy are:

- The auditor will only be used for the provision of non-audit work if it can be demonstrated that the engagement will not impair independence or is a natural extension of its audit work or there are other overriding reasons that make it the most suitably qualified to undertake the work
- The auditor will not provide certain categories of non-audit services to the Group, such as internal audit and litigation support, the full list of which can be found in the Committee's terms of reference
- The provision of certain non-audit services is subject to approval by the Committee

The ratio of the external auditor's audit to non-audit fees during the year, as a proportion of the annual external audit fee, is kept under review by the Committee.

External audit continued

Fees of external auditor

During the financial year, the Group external auditor's fees were £3.5m (2021: £2.7m). Non-audit fees payable to the Group's external auditor were nil (2021: £0.2m).

External audit tenure

On behalf of the Board, the Committee oversees the relationship with the external auditor. Deloitte was appointed as the Group's auditor in October 2015 and was most recently reappointed at a General Meeting of the Company held in March 2022. The Group has commenced a retender process for its external audit for the 2023 financial year but Deloitte has confirmed that it will not participate in the tender process.

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 2 July 2022.

The Committee spent considerable time over the last year working on the remuneration arrangements for both the outgoing and incoming executive directors, as well as finalising the details of the new remuneration policy, and the Committee was pleased with the strong support achieved at the General Meeting in March 2022 for both the Remuneration Report (99.03%) and the new remuneration policy (86.79%).

This Directors' Remuneration Report is divided into two principal sections:

- This annual statement on pages 90 to 91, which provides the context for the Committee's decisions during the year and other regulatory information
- The Annual Report on Remuneration, which comprises information on the activities of the Remuneration Committee on page 92 and provides details of remuneration paid to the Board during the 2022 financial year and how we will apply the remuneration policy in the 2023 financial year on pages 94 and 105

Board changes

As detailed in last year's Directors' Remuneration Report, David Brown retired as Group Chief Executive on 5 November 2021. Following his retirement, David voluntarily waived his rights to his outstanding unvested 2019 Deferred Share Bonus Plan award and 2019 and 2020 LTIP awards. Given his retirement from the Board, the Committee determined that no annual performance-related bonus would be awarded to David for the 2022 financial year.

Christian Schreyer joined the Board on 1 November 2021 and succeeded David Brown as Group Chief Executive with effect from 5 November 2021. Elodie Brian resigned as Group Chief Financial Officer on 27 September 2021, and Gordon Boyd joined the Board on 28 September 2021 as Interim Group Chief Financial Officer before resigning from the Board with effect from 28 March 2022. Details of the remuneration arrangements for all three individuals were in line with the relevant remuneration policy and were set out in last year's report.

Following a thorough selection process, Sarah Mussenden was appointed as Group Chief Financial Officer with effect from 9 May 2022. Taking into account her extensive experience in transport and regulated businesses, as well as her strong financial accounting and audit background, the Committee determined that the remuneration package for the new Group Chief Financial Officer would be as set out in the table below.

New Group Chief Financial Officer remuneration

Base salary	£375,000
Annual performance-related bonus	Maximum of 150 per cent of base salary
RSP	Maximum of 50 per cent of base salary
Pension	Eligible to join Go-Ahead's Workplace Savings Section (which is the pensions auto-enrolment vehicle for the majority of employees) or receive a cash alternative equivalent representing 3 per cent of qualifying earnings
Relocation allowance	n/a
Other benefits	Eligible to join the Group's family healthcare membership

The Group Chief Financial Officer left Go-Ahead at the end of the year. The remuneration she was paid on leaving was in accordance with our remuneration policy.

Performance for the 2022 financial year

As set out in further detail in our operating review, the Group has delivered promising financial performance throughout the year as it emerges from a challenging period.

Group operating profit has exceeded targets set for the year, with strong performance across both our bus and rail divisions. The Group operating profit element of the annual performance-related bonus in relation to 2022 performance (60 per cent weighting) achieved 97 per cent of maximum payout. Despite the significant external challenges, Group cashflow performance (15 per cent weighting) exceeded the stretch targets and as such vested in full. Performance against the remaining strategic measures (25 per cent weighting) was also exceptionally strong, with the National Rail Contract in GTR being secured and successful development of a new corporate strategy approved by the Board, amongst achievement of other targets set out on page 96, which resulted in an overall bonus outcome of 98.2 per cent of maximum.

The Interim Group Chief Financial Officer was not eligible for a 2022 annual performance-related bonus. The new Group Chief Executive and Group Chief Financial Officer's 2022 annual performance-related bonus is pro-rated for time on the Board.

The above strong performance led to an overall annual performance-related bonus outcome for 2022 of 147.3 per cent of salaries, pro-rated to time employed during the year. The Committee reviewed this outcome in light of overall business performance and wider stakeholder experience and determined that the formulaic outcome for the Group Chief Executive and the Group Chief Financial Officer was appropriate. For the Group Chief Executive, it is reflective of the progress made in the year both against the targets set and in preparing the business for the next stage of its development by completing the business review. The Committee also noted the Group Chief Executive's critical role in leading the Company through the discussions with Gerrard Investment Bidco Limited on the terms of a recommended cash acquisition of the Company, further details of which are set out in the Chair's statement on page 5 and the Board activities section of the Corporate Governance Report on page 70. For the Group Chief Financial Officer, the outcome reflects the pivotal role she played in the completion of the takeover mentioned above.

No Restricted Share Plan (RSP) awards granted to the executives were due to vest in the year.

Implementation of remuneration policy in 2022

The directors' remuneration policy was successfully approved by shareholders at the 2022 General Meeting including the introduction of the Restricted Share Plan (RSP). The Committee is satisfied that our policy is aligned to both shareholders' and other key stakeholders' interests and continues to operate in line with our long term business strategy, culture and values.

The full directors' remuneration policy is set out on pages 117 to 128 of our 2021 Annual Report and Accounts, available on our website.

For information on how the proposed remuneration policy is to be implemented for the 2023 financial year, please see page 105.

Looking forward

Now that the Group's shares have delisted from the London Stock Exchange, this report will not be subject to a shareholder vote at an annual general meeting. I would like to thank shareholders for their support and constructive feedback over recent years.

Clare Hollingsworth
Chair

24 February 2023

Remuneration Committee

Composition of Committee

As at 9 October 2022, being the day prior to the Scheme of Arrangement between Go-Ahead and Gerrard Investment Bidco Limited becoming effective, the Remuneration Committee comprised the Committee Chair (Leanne Wood), the Group Chair (Clare Hollingsworth) and three independent non-executive directors (David Blackwood, Dominic Lavelle and Harry Holt).

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

The Group Chief Executive (and his predecessor), former Group Chief Financial Officer, Group HR Director and Group Legal Director attended relevant parts of the Committee meetings during the year ended 2 July 2022. No individual was present when their own remuneration was being determined.

Meetings

The number of Committee meetings held throughout the year and attendance can be found on page 69.

Overview of responsibilities

The Committee operates in accordance with its terms of reference which are reviewed and approved by the Board annually. The Committee's responsibilities during the year ended 2 July 2022 included:

Remuneration policy

- Continued review of remuneration policy ahead of three-year renewal
- Approved the change in non-executive director notice periods from six months to three months consistent with market practice

Executive director target setting and outcomes

- Approved nil payment of the 2021 annual performance-related bonus and nil vesting of the 2018 Long Term Incentive Plan (LTIP) award
- Established financial and non-financial underpins for the 2021 Restricted Share Plan (RSP) award and targets for the 2022 annual performance-related bonus

Board and senior leadership remuneration

- Reviewed and approved Chair fees and senior leadership salaries. Reviewed payout of senior management 2021 annual performance-related bonuses

Shareholder engagement

- Consulted with major shareholders ahead of the proposed new remuneration policy
- Consulted with major shareholders on the introduction of the 2021 RSP award including financial and non-financial underpins
- Ensured the new remuneration policy promotes long term shareholdings by executive directors that align with shareholders' interests

Wider stakeholders

- Reviewed wider workforce remuneration and related policies to ensure consistency with Group values and culture
- Considered remuneration-related themes (including employee pay) arising from colleague engagement

Governance and Committee effectiveness

- Approved the 2021 Directors' Remuneration Report which included reviewing the effectiveness and transparency of remuneration reporting
- Considered findings of internal effectiveness review
- Kept under review the relationship with Committee's external advisors
- Undertook annual review of Committee's terms of reference
- Monitored the UK Corporate Governance Code as well as general updates on market best practice provided by the Committee's external advisors

Scheme of Arrangement

- Approved treatment of options under the Deferred Share Bonus Plan (DSBP), LTIP and RSP

Board changes during the year

- Approved the remuneration for the new Group Chief Executive and Interim and permanent Group Chief Financial Officers
- Approved the former Group Chief Executive and Group Chief Financial Officer leaver arrangements

External advisors to the Committee

PricewaterhouseCoopers LLP (PwC) acts as an independent remuneration advisor to the Committee. PwC was appointed by the Committee in June 2020, following a rigorous tender process. PwC is one of the founding members of the Remuneration Consultants Group Code of Conduct and adheres to this Code in its dealings with the Committee.

As disclosed last year, PwC has previously supported the Audit Committee with internal audit which, during the year ended 3 July 2021, transitioned to in-house resource. Following this transition, PwC has continued to provide resource, technical capability and ad-hoc specialist internal audit work as required and the Remuneration Committee is satisfied that these services do not impede PwC's objectivity in providing remuneration advice. The Committee is also comfortable that the PwC engagement partner and team, which provide remuneration advice to the Committee, do not have connections with the Group or individual directors of the Group that might impair their independence and that the advice received is independent and objective.

The fees payable to PwC for advice during the year ended 2 July 2022 were £141,375 (excluding VAT), charged on a time and material basis.

Statement of voting at the General Meeting (GM) of shareholders

At the Company's GM held on 28 March 2022, the Directors' Remuneration Report and policy received the following votes from shareholders:

	Votes for and discretionary	Votes against	Total votes	Withheld
Remuneration Report	29,541,032	288,638	29,829,670	5,886
	99.03%	0.97%	100.00%	
Remuneration policy	25,381,326	3,862,674	29,244,000	591,556
	86.79%	13.21%	100.00%	

Annual Report on Remuneration

Set out below is the Annual Report on Directors' Remuneration for the year ended 2 July 2022. As the Scheme of Arrangement between Go-Ahead and Gerrard Investment Bidco Limited completed on 10 October 2022, this report, together with the Annual Statement on pages 90 to 91 is not subject to a shareholder vote at an annual general meeting.

The Remuneration Committee has prepared this report on behalf of the Board in line with the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and applies the main principles relating to remuneration which are set out in the UK Corporate Governance Code.

The Annual Report on Remuneration is divided into three sections:

Section 1: Single figure tables

Section 2: Additional information on 2022 remuneration

Section 3: Implementation of remuneration policy in 2023

The external auditor has reported on certain sections of this report and stated whether, in its opinion, those sections have been properly prepared. Those sections which have been subject to audit are clearly indicated.

Section 1: Single figure tables

Executive directors' single figure table (audited)

The table below summarises all remuneration that was earned by each executive director during the year ended 2 July 2022.

The Remuneration Committee reviews all incentive awards prior to payment and uses judgement to ensure that the final assessments of performance are fair and appropriate.

For further information on the figures footnoted within the table below, please see pages 95 to 97.

			Short term incentives (performance-related bonuses)						
	Salary[1] £'000	Taxable benefits[2] £'000	Cash bonus[3] £'000	Deferred share bonus[3] £'000	Long Term Incentive Plan (LTIP)[4] £'000	Pension allowance[5] £'000	Total single remuneration figure £'000	Total fixed pay £'000	Total variable pay £'000
Executive directors									
Group Chief Executive, Christian Schreyer									
2022	**367**	**68**	**540**	**—**	**—**	**1**	**976**	**436**	**540**
2021	—	—	—	—	—	—	—	—	—
Group Chief Financial Officer, Sarah Mussenden									
2022	**56**	**—**	**82**	**—**	**—**	**—**	**138**	**56**	**82**
2021	—	—	—	—	—	—	—	—	—
Former Group Chief Executive, David Brown									
2022	**202**	**1**	**—**	**—**	**—**	**—**	**203**	**203**	**—**
2021	543	4	—	—	—	1	548	548	—
Former Group Chief Financial Officer, Elodie Brian									
2022	**81**	**—**	**—**	**—**	**—**	**—**	**81**	**81**	**—**
2021	313	—	—	—	—	1	314	314	—
Former Interim Group Chief Financial Officer, Gordon Boyd									
2022	**601**	**—**	**—**	**—**	**—**	**—**	**601**	**601**	**—**
2021	—	—	—	—	—	—	—	—	—

Section 1: Single figure tables continued

Commentary on the executive directors' single figure table

1. Salary

Base salary levels for the executive directors are shown below:

	From 1 April 2022	From 1 April 2021	% increase
Executive directors			
Group Chief Executive, Christian Schreyer[1]	**£550,000**	£550,000	N/A
Group Chief Financial Officer, Sarah Mussenden[1]	**£375,000**	N/A	N/A
Former Group Chief Executive, David Brown[2]	**N/A**	£581,710	—
Former Group Chief Financial Officer, Elodie Brian[3]	**N/A**	£335,000	—

1. Christian Schreyer and Sarah Mussenden joined the Board on 1 November 2021 and 9 May 2022 respectively. The base salaries stated above were pro-rated for their respective time in role during the financial year.
2. David Brown retired as Group Chief Executive on 5 November 2021.
3. Elodie Brian resigned as Group Chief Financial Officer with effect from 27 September 2021.

Gordon Boyd acted as Interim Group Chief Financial Officer between 28 September 2021 and 28 March 2022. He received an all-inclusive base salary of £100,000 per month and did not participate in any incentive awards or receive any additional benefits, including pension.

2. Taxable benefits (audited)

The taxable benefit for the former Group Chief Executive comprised family healthcare membership.

The taxable benefit for the current Group Chief Executive comprises his relocation allowance (£8,333 payable monthly for the first 24 months of employment) and a contribution to his private medical scheme which commenced in January 2022 and for which he receives £265 per month.

3. Annual performance-related bonus (audited)

The table below illustrates the components of the 2022 annual performance-related bonus award for the Group Chief Executive and Group Chief Financial Officer at maximum and actual payouts for business objectives set at the start of the year. Due to the delay in publication of the Company's audited financial statements for the year ended 2 July 2022, payout was determined by the Remuneration Committee's preliminary assessment of performance undertaken in July 2022. No discretion was applied by the Committee to the formulaic outcome.

Under the terms of the Scheme of Arrangement which completed between Go-Ahead and Gerrard Investment Bidco Limited on 10 October 2022, the annual performance-related bonus was paid fully in cash and pro-rated for the time the Group Chief Executive and Group Chief Financial Officer had been on the Board.

Metric	Performance measure	Weighting (percentage of maximum)	Maximum opportunity (percentage of salary)	Achieved	Actual payout (percentage of salary)
Group profit	Group operating profit 2022	60%	90%	58.2%	87.3%
Group cashflow	Net debt after adding back restricted cash	15%	22.5%	15%	22.5%
Strategic KPIs	See page 96	25%	37.5%	25%	37.5%
Total		**100%**	**150%**	**98.2%**	**147.3%**

The following tables illustrate in more detail the actual performance against each individual metric.

Group operating profit (60 per cent)

For Group operating profit for the year ended 2 July 2022, target vesting was proportionately weighted between the operating profit contribution from bus (42 per cent) and rail (18 per cent), with payout on a sliding scale. The actual Group operating profit, before exceptional items and based on the Remuneration Committee's preliminary assessment of performance in July 2022, was £80m for bus and £4.3m for rail resulting in a 97 per cent vesting for both bus and rail. These figures were calculated on a pre-IFRS 16 and a pre-exceptional basis.

Measure	Bus (70%)	Rail (30%)	Weighting (% of bonus)	Actual Group operating profit (bus)	Actual payout (bus)	Actual Group operating profit (rail)	Actual payout (rail)
Group operating profit	Threshold: £58m	Threshold: (£5m)	0%	£80.0m	70%	£4.3m	27%
	Target: £68m	Target: (£1.6m)	50%				
	Maximum: £78m	Maximum: £5m	100%				

Section 1: Single figure tables continued

Commentary on the executive directors' single figure table continued

3. Annual performance-related bonus (audited) continued

Cashflow (15 per cent)

The target for Group cashflow (defined as net debt on a pre-IFRS 16 basis excluding restricted cash) was £202.1m, with maximum vesting at £192.1m, revised to £259.7m which accounted for the Flexbuss acquisition and the delay of DfT dividend payments. Actual Group cashflow for the year ended 2 July 2022, based on the Remuneration Committee's preliminary assessment of performance in July 2022, was £240.4m (2021: £305.9m). Since this was below the revised maximum level of £259.7m, this resulted in a 100 per cent payout.

Measure	Bus (70%)	Weighting (% of bonus)	Actual net debt	Actual payout
Net debt	Threshold: £212.1m	0%		
	Target: £202.1m	50%	£240.4m	100%
	Maximum: £192.1m (revised to £259.7m)	100%		

Strategic KPIs (25 per cent)

The Committee determined that there should be full vesting of the strategic element of bonus. This took into account the Committee's assessment of the strategic KPI measures as outlined below as well as an assessment of strategic performance generally.

Strategic KPI measure	Commentary
UK Rail – secure National Rail Contract in GTR	Achieved - contract commenced on 1 April 2022
German Rail – successful start of operations in Bavaria	The first of two contracts started on 12 December 2021 and performance has been in line with the mobilisation plan and expectations. Mobilisation for the start of the second, and final, contract in the region commenced in December 2022
Regional Bus – transition to enhanced partnerships	Achieved several enhanced partnerships across the business
Develop new corporate strategy and receive approval of the Board	Achieved and announced to the market in April 2022
People strategy – progress against the current overall engagement score	Achieved

Health and safety target threshold

The annual performance-related bonus includes a health and safety underpin that enables the Committee to use its discretion to reduce bonus payments potentially to zero should it be considered appropriate. The Committee concluded that no scaling back of bonus would have been required in light of the Group's health and safety performance having been maintained during the year.

4. 2019 LTIP award – former Group Chief Executive only (audited)

Following his retirement, the former Group Chief Executive, David Brown, voluntarily waived his rights to his unvested 2019 LTIP award. There was therefore no vesting of this award upon completion of the three-year performance period ending with the 2022 financial period.

5. Pension allowance

The Group Chief Executive has opted to receive a cash allowance of 3 per cent of qualifying earnings, as did his predecessor. The Group Chief Financial Officer also opted to receive the same cash allowance, with the first payment made in September 2022 and backdated to the date she joined the Group, amounting to £203 for the year ended 2 July 2022. This is equivalent to the employer contribution rate they would have received had they participated in the Workplace Savings Section of The Go-Ahead Group Pension Plan (the pensions auto-enrolment vehicle for the majority of employees).

For the purposes of auto-enrolment legislation, qualifying earnings for the tax year 2022/23 are gross taxable earnings between £6,240 per annum and £50,270 per annum. The lower and upper thresholds are reviewed each year by the Government.

The Interim Group Chief Financial Officer received no pension allowance during his time in post.

Section 1: Single figure tables continued

Non-executive directors' remuneration for the year ended 2 July 2022 (audited)

The table below sets out the total single remuneration figure received by each non-executive director for the year ended 2 July 2022 and the prior year:

	Committee membership and other responsibilities as at 2 July 2022				Total single remuneration figure	
Non-executive director	Nomination Committee	Audit Committee	Remuneration Committee	Other	**2022 £'000**	2021 £'000
Clare Hollingsworth	Chair	—	Member	Chair	**190**	176
David Blackwood*	Member	Member	Member	Senior Independent Director	**29**	N/A
Dominic Lavelle*	Member	Chair	Member	—	**38**	N/A
Harry Holt	Member	Member	Member	—	**53**	49
Leanne Wood	Member	Member	Chair	—	**61**	57
Adrian Ewer*	—	—	—	—	**38**	61

* David Blackwood and Dominic Lavelle joined the Board as non-executive directors on 1 January 2022. They succeeded Adrian Ewer as Senior Independent Director and Audit Committee Chair respectively with effect from 19 January 2022 when Adrian stepped down from the Board with effect from the same date.

Fees payable to the Chair and non-executive directors

Base fee levels for the Chair and non-executive directors for the year ended 2 July 2022 are shown below.

The fee level for the Chair was reviewed on 1 April 2022 and increased by 3 per cent. The base fee levels for the non-executive directors were also reviewed on 1 April 2022 and similarly increased by 3 per cent in line with those of the general workforce and the wider Board. There was no change to the additional fees paid for chairing the Remuneration and Audit Committees, or for the role of Senior Independent Director.

In addition to the below, Dominic Lavelle receives an additional fee of £30,000 per annum for his appointment to the GTR board which provides a line of sight to the Audit Committee and Board.

David Blackwood (Senior Independent Director), Leanne Wood (Remuneration Committee Chair) and Harry Holt (Non-Executive Director) stepped down from the Board with effect from the completion of the Scheme of Arrangement.

	From 1 April 2022 £'000
Chair	**194**
Non-Executive Director	**54**
Senior Independent Director	**5**
Audit Committee Chair	**8**
Remuneration Committee Chair	**8**

Section 2: Additional information on 2022 remuneration

Directors' shareholdings and share plan interests (audited)

A summary of all directors' shareholdings and share plan interests as at 2 July 2022 are shown in the table below.

	Outstanding scheme interests as at 2 July 2022				Actual shares held[10]		
Plan	Unvested scheme interests (subject to performance measures)[1]	Unvested scheme interests (not subject to performance measures)[2]	Vested but unexercised share options	Total shares subject to outstanding scheme interests	As at 3 July 2021	As at 2 July 2022	**Total of all share scheme interests and shareholdings as at 2 July 2022[11]**
Executive directors							
Christian Schreyer	42,203	—	—	42,203	—	—	**42,203[3]**
Sarah Mussenden	—	—	—	—	—	—	**—**
Former executive directors							
Gordon Boyd (interim)[4]	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
David Brown	135,061	16,123	18,612	169,796[5]	87,919	N/A[6]	**N/A[6]**
Elodie Brian	—	—	2,439[7]	2,439	5,900	N/A[8]	**N/A[8]**
Non-executive directors							
Clare Hollingsworth	—	—	—	—	2,290	2,290	**2,290[9]**
David Blackwood	—	—	—	—	—	—	**—**
Dominic Lavelle	—	—	—	—	—	—	**—**
Harry Holt	—	—	—	—	—	—	**—**
Leanne Wood	—	—	—	—	294	294	**294[9]**
Adrian Ewer[12]	—	—	—	—	3,022	N/A	**N/A**

1. Nil cost options awarded under the Long Term Incentive Plan (LTIP) and Restricted Share Plan (RSP) and subject to performance measures or underpins respectively.
2. Nil cost options awarded under the Deferred Share Bonus Plan (DSBP) and not subject to performance conditions.
3. Following the Court hearing on 6 October 2022, which sanctioned the Scheme of Arrangement between Go-Ahead and Gerrard Investment Bidco Limited (the Scheme of Arrangement), Christian Schreyer's 2021 RSP award vested in full.
4. Gordon Boyd resigned from the Board as Interim Group Chief Financial Officer on 28 March 2022.
5. Of the 169,796 ordinary shares, 135,061 relate to the 2019 and 2020 LTIP awards and 16,123 shares relate to the 2019 DSBP award which David Brown voluntarily waived following his retirement. Further details can be found on page 99.
6. David Brown retired from the Board as Group Chief Executive on 5 November 2021.
7. Relates to vested but unexercised 2014, 2015, 2016, 2017 and 2018 deferred share bonus awards which were granted on 25 November 2014, 19 November 2015, 15 November 2016, 17 November 2017 and 16 November 2018 respectively when Elodie Brian was Finance and Contracts Director of Southeastern.
8. Elodie resigned from the Board as Group Chief Financial Officer on 27 September 2021.
9. Following completion of the Scheme of Arrangement on 10 October 2022, all outstanding shares were acquired by Gerrard Investment Bidco Limited.
10. Actual shares are beneficial holdings which include the directors' personal holdings and those of their spouses. They also include the beneficial interests in shares which were held in trust under the Group's Share Incentive Plan.
11. All share plan interests, vested, unvested and unexercised, together with any holdings of ordinary shares.
12. Adrian Ewer resigned from the Board as Audit Committee Chair and Senior Independent Director with effect from 19 January 2022.

Directors' share ownership guidelines (audited)

Prior to the Scheme of Arrangement which completed on 10 October 2022, executive directors were encouraged to build up a high level of personal shareholding to ensure a continuing alignment of interests with shareholders as soon as possible and within five years of their date of appointment. The shareholding guidelines required executive directors to hold ordinary shares which equalled in value to 200 per cent of their base salary.

In addition, executive directors were required to retain 50 per cent of the post-tax gain on vested LTIP, RSP and DSBP awards until the shareholding requirement was met. Additionally, LTIP and RSP awards were required to be retained until the fifth anniversary from date of grant.

As at 2 July 2022, neither the Group Chief Executive nor Group Chief Financial Officer held any beneficial shares given they had only been in post for a short time. Trading in Go-Ahead's shares had also been restricted for a significant time due to the delays in the announcement of the Group's 2021 results and the subsequent suspension of its shares. Therefore, their shareholding as a percentage of salary was nil and the shareholding guideline had not been met.

Section 2: Additional information on 2022 remuneration continued

Executive directors' interests in outstanding share awards and options (audited)

The following tables set out details of the executive directors' outstanding share awards as at 2 July 2022. The Group Chief Financial Officer, in post between 9 May 2022 and 31 December 2022, and the Interim Group Chief Financial Officer in post between 28 September 2021 and 28 March 2022 did not have any outstanding share awards and options during the year ended 2 July 2022.

Group Chief Executive, Christian Schreyer

Christian Schreyer received a 2021 Restricted Share Plan (RSP) award, details of which are set out in the table below, and further information is provided on page 100.

Plan	Date of grant	Mid-market price on date of grant £	Balance at 3 July 2021	Granted in year	Exercised in year	Lapsed in year	**Balance at 2 July 2022**
RSP	5.5.22	9.774	—	42,203	—	—	**42,203**
Total			—	42,203	—	—	**42,203**

Former Group Chief Executive, David Brown

Following his retirement, David Brown voluntarily waived his rights to his 2019 Deferred Share Bonus Plan (DSBP) award and to his unvested 2019 and 2020 Long Term Incentive Plan (LTIP) awards. His 2018 DSBP award vested on 16 November 2021.

	Date of grant	Mid-market price on date of grant £	Balance at 3 July 2021	Granted in year	Exercised in year	Lapsed in year	**Balance at 2 July 2022**
DSBP	16.11.18	15.61[1]	18,612	—	—	—	**18,612**
	15.11.19	20.49[2]	16,123	—	—	—	**16,123**
LTIP	16.11.18	15.79[3]	53,912	—	—	53,912	**—**
	15.11.19	20.49[3]	42,580	—	—	—	**42,580**
	15.12.20	9.44[3]	92,481	—	—	—	**92,481**
Total			223,708	—	—	53,912	**169,796**

1. The number of shares over which the 2018 Deferred Share Bonus Plan award was granted was calculated using the average of the middle market quotations during the period of 20 dealing days immediately prior to the date of grant in accordance with the Plan Rules.
2. In accordance with emerging best practice, the number of shares over which the 2019 Deferred Share Bonus Plan award was granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant also in accordance with the Plan Rules.
3. The number of shares over which the 2018–2020 LTIP awards were granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.

Former Group Chief Financial Officer, Elodie Brian

Elodie Brian's 2018 DSBP award vested on 16 November 2021. Her 2019 DSBP award and 2019 and 2020 LTIP awards lapsed upon her leaving date.

Plan	Date of grant	Mid-market price on date of grant £	Balance at 3 July 2021	Granted in year	Exercised in year	Lapsed in year	**Balance at 2 July 2022**
DSBP	25.11.14	24.74[1]	505[3]	—	—	—	**505[4]**
	19.11.15	25.17[1]	658[3]	—	—	—	**658[4]**
	15.11.16	20.81[1]	374[3]	—	—	—	**374[4]**
	17.11.17	17.27[1]	402[3]	—	—	—	**402[4]**
	16.11.18	15.61[1]	500[3]	—	—	—	**500[4]**
	15.11.19	20.49[1]	2,503	—	—	2,503	**—**
LTIP	15.11.19	20.49[2]	16,347	—	—	16,347	**—**
	15.12.20	9.44[2]	35,506	—	—	35,506	**—**
Total			56,795	—	—	54,356	**2,439**

1. The number of shares over which the 2014–2018 DSBP awards were granted was calculated using the average of the middle market quotations during the period of 20 dealing days immediately prior to the date of grant in accordance with the Plan Rules. In accordance with emerging best practice, the number of shares over which the 2019 DSBP award was granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.
2. The number of shares over which the 2019 and 2020 LTIP awards were granted was calculated using the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.
3. Relates to the DSBP awards granted to Elodie Brian between 2014 and 2018, prior to her statutory appointment to the Group Board in June 2019, and during her employment as Finance and Contracts Director for Southeastern.
4. Relates to the DSBP awards granted to Elodie Brian between 2014 and 2018 which vested on 25 November 2017, 19 November 2018, 15 November 2019, 17 November 2020 and 16 November 2021 and remained unexercised as at 2 July 2022. Following year end, Elodie exercised her 2014-2018 DSBP awards on 14 September 2022, 6 October 2022, 25 August 2022, 1 September 2022 and 6 October 2022 respectively.

Section 2: Additional information on 2022 remuneration continued

Restricted Share Plan (RSP)
2021 RSP award granted during the year ended 2 July 2022 (audited)

Executive director	Basis of award granted	Share price at grant date	Number of shares over which award was granted[1]	Face value of award[2] £'000	% of award which vests at threshold	Vesting determined by performance over
Christian Schreyer	75% of base salary	£9.84	42,203	415	No threshold or other level of performance that dictates a formulaic outcome. See financial and non-financial underpins below this table.	Three financial years ending on 29 June 2024

1. The number of shares over which the award was granted was calculated using a share price of £9.774, this being the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the Plan Rules.
2. The face value of the award has been calculated on a share price of £9.84. This was the share price on 5 May 2022, the date of grant.

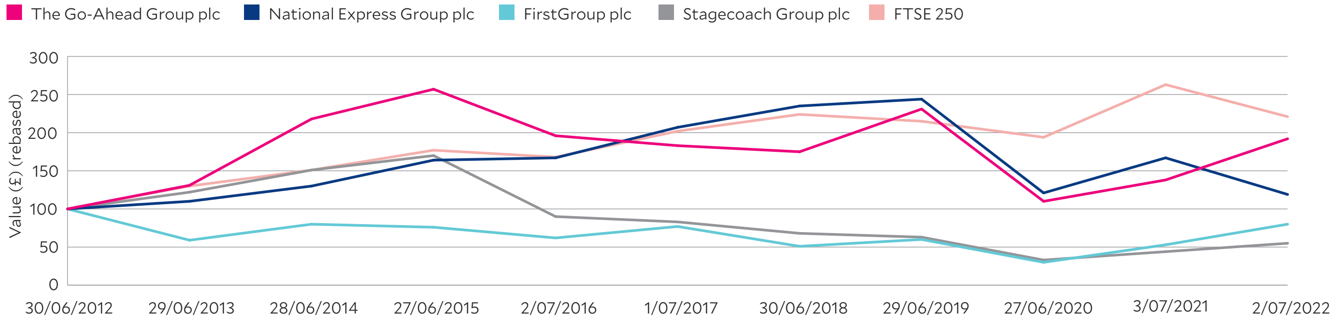
Financial and non-financial underpins attaching to the 2021 RSP award (audited)

The financial and non-financial underpins set at the time of grant attaching to the 2021 RSP award were as follows:

1. **Cash generation/net debt ratio** – maintain a healthy level of cash generation, maintain a net debt/EBITDA ratio (excluding exceptionals) within the target range set by the Group's capital allocation policy and resume appropriate returns to shareholders
2. **Colleague engagement** – continue to progress the colleague engagement score as measured regularly through surveys and drive the diversity and inclusion agenda to increase the proportion of female and ethnically diverse colleagues at all levels in the organisation
3. **Health and safety** – maintain key safety metrics and avoid any major incident causing harm or reputational damage
4. **Climate change strategy** – develop the business case for decarbonisation and progress towards net zero target

Total shareholder return (TSR) performance graph 2012- 2022

The graph below shows a comparison of The Go-Ahead Group plc (now re-registered as The Go-Ahead Group Limited) cumulative TSR against that achieved by the FTSE 250 Index for the last ten financial years to 2 July 2022. The chart shows cumulative TSR over the same period for the other major UK transportation groups. In assessing the performance of the Group's TSR, the Committee believes that the FTSE 250 index comparator group is still an appropriate and fair benchmark in assessing the performance of the Group's TSR.



Section 2: Additional information on 2022 remuneration continued

Remuneration of the Group Chief Executive over the last ten years

The table below shows the remuneration of the Group Chief Executive for the period from 29 June 2013 to 2 July 2022. The total remuneration figure includes the annual performance-related bonus and LTIP awards (and the percentage of the maximum opportunity that these represent).

Group Chief Executive's remuneration history

Year	Group Chief Executive	Total single remuneration figure £'000	Annual performance-related bonus (actual award vs maximum opportunity) % vesting	Long term incentive (vesting vs maximum opportunity) % vesting
2022	Christian Schreyer	976	98.2%[1]	nil[2]
2022	David Brown	203	nil[3]	nil[4]
2021	David Brown	548	nil[5]	nil[6]
2020	David Brown	558	nil[7]	nil[8]
2019	David Brown	1,269	75.8%[9]	nil[10]
2018	David Brown	1,175	68.3%[11]	nil[12]
2017	David Brown	782	nil[13]	54.0%
2016	David Brown	1,214	nil[13]	90.0%
2015	David Brown	2,134	69.6%	100.0%
2014	David Brown	1,960	97.5%	80.0%
2013	David Brown	942	55.3%	—

1. Based on the assessment of performance against targets, the Group Chief Executive was awarded an overall annual performance-related bonus of 98.2 per cent of the maximum bonus opportunity (147.3 per cent of base salary) for the year ended 2 July 2022 which was pro-rated for his time on the Board.
2. Following completion of the Scheme of Arrangement between Go-Ahead and Gerrard Investment Bidco Limited on 10 October 2022, the Group Chief Executive's 2021 RSP award vested in full.
3. The former Group Chief Executive was awarded no annual performance-related bonus for the year ended 2 July 2022.
4. Following his retirement, the former Group Chief Executive voluntarily waived his 2019 and 2020 LTIP awards.
5. The Group Chief Executive was awarded no annual performance-related bonus for the year ended 3 July 2021.
6. The 2018 LTIP award lapsed in full from November 2021 on account of none of the performance measures being met following the three-year performance period ended 3 July 2021.
7. The Group Chief Executive was awarded no annual performance-related bonus for the year ended 27 June 2020.
8. The 2017 LTIP award lapsed in full in November 2020 on account of none of the performance measures being met following the three-year performance period ended 27 June 2020.
9. Based on the assessment of performance against targets, the Group Chief Executive was awarded an overall annual performance-related bonus of 75.8 per cent of the maximum bonus opportunity (113.6 per cent of base salary) for the year ended 29 June 2019.
10. The 2016 LTIP award lapsed in full from November 2019 on account of none of the performance measures being met following the three-year performance period ended 29 June 2019.
11. In accordance with the executive directors' request to reduce any performance-related bonus by 25 per cent, the Committee exercised discretion and reduced the Group Chief Executive's overall 2018 bonus by 25 per cent resulting in an actual bonus of 68.3 per cent of maximum bonus (102.4 per cent of salary).
12. The 2015 LTIP award lapsed in full in November 2018 on account of none of the performance measures being met following the three-year performance period ended 30 June 2018.
13. At the request of the Group Chief Executive, there were no annual performance-related bonuses paid for the years 2017 and 2016.

Section 2: Additional information on 2022 remuneration continued

Annual change in directors’ remuneration compared to average employee remuneration

In accordance with the Companies (Directors’ Remuneration Policy and Directors’ Remuneration Report) Regulations 2019, the table below shows the movement in the salary, benefits and annual bonus for all directors between the current and previous financial year compared to the average change for all employees of the Group’s parent company.

The increase in percentage change from 2021 to 2022 of salary/fees reflects the 20 per cent reduction in base salaries that the executive and non-executive directors voluntarily waived for part of the 2021 financial year in response to the COVID-19 pandemic. For non-executive directors only, it is also reflective of the 3 per cent increase to base fee levels applicable from 1 April 2022.

	% change from 2021 to 2022			% change from 2020 to 2021			% change from 2019 to 2020		
	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Christian Schreyer[1]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sarah Mussenden[1]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gordon Boyd[1]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
David Brown	7.1%[2]	4.1%[3]	0.0%[4]	(1.8)%[5]	2.6%	0.0%[4]	(3.2)%[5]	7.3%	(100)%[4]
Elodie Brian	7.1%[7]	0.0%	0.0%[4]	(2.0)%[5]	0.0%	0.0%[4]	(4.8)%[5,6]	0.0%	0.0%[4]
Clare Hollingsworth[8]	7.9%	N/A	N/A	(1.8)%[5]	N/A	N/A	N/A	N/A	N/A
David Blackwood[9]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dominic Lavelle[9]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Harry Holt	7.9%	N/A	N/A	(1.8)%[5]	N/A	N/A	(3.2)%[5]	N/A	N/A
Leanne Wood[10]	7.9%	N/A	N/A	3.0%[5]	N/A	N/A	6.3%[5]	N/A	N/A
Adrian Ewer[11]	7.9%	N/A	N/A	0.9%[5]	N/A	N/A	1.7%[5]	N/A	N/A
Average employees of parent company[12]	5.6%	2%	N/A%[13]	2.6%	(10%)	N/A[13]	3.6%	0.9%	(100)%[13]

1. Christian Schreyer and Sarah Mussenden were appointed as Group Chief Executive and Group Chief Financial Officer with effect from 5 November 2021 and 9 May 2022 respectively. Gordon Boyd was Interim Group Financial Officer between 28 September 2021 and 28 March 2022. No remuneration was received by any of these directors during the year ended 3 July 2021.
2. David Brown stepped down from the Board as Group Chief Executive on 5 November 2021. To provide a representative comparison, the percentage change has been calculated as if he received his full base salary of £581,710 for the full year ended 3 July 2021.
3. To provide a representative comparison, the percentage change has been calculated as if David Brown received family healthcare membership for the full financial year. For the year 2 July 2022, this would have amounted to £4,620. The Group Chief Executive received family healthcare membership in the amount of £4,439 for the year ended 3 July 2021 and £4,325 for the year ended 27 June 2020 (2019: £4,030).
4. Neither David Brown or Elodie Brian were awarded an annual performance-related bonus for the years ended 2 July 2022, 3 July 2021 or 27 June 2020 (2019: £660,882 and £nil respectively)
5. No executive or non-executive director was awarded a base salary or fee increase for the years ended 3 July 2021 or 27 June 2020. Each director volunteered to temporarily waive 20 per cent of their base salaries/fees between 1 April 2020 and 31 October 2020.
6. The Group Chief Financial Officer was appointed as statutory director from 5 June 2019. To provide a representative comparison, the percentage change has been calculated as if she received her full base salary of £335,000 for the full year ended 29 June 2019.
7. Elodie Brian stepped down from the Board as Group Chief Financial Officer on 27 September 2021. To provide a representative comparison, the percentage change has been calculated as if she received her full base salary of £335,000 for the full year ended 2 July 2022.
8. Clare Hollingsworth was appointed to the Board as Non-Executive Chair Designate on 1 August 2019 before succeeding Andrew Allner as Non-Executive Chair at the conclusion of the 2019 AGM. Remuneration for 2020 was part year from 1 August 2019 to 27 June 2020. To provide a representative comparison, the percentage change from 2020 to 2021 has been calculated as if she received fees of £179,360 for the full year ended 27 June 2020. No remuneration was received for 2019.
9. David Blackwood and Dominic Lavelle were appointed as non-executive directors in January 2022, succeeding Adrian Ewer as Senior Independent Director and Audit Committee Chair respectively. No remuneration was received by either of them for the year ended 3 July 2021.
10. Leanne Wood succeeded Katherine Innes Ker as Remuneration Committee Chair with effect from the conclusion of the 2019 AGM. She receives an additional £8,000 per annum for this role.
11. Adrian Ewer succeeded Katherine Innes Ker as Senior Independent Director with effect from the conclusion of the 2019 AGM and received an additional £5,000 per annum from assumption of that role together with an additional £8,000 per annum for his role of Audit Committee Chair. Adrian stepped down from the Board with effect from 19 January 2022. To provide a representative comparison, the percentage change from 2021 to 2022 has been calculated as if he received fees of £66,127.26 for the full year ended 2 July 2022.
12. Reflects the average percentage change in salary, benefits and bonus for employees of the parent company for the current and previous financial year (excluding the Board) on a full time equivalent basis. Leavers, joiners and employees on reduced pay (due to sick pay, maternity leave, etc.) have been excluded as have employees on secondment. Where applicable, reduced salaries of 80 per cent in respect of furloughed employees have been included in the calculation plus any annual leave taken during the furlough period, which was paid at 100 per cent, whilst receiving a reduction in salary.
13. In total, employees of the Group’s parent company earned £1.5m in bonus for the year ended 2 July 2022 (2021: £1.0m). Given bonuses in the prior year were paid at minimal levels, no meaningful increase in percentage can be presented in the current year. No bonuses were paid to employees of the Group’s parent company for the year ended 27 June 2020.

Section 2: Additional information on 2022 remuneration continued

Group Chief Executive pay ratio

The table below sets out the ratios of the combined total remuneration of the Group Chief Executive and his predecessor in the financial year ended 2 July 2022 to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a full time basis). The ratios have been calculated in accordance with The Companies (Miscellaneous Reporting) Regulations 2018.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2022	Option A	43:1	34:1	26:1
2021	Option A	22:1	17:1	14:1
2020	Option A	22:1	17:1	13:1
2019	Option A	47:1	37:1	29:1

Total pay and benefits

Year	CEO £'000	25th percentile pay ratio £'000	50th percentile pay ratio £'000	75th percentile pay ratio £'000
2022	1,179	27	35	45

Base salary component of total pay and benefits

Year	CEO £'000	25th percentile pay ratio £'000	50th percentile pay ratio £'000	75th percentile pay ratio £'000
2022	569	20	27	41

The 2022 total pay and benefits for the Group Chief Executive was calculated by combining the total remuneration of the former Group Chief Executive (David Brown) and the new permanent Group Chief Executive (Christian Schreyer) as set out in the total single figure remuneration table on page 94. Calculations have been based on remuneration received by Christian Schreyer from 1 November 2021, the date he joined the Board as a statutory director, notwithstanding he succeeded David Brown as Group Chief Executive with effect from 5 November 2021.

The median pay ratio has increased between 2021 and 2022 due to the combined Group's Chief Executive's total pay and benefits having increased by £631,000. This includes an increase in salary due to (i) the former Group Chief Executive temporarily waiving 20% of his base salary between 1 April 2020 and 31 October 2020 in response to the COVID-19 pandemic and hence resulting in a lower than normal salary for the financial year ended 3 July 2021 and (ii) the five day overlap from the date Christian Schreyer joined the Board as statutory director and the date the former Group Chief Executive retired as mentioned above. It also includes an increase in taxable benefits primarily due to the relocation allowance received by the current Group Chief Executive (£8,333 payable monthly for the first 24 months of employment). The largest contributory factor is however the current Group Chief Executive's annual performance-related bonus awarded for the year ended 2022, awarded in recognition of the progress made in the year both against the targets set and in preparing the business for the next stage of its development by completing the business review. The bonus awarded also reflected the Group Chief Executive's critical role in leading the Company through the discussions with Gerrard Investment Bidco Limited on the terms of a recommended cash acquisition of the Company, further details of which are set out in the Chair's statement on page 5 and the Board activities section of the Corporate Governance Report on page 70.

By contrast, the former Group Chief Executive did not receive an annual performance-related bonus for 2020 or 2021 due to the impact of the COVID-19 pandemic resulting in lower total single remuneration figures for these years and hence lower pay ratios. The 2022 median CEO pay ratio is therefore more in line with 2019.

The Committee believes that the median pay ratio is consistent with the Group's pay, reward and progression policies. Base salaries of all colleagues, including the executive directors, are set with reference to a range of factors including market comparators, individual experience and performance in role.

1. "Option A" methodology was selected on the basis that it provides the most robust and statistically accurate means of identifying the median, lower quartile and upper quartile colleagues.
2. The workforce comparison is based on actual payroll data for the period 3 July 2021 to 2 July 2022.
3. The total single figure remuneration calculated for each employee includes full time equivalent base pay, annual bonuses for the 2021 performance year, overtime, benefits, allowances and employer pension contributions. For furloughed employees, total single figure remuneration is based on reduced salaries of 80 per cent.
4. Due to the timing constraints of when employee annual bonuses are determined and paid across the Group, the value of employee annual bonus payments included in the calculation is in respect of the year ended 3 July 2021.
5. Part time workers have been included by calculating the full time equivalent value of their pay and benefits.
6. Leavers, joiners and employees on reduced pay (due to sick pay, maternity leave, etc.) have been included.
7. Smart pension reductions have been excluded on the basis that these are a voluntary arrangement whereby an employee forgoes part of their salary in exchange for additional pension contributions rather than a reduction in the salary provided.

Section 2: Additional information on 2022 remuneration continued

Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the financial year ended 2 July 2022 being reported compared with the previous financial year ended 3 July 2021.

For further information on the figures footnoted within the table below, please see page 164.

Year	2022 £m	2021 £m	% change
Dividends*	**Nil**	Nil	Nil
Overall expenditure on pay	**1,291.5**	1,418.8	(9.0)

* Given the financial position of the Group, the Board took the decision not to propose an interim dividend to shareholders. Under the terms of the Scheme of Arrangement between Go-Ahead and Gerrard Investment Bidco Limited which completed on 10 October 2022, a special dividend of £1.00 per share has been paid to shareholders on 24 October 2022 in lieu of a final dividend for the year ended 2 July 2022 (2021 total dividend: £nil).

The Group has not made any other significant distributions and payments or other uses of profit or cashflow deemed by the directors to assist in understanding the relative importance of spend on pay.

Payments to former directors and payments for loss of office (audited)

The Group made a contribution of £15,000 plus VAT towards the former Group Chief Financial Officer’s legal fees in connection with her departure. Other than this there were no payments made to former executive directors or payments for loss of office during the year ended 2 July 2022 (2021: £nil).

Material contracts

There have been no other contracts or arrangements during the financial year in which a director of the Group was materially interested and/or which were significant in relation to the Group’s business.

Appointments – executive directors and non-executive directors’ service contracts

Details of the service agreements of executive directors, letters of appointment for the Chair and non-executive directors, retirement and re-election of directors and external appointments are outlined within the remuneration policy on pages 117 to 128 of the 2021 Annual Report and Accounts.

Section 3: Implementation of remuneration policy in 2023

Following approval at the 2022 General Meeting, the Committee is not proposing any changes to the Group's remuneration policy for the 2023 financial year.

Executive directors' 2023 base salaries

The Group Chief Executive was appointed on a base salary of £550,000. The Group Chief Financial Officer was appointed on a base salary of £375,000.

Benefits

The benefits for executive directors will be in line with the remuneration policy, as set out in our 2021 report.

Pensions

Pension provision for executive directors has been aligned with the majority of the workforce, with the executive directors being eligible to receive 3 per cent of qualifying earnings as pension provision or receive a cash alternative equivalent.

2023 performance-related bonus

The Committee has determined that the Group Chief Executive will be eligible to receive a 2023 annual performance-related bonus opportunity, equal to 150 per cent of base salary.

The performance measures and weightings for 2023, which remain unchanged from 2022, are as follows:

Metric	Weighting (% of maximum bonus)
Operating profit	60%
Group cashflow	15%
Strategic KPIs	25%

The Group cashflow metric will be defined as free cashflow in order to provide focus on working capital. Operating profit, cashflow and strategic KPI targets will be stretching for the 2023 financial year.

Discretion exists to adjust the formulaic outcome of any incentive to better reflect the underlying performance of the business, which will include a review of health and safety performance.

Given completion of the Scheme of Arrangement between Go-Ahead and Gerrard Investment Bidco Limited, the outcome of the performance-related bonus will be assessed at the end of the year.

Malus and clawback provisions will apply to the annual performance-related bonus.

2022 Restricted Share Plan (RSP) award

Given the sanction of the Scheme of Arrangement between Go-Ahead and Gerrard Investment Bidco Limited completed prior to the grant date of the 2022 RSP awards, the awards will not be made.

Relocation allowance

Due to the international relocation required to perform the role, the Group Chief Executive will continue to receive a monthly relocation allowance of £8,333 for the first 24 months of his employment, as disclosed in last year's report. The Committee felt that a relocation allowance spread over two years was appropriate under the circumstances taking into account the specifics of the international relocation to the UK including the ongoing uncertainty around the international travel constraints.

Group Chief Financial Officer leaver arrangements

The Group Chief Financial Officer left Go-Ahead at the end of the year. The remuneration she was paid on leaving was in accordance with our remuneration policy.

Non-executive directors' fees

Non-executive directors' fees and the supplement paid for chairing a committee or being the Senior Independent Director remained unchanged from 1 April 2022 up until the Scheme of Arrangement between Go-Ahead and Gerrard Investment Bidco Limited completed on 10 October 2022.

Arrangements on change of ownership

Given the recent change of ownership, remuneration arrangements are expected to remain broadly in line with the relevant provisions of the Remuneration Policy, save that a review of the Policy is being undertaken in the context of the business no longer being listed on the London Stock Exchange.

Clare Hollingsworth
Chair

24 February 2023

Directors' Report

The directors present their Directors' Report and audited financial statements for the year ended 2 July 2022.

Information incorporated by reference

The following information is provided in other appropriate sections of this Annual Report and Accounts and is incorporated by reference:

Information	Reported in	Page(s)
Corporate governance	Corporate Governance Report	65 to 114
	Directors' Statement of Responsibilities	115
Directors	Board overview	66 to 69
	Directors' Remuneration Report – directors' shareholdings and share plan interests	98 to 100
Employees	Non-Financial Information Statement	2
	Strategic Report – employee policies, employee engagement and information on diversity and inclusion	37 to 39
	Directors' Report – employee involvement (including policy on employment of disabled persons)	108
Business model	Strategic Report	9 to 10
Likely future developments in the business	Strategic Report	1 to 64
Important events since 2 July 2022	Strategic Report	106 and 107
Greenhouse gas emissions and energy consumption	Strategic Report	45 to 48
	Appendix to Directors' Report	111 to 114
Risk factors and principal risks	Strategic Report	51 to 64
Stakeholder engagement	Strategic Report	25 to 27
	Corporate Governance Report	75 to 76
Going concern	Strategic Report	49 to 50

Post-balance sheet events

Regional Bus

On 19 August 2022, the DfT announced that the Bus Recovery Grant (BRG) will be extended for a further 6 months to the end of March 2023, with £130.0m of funding available for UK bus services. Following this, on 17 February 2023 a further extension of BRG funding to 30 June 2023 was announced, with an additional £80.0m of funding available.

On 19 December 2022, the DfT announced the introduction of a scheme to cap most single bus fares in England (outside London) to £2 from 1st January 2023 until 31st March 2023, with funding available for UK bus services of £60.0m. Following this on 17 February 2023 an extension to the scheme was announced to 30 June 2023, with £75.0m of additional funding available.

The Group has won the first two contracts to be awarded by Transport for Greater Manchester as part of its plan to re-regulate bus services in the city region under its new Bee Network. Go-Ahead's Go North West operating company will run 55 bus routes in both Wigan and Bolton from 17 September 2023.

On 14 November 2022, Go-Ahead purchased 100% of the issued share capital of Clyst St-Mary-based coach and bus operator, Dartline Coaches, for approximately £5.0m. The acquisition saw 118 employees and 84 vehicles become part of Go South West's operating company and will expand the Group's business in the region. Goodwill of approximately £1.0m was recognised as a result of the transaction. At the acquisition date, Dartline Coaches held tangible fixed assets of approximately £3.4m, current assets of £2.0m and liabilities of £1.5m. The accounting for this transaction is currently being finalised at the time of publication of the Annual Report and Accounts.

On 1 February 2023, Go-Ahead acquired 100% of the issued share capital of Southdown Buses for approximately £5.0m. Southdown Buses is a bus company operating in East Surrey, Kent and Sussex. Southdown, which operates 25 buses and employs 43 people, will operate as a subsidiary of Go-Ahead's Brighton-based operating company. The company runs scheduled routes and provides rail replacement bus services, and it will expand the Group's business in the region. The accounting for this transaction is currently in progress at the time of publication of the Annual Report and Accounts.

Post-balance sheet events continued

London & International Bus

On 24 August 2022, it was confirmed that the Land Transport Authority of Singapore had granted a three-year contract extension to Go-Ahead Singapore to continue operating in the Loyang region of the island. The extension begins in September 2023 and will run until September 2026. This follows the initial five-year contract which saw the Group's entry into the Singapore bus market in September 2016. This is Go-Ahead Singapore's second contract extension, with the first being a two-year extension awarded in August 2020, running from September 2021 to September 2023.

In December 2022, Go-Ahead won a contract to operate buses in Sydney, under a joint venture with an Australian company, UGL. This takes the Group into a new market, and is in line with the ambition set out for international expansion under the Group's new strategy. The buses will run under a brand the Group has created for the joint venture, called U-Go Mobility. From July 2023, the Group will be operating a network of 225 buses, to be run by more than 400 colleagues in an area stretching from Sydney's southern beaches to the city's south-western suburbs. The Group will be delivering more than 500,000 passenger journeys daily.

International Rail

Subsequent to the year-end, a dispute has arisen with the Norwegian Rail Directorate relating to specific terms for the compensation for loss of passenger income mechanism that had been agreed under the revised agreement traffic agreement dated 28 June 2022. Based on legal advice obtained and review of correspondence between the Company and the Rail Directorate at the time of the signing of the revised agreement in June, the Directors are satisfied that the onerous provision has been calculated based on the terms of the revised agreement. Whilst the Directors are confident of a successful outcome, until such time as the dispute is resolved with the Directorate there remains a possible risk that if successfully challenged by the Directorate, this could increase the onerous contract provision by up to £20.0m. The Directors consider that the onerous contract provision reflects their best estimate of the terms agreed at the time.

Offer and subsequent purchase of Go-Ahead by Gerrard Investment Bidco Limited ("Bidco")

On 13 June 2022, the boards of directors of Bidco and Go-Ahead announced they had reached agreement on the terms of a recommended cash offer for the Group, pursuant to which Bidco would acquire the entire issued share capital of Go-Ahead (the "Scheme of Arrangement"). Bidco is a newly formed company indirectly owned by Kinetic TCo Pty Ltd (Kinetic) and Globalvia Inversiones S.A.U. (Globalvia). This offer was increased on 4 August 2022, to 1,550p for each Go-Ahead share, comprising 1,450p in cash and a special dividend of 100p per Go-Ahead share.

On 16 August 2022, the Scheme of Arrangement was approved by the requisite majority of shareholders. The Scheme of Arrangement was subject to certain other conditions including sanction by the Court which took place on 6 October 2022, with the Scheme of Arrangement becoming effective on 10 October 2022 and the Group's shares being delisted on 11 October 2022.

Cyber security incident

On 5 September 2022, a cyber security incident was announced by the Group after unauthorised activity was detected on its network. Upon becoming aware of the incident, the Group immediately engaged external forensic specialists and took precautionary measures with its IT infrastructure. There is no financial impact of this in the financial year ended 2 July 2022 and the financial impact in FY23 is currently still being assessed.

Board changes

For information on Board changes that occurred subsequent to the year ended 2 July 2022, please see the Board Overview on pages 66 to 69 of the Corporate Governance Report.

Group's articles of association (the articles)

The articles may only be amended by a special resolution at a general meeting of shareholders and must comply with the provisions of the Companies Act 2006 (the Act). In conjunction with the re-registration of the Company to a private limited company on 13 October 2022, new articles of association were adopted by special resolution on 10 October 2022.

Directors’ conflicts of interests

The Board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Group’s articles of association and conflicts of interest policy. All Board directors are required to make the Board aware of any other commitments and potential conflicts of interest are advised to and approved by the Board and recorded in the conflicts register.

The Board has delegated authority to the Nomination Committee to keep under annual review any conflict or potential conflict of interest situations authorised by the Board and to determine whether it is appropriate for such matter(s) to remain so authorised. Following a review in 2022, the Nomination Committee concluded that no changes were required to the conflicts register.

Appointment and removal of directors

During the year ended 2 July 2022, the appointment and removal of directors was governed by the articles, the UK Corporate Governance Code (the Code), the Act and related legislation. Directors could be appointed by the Company, by ordinary resolution or by the Board. The Company could, by ordinary resolution, remove any director before the expiry of the director’s period of office. The powers of the directors continue to be set out in the articles and the Act. Following completion of the acquisition, a joint venture agreement between Globalvia, Kinetic and the Company was entered into setting out additional approval mechanisms for Board changes.

Directors’ indemnities

In accordance with our articles, and to the extent permitted by law, directors are granted an indemnity from the Group in respect of liability incurred as a result of their office. In addition, we maintained a directors’ and officers’ liability insurance policy throughout the year. Neither an indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently. Qualifying third-party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 2 July 2022 and continue to remain in force.

Employee involvement and equal opportunities

Go-Ahead is committed to employee involvement throughout the business. The Group is intent on motivating staff, keeping them informed on matters that concern them in the context of their employment, and involving them through local consultative procedures.

Employees are kept well informed on matters of interest and the financial and economic factors affecting the Group’s performance. This is done through management channels, Group forums, meetings, publications and intranet sites. More detail on inclusion and development, together with information on employee engagement and learning and development, can be found in the “Our people” section of the Strategic Report.

During the year, Go-Ahead supported employee share ownership by operating an all-employee Share Incentive Plan, in which 1,691 colleagues participated as at 2 July 2022. Following completion of the Scheme of Arrangement, the Share Incentive Plan ceased to operate.

The Group believes in equal opportunities regardless of gender, age, religion or belief, sexual orientation, race and, where practicable, disability. This approach is underpinned by our commitment to providing equal opportunities to our current and potential employees and applying fair and equitable employment practices. The Group gives full and fair consideration to job applications from people with disabilities, considering their skills and abilities. Where an employee may become disabled, whether through accident, illness or injury, every reasonable and practicable consideration will be given to ensure that they may remain in employment. There may be some instances where reasonable adjustments cannot be made; where this occurs the Company will endeavour to find a suitable alternative position. The Group’s equal opportunities, diversity and inclusion policy forms part of our code of conduct policy.

Substantial shareholdings

As at 2 July 2022, the Group had been notified of the following major interests in voting rights in the Company:

	Number of ordinary shares disclosed	% of voting rights disclosed
abrdn plc	5,240,801	12.14
Jupiter Fund Management plc	4,375,421	10.13
Aberforth Partners LLP	2,194,233	5.08

Following completion of the Scheme of Arrangement and, as at the date of this report, Bidco controls 100 per cent of the Company’s issued share capital (excluding shares held in treasury) and voting rights.

Shareholder and control structure

As at 2 July 2022, the Group's issued share capital comprised a single class of shares referred to as ordinary shares, with a nominal value of 10p each. As at this date, there were 47,079,620 ordinary shares in issue, of which 3,902,230 were held in treasury and carried no voting rights. Until 7.30am on 11 October 2022, the ordinary shares were admitted to trading on the London Stock Exchange.

The Group did not purchase any of its own shares during the year either for cancellation or to hold as treasury shares, and no such shares were purchased between the period end and the date of this report. However, Computershare Trustees (Jersey) Limited, the Trustees of The Go-Ahead Group Employee Trust (the Trust), purchased ordinary shares of 10p each in the Group as part of a planned programme of share purchases to satisfy awards made under the Group's Restricted Share Plan, Long Term Incentive Plan and Deferred Share Bonus Plan awards.

The Group is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights other than:

- Certain restrictions which may from time to time be imposed by laws and regulations
- Restrictions whereby certain employees of the Group require the approval of the Group to deal in the Group's securities

All shareholders have the same voting rights for each share regardless of the total number of shares held. On a show of hands at a general meeting of the Group, every holder of shares present in person or by proxy and entitled to vote shall have one vote (except in circumstances where a proxy has been appointed by more than one member, in which case he or she will have one vote for and one vote against if he or she has been instructed by one or more member to vote for the resolution and by one or more member to vote against). On a poll, every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. The notice of a general meeting will specify any deadlines for exercising voting rights in respect of the meeting concerned.

The powers of the directors to issue or repurchase ordinary shares are as set out by a resolution passed by shareholders at the 2021 Annual General Meeting. The authorities for the directors to allot relevant securities, up to an aggregate nominal amount of £1,439,246 and for the disapplication of pre-emption rights on the allotment of securities, for cash up to an aggregate nominal amount of £215,886 were not utilised in the financial year or up to the date of this Annual Report and Accounts and such authorities expired on 30 December 2022.

At the 2021 Annual General Meeting, the Company was granted authority by its shareholders to repurchase up to 4,317,739 of its ordinary shares. No shares were acquired under this authority which expired on 30 December 2022.

The Group's UK Rail franchise agreement, and any successor thereof, is subject to change of control criteria that would mean, on a change of control, there would be deemed to be an "event of default" that could potentially terminate the rail franchise. This is, however, subject to the discretion of the Secretary of State. Additionally, the Group's sterling bond issue dated 6 July 2017, and the revolving credit and loan facilities dated 16 July 2014, 27 April 2017, 23 October 2017, 20 July 2018, 9 July 2019 and 30 September 2021 are subject to change of control clauses that contain certain specified conditions which could lead to a compulsory repayment of the bond and loans respectively. Transport for London, the Land Transport Authority (LTA) in Singapore and the National Transport Authority in Ireland all have powers to prevent the operation of, respectively, London Bus, Go-Ahead Loyang PTE. Limited and Go-Ahead Transport Services (Dublin) Limited contracts by an existing operator which is the subject of a change of control. In Germany, certain areas of our franchise arrangements contain change of control provisions which require approval from the Passenger Transport Authority. These are the E-Net Allgäu Bavaria and ABN Lot 1 franchise arrangements. Also, in Norway there is a change of control clause in the agreement stating that change of control must be approved by the client, the Railway Directorate.

In parallel with the takeover process, and where appropriate, consent of third parties to the change of control of the Group was sought. As at the date of this report, consent has been received for all material contracts. Additionally, consent has been received from the relevant lessors of rolling stock.

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

Results and dividend

The results for the year are set out in the consolidated income statement on page 134.

Under the terms of the Scheme of Arrangement which became effective on 10 October 2022, the Board recommended a special dividend of 100p per share in lieu of a final dividend for the year ended 2 July 2022.

Political donations and expenditure

It is the Group's policy not to make political donations and, accordingly, no such payments were made in the year (2021: £nil). Additionally, the Group did not incur any political expenditure as defined in the Act (2021: £nil).

Financial instruments

Details of the Group's financial risk management in relation to its financial instruments are available in note 24 of the consolidated financial statements.

Share schemes
Employee Benefit Trust
During the year, Computershare Trustees (Jersey) Limited, the Trustees of The Go-Ahead Group Employee Trust (the Trust), held shares for the benefit of the Group's executive directors and senior managers, and in particular for the satisfying of awards made under the Group's Restricted Share Plan (RSP), Long Term Incentive Plan (LTIP) and Deferred Share Bonus Plan (DSBP). During the financial period, as part of a planned programme of monthly share purchases, the Trust purchased a total of 42,882 ordinary shares at a total price of £359,950 (including all associated costs). The average price was £8.32 per share. As at 9 October 2022 (being the day prior to the Scheme of Arrangement becoming effective) the Trust held 185,814 ordinary shares representing 0.43 per cent of the issued share capital of the Group, less treasury shares, in trust for the benefit of the executive directors and senior managers of the Group under the RSP, LTIP and DSBP. Up until this date, the voting rights in relation to these shares were exercised by the Trustee and dividends waived while the shares were held by the Trustee.

Share Incentive Plan
The Group operated a Share Incentive Plan during the year under review, enabling employees of the Group to acquire shares in The Go-Ahead Group plc. In order to preserve certain tax benefits, these shares were held in a trust by Computershare Trustees Limited for participating employees. Whilst these shares were held in trust, the voting rights attached to them were not exercised by the Trustee or the employees for whom they are held.

As at 6 October 2022 (being the day the Scheme of Arrangement was sanctioned by the Court), 1.63 per cent of the issued share capital of the Group, less treasury shares, was held by Computershare Trustees Limited.

In accordance with the Share Incentive Plan rules, employees were entitled to direct Computershare Trustees Limited to accept the offer from Bidco in respect of the shares held on their behalf.

Approval
The Directors' Report was approved for issue by the Board of directors on 24 February 2023.

By order of the Board

Carolyn Ferguson
Group Company Secretary

24 February 2023

Greenhouse gas emissions

Our carbon footprint in tonnes of equivalent carbon dioxide (CO_2e):

	2021/22		2020/21		2019/20		2018/19	
	Consumption	**tCO_2e**	Consumption	tCO_2e	Consumption	tCO_2e	Consumption	tCO_2e
Scope 1								
Gas (bus) (kWh)	**5,887,933**	**1,075**	6,363,349	1,166	5,640,483	1,037	6,015,533	1,106
Gas biogas (bus) (Kgs)	**238,343**	**—***	—	—	—	—	—	—
Gas premises (bus) (kWh)	**23,789,343**	**4,343**	27,091,214	4,962**	25,327,060	4,657	23,811,076	4,381
Gas premises (rail) (kWh)	**14,361,594**	**2,622**	28,213,640**	5,168**	23,026,795	4,234	24,922,178	4,582
Bus diesel (10% biodiesel blend) (ltrs)	**132,762,139**	**339,584**	132,291,707	332,360	136,608,713	347,810	142,617,090	369,964
Bus diesel (100% bio-diesel blend) (ltrs)	**66,033**	**11**	—	—	—	—	—	—
Bus HVO biodiesel (ltrs)	**289,147**	**10**	—	—	—	—	—	—
Ancillary fleet diesel (bus) (ltrs)	**820,695**	**2,099**	961,820	2,416	—	—	—	—
Ancillary fleet diesel (rail) (ltrs)	**142,624**	**365**	—	453	—	—	—	—
Gas oil (rail) (ltrs)	**4,556,261**	**12,569**	—***	10,656	4,325,028	11,927	5,381,957	14,845
AdBlue (bus) (ltrs)	**5,706,952**	**1,358**	4,992,905	1,188	4,414,278	1,051	n/a***	n/a***
Fugitive HFC emissions from air conditioner (bus)	**—**	**4,410**	—	4,370	—	7,384	—	n/a***
Fugitive HFC emissions from air conditioner (rail)	**—**	**2,887**	—	4,203	—	4,502	—	n/a***
Total scope 1 (tCO_2e)		**371,333**		366,942**		382,602**		394,878
Scope 2								
Traction electricity (kWh)	**1,114,087,851**	**218,261**	1,380,109,732**	293,610	1,477,645,807	346,306	1,356,323,985	346,676
Mains electricity premises (bus) (including Singapore and Ireland) (kWh)	**19,914,310**	**4,804**	19,833,628**	4,999**	19,264,512	5,179	18,789,409	3,953
Mains electricity premises (rail) (kWh)	**53,560,125**	**10,393**	71,293,912	15,165	71,999,941	16,814	74,410,676	19,019
Mains electricity premises (head office) (kWh)	**133,566**	**26**	115,257	24	122,954	29	183,629	47
Mains electricity electric bus (kWh)	**14,149,779**	**2,879**	9,206,680**	2,046**	4,729,277	1,110	2,352,029	601
Solar electricity generated and consumed in premises (bus) (kWh)	**208,563**	**—**	222,800	—	211,301	—	175,415	—
Solar electricity generated and consumed in premises (rail) (kWh)	**521,769**	**—**	857,865	—	734,430	—	431,706	—
Solar electricity generated and consumed in premises (total) (kWh)	**730,332**	**—**	1,080,665	—	945,731	—	607,121	—
Total scope 2 – location (tCO_2e)		**236,363**		315,844**		369,438		370,296
Total scope 2 – market (tCO_2e)		**12,415**		39,325**		67,279		61,971
Scope 1 & 2								
Total scope 1 & 2 aggregated (location-based)	**—**	**607,696**	—	682,786	—	752,040	—	765,174
YoY % change	**—**	**(11.00)%**	—	(9.21)%	—	(1.72)%	—	(7.65)%
% change on 2019/20 baseline	**—**	**(19.19)%**	—	(9.21)%	—	n/a	—	n/a
Scope 3								
Electricity – transmission and distribution (total)	**—**	**21,261**	—	27,820**	—	31,554	—	31,510

* Figure is 0.3 rounded down to nil.

** Figure restated due to actual data provided on premises energy consumption by the energy supplier. This data replaced estimations provided by the supplier at the end of the 2020/21 reporting period. More information in the 'Methodology, scope and exclusions' subsection below.

*** Figure not available.

Breakdown by division:

	2021/22		2020/21		2019/20		2018/19	
	Location	**Market**	Location	Market	Location	Market	Location	Market
Scope 1, 2 and 3								
Bus (tCO_2e)	**361,175**	**355,714**	354,053**	348,918**	368,761	364,115	381,314	382,413
Rail (tCO_2e)	**267,752**	**49,291**	356,527**	85,167**	415,283	117,798	416,169	105,084
Head Office (tCO_2e)	**28**	**2**	27	2	31	2	51	63
Total (tCO_2e)	**628,955**	**405,007**	710,607	434,087	784,075	481,916	797,534	487,561
Scopes 1-3 by country								
UK (tCO_2e)	**538,538**	**330,983**	626,479	334,292	703,158	389,243	742,915	432,914
Singapore (tCO_2e)	**46,759**	**46,759**	46,593	46,593	47,010	47,010	48,283	48,283
Ireland (tCO_2e)	**13,933**	**14,022**	13,671**	13,718**	11,964	12,010	6,336	6,364
Norway (tCO_2e)	**1,248**	**1,009**	1,044	768	1,025	736	—	—
Germany (tCO_2e)	**28,342**	**12,092**	22,820**	38,716**	20,919	32,915	—	—
Sweden (tCO_2e)	**135**	**142**	—	—	—	—	—	—
Total (tCO_2e)	**628,955**	**405,007**	710,607**	434,087**	784,075	481,916	797,534	487,561
Out of scopes								
Biogenic content of biodiesel (tCO_2e)	**15,870**	**—**	20,144	—	15,188	—	12,436	—
Scope 1, 2 and 3 and Out of scopes								
Total (tCO_2e)	**644,825**	**420,878**	730,751**	454,231**	799,263	497,104	809,121	500,795
YoY % change	**(11.76)%**	**(7.34)%**	(8.57)%	(8.62)%	(1.22)%	(0.74)%	(7.33)%	(2.52)%
% change on 2019/20 baseline	**(19.32)%**	**(15.33)%**	(27.28)%	(16.68)%	(20.45)%	(8.82)%	(19.46)%	(8.15)%
Total vehicle miles operated	**659,413,857**	**—**	749,034,991	—	733,702,870	—	706,393,581	—
Total bus and rail mileage								
All scopes kg CO_2e/vehicle mile	**0.9779**	**0.6383**	1.0045**	0.6244**	1.0841	0.6775	1.1454	0.7089
YoY % change	**(2.7)%**	**2.2%**	(7.4)%	(5.4)%	(4.9)%	(4.4)%	(10.4)%	(5.7)%
% change on 2019/20 baseline	**(9.8)%**	**(5.3)%**	(7.4)%	(5.4)%	n/a*	n/a*	n/a*	n/a*
Total global energy consumption (kWh)	**2,631,385,886**		2,917,925,461		3,032,726,257		2,983,369,795	

* Figure not available.

** Figure restated due to actual data provided on premises energy consumption by the energy supplier. This data replaced estimations provided by the supplier at the end of the 2020/21 reporting period. More information in the 'Methodology, scope and exclusions' subsection below.

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

Methodology, scope and exclusions

We report on greenhouse gas (GHG) emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard, and the UK Government's Environmental Reporting Guidance methodologies.

In line with the GHG Protocol and guidance, we have reported all scope 1 and 2 emissions, and CO_2 relating to fugitive emissions from air-conditioning equipment in our premises and fleet, the consumption of AdBlue (used in exhaust abatement technology installed on some of our latest diesel buses to reduce NOx emissions) and CO_2 emissions relating to fuel consumption by ancillary vehicles. Our materiality threshold for GHG emissions is 5 per cent.

We do not currently report on our scope 3 emissions other than those arising from losses within the electricity transmission and distribution systems. As part of the work in setting a science-based target (SBT), a screening exercise was carried out in 2021 to quantify our scope 3 emissions and established that these emissions were under the 40 per cent threshold specified by the Science-Based Targets initiative (SBTi). Therefore, we did not have to set reduction targets for our scope 3 emissions but plan to do so as well as incorporate it into future GHG reporting. We also report our "out of scopes" CO_2e emissions which relate to the biogenic content of fuels used by our bus fleets.

To ensure consistency, all scope 1 emissions (UK and overseas) are calculated by using the UK's Department for Business, Energy & Industrial Strategy (BEIS) CO_2e conversion factor for each energy source. We report our scope 2 emissions on both a "location" and a "market" basis. This dual reporting applies to CO_2e emissions arising from our electricity consumption only. The location-based method uses the national average carbon emission factors for mains electricity that take the whole mix of fuels used to generate electricity into account in each country we operate. The correct location-based CO_2e conversion factors for 2022 were used for all electricity consumed. The market-based method uses supplier or product-specific carbon factors (where available) that reflects supply contract specifications agreed between supplier and customer. In some instances, particularly for traction electricity where we do not contract directly with the energy provider, the supplier or product-specific market-based CO_2 conversion factors are not available. Where this occurs, we follow the hierarchy of market-based factors as specified in the GHG Reporting Protocol and have used the most recent national mix residual factors that are available instead.

Methodology, scope and exclusions continued

All the above emissions sources fall within the businesses included in our consolidated financial statements. We define our organisational reporting boundary by applying the financial control approach with a materiality threshold set at 5 per cent.

Emissions are expressed in terms of carbon dioxide equivalent (CO_2e). Our relative performance metric is kilogrammes of CO_2e per vehicle mile operated. This metric ensures there is a direct correlation between our performance and the purchase of increasing numbers of low carbon vehicles as well as the measures we are taking to improve our energy efficiency.

To maintain transparency and enable stakeholders to see our performance trends over time, we provide historical data for both our absolute CO_2e emissions and our relative performance metric. We restate figures for historical CO_2e emissions and our relative performance when there has been a subsequent change in energy consumption data or if methodologies change or if accounting errors were made. 2021 figures have been restated due to actual data provided on premises energy consumption by the energy supplier, replacing the estimated figures available at the date the prior year Annual Report and Accounts were signed.

Context

We provide historical GHG emissions data back to 2019 – as disclosed in the table above. Our performance over time must be seen in the context of the changes in the composition of the Group since 2019 but also, in particular, since 2020, which is the baseline year for our climate change strategy and validated science-based target.

Within the Bus division, Go-Ahead Ireland and Go North West began operating in September 2018 and June 2019 respectively. Additionally, Swedish Flexbuss Sverige AB was acquired in April 2022. It is relevant to remark that Go South West's operations and CO_2 emissions increased by 40 per cent in 2021 following the start of the contract to operate bus services throughout Cornwall.

Within the Rail Division, we began operating rail services in Germany in June 2019 (with further expansion of services in December 2021) and in Norway in December 2019 – please note that the 2020 Norwegian rail data (baseline year) presented in the table above correspond to part year only. All these additions expanded our operations and consequently increased our absolute CO_2 emissions. On the other hand, in October 2021, London & South Eastern Railway Limited exited the Group, which contributed to a CO_2 emissions reduction.

Performance

Our SBTi-approved science-based target requires us to achieve a 75 per cent absolute reduction in our total scope 1 and 2 GHG emissions by 2035 from our 2020 baseline performance, with scope 2 GHG emissions calculated on a location basis. In 2022, we achieved an 11.0 per cent year on year absolute reduction in scope 1 and 2 CO_2 emissions and a 19.2 per cent absolute reduction compared to our 2020 baseline. We are therefore on track to achieve our science-based target. On the same basis, our CO_2 emissions per vehicle mile in 2022 were 1.8 per cent lower year on year and were 9.7 per cent lower than in our 2020 baseline.

Our CO_2 reduction performance has been driven by efficiency improvements in our fleet and premises, and heavily impacted by the decarbonisation of the national electricity networks in the countries in which we operate and changes to our Company structure, which includes the exit of London & South Eastern Railway Limited, the expansion of our train services in Germany, and the acquisition of Flexbuss.

Actions we are taking to reduce energy consumption and improve energy efficiency to drive down our CO_2 emissions

In 2022, the main focus of our activities was the implementation of our climate change strategy which includes our science-based target to reduce our scope 1 and 2 CO_2 emissions by 75 per cent by 2035 relative to our 2020 baseline performance. In the context of carbon emissions and energy consumption, we looked for opportunities to accelerate the transition of our fleet away from fossil fuels, increase number of passengers on our buses and trains (modal shift) and improve our energy efficiency regardless of the energy source.

Read more about our climate change strategy at www.go-ahead.com

Transition to zero-emission fleet initiatives

We have a target to transition our entire bus and rail fleets to zero emission by 2035. While this is particularly challenging for buses, within rail all of our operations are fully electric other than GTR services on two small sections of non-electrified track where a limited diesel fleet operates. GTR continues to work closely with industry partners to enable their diesel fleet to be replaced by zero-emission trains.

During the year ended 2 July 2022, we focused on the following activities:

- Engaging with the UK Government to ensure adequate funding for the bus transition to zero emission buses
- Working in partnership with transport authorities to submit proposals to access funding via existing schemes: Bus Service Improvement Plans (BSIPs) and Zero Emission Bus Regional Areas (ZEBRA). In 2022, Oxford Bus Company was granted funding to purchase 104 electric buses – and their necessary infrastructure – that are expected to start operating in 2024
- Expanding our electric bus fleet – we reached c.350 vehicles in 2022. Most of the new electric buses were acquired by Go-Ahead London, but Go North East, Go South Coast, Go-Ahead Singapore, Oxford Bus Company and Go North West have also extended their electric bus fleet. Overall, we registered a 264 per cent increase in electric bus mileage and a 201 per cent increase in consumption by electric buses since 2020. These electric buses have all displaced diesel buses and their CO_2 emissions are typically 80 per cent lower than equivalent diesel buses
- Working to create our Zero Emission Centre of Excellence, a new area within Go-Ahead that will support our operating companies to decarbonise their fleet by creating a hub of intelligence and expertise in zero-emission vehicles
- Purchasing our first hydrogen-powered buses (54 vehicles) that will be operated by Brighton & Hove and Metrobus in the Crawley, Redhill and Gatwick Airport area and securing a 15-year hydrogen supply deal with Air Products

Energy efficiency measures

Fleet

Within the Bus division, whilst transition to zero emission buses remains the long term ambition and is the only way for us to achieve our science-based targets, we are constantly working to we operate our diesel vehicles as efficiently as possible to drive down fuel consumption and related CO_2 emissions.

When purchasing new diesel buses, we have long specified that, other than in exceptional circumstances, all new buses must be certified as low-emission buses (LEBs), which are, by definition, the most fuel-efficient and cleanest diesel buses available to us to purchase. These new buses are generally far more fuel efficient than the older buses that they replace, so investment to refresh the bus fleet has been one of the main drivers of improved fuel efficiency throughout the years.

Training all drivers to drive in the most fuel-efficient way is also key. We have invested in systems (e.g. telemetry) to improve our driving techniques and monitor our driving performance as well as working with local authorities to introduce bus priority measures to increase our fuel efficiency.

As a result of the initiatives mentioned above, our diesel fleet efficiency in 2022 was 3.2 per cent better than it was in 2020, which equates to a saving of 4.25 million litres of diesel or nearly 11,000 tCO_2e.

Within the Rail division, whilst we are not responsible for specifying and purchasing the rolling stock that we operate (as we do for buses), we used equivalent fuel efficiency initiatives to improve performance and saw the diesel and electric fleet in 2022 improve its efficiency by 8.0 per cent and 10.5 per cent respectively compared with performance in 2020, resulting in a CO_2 reduction of over 23,000 tCO_2.

Measures to increase energy efficiency and reduce GHG emissions

Actions	2021	2022
Purchasing low and/or zero-emission buses	✓	✓
Investing in fuel-efficient driving (e.g. telemetry) for bus and rail	✓	✓
Replacing incandescent lighting for LED across our premises	✓	✓
Replacing life-expired equipment with new/more efficient equipment across our premises	✓	✓
Installing solar electricity panels	✓	✓
Group electricity supply from fully renewable sources	✓	✓
ISO 50001 certification for UK operations	✓	✓
Science-based target for GHG emissions reduction - scope 1 and 2	✓	✓
SBTi validated science-based target for GHG emissions reduction - scope 1 and 2		✓

Premises

Within our premises our longstanding initiatives to drive down electricity and gas consumption by continuously improving efficiency are ongoing. The rollout of LED lighting across our property portfolio has largely been completed already but in 2022 the lighting at Manchester and Loyang (Go-Ahead Singapore) bus depots was upgraded to LED, with a 31 per cent reduction in total electricity consumption achieved at Manchester. Other initiatives include an ongoing programme to replace life-expired plant and equipment with new, more efficient equipment, fitment of controls on lighting and heating and ensuring that energy efficiency is incorporated into the basic design of all new build and major refurbishment projects.

We are also seeking to utilise lower carbon energy sources where possible. From July 2019, all electricity consumed in the Group's UK premises, including that used by our electric bus fleet, was generated from renewable sources and zero rated for CO_2 on a market basis. In 2022, the same became valid for all our UK and Norwegian traction electricity, as well as approx. 75 per cent of traction electricity consumed in Germany.

Additionally, we are looking into continuing to install solar electricity panels. These have been installed at Go-Ahead Germany's Essingen depot and at four bus depots in the UK. Within the Rail division, GTR has worked in partnership with Network Rail to install solar film at Denmark Hill station. We plan to install solar PV at more sites in future and are presently carrying out a feasibility study to identify further potential sites.

Certification

In October 2018, Go-Ahead's Bus division achieved ISO 50001 certification regarding its energy management systems. The scope of the certification was extended during 2020, to include East Yorkshire Motor Services and Go North West, and extended again in 2021 to include Go-Ahead Ireland.

Considering the existing certifications already held by Govia Thameslink Railway, all of Go-Ahead's UK and Ireland operations are now covered by ISO 50001 certification, recognised as best practice for energy management. In October 2021, our Bus division's ISO 50001 certification was successfully re-certified for further three years.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Detailed below are statements made by the directors in relation to their responsibilities and disclosure of information to the auditor.

Directors' responsibilities in respect of the preparation of the financial statements

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Group financial statements in accordance with United Kingdom International Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have also chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss of the Group for that period.

In preparing the parent company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Group's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and to enable them to ensure that the Group financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide information necessary for shareholders to assess the Company's performance, business model and strategy.

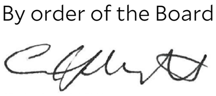
Disclosure of information to the auditor

Each of the persons who are directors at the date of approval of this report confirms that:

- There is no relevant audit information (as defined in Section 418(3) of the Act) of which the Group's auditor is unaware
- They have taken all the steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Act.

By order of the Board



Clare Hollingsworth
Chair

24 February 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GO-AHEAD GROUP LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Go-Ahead Group Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 2 July 2022 and of the group's profit for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the critical accounting judgements and key sources of estimation uncertainty; and
- the related notes to the consolidated financial statements 1 to 31 and to the parent company financial statements 1 to 20.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the financial year are disclosed in note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of onerous contracts within overseas rail operations; • Rail franchise accounting within UK rail operations; and • Impact of control deficiencies. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £3.8m which was determined on the basis of 5% of profit before tax and before exceptional items. In response to the issues identified relating to the DfT rail franchise investigation and broader control observations in the prior year, we determined it appropriate to retain performance materiality at 50% of materiality in the current year.
Scoping	The components in full audit scope represent the principal business units and account for 91% (2021: 97%) of the Group's revenue, 88% (2021: 93%) of the Group's profit before tax and 79% (2021: 97%) of the Group's net assets.
Significant changes in our approach	In the prior year, a number of key audit matters were identified directly as a consequence of the Department for Transport ('DfT') rail franchise investigation and the significant number of errors and control weaknesses identified. Having reassessed our audit risks in the current year, we did not consider the following key audit matters identified in the prior year to be key audit matters in the current year. • Going concern; and • Presentation of exceptional items. These changes arise from the completion of the DfT investigation and the established presentation of exceptional items, together with the change in ownership of the group. Further details on our response to control deficiencies are set out in section 5.3 of this audit opinion. Further, following the creation of a new National Rail Contract ('NRC') and the end of previous UK Government support packages, we have refined our key audit risks in the current year to cover key accounting matters and judgements associated with rail contracts, being the settlement of the DfT investigation, the completeness

of disallowable costs, and franchise related accruals and provisions. The key audit matter of 'Rail franchise accounting' therefore replaces the following key audit matters from the prior year:

- Accounting treatment for UK Government support packages;
- Completeness of disallowable costs within the UK rail operations; and
- The Department for Transport rail franchise investigation.

Within the UK bus division, we have considered the greater level of experience over the accuracy of the claims process for both Covid-19 Bus Services Support Grant (CBSSG) and Quality Incentive Contract premiums (QICs) and also the more simplistic terms for the Bus Recovery Grant (BRG) schemes introduced in the current year. We therefore no longer consider revenue recognition for the bus division to be a key audit matter in the current year.

4. Conclusions relating to going concern

In evaluating management's assessment of the group's and parent company's ability to continue as a going concern we considered many factors including:

- assessing the impact of the takeover and subsequent delisting of the Group on the going concern conclusion;
- evaluating the credit ratings issued by the ratings agencies subsequent to the change in control;
- obtaining evidence of the change in control waivers and waivers provided by the group's bankers in response to the delays in filing the financial statements;
- confirming availability of the facilities during the going concern period;
- performing accuracy, completeness and reasonableness checks on the underlying cash flow forecasts in the base case scenario by comparing to historic results and detailed knowledge of the business;
- challenging each of management's assumptions applied by agreeing to supporting evidence such as contractual agreements, and performing additional sensitivity on assumptions where necessary;
- assessing whether management's assumptions were in line with our understanding of the external factors and forecast market trends;
- assessing any contradictory evidence as part of our audit work and the impact on management's conclusion;
- understanding and assessing covenant requirements for the going concern period, performing covenant compliance tests and sensitivities on key variables; and
- evaluating the appropriateness of the disclosures made by management within the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the onerous contract provisions within overseas rail operations

Key audit matter description	Onerous contract provisions amounting to £69.9m (2021 – £105.4m, as restated) have been recognised in respect of international rail contracts in Germany and Norway. Further detail is set out in Note 25 to the accounts. *Germany* The Bavarian rail franchise ('GABY') is made up of two rail contracts, one of which commenced in December 2021 and the other became operational in December 2022. Following the commencement of the ENA line in December 2021, the Group has gained greater experience of running the GABY contract and has continued to prepare for mobilisation of the ABN line in December 2022. During this period the Group has continued to refine the timetable and operating schedule with the Bavarian authorities, predominantly resulting in changes to the estimated subsidy revenue and staff cost assumptions. Together with changes in macro-economic factors such as energy and inflation, the updated operating plan has resulted in a revision to the estimate of the cash flows expected during the 12 year contract, increasing the provision recognised as at 2 July 2022 to £58.8m (2021: £38.9m, as restated). The GABY franchise is primarily exposed to cost risk due to the fixed nature of the majority of the revenues over the life of the franchise. Consequently, key estimates included in the assessment of the onerous provision include energy costs, driver and conductor recruitment and operational penalty levels. Furthermore, given one of the contracts only commenced in December 2022, there remains uncertainty of the final mobilisation plans and operating and financial performance for the contract. *Norway* In addition, an onerous provision was identified in the prior year in relation to the group's Norwegian rail franchise. The prolonged impact of COVID-19 on public transportation resulted in a significant reduction in passenger demand and slower than previously estimated recovery rates. On 28 June 2022, Go-Ahead Norway signed an agreement with the Norwegian Rail Directorate to revise its rail contract. This revision included certain obligations being waived. Compensation for loss of income from the continued impacts of the COVID-19 pandemic was agreed at specified levels covering the difference between actual passenger income and income levels estimated when the contract was awarded. Incentives have also been agreed for reaching specified levels of passenger income, and other certain areas including compensation for 50% of energy costs when prices are at specified levels. Consequently, updating cashflow forecasts for the revision to the contract with the Rail Directorate, as well as updating the discount rate and inputs, resulted in a material reduction in the value of the onerous contract provision to £11.1m (2021:

£65.3m). Key estimates include exposure to passenger revenue risk associated with the Norwegian franchise and estimates of the recovery rates of passenger volumes.

A key audit matter and fraud risk has been identified in relation to the valuation of these onerous contract provisions and specifically the key estimates noted above. This is due to several factors including the complexity and infancy of the contract in Germany given it is still in mobilisation, and also that a new contract was signed in Norway in close proximity the year end, increasing the risk that management may not have fully reflected the terms of the new contract in the underlying models. Additionally, there is extensive reliance on manual spreadsheets and manual interventions when determining the valuation. In assessing the risk, we also considered the significant deficiencies in controls and misstatements were highlighted in our audit report for the year ended 3 July 2021. A prior year adjustment was recognised in respect of the German onerous contract of £5.1m, primarily relating to mechanical errors within the prior year model and errors in recognising certain ancillary elements of income.

Given the level of estimation uncertainty, management has included further information in the critical accounting judgements and key sources of estimation uncertainty note on pages 140-145 of the Annual Report and in the operational risks section of the Audit Committee report on page 62 of the Annual Report.

How the scope of our audit responded to the key audit matter

We have challenged management's assessment of the onerous contract provisions through the following procedures:

Germany:

- obtaining an understanding of the relevant controls in respect of the significant inputs and assumptions in the model;
- inspecting the GABY contract to challenge completeness of matters included within the onerous provision model, taking into consideration of the performance obligations of the contract;
- challenging management's estimates for revenue including assessment against the framework of the contract and the expected services to be delivered over the life of the contract. This included the change in estimation for the pairing of routes expected as part of the contract mobilisation and the level of variable revenues estimated by management for incentives and penalty deductions;
- assessing the reasonableness of key assumptions, the level of estimation uncertainty and any changes since the previous year end against supporting evidence, including challenging the basis for the growth in staff costs by inspecting latest agreements with unions for staff benefits that impact the cash flows, meeting with operations management to understand the latest operating plan for conductors and drivers and evaluating latest trends in penalties based on the initial mobilisation of the ENA contract;
- challenging the completeness of costs included in the model. This included inspection of franchise commitments for demobilisation and exit costs, subcontractor agreements, rolling stock agreements and comparison to the existing German franchise cost experience;

- in conjunction with our valuation specialists, challenging the appropriateness of the discount rate applied in the onerous provision model;
- reviewing the correspondence between the Company and the local rail authorities;
- performing historical accuracy testing by comparing most recent budget information to actual performance;
- testing the arithmetical integrity of the model involving analytics and modelling specialists;
- considering the latest performance and experience in the existing German franchise operation to challenge the risk of optimism or conservatism within the GABY model;
- challenging whether movements in the onerous contract provision related to changes in estimate or prior period errors (in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors); and
- assessing the adequacy of the financial statement disclosures, including the key source of estimation uncertainty disclosures in on pages 140-145.

Norway:

- obtaining an understanding of the relevant controls in respect of the significant inputs and assumptions in the model;
- inspecting the new Norwegian contract to challenge completeness of matters to include within the onerous provision model;
- assessing the reasonableness of key assumptions with specific focus on management's assumptions in relation to passenger demand and the level of estimation uncertainty. This included review of historical passenger levels, review of latest industry data, discussion with industry experts and performing sensitivity analysis;
- challenging the completeness of costs included in the model. This included inspection of franchise commitments for demobilization and exit costs, third party agreements for key cost components and review of historical cost performance of the franchise;
- in conjunction with our valuation specialists, challenging the appropriateness of the discount rate applied in the onerous provision model;
- reviewing the correspondence between the Company and the local rail authorities;
- testing the arithmetical integrity of the model involving analytics and modelling specialists;
- considering the latest performance of the Norway rail franchise to challenge the assumptions in the model;
- challenging whether movements in the onerous contract provision related to changes in estimate or prior period errors (in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors); and
- assessing the adequacy of the financial statement disclosures, including the key source of estimation uncertainty disclosures on pages 140 to 145.

Key observations	The results of our procedures were satisfactory and we concur with the provisions recognised by management. We note that control deficiencies were identified in respect of this matter and these have been considered in more detail in 5.3.

5.2. **Rail franchise accounting** within UK rail operations

Key audit matter description	
	Settlement of DfT rail franchise investigation On 18 March 2022, the Secretary of State for Transport and LSER signed a Reconciliation Agreement following the matters of concerns identified in the prior year, resulting in a final settlement amount payable to the DfT. In addition, on 9 May 2022 a final penalty notice was issued to LSER by the Secretary of State in accordance with the Railways Act 1993, resulting in a final settlement of £23.5 million. In the prior year, there was significant judgment involved in assessing the expected cost of the investigation, which resulted in exceptional costs of £81.3 million being recognised by the Group, this was reflective of the status of the investigation at the date of signing of the Annual Report. The final settlements in the current year have resulted in a credit to exceptional costs of £11.7 million. *Completeness of disallowable costs within the UK rail operations* As a result of industry wide decreases in rail passenger numbers due to COVID-19, the Secretary of State signed an Emergency Recovery Measures Agreement (ERMA) with GTR which ran from 19 September 2020 until the end of March 2022. Under the agreement, all allowable costs are covered by the DfT via a subsidy mechanism to achieve a 'breakeven' point and in return for continuing to run the franchises, train operating companies ('TOCs') earn a fixed management fee each period, with a variable performance-based fee also earnt based on the achievement of operational and financial performance metrics. On 1 April 2022, GTR commenced the operation of its National Rail Contract ('NRC'), the subsidy mechanism of the NRC operates in a way consistent with the ERMA contract. Given the complexity of the government support contracts and judgement involved in determining "disallowable costs", which are not subject to subsidy under the Government support arrangements and the NRC, this has been determined as a potential judgement in relation to revenue recognition under IFRS 15 'Revenue from contracts with customers'. The risk is focused on certain costs where there is a greater degree of judgment and therefore risk within GTR's subsidy income recognised. In addition to the risk in relation to the completeness of the disallowable costs identified under both the ERMA and NRC arrangements, we have also determined that there is a risk, similar to disallowable costs for any costs or credits which arise relating to the pre-EMA period and are not subject to subsidy. Under the NRC there are increased compliance obligations for GTR, in particular with regarding to the tendering of affiliate trading contracts. In the event that these obligations are not met there is a risk that the associated costs incurred are determined by the DfT to be disallowable, and therefore not subject to subsidy income. *Settlement of ERMA franchise* Following the end of the ERMA franchise at the end of March 2022, a settlement agreement is required to be reached between GTR and the DfT to close out

historical balances held, including reaching agreement on the dilapidation for rolling stock and depots, which reflects the fact that the responsibility for these dilapidations are taken on by the DfT under the NRC. This requires a judgment to be made regarding management's best estimate of both the amount of the settlement to be determined with DfT, and how any residual credits which may arise would be allocated between GTR and DfT. The total provision held at the balance sheet date in respect of GTR's franchise commitments is £66.2 million. Management's judgment, as disclosed in note 25, reflects their best estimate of the amounts due back to DfT and the lessors, but significant judgement has had to be applied.

Rail franchise accounting disclosures

Given the level of judgement in respect of both the completeness of disallowable costs and the settlement of the ERMA franchise, management has included further information in the critical accounting judgements and key sources of estimation uncertainty note on pages 140 to 145 of the Annual Report and in the operational risks section of the Audit Committee report on page 63 of the Annual Report.

How the scope of our audit responded to the key audit matter

Our audit procedures included:

Settlement of DfT rail franchise investigation

- obtaining the final reconciliation agreement and penalty notice issued by Secretary of State for Transport ('SoST') to LSER and assessed the appropriateness of the treatment of the current year credits as exceptional;
- agreeing the amounts confirmed in the final settlement notice to the those recognised in the underlying books and records.

Completeness of disallowable costs within the UK rail operations

- obtaining an understanding of the relevant controls over the accounting for transactions within the ERMA and NRC contracts in the UK rail businesses, in particular focusing on the controls over the identification and completeness of disallowable and pre-EMA items and management's review of key judgements;
- inspecting the ERMA and NRC contracts to challenge the appropriateness of costs included or excluded by management in the subsidy income calculations. This included:
    - i. performing a risk assessment to identify the costs over which there is more judgment in the determination of the classification as allowable or disallowable;
    - ii. testing a sample of allowable costs by agreeing to supporting evidence and made further enquires of management to challenge whether they should be considered disallowable;
    - iii. agreeing the disallowable costs reported to the DfT to third party evidence to test the accuracy of the submissions;
    - iv. testing a sample of pre-EMA costs and credits to supporting evidence, including through direct inquiries with the DfT or obtaining supporting documentation confirming the appropriateness of the treatment from the Department;

v. assessing the appropriateness of treatment of these items as pre-EMA and challenging management on whether the facts and circumstances which drove the pre-EMA treatment were current year events.

- assessing the financial performance of the contract against budget and pre-EMA costs / credits for each period to identify any potential costs that may be deemed to not be compliant with the "good & efficient operator" criteria as defined by the franchise agreement;
- evaluating the affiliate (related party) trading submissions to the DfT to assess whether any costs would be deemed to be allowable under the ERMA and NRC contracts.

Settlement of ERMA franchise

- obtaining the dilapidation reports provided by the lessors in the current year, challenging the movement in these estimates, including utilisation in the period, from the prior year, and gaining an understanding of the scope of these third party valuations across both periods;
- obtaining an understanding from management as to the status of the settlement process and performing direct inquiries with the DfT to corroborate this;
- challenging the build-up of the provision over the life of the GTR franchise, specifically assessing the nature of the contract and funding positions that affects how any residual credits that may arise would be attributed to GTR and DfT; and
- considering the appropriateness of the disclosures included in the financial statements, with particular focus given to the disclosures included within the critical judgments and key sources of estimation uncertainty.

Key observations	The results of our procedures within the UK rail divisions were satisfactory and we concur with the amounts recognised in respect of the DfT rail franchise investigation within exceptional costs, subsidy income within revenue and the franchise commitment provisions. We note that control deficiencies were identified in respect of this key audit matter and these have been considered in more detail in 5.3. We concur that the disclosures made with regards to the settlement of the franchise commitments in note 25 to the financial statements to be appropriate.

5.3 Impact of control deficiencies

Key audit matter description	In our prior year audit opinion, we observed the need for significant improvement in the Group's control environment. However, since the 2021 Annual Report was published, the Group has seen significant change. Notably there have been a number of changes in key personnel at both Group and divisional level, the Group settled the LSER investigation with the DfT, it was subsequently acquired and in September 2022 the Group announced that it had been the subject to a cyber-attack. These events have adversely affected the Group's capacity to address the control deficiencies noted in the prior year.

Similar to last year, a significant number of misstatements were identified during the 2022 audit which were material. The misstatements highlighted the complexity of the Group's franchise and contractual arrangements along with the need to improve the underlying controls relating to financial reconciliations and review controls. Where management review controls exist, there is a need to improve the precision of such controls, the quality of evidence supporting the extent to which the control owner reviewed and challenged the information presented to them, and to ensure adequate capacity and expertise within the finance teams to provide detailed oversight. Improvements were however observed in the rigour and challenge applied to the German and Norway onerous contract provisions, albeit a prior year adjustment of £5.1m was identified and subsequently corrected by management in relation to Germany (see section 5.1).

For a number of the Group's key judgements and estimates, the Group is heavily reliant on manual controls which rely on a significant number of inputs and assumptions, increasing the inherent risk of error. Across the Rail segment, this has required substantial audit effort to challenge and test the integrity of the underlying data and assumptions made. Further, a number of complex technical accounting matters exist across the Group, and we observe the need to improve related controls, particularly where enhanced technical or specialist support should be sought to ensure that policies and practices are appropriate.

The deficiencies in the control environment have resulted in significant amount of additional time for the audit procedures to be completed. As a result, we considered assessing the impact of control deficiencies on our audit procedures to be a key audit matter. On page 3 of the Annual Report for the year ended 2 July 2022, the Board has acknowledged these and is, we understand, committed to a plan of improvement. For further details of the issues underpinning these control deficiencies refer to sections 5.1 and 5.2.

How the scope of our audit responded to the key audit matter

In order to respond to the pervasive and specific risks arising from deficiencies in the control environment, we modified the nature, extent and timing of our audit procedures. Specifically:

- retaining our performance materiality judgement (as described in section 3) at 50% of materiality. This increased the volume of substantive testing completed;
- increasing the level of senior input to the audit team including continued partner involvement with relevant rail industry experience;
- involving specialists and experienced team members to challenge certain areas of judgement including the assessment of discount rates and leasing assumptions;
- making direct enquiries of the DfT and other transportation authorities to assess franchise-related risks and assumptions;
- senior members of the audit team performing audit testing directly in more complex areas of accounting where control deficiencies had been identified including the onerous provision assessments in Norway and Germany;

	• engaging external legal experts to support the audit team with matters of a legal and regulatory nature, including the boundary zone fare matter detailed in note 28; • modifying the nature, extent and timing of procedures in relation to journal entries posted by management, including increasing unpredictability in our audit procedures for the testing of journal entries in specific areas. This included additional risk characteristics to search for an increased range of keywords, combining those of importance from the investigation and searching for posts made by certain members of management; • challenging management's assessment of the nature and cause of errors in specific components to consider the risk that there is a pervasive risk of bias; and • extending the group's reporting timetable in order to give us additional time to perform the work required as a result of the control deficiencies identified. It has also enabled the use of an extended hindsight period to assess the appropriateness of year end judgements.
Key observations	Consistent with last year, a significant number of misstatements were identified during the audit, which were material. We recognise the level of focus from management and those charged with Governance to respond to the issues identified in the prior and current year. We have seen management make an effort to improve the quality of underlying detail and analysis in certain areas but further improvement is needed. The finalisation of the 2021 financial statements was delayed and acknowledging the proximity of this to the start of the 2022 audit, and therefore the limited time management had to respond to these findings, there remains a need for the Group to make improvements to the control environment.

6. Our application of materiality

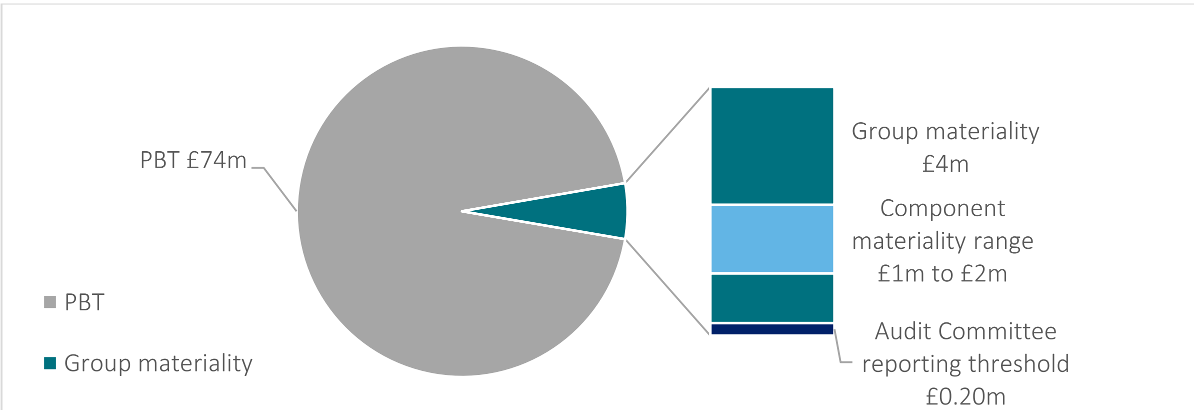
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£3.8m (2021: £4.1m)	£1.9m (2021: £2.0m)
Basis for determining materiality	We have determined materiality of the group based on 5% of profit before tax pre-exceptional items (2021: 4.2%)	Parent company materiality equates to less than 1% of net assets (2021: less than 1% of net assets) which is capped at approximately 50% of Group materiality.

Rationale for the benchmark applied	We consider the profit before tax pre-exceptional items was an appropriate benchmark, being a key metric for the users of the financial statements. We excluded the exceptional items to mitigate the volatility caused by the significant items recognised in the year	Net assets have been selected as an appropriate measure on which to determine materiality as the parent company is a holding company.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	50% (2021: 50%) of group materiality	50% (2021: 50%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. the quality of the control environment and the significant control deficiencies identified in the prior year; b. the nature, volume and size of misstatements in the previous audit; and c. prior period errors found in the current year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.2m (2021: £0.2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

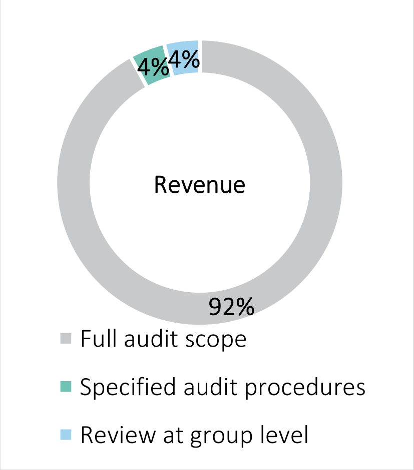
7.1. Identification and scoping of components

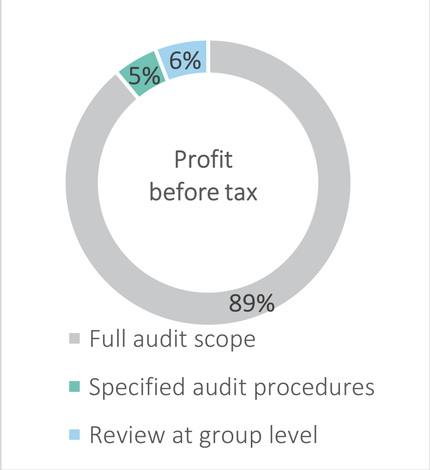
Our group audit scope was determined after obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at 10 (2021: 13) principal components. We performed specified audit procedures on The Oxford Bus Company, Go-Ahead Dublin and Go-Ahead Singapore which were considered to be full scope in 2021 as a result of the issues identified from the DfT rail franchise investigation and the assurance we sought to determine whether this was a pervasive issue across the Group. Given no significant issues were noted in respect of these entities in the prior year, we have revised the scope as explained in the current year. Our scoping decisions considered a number of factors including the individual financial significance of a component.

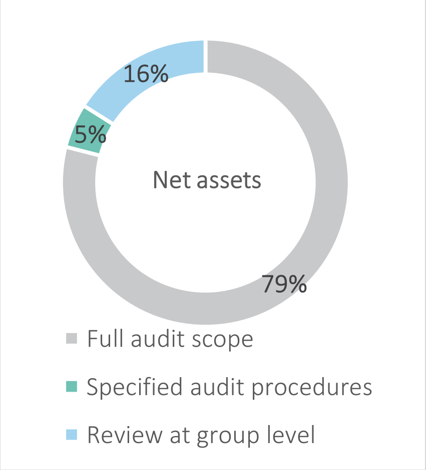
The components in full audit scope and specified audit procedures represent the principal business units and account for 96% (2021: 97%) of the Group's revenue, 94% (2021: 93% of loss before tax) of the Group's profit before tax and 84% (2021: 97%) of the group's net assets.

Component performance materiality was used to perform the audit work at all components and for the current year audit, this was £1.0m.

At the group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.







7.2. Our consideration of the control environment

As previously reported, a number of significant control deficiencies were identified in the prior year. The finalisation of the 2021 financial statements was delayed and acknowledging the proximity of this to the start of the 2022 audit and therefore the limited time management had to respond to these findings, we assessed the impact of this on the nature, extent and timing of our audit procedures as summarised in section 5.3 above.

In relation to IT controls, we involved our IT specialists to assess relevant controls over the Group's information technology ('IT') systems. Given the importance of IT to recording of financial information and transactions we have tested the General IT controls relating to certain of the Group's systems where relevant to our audit work. As part of our IT controls testing, we obtained an understanding of the group's processes and tested controls through a combination of tests of inquiry, observation, inspection and reperformance.

We recognise the level of focus from the group on driving improvement in the IT environment across the past few years. We did not identify any significant control deficiencies in relation to this work.

Whilst we did not identify any significant control deficiencies, given the control issues identified above we did not consider it appropriate to seek to rely on controls for any of the business cycles within the group.

7.3. Working with other auditors

The Group audit team have directed and supervised the work of the component audit teams during the course of the year. As part of our planning, we issued detailed instructions to our component audit teams and included all component teams in our team briefing, discussed their risk assessments and remained in contact throughout the audit process. In addition, we attended planning and close meetings with them and component management teams, and reviewed their component reporting.

Due to the significance of the onerous provisions in Germany and Norway, the group engagement team led the audit work of this key audit matter as referred to in section 5.1.

For all UK components, the Senior Statutory Auditor has access to the audit files and directly reviews the work performed in key risk areas relevant to the group, including significant risk areas. For overseas components, we remained in close communication with them throughout the audit process and reviewed significant work papers to gain sufficient oversight of the work performed.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities. These risks are detailed on pages 54 to 64 of the Annual Report;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.

  the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- valuation of onerous contract provisions within overseas rail operations;
- rail franchise accounting;
- revenue recognition for performance-based fees on the NRC and QICs; and
- revenue recognition in respect of UK regional bus contract income.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation and franchise agreements.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These include the Railways Act 1983 and compliance with the terms of the group's schedules of the franchise agreements for the train operating companies which are fundamental to the group's business operations.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of onerous contract provisions within overseas rail operations and rail franchise accounting within the UK rail operations as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the DfT and other transportation authorities in relation to the operating of the rail and bus franchises;
- to address revenue recognition for performance-based fees on the NRC and QICs, our procedures included assessing the appropriateness of the judgements applied by management with reference to the scoring criteria outlined in the NRC and QICs contract, including consideration of historical performance, sensitivity analysis on a range of possible outcomes and substantive testing of the underlying inputs that go into the performance evaluation;
- to address revenue recognition in respect of UK regional bus contract income, our procedures included reviewing on a sample basis original contracts and other supporting evidence with local authorities to agree the final pricing negotiations and contract amendments and recalculating the revenue recognised in the year and whether it is in line with the performance obligations under IFRS 15; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making

accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by Company's members on 22 October 2015 to audit the financial statements for the year ending 2 July 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the financial years ending 2 July 2016 to 2 July 2022.

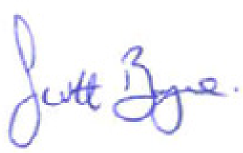
14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.



Scott Bayne, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

24 February 2023

Consolidated income statement

Year ended 2 July 2022

	Notes	Pre-exceptional 2022 £m	Exceptional items 2022 £m	Post-exceptional 2022 £m	Pre-exceptional 2021 £m	Exceptional items 2021 £m	Post-exceptional 2021 £m
Group revenue	4	**3,288.1**	**—**	**3,288.1**	4,058.5	—	4,058.5
Operating costs	5–7	**(3,201.0)**	**21.2**	**(3,179.8)**	(3,935.9)	(104.1)	(4,040.0)
Impairment losses (including reversals) on financial assets and contract assets	5, 18	**2.0**	**—**	**2.0**	(7.1)	—	(7.1)
Group operating profit/(loss)		**89.1**	**21.2**	**110.3**	115.5	(104.1)	11.4
Share of result of joint venture		**(0.1)**	**—**	**(0.1)**	(0.2)	—	(0.2)
Finance income	8	**1.8**	**—**	**1.8**	2.1	—	2.1
Finance costs	8	**(17.3)**	**—**	**(17.3)**	(20.2)	—	(20.2)
Profit/(loss) before taxation		**73.5**	**21.2**	**94.7**	97.2	(104.1)	(6.9)
Tax expense	9	**(13.1)**	**(0.4)**	**(13.5)**	(34.3)	0.5	(33.8)
Profit/(loss) for the year from continuing operations		**60.4**	**20.8**	**81.2**	62.9	(103.6)	(40.7)
Attributable to:							
Equity holders of the parent		**50.9**	**17.0**	**67.9**	46.6	(92.6)	(46.0)
Non-controlling interests		**9.5**	**3.8**	**13.3**	16.3	(11.0)	5.3
		60.4	**20.8**	**81.2**	62.9	(103.6)	(40.7)
Earnings per share							
– Basic	10	**118.3p**	**39.6p**	**157.9p**	108.4p	(215.4)p	(107.0)p
– Diluted	10	**117.8p**	**39.4p**	**157.2p**	108.0p	(214.7)p	(106.7)p
Dividends paid (pence per share)	11			**—**			—
Special dividend proposed (pence per share)	11			**100.0**			—

Consolidated statement of comprehensive income

Year ended 2 July 2022

	Notes	2022 £m	2021 £m
Profit/(loss) for the year		**81.2**	(40.7)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement gains (losses) on defined benefit pension plans	29	**37.9**	(23.2)
Tax relating to items that will not be reclassified	9	**(9.6)**	5.3
		28.3	(17.9)
Items that may subsequently be reclassified to profit or loss:			
Unrealised gains on cashflow hedges	24	**20.3**	15.7
Tax relating to items that may be reclassified	9	**(7.7)**	(3.1)
Foreign exchange differences on translation of foreign operations		**0.6**	5.9
		13.2	18.5
Other comprehensive income for the year, net of tax		**41.5**	0.6
Total comprehensive income/(expense) for the year		**122.7**	(40.1)
Attributable to:			
Equity holders of the parent		**109.4**	(45.4)
Non-controlling interests		**13.3**	5.3
		122.7	(40.1)

Consolidated statement of changes in equity

Year ended 2 July 2022

	Share capital £m	Reserve for own shares £m	Hedging reserve £m	Share premium reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 27 June 2020 (as previously reported)	75.2	(71.3)	(12.3)	1.6	0.7	(2.3)	179.1	170.7	20.7	191.4
Restatements	—	—	—	—	—	0.2	(5.3)	(5.1)	—	(5.1)
At 27 June 2020 (restated)*	75.2	(71.3)	(12.3)	1.6	0.7	(2.1)	173.8	165.6	20.7	186.3
(Loss)/profit for the year	—	—	—	—	—	—	(46.0)	(46.0)	5.3	(40.7)
Movement on hedges (net of tax) (note 24)	—	—	12.6	—	—	—	—	12.6	—	12.6
Remeasurement on defined benefit retirement plans (net of tax) (note 29)	—	—	—	—	—	—	(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 (gains)/losses and cost of hedging to the initial carrying amount of hedged items	—	—	5.5	—	—	—	—	5.5	—	5.5
Exercise of share options	—	0.6	—	—	—	—	(0.6)	—	—	—
Share based payment charge (note 6)	—	—	—	—	—	—	1.2	1.2	—	1.2
Acquisition of own shares (note 26)	—	(0.6)	—	—	—	—	—	(0.6)	—	(0.6)
Deferred tax on share-based payment transactions	—	—	—	—	—	—	0.1	0.1	—	0.1
Dividends (note 11)	—	—	—	—	—	—	—	—	(3.7)	(3.7)
At 3 July 2021*	75.2	(71.3)	5.8	1.6	0.7	3.8	110.6	126.4	22.3	148.7
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**67.9**	**67.9**	**13.3**	**81.2**
Movement on hedges (net of tax) (note 24)	**—**	**—**	**12.6**	**—**	**—**	**—**	**—**	**12.6**	**—**	**12.6**
Remeasurement on defined benefit retirement plans (net of tax) (note 29)	**—**	**—**	**—**	**—**	**—**	**—**	**28.3**	**28.3**	**—**	**28.3**
Foreign exchange	**—**	**—**	**—**	**—**	**—**	**0.6**	**—**	**0.6**	**—**	**0.6**
Total comprehensive income	**—**	**—**	**12.6**	**—**	**—**	**0.6**	**96.2**	**109.4**	**13.3**	**122.7**
Transfer of cash flow hedging (gains)/losses and cost of hedging to the initial carrying amount of hedged items	**—**	**—**	**21.4**	**—**	**—**	**—**	**—**	**21.4**	**—**	**21.4**
Exercise of share options	**—**	**0.8**	**—**	**—**	**—**	**—**	**(0.8)**	**—**	**—**	**—**
Share based payment charge (note 6)	**—**	**—**	**—**	**—**	**—**	**—**	**0.1**	**0.1**	**—**	**0.1**
Acquisition of own shares (note 26)	**—**	**(0.4)**	**—**	**—**	**—**	**—**	**—**	**(0.4)**	**—**	**(0.4)**
Deferred tax on share-based payment transactions	**—**	**—**	**—**	**—**	**—**	**—**	**0.1**	**0.1**	**—**	**0.1**
Dividends (note 11)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
At 2 July 2022	**75.2**	**(70.9)**	**39.8**	**1.6**	**0.7**	**4.4**	**206.2**	**257.0**	**35.6**	**292.6**

*Restated – Profit/(loss) and foreign exchange in 2020 was restated given the impact of the prior year restatements which are set out in note 2.

Consolidated balance sheet

Year ended 2 July 2022

	Notes	**2022 £m**	2021* £m	2020* £m
Assets				
Non-current assets				
Property, plant and equipment	12	**540.8**	553.8	589.0
Right of use assets	13	**880.4**	345.4	648.9
Goodwill	14	**78.4**	73.5	73.5
Other intangible assets	14	**6.1**	8.5	22.6
Deferred tax assets	9	**0.5**	1.5	3.3
Derivative financial assets	24	**14.1**	3.4	0.1
Finance lease receivables	19	**5.7**	—	—
Trade and other receivables	18	**3.1**	2.0	—
Retirement benefit assets	29	**81.6**	41.5	63.3
		1,610.7	1,029.6	1,400.7
Current assets				
Inventories	17	**14.5**	19.5	19.7
Trade and other receivables	18	**539.9**	413.2	290.5
Finance lease receivables	19	**4.7**	2.3	—
Derivative financial assets	24	**40.0**	4.9	0.1
Assets classified as held for sale	16	**0.1**	3.2	7.2
Current tax assets	9	**14.6**	13.4	4.9
Cash and cash equivalents	20	**191.8**	630.6	569.8
		805.6	1,087.1	892.2
Total assets		**2,416.3**	2,116.7	2,292.9
Liabilities				
Current liabilities				
Trade and other payables	21	**(510.8)**	(883.4)	(765.3)
Derivative financial liabilities	24	**—**	(0.6)	(11.0)
Interest-bearing loans and borrowings	22	**(14.3)**	(12.0)	(12.3)
Lease liabilities	13	**(309.0)**	(263.9)	(517.3)
Current tax liabilities	9	**(22.9)**	(17.6)	(0.9)
Provisions	25	**(132.7)**	(159.1)	(51.2)
		(989.7)	(1,336.6)	(1,358.0)
Non-current liabilities				
Trade and other payables	21	**(17.5)**	(13.5)	(15.6)
Derivative financial liabilities	24	**(0.1)**	(0.3)	(5.6)
Interest-bearing loans and borrowings	22	**(371.5)**	(382.5)	(403.9)
Lease liabilities	13	**(558.6)**	(48.7)	(131.3)
Retirement benefit obligations	29	**(1.4)**	(5.5)	(10.3)
Deferred tax liabilities	9	**(72.8)**	(59.7)	(48.9)
Provisions	25	**(112.1)**	(121.2)	(133.0)
		(1,134.0)	(631.4)	(748.6)
Total liabilities		**(2,123.7)**	(1,968.0)	(2,106.6)
Net assets		**292.6**	148.7	186.3
Capital and reserves				
Share capital	26	**75.2**	75.2	75.2
Reserve for own shares	26	**(70.9)**	(71.3)	(71.3)
Hedging reserve	26	**39.8**	5.8	(12.3)
Share premium reserve	26	**1.6**	1.6	1.6
Capital redemption reserve	26	**0.7**	0.7	0.7
Translation reserve	26	**4.4**	3.8	(2.1)
Retained earnings		**206.2**	110.6	173.8
Total shareholders' equity		**257.0**	126.4	165.6
Non-controlling interests		**35.6**	22.3	20.7
Total equity		**292.6**	148.7	186.3

*Restated – see note 2

The consolidated notes 1 to 31 are an integral part of the consolidated financial statements.

The financial statements were approved and authorised for issuance by the Board of directors on 24 February 2023 and were signed on its behalf by:

Clare Hollingsworth - Chair

Christian Schreyer - Group Chief Executive

Consolidated cashflow statement

Year ended 2 July 2022

	Notes	2022 £m	2021 £m
Profit/(loss) after tax for the year		**81.2**	(40.7)
Net finance costs	8	**15.5**	18.1
Tax expense	9	**13.5**	33.8
Depreciation of property, plant and equipment	12	**73.2**	81.5
Depreciation of right of use assets	13	**371.4**	486.5
Amortisation of intangible assets	14	**3.5**	6.3
Asset impairment, excluding exceptional items		**1.0**	5.7
Non-cash exceptional items*	7	**(29.8)**	104.1
Share of result of joint venture		**0.1**	0.2
(Profit)/loss on sale of fixed assets		**(0.5)**	0.1
Share based payment charge	6	**0.1**	1.2
Difference between pension contributions paid and amounts recognised in the income statement		**(5.6)**	(5.3)
Decrease in inventories		**3.1**	0.2
Increase in trade and other receivables		**(127.6)**	(125.8)
(Decrease)/increase in trade and other payables		**(365.1)**	120.7
Movement in provisions, excluding exceptional items		**(10.4)**	2.7
Cashflows generated from operations		**23.6**	689.3
Taxation paid	9	**(14.3)**	(12.1)
Net cashflows from operating activities		**9.3**	677.2
Cashflows from investing activities			
Interest received		**0.9**	1.1
Proceeds from sale of property, plant and equipment		**3.8**	6.3
Proceeds from sale of property, plant and equipment held for sale		**7.9**	7.3
Cash income from finance lease receivables	19	**7.7**	8.4
Purchase of property, plant and equipment (including assets under construction)		**(45.4)**	(52.9)
Purchase of businesses	15	**(13.9)**	—
Cash acquired with businesses	15	**6.4**	—
Purchase of property, plant and equipment held for sale		**(4.4)**	(5.7)
Purchase of intangible assets		**(1.4)**	(2.2)
Net cashflows used in investing activities		**(38.4)**	(37.7)
Cashflows from financing activities			
Interest paid on lease liabilities		**(8.9)**	(9.0)
Other interest paid		**(9.4)**	(11.3)
Dividends paid to non-controlling interests		**—**	(3.7)
Payment to acquire own shares		**(0.4)**	(0.6)
Gross repayments of borrowings		**(73.5)**	(307.2)
Gross proceeds from borrowings		**48.6**	289.4
Payment of lease liabilities		**(368.2)**	(534.5)
Net cashflows used in financing activities		**(411.8)**	(576.9)
Net (decrease)/increase in cash and cash equivalents		**(440.9)**	62.6
Cash and cash equivalents at 3 July 2021	20	**630.6**	569.8
Effect of foreign exchange rate changes		**2.1**	(1.8)
Cash and cash equivalents at 2 July 2022**	20	**191.8**	630.6

* This consists of certain exceptional items as per note 7, namely the increase and release of onerous contract provisions totalling a £16.9m net credit plus the £6.5m LSER financial penalty provision release, impairment of goodwill of £2.7m and a £12.2m provision release following settlements with the DfT offset with payables relating to prior year exceptional professional fees of £3.0m.

** Cash balances of £50.5m (2021: £543.7m) were restricted at 2 July 2022. Further details are shown in note 20.

Consolidated cashflow reconciliations

Year ended 2 July 2022

A reconciliation of cash generated from operations to free cashflow and net debt, two non-GAAP measures used by management, is shown below. Free cashflow and adjusted net debt are measures used by management, which reflect the impact of restricted cash on cashflows.

	2022			2021		
Summary cashflow	**IFRS 16 basis £m**	**IFRS 16 effect £m**	**Pre-IFRS 16 basis £m**	IFRS 16 basis £m	IFRS 16 effect £m	Pre-IFRS 16 basis £m
EBITDA (excluding exceptional items)	**538.2**	**377.1**	**161.1**	695.6	499.9	195.7
Movement in restricted cash	**493.2**	**—**	**493.2**	(68.9)	—	(68.9)
Cash exceptional items	**(8.6)**	—	**(8.6)**	—	—	—
Working capital and other operating cashflows	**(506.0)**	**(1.4)**	**(504.6)**	(6.5)	42.0	(48.5)
Cashflow generated from operations (excluding restricted cash movements)	**516.8**	**375.7**	**141.1**	620.2	541.9	78.3
Tax paid	**(14.3)**	**—**	**(14.3)**	(12.1)	—	(12.1)
Net interest paid	**(17.4)**	**(8.9)**	**(8.5)**	(19.2)	(9.0)	(10.2)
Net capital investment	**(39.4)**	**—**	**(39.4)**	(47.2)	—	(47.2)
Dividends paid to non-controlling interests	**—**	**—**	**—**	(3.7)	—	(3.7)
Free cashflow	**445.7**	**366.8**	**78.9**	538.0	532.9	5.1
Payments to acquire own shares	**(0.4)**	**—**	**(0.4)**	(0.6)	—	(0.6)
Inception of new leases	**(21.9)**	**(21.9)**	**—**	(31.7)	(31.7)	—
Lease modifications	**(894.7)**	**(894.7)**	**—**	(166.6)	(166.6)	—
Net cash spent in business acquisitions	**(7.5)**	**—**	**(7.5)**	—	—	—
Debt and leases acquired in business acquisitions	**(21.7)**	**(6.5)**	**(15.2)**	—	—	—
Other	**9.1**	**—**	**9.1**	11.2	—	11.2
Movement in adjusted net debt*	**(491.4)**	**(556.3)**	**64.9**	350.3	334.6	15.7
Opening adjusted net debt*	**(615.6)**	**(309.7)**	**(305.9)**	(965.9)	(644.3)	(321.6)
Closing adjusted net debt*	**(1,107.0)**	**(866.0)**	**(241.0)**	(615.6)	(309.7)	(305.9)

* Adjusted net debt represents net cash less restricted cash, see note 3.

EBITDA (excluding exceptional items) reconciliation

EBITDA (excluding exceptional items) is defined as earnings before interest, tax, depreciation, amortisation and impairment and excludes exceptional items, as shown below. This metric is used in the calculation of our pre-IFRS 16 EBITDA (excluding exceptional items) which is relevant to our debt covenants.

	2022 £m	2021 £m
Profit/(loss) after tax for the year	**81.2**	(40.7)
Exceptional operating items	**(21.2)**	104.1
Net finance costs	**15.5**	18.1
Tax expense	**13.5**	33.8
Depreciation of property, plant and equipment	**73.2**	81.6
Depreciation of right of use assets	**371.4**	486.5
Amortisation of intangible assets	**3.5**	6.3
Share of result of joint venture	**0.1**	0.2
Asset impairment, excluding exceptional items	**1.0**	5.7
EBITDA (excluding exceptional items)	**538.2**	695.6
IFRS 16 effect[1]	**(377.1)**	(499.9)
EBITDA (excluding exceptional items) (pre-IFRS 16)	**161.1**	195.7

1. IFRS 16 effect relates to costs that would have been incurred in operating costs relating to leases not on the balance sheet before IFRS 16 was adopted. Deducting this amount from EBITDA (excluding exceptional items) results in an EBITDA (excluding exceptional items) (pre-IFRS 16) figure.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Contract and franchise accounting

The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them are governed by a number of contracts between the major participants: the DfT, Network Rail and train operating companies (TOCs). These contracts include detailed performance regimes which determine the allocation of financial responsibility relating to the attribution of delays. The processes for attribution, whilst well understood, require detailed assessment and judgement, and can take significant time to resolve, particularly in unusual circumstances.

The useful economic lives of assets are determined by reference to the length of the franchise and are matched to the contractual franchise end date. The residual value of assets is determined by applying judgement to their condition at the franchise end date and by the level of maintenance that has been undertaken during the period of operation.

The Group makes provision for income and costs relating to performance regimes and contractual obligations relating to operating delays caused by Network Rail or caused by our own operating companies. This process involves judgement can be based primarily on previous experience of settling such claims, or, in certain circumstances, based on management's view of the most likely outcome of individual claims. The Group has significant internal expertise to assess and manage these aspects of the agreements and the issues relating to delay attribution to enable management to assess the most probable outcomes; nonetheless significant judgements are required, which can have material impacts on the financial statements.

Accordingly, judgements in these and other areas are made on a continuing basis with regard to amounts due and the recoverable carrying value of related assets and liabilities arising from franchises and other contracts. Regular reviews are performed on the expected outcome of these arrangements, which require assessments and judgements relating to the expected level of revenues and costs.

Please refer to notes 25 and 28 for details of contingent liabilities relating to these judgements and estimations.

Critical accounting judgements and key sources of estimation uncertainty continued

Critical accounting judgements continued

Exceptional operating items

In certain years the Group presents as exceptional operating items, on the face of the income statement, material items of income or expense which, because of the size, nature or expected infrequency of the events giving rise to them, merit separate presentation to allow an alternative understanding of financial performance. The determination of whether items merit presentation as exceptional in a particular year is therefore a matter of judgement.

Items of income or expense that are considered by management for designation as exceptional include onerous contract provisions, impairment of assets, restructuring provisions, fines or penalties, and income from legal settlements, and the related tax on these items. Set out below are details of the transactions against which management has considered the exceptional items accounting policy, outlined on page 150.

Provisions – Regional Bus

In Regional Bus in the year ended 3 July 2021, additional costs of £1.2m were recognised in relation to loss making contracts where passenger demand was not recovering at the same levels as the wider commercial network. Following renegotiation of these contracts, it was determined necessary to release £1.2m of this onerous contract provision in the year ended 2 July 2022. In line with the Group's accounting policy and the consistent with the classification of the charge in the prior year and also with the treatment described below for the release of the Norwegian onerous contract provision, the release of this provision has been classified as an exceptional credit.

Goodwill impairment – Regional Bus

During the year, goodwill of £2.7m has been impaired relating to Go North East due to the challenges in the current performance of the business and slow recovery from COVID-19 when compared to the other Regional Bus cash-generating units (CGUs). The Group have mitigating actions to increase profitability in Regional bus, including optimising the network and cost base through route rationalisation and proactive cost control and back-office synergies, which apply to Go North East. However, it has been determined that the goodwill in Go North East is not recoverable even with these mitigations. The carrying value of the Go North East cash-generating unit following this impairment is £nil.

Department for Transport settlements and associated costs relating to LSER

During the year ended 2 July 2022, settlements were reached with the DfT in relation to substantially all of the remaining LSER matters of concern including the historic profit share and affiliate trading disputes. This has resulted in a number of credits in the current year as a result of settlements being reached at a lower amount than initially estimated and provided for. This difference arose following the completion of the DfT's internal investigation with the subsequent credit predominantly relating to clarification of a historic affiliate trading transaction of £12.3m. These credits have been classified as exceptional items consistently with the prior year provision's classification and in line with the Group's exceptional items accounting policy.

Further, an exceptional release of £6.5m has been recorded in relation to the financial penalty provision made at the prior year end. At the time of announcing the results for the year ended 3 July 2021, the financial penalty was not known, however £30.0m was recorded as a provision in relation to this as management's best estimate at the time. Subsequent to this, on 9 May 2022, a final penalty notice was issued stating that the amount of the financial penalty would be £23.5m, as a result £6.5m of the provision was released. The £23.5m financial penalty was paid during the current year.

In line with the approach adopted for the year ended 3 July 2021, professional and legal fees of £8.9m associated with the LSER matters of concern have been recognised as exceptional items in the results for the year ended 2 July 2022. In the prior year, it was determined that all project costs should be recorded as exceptional items on the basis that they are material in size and are also expected to be infrequent given that they are a direct result of the LSER matters which are considered one-off in nature.

In addition to this, a settlement was reached in relation to the other closed franchises of £6.0m. The Group had provided £5.4m in relation to this at the prior year end and therefore a further £0.6m has been recorded as an exceptional debit. It has been determined that these settlement amendments should be recognised as exceptional in line with the Group's accounting policy given these are material and such significant settlements are considered to be one-off in nature.

Takeover legal and professional fees

On 13 June 2022, it was announced that Go-Ahead had been approached by two separate bidders for a potential takeover. It was then announced later that day that a cash offer which was recommended by the Board to shareholders had been made by Gerrard Investment Bidco Limited. a newly formed company indirectly owned by Kinetic TCo Pty Ltd ("Kinetic") and Globalvia Inversiones S.A.U. ("Globalvia"). As a result of this, legal, advisory and professional fees have been incurred.

As of 2 July 2022, the total amount incurred was £2.2m and this amount has been recognised as exceptional in line with the Group's accounting policy as these costs are a result of a recommended takeover bid which is one-off in nature and considered qualitatively material. These amounts only relate to the costs incurred and committed at 2 July 2022.

Subsequent to the year-end, further costs of approximately £12m have been incurred relating to the takeover. No provision was included for the additional costs at year-end on the basis that the outcome of the transaction was uncertain.

Critical accounting judgements and key sources of estimation uncertainty continued

Critical accounting judgements continued

Exceptional operating items continued

German Bavaria franchise onerous contract provision

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to full year 2021 and the 2022 interim results.

Upon reassessment of the Bavarian rail contracts' onerous contract provision under IAS 37 it was determined that an increase in the provision of £36.0m was necessary based on the contracts' forecast future cashflows discounted at a risk-free rate, in addition to a prior year adjustment impacting the opening reserves and the value of the provision by £5.1m. Refer to note 2 for further information.

The quantum of this provision increase is deemed to be sufficiently material and one-off in nature to be classified as exceptional in line with the Group's accounting policy and the equivalent treatment in the prior year. See below for more information in the key sources of estimation uncertainty section.

Norway franchise onerous contract provision and asset impairment

In the financial year ended 3 July 2021, the impact of the reduction and possible cessation of funding, the predominantly fixed nature of the operating costs to service the contractual obligations and the longer than expected duration of lower passenger demand following the impact of COVID-19 resulted in a reduction of the estimated value in use of the contract, which is based on the expected future cashflows and a risk-free discount rate. This reduction in future revenue resulted in an onerous contract provision of £65.3m and asset impairments of £10.5m being recognised at 3 July 2021.

On 28 June 2022, Go-Ahead Norway signed an agreement with the Norwegian Rail Directorate to revise its rail contract. This revision included certain obligations being waived, compensation for loss of income from the impacts of the COVID-19 pandemic, incentives for reaching specified levels of passenger income, and other areas of agreement including compensation for 50% of energy costs when prices reach specified levels. Updating cashflow forecasts for the revision to the contract with the Rail Directorate, as well as updating the discount rate and other inputs as a result of the developments in the year, has led to a material reduction in the value of the onerous contract provision and a release of the provision of £51.6m.

The quantum of this provision release is deemed to be sufficiently material and one-off in nature to be classified as exceptional in line with the Group's accounting policy and the equivalent treatment in the prior year. See page 143 below for more information in the key sources of estimation uncertainty section.

Subsequent to the year-end, a dispute has arisen with the Norwegian Rail Directorate relating to specific terms for the compensation for loss of passenger income mechanism that had been agreed under the revised agreement traffic agreement dated 28 June 2022. Based on legal advice obtained and review of correspondence between the Company and the Rail Directorate at the time of the signing of the revised agreement in June, the Directors are satisfied that the onerous provision has been calculated based on the terms of the revised agreement. Whilst the Directors are confident of a successful outcome, until such time as the dispute is resolved with the Directorate there remains a possible risk that if successfully challenged by the Directorate, this could increase the onerous contract provision by up to £20.0m. The Directors consider that the onerous contract provision reflects their best estimate of the terms agreed at the time.

The two items below were considered by management for designation as exceptional items but were determined not to meet the criteria stated in the Group's accounting policy.

Regional Bus restructuring costs

Restructuring costs in Regional Bus totalling £0.7m, were considered for classification as exceptional items. These costs, while considered one-off in nature, are not material in aggregate and therefore do not meet the Group's exceptional items criteria.

International Rail Stadler settlement

In August 2021, a settlement was reached with Stadler in relation to liquidated and consequential damages. The value of the settlement is considered material at €5.0m in cash and up to €5.0m in credit notes against future spend and therefore has been considered against the Group's exceptional accounting policy. It was determined that this settlement compensates the Group for increased costs incurred since the start of German operations in 2019 which were not classified as exceptional and so the compensation received should also not be classified as exceptional.

During the prior year, costs and provisions associated to the LSER matters of concern and potential penalty, the recognition of provisions for onerous contracts in Norway and Regional Bus restructuring and impairment of assets resulting from the impact of the COVID-19 pandemic were classified as exceptional. The profit on sale of fixed assets and provision releases in relation to our German business were classified as exceptional in the prior year.

Accounting for the Railways Pension Scheme (RPS)

The UK train operating companies participate in the Railways Pension Scheme (RPS), a defined benefit pension scheme which covers the whole of the UK rail industry. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme which means that costs are formally shared 60% employer and 40% employee. The Group only recognises amounts in relation to its share of costs in the income statement. The RPS is partitioned into sections and the Group is responsible for the funding of these sections whilst it operates the relevant franchise. At the end of the franchise term, responsibility for the funding, and consequently any deficit or surplus existing at that date, is passed to the next franchisee. At each balance sheet date, a franchise adjustment is recognised to the IAS 19 net pension asset or liability to reflect that portion expected to pass to the next franchisee.

Critical accounting judgements and key sources of estimation uncertainty continued

Critical accounting judgements continued

Accounting for the Railways Pension Scheme (RPS) continued

The directors have judged that this arrangement as synonymous to the circumstances described in paragraphs 92–94 of IAS 19 Employee Benefits (Revised), with a third party taking on the obligation for future contributions. As there is no requirement to make contributions to fund the current deficit, then it is assumed that all of the current deficit will be funded by another party and hence none of the deficit is attributable to the current franchisee. In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in the future, which is recognised as an adjustment to service cost in the income statement. As a result, any portion of service cost not expected to be covered by contributions paid during the franchise but expected to transfer at the end of the franchise is treated as an adjustment to the income statement.

Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

The directors deem this to be the most appropriate interpretation of IAS 19 to reflect the specific circumstances of the RPS where the franchise commitment is only to pay contributions during the period in which we run the franchise. An alternative approach would involve not limiting the measurement of the service cost through the recognition of an income statement franchise adjustment but recognising all movements on the franchise adjustment as a movement in a reimbursement right in other comprehensive income. For the year ended 2 July 2022, the impact of this alternative treatment, on a post-tax basis, would be an increase in costs of £70.3m (2021: £97.6m) to the income statement and a credit to other comprehensive income of £306.7m (2021: debit of £122.3m). Since the franchise contract only refers to the contribution requirements during the franchise term, and not any reimbursement rights, the directors consider that viewing the treatment as contribution sharing with the next franchisee is most appropriate.

Accounting for the end of the LSER franchise

As referred to on page 16, the LSER franchise ceased in October 2021 following the DfT's decision not to award LSER with a national rail contract. In preparing the financial statements, the directors have considered whether the cessation of this franchise should be treated as a discontinued operation under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. They have concluded that it should not be presented as discounted operations on the basis that the Group remains committed to the remaining UK rail franchise and its ongoing relationship with the DfT.

Key sources of estimation uncertainty

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

Retirement benefit schemes – bus

The measurement of defined benefit pension schemes requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 29. The Group engages Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to the Group's particular circumstances. Management also benchmarks these assumptions on a periodic basis with other professional advisors. Sensitivity analysis on the bus retirement defined benefit schemes is detailed in note 29.

Norwegian rail franchises

In December 2019, the Group began operating rail services in Norway, its first contract in this market and the first commercially run network in the country. After a successful start to operations, the effects of the COVID-19 pandemic were felt just three months into this contract. As the contract involved exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis.

In the financial year ended 3 July 2021, the impact of the reduction and possible cessation of this funding, the fixed nature of the operating costs and the longer than expected duration of lower passenger demand following the continued impact of COVID-19 resulted in a reduction of the estimated value in use of the contract. This value in use is based on the expected future cashflows and a risk-free discount rate and 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 of £65.3m and asset impairments of £10.5m being recognised as at 3 July 2021.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be made for an onerous contract where it is probable that the future economic benefits to be derived from the contract are less than the unavoidable costs under the contract.

On 28 June 2022, Go-Ahead Norway signed an agreement with the Norwegian Rail Directorate to revise its rail contract. This revision of the contract included certain obligations being waived, compensation for loss of income from the continued impacts of the COVID-19 pandemic was agreed at specified levels covering the difference between actual passenger income and income levels estimated when the contract was won. Incentives have also been agreed for reaching specified levels of passenger income, and other specific areas including compensation for 50% of energy costs when prices are at specified levels. The revised contract also allows Go-Ahead Norway to increase ticket prices to customers to recover future inflation increases.

Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

Norwegian rail franchises continued

Updating cashflow forecasts for the revision to the contract with the Rail Directorate, as well as updating the discount rate and inputs as a result of the developments in the year, leads to a material reduction in the value of the onerous contract provision to £11.1m.

The estimation of both the cashflow forecasts and discount rate involves a significant degree of judgement. Cashflow forecasts are derived from the most recent Board approved corporate plan. Cashflows for the remainder of the contract years are based on the third year of the corporate plan, updated to reflect the most recent experience of the franchises, updates made to the contract with the Rail Directorate, and other expected future developments. In line with IAS 37 paragraph 47, the pre-tax risk-free discount rates applied to risk adjusted future cashflows are derived with reference to relevant government bond yields in order to reflect the current market assessment of the time value of money.

Whilst the directors are taking every possible measure to mitigate the expected losses associated with the contract, the determination of the onerous contract provision involves inherent uncertainties and the estimation of many inputs, including future variations in passenger demand, energy costs, service performance, and staff costs. The provision is most sensitive to changes in passenger demand and energy costs and therefore these have been considered further below.

The key areas of estimation uncertainty are expected to become clearer as passenger recovery continues. Considering the estimated reasonably possible changes outlined below gives a range of estimation uncertainty whereby in the reasonably possible worst-case scenario the contract would still be loss making at a discounted loss of £19.8m, and the reasonably possible best-case scenario matches the best estimate of the provision as it is recorded. In accordance with IAS 1, this disclosure focuses on assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of the provision within the next financial year. The key areas of estimation uncertainty, and the associated reasonably possible sensitivities, are as follows:

- Passenger demand: in determining the value of the onerous contract provision, certain assumptions have been made in respect of the recovery of passenger levels to pre-COVID levels, a reduction in the level of recovery, which indicates a fall in the long-term passenger recovery levels of 5% would result in an increase of £4.1m to the provision.
- Energy costs: A reduction or increase in energy costs of 30% would reduce or increase the provision by £4.6m.

The percentage movements shown above are presented to show the movement required to result in a material movement, which are considered to be independent of each other. The provision is included within onerous contract provisions and further details can be found in note 25.

German rail franchises

The Group has a number of contractual commitments in Germany in respect of its current rail franchises in Baden-Württemberg and Bavaria.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be made for an onerous contract where it is probable that the future economic benefits to be derived from the contract are less than the unavoidable costs under the contract.

In prior years, the Group concluded that assets with a net book value of £16.5m in relation to the three Baden-Württemberg franchises were impaired down to £1.7m and it maintains that view. However, it also continues to hold the view that the contract is not onerous as the risk-adjusted discounted future cash inflows are expected to exceed the unavoidable costs over the life of the contracts.

In relation to Bavaria, the Group has two rail routes, each running for 12 years, which are collectively worth €2bn in lifetime revenues.

The ENA route became operational in December 2021 and the ABN route mobilised in December 2022.

Based on the Group's current knowledge and expectations of the income and costs associated with these contracts, it has been deemed necessary under IAS 37 to reassess the onerous contract provision. Due to market changes, clarity gained regarding matters with the local rail authorities and experience obtained since the recent start of operations, the provision recognised as at 2 July 2022 has increased to £58.8m (2021: £38.9m restated). Specific events that have taken place during the year have led to the significant increase in the provision. The key assumptions in the model that have changed relate to the following:

- Driver and conductor costs: during the year, the latest mobilisation activities resulted in the business gaining greater visibility into the running schedule, timetable and operational requirements. In conjunction with this, the business gained experience of operating the ENA Line of the contract that started in December 2021. The combination of these factors resulted in an increase in the overall staff costs for drivers and conductors.
- Subsidy: Whilst a significant portion of subsidy revenues are fixed over the life of the contract, there is a level of variability for matters such as anticipated changes in the finalisation of the mobilisation, performance incentives and penalty deductions. As disclosed in the prior year Annual Report and financial statements, an estimate was included for anticipated revenues from the pairing of unpaired train kilometres. In previous periods, this estimate was based on the recent experience in the Group's other German rail business and wider industry experience of management. Latest discussions with the transportation authority have confirmed that whilst future pairing of routes may be considered, at this stage, no additional subsidies will be agreed. Consequently, this estimate has been reversed in the current year.

Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

German rail franchises continued

- Macro-economic factors – during the year, the significant volatility in the macro-economic environment has affected a number of the assumptions underpinning revenues and costs in the onerous contract model. In particular, the assumptions have been affected by changes to inflation and energy prices. Whilst the revenue subsidy mechanism provides some protection for indexation risk, this is not covered 100%.

Whilst the directors are taking every possible measure to mitigate the expected losses associated with these contracts, the determination of the onerous contract provision involves inherent uncertainties and the estimation of many inputs which may give rise to a material adjustment of the provision in future years.

The degree of estimation uncertainty associated with the onerous contract provision is expected to reduce as operations commence and develop, as some of the existing estimation uncertainty derives from the fact that the final operational plan, contractual terms and operational model are still being determined. Considering reasonably possible favourable and adverse movements in these key inputs over each contract's 12-year life, gives a range of outcomes whereby in the best-case scenario the contracts would still be loss making at a discounted loss of £56.2m and in the reasonably possible worst-case scenario, which are disclosed further below, the contract would incur a discounted loss of £74.4m.

In accordance with IAS 1, this disclosure focuses on assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of the provision within the next financial year. The contracts currently in operation are management contracts and consequently there is no material revenue risk associated with these contracts. The key areas of estimation uncertainty, and the associated sensitivity, are therefore as follows:

- Service performance: A deterioration in service performance is considered more likely in the early years of operation, while a stabilisation of performance is then expected in the later years of operation. An increase of 0.5 percentage points in the level of penalties would increase the provision by £7.6m.
- Driver and conductor costs: There is an industry-wide issue in Germany with a lack of available train drivers. Increases in driver costs could be driven by an increase in the number of drivers required or an increased use of external drivers as a result of the industry shortage. Any increase in wages is received back as an increase in subsidy and a training academy has also been set up to train drivers to help mitigate this risk. The business has developed a plan for both the headcount necessary to deliver services and operating efficiency as the contract matures. In the early years of the model, the business has prepared the model based on a higher level of resource than would be required when the operations mature. This is to mitigate risk of penalties in the early years, recognising the challenges caused by staffing shortages in the industry. The estimate is sensitive both to costs of drivers and the number required to operate. An increase of 5% in driver and conductor costs would increase the provision by £8.1m.
- Energy consumption: as part of the onerous contract provision, management have made an assumption regarding the level of gross energy consumption and percentage of regeneration of the trains. Given the infancy of the contract, this is assumed to be at the lower end of the manufacturers' estimates. Consequently, there is potential for upside with the provision. If performance improved, resulting in a reduction in the overall energy consumption (net of regeneration) of 5%, the provision would decrease by £2.5m.

The estimates included in the onerous contract calculation are made based on the current level of agreed kilometres as per the contract. However, should the agreed kilometres change there will be corresponding changes in the estimates around other inputs. Further, estimates around rolling stock dilapidation costs and the renting out of trained drivers may depend upon the outcome of future events and may need to be revised as circumstances change. Energy costs are not determined to be a key source of estimation uncertainty in the German onerous contract provision model due to the subsidy mechanism in the rail contract which covers the majority of energy cost increases, so the risk is not borne by Go-Ahead.

Penalty to the Department for Transport relating to London & South Eastern Railway Limited (LSER)

Under the Railways Act 1993, the DfT had the power to impose a financial penalty in relation to LSER as outlined in the Annual Report for the year ended 3 July 2021. At the time of publishing the Annual Report for that financial year, in absence of specific precedent or relevant guidance, it was difficult to estimate precisely the likely quantum of any penalty. Following consideration of independent legal advice received by the Independent Committee, a provision of £30.0m, which reflected the Group's current best estimate of any penalty at the time, was included. This matter is no longer considered a key source of estimation uncertainty as the financial penalty was levied in March 2022 and subsequently paid at £23.5m.

Notes to the consolidated financial statements

1. Authorisation of financial statements and statement of compliance with International Financial Reporting Standards (IFRSs)

The consolidated financial statements of The Go-Ahead Group Limited (the Group) for the year ended 2 July 2022 were authorised for issue by the Board of directors on 24 February 2023 and the balance sheet was signed on the Board's behalf by Clare Hollingsworth and Christian Schreyer. The Group is a private company that is incorporated, domiciled and registered in England and Wales. The immediate parent of the Group is Gerrard Investment Bidco Limited which is a joint venture between Kinetic TCo Pty Ltd ("Kinetic") and Globalvia Inversiones S.A.U. ("Globalvia"). The registered office of the Group is 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne, NE1 6EE, UK. At the year end the Group's ordinary shares were publicly traded on the London Stock Exchange and were not under the control of any single shareholder. Subsequent to the year end the entire share capital of the group was purchased by Gerrard Investment Bidco Limited, a newly formed company indirectly owned by Kinetic and Globalvia.

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB.

The Group is required to comply with IFRSs under IAS 1 Presentation of Financial Statements, except in extremely rare circumstances where management concludes that compliance would be so misleading that it would conflict with the objective to "present fairly" its financial statements.

2. Summary of significant accounting policies

Basis of preparation

This note details the accounting policies which have been applied in the Group's consolidated financial statements. New accounting standards and interpretations which require adoption in future years have also been listed.

The financial statements are prepared under the historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

Going concern

The directors have considered the Group's current and future prospects, risks and uncertainties set out in the risk management objectives and policies, and its availability of financing, and are satisfied that the Group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis of preparation for these financial statements. Further detailed information is provided in the going concern statement in the directors' report on pages 49 to 50 and is therefore not replicated here.

New standards

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

- Impact of the initial application of Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Impact of the initial application of COVID-19 Related Rent Concessions beyond 30 June 2021 - amendment to IFRS 16

Adoption of the standards and interpretations had no material impact on the Group's financial position or related performance.

New standards and interpretations not applied

The International Accounting Standards Board (IASB) has issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (periods beginning on or after)
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Not yet announced by IASB
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use	1 January 2022
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
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

2. Summary of significant accounting policies continued

Prior year restatements

A prior year adjustment of £5.1m has been identified in respect of the Bavarian German onerous contract provision, primarily relating to prior year modelling errors within the model and errors relating to revenue for which there was contractual entitlement, but which had been omitted from the original onerous contract provision, over the life of the 12 year contract. The impact of the restatement is to increase the provision by £5.1m in the year ended 27 June 2020 with a corresponding reduction of retained earnings.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and the entities it controls (its subsidiaries) as at 2 July 2022. The financial year represents the 52 weeks ended 2 July 2022 (prior financial year 53 weeks ended 3 July 2021). For the UK and the Republic of Ireland (UK and ROI), the results are for the 52 weeks ended 2 July 2022 (prior financial year 53 weeks ended 3 July 2021). For all other operations, the results are for the 52 weeks ended 30 June 2022 (prior financial year 52 weeks ended 30 June 2021).

Control is achieved when the Group:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

Joint ventures represent the 50% equity interest held by the Group in respect of On Track Retail Limited, which is accounted for as a joint arrangement, and disclosures are limited in this Annual Report as the business is currently immaterial to the Group.

Joint arrangements

A joint arrangement is defined as an arrangement by which two or more parties have joint control and rights to the net assets. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Interests in joint arrangements are accounted for as either a joint venture or a joint operation in accordance with IFRS 11 Joint Arrangements.

A joint arrangement is accounted for as a joint venture when the Group, along with other parties, has joint control and rights to the net assets of the arrangement. Joint ventures are equity accounted in accordance with IAS 28 Investments in Associates and Joint Ventures (Revised). A joint arrangement is accounted for as a joint operation when the Group, along with other parties, has joint control of the arrangement, rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by including the Group's share of the assets, liabilities, income and expense on a line-by-line basis.

Revenue recognition

The revenue of the Group, arising from contracts with customers, mainly comprises income from road passenger transport and rail passenger transport.

The Group has a number of revenue streams which consist of revenue from passengers, contracts and franchise subsidies as well as other miscellaneous revenue streams. Revenue is recognised on satisfaction of performance obligations which are generally clear. Revenue is measured based on the fair value of the consideration received or receivable (excluding discounts, rebates, VAT and other sales taxes or duty) to which the Group expects to be entitled and excludes amounts collected on behalf of third parties.

2. Summary of significant accounting policies continued

Revenue recognition continued

As the Group has the right to consideration corresponding directly with the value of performance completed to date, customer contract revenue is recognised consistent with the amount that the Group has the right to invoice. The Group is therefore exercising the practical expedient not to explain transaction prices allocated to unsatisfied performance obligations at the end of the reporting period.

An explanation of the main revenue streams is set out below.

Passenger revenue

Passenger revenue mainly relates to revenue from ticket sales in Regional Bus and the Rail divisions.

In Regional Bus, passenger revenue mainly consists of commercial and concessionary revenue. Commercial passenger revenue relates to ticket sales for travel on the Regional Bus transport services and is recognised in the period in which the travel occurs. Season tickets and travel cards enable passengers to use travel services over a period of time. Management assesses amounts received in the period and future revenue is deferred, within liabilities, and subsequently recognised in the income statement within the applicable accounting period.

Concessionary revenue is received from public bodies, such as local authorities, with a performance obligation to transport certain eligible passengers free of charge. The transaction price varies between agreements and the revenue is recognised in the period of travel.

In UK Rail, revenue comprises amounts based principally on agreed models of route usage by Railway Settlement Plan Limited (RSP) (which administers the income allocation system within the UK rail industry), in respect of passenger receipts and other related services such as rolling stock maintenance and commission on tickets sold. In relation to the GTR franchise, passenger revenue is collected and remitted to the DfT net of management charges. In accordance with the GTR franchise agreement and IFRS 15 Revenue from Contracts with Customers, passengers are regarded as customers and therefore passenger income is regarded as revenue. In situations where the entity receives an amount from the DfT, the DfT is regarded as a customer of the entity and therefore such amounts received are recognised as revenue. Over their lifetime, the UK Rail franchises may switch between being in a "premium" position (when the amounts payable to the DfT exceed the amounts received from it) and being in a "subsidy" position (when the amounts received from the DfT exceed the amounts paid to it). When the franchises are in a subsidy position, subsidy revenue is recognised, in addition to passenger revenue, in the period in which the performance obligations are satisfied. In relation to the Southeastern franchise, passenger revenue is not remitted to the DfT; however, prior to the introduction of the Emergency Measures Agreement, passenger revenue was subject to a profit-sharing mechanism as described below on page 149.

In Germany, in line with the requirements of IFRS 15, passenger revenue is allocated by the tariff authority in each region between the various transport providers based on ticket income declared, passenger counts, tariff authority estimates and historical trends. Revenue is recognised based on the allocations made by the tariff authority or where these are not yet available, on the payments on account made by the tariff authority or on other best estimates. The revenue is recognised as the service is provided to the passenger.

In Norway, rail passenger revenue is dependent on passenger numbers and the type of ticket purchased. It is recognised when the passenger travels and when the service is delivered. During the COVID-19 pandemic, the Norwegian government provided financial support to rail operators, preventing material losses. On 28 June 2022, a new agreement was reached between Go-Ahead Norway A/S and the Norwegian Railway Directorate regarding the structure of the contract. The amended contract takes effect from 1 July 2022 and contains a revenue support scheme until the end of the contract. The amended contract also includes an incentive scheme linked to revenue growth.

Contract revenue

Contract revenue mainly relates to London & International Bus and comprises contractual income from government bodies which are recognised in the period to which they relate. Quality Incentive Contracts (QICs) income in London and Bus Service Reliability Framework (BSRF) income in Singapore are received as part of contract revenue and the potential premiums or penalties are assessed cumulatively on a contract-by-contract basis, at the end of each period based on key performance obligations, including reliability performance measures. The whole of cumulative penalties/premiums is recognised in the income statement on a pro-rata basis in the contract year.

When determining the QIC and BSRF income to be recognised, the Group utilises a weighted average approach to estimate the variable consideration element but constrains this estimate to ensure that variable consideration is only included in revenue to the extent that it is highly probable that it will not reverse when the final outcomes are known. The determination of this constrained estimate includes consideration of past performance and other performance expectations. Reflecting the current consistent portfolio of contracts which are spread throughout the year, there is not expected to be a material impact from this approach in year on year performance.

In Regional Bus, revenue generated from services provided on behalf of local transport authorities is also recognised as income in the period to which it relates.

2. Summary of significant accounting policies continued

Revenue recognition continued

Other revenue

Other revenue mainly relates to revenue for ancillary services, such as rail replacement bus services, maintenance and cleaning. Other revenue also includes rental income which is generated from rental of surplus properties and subleasing of railway infrastructure access. Other revenue is recognised in the period to which it relates, for the transaction price specified in the contract.

Revenue in relation to the COVID-19 Bus Service Support Grant (CBSSG) and Bus Recovery Grant (BRG) has been recognised within other revenue and is recognised in the period in which the operational revenue and costs it is supporting relate to. CBSSG requires that a minimum level of service is operated and revenue is variable and includes areas of estimation when determining the transaction price with the actual revenue not confirmed until the reconciliation process is complete. BRG is based upon mileage operated and a portion of the overall funding based on the operating company. The Group has recognised revenue where the amount can be measured reliably, and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Judgement is applied in determining whether some amounts are allowable in applying the terms of the scheme.

Effective from 1 September 2021, CBSSG was replaced by BRG. The BRG is intended to compensate operators for continuing to provide bus services during the COVID-19 recovery period and is allocated to operators across the industry based on revenue and mileage operated. Revenue is recognised when the bus services have been provided. There is no judgement applied in determining the amount of revenue to be recognised.

Franchise subsidy

Franchise subsidy revenue arises in the Rail division and comprises receipts from the relevant local transport authorities which are receivable under the terms of the franchise agreements. The franchise agreements include minimum specifications of passenger services to be provided by the operator, which is determined to be the performance obligation within the contract. Franchise premium payments to the DfT, for amounts due under the terms of the UK franchises, are recognised in operating costs.

The Emergency Measures Agreements (EMAs) and later Emergency Recovery Measures Agreements (ERMAs) in the UK transferred all revenue and cost risk to the Government from 1 March 2020 until 17 October 2021 for the Southeastern franchise and to the end of March 2022 for the GTR franchise. UK Rail companies are paid a small management fee to continue running a revised National Rail timetable across the UK. Net EMA funding, including the management fee, is recognised as franchise subsidy within revenue. For EMAs, the performance payment is assessed through a review process, which awards rail franchisees with a score of 1, 2 or 3 against three criteria (four for the ERMA) over the entire term of the EMA in areas of; operational performance, customer experience and acting as a good and efficient operator and was extended to include collaboration for the ERMA. The performance payment is recognised in accordance with IFRS 15 paragraph 56 only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The most likely method is applied in estimating the variable consideration. On 1 April 2022, GTR began operating its NRC. Under this arrangement, similarly to the EMA and ERMA agreements, GTR is paid a fixed management fee to run the franchise, with an additional performance fee element.

In Germany, the franchise contracts determine subsidy revenue without reference to the passenger revenue; the shortfall between passenger revenue and franchise contract revenue is paid as a subsidy by the Public Transport Authority (PTA). Franchise contract revenue is based, among other factors, on mileage and performance/quality levels. Revenue is recognised based on the performance figures reported monthly to the PTA. In accordance with IFRS 15:70, costs payable to the PTA, such as rolling stock lease payments, are netted against subsidy income as the PTA is regarded as the customer and provides the rolling stock under IFRIC 12.

In Norway, subsidy revenue is received from the Rail Directorate (the customer) as per the Traffic Agreement. This is mainly fixed, although there are variable elements with bonuses and penalties payable based on performance. The revenue subsidy is inter-related with a number of costs payable to the customer. These costs are payable to the state, are specified by the Traffic Agreement and are accounted for as a reduction in transaction price in accordance with IFRS 15:70. Following the impact of COVID-19, the Norwegian Government continued to support the rail industry with a package materially covering losses. This temporary support continued until the end of the financial year when it was replaced by revised contractual terms. The amended contract takes effect from 1 July 2022 and contains a revenue support scheme until the end of the contract. The amended contract also includes an incentive scheme linked to revenue growth.

All franchise subsidies are recognised in the period to which they relate.

Profit and revenue sharing/support agreements

The UK Rail companies have certain revenue and profit sharing agreements with the DfT. An accrual is made within amounts payable to central government for the estimated cost to the Group of the relevant amounts accrued at the balance sheet date. Costs are charged to operating costs. The profit share agreements were terminated when the EMAs and ERMAs were put in place from 1 March 2020.

Costs of obtaining a contract

Costs of obtaining a contract are capitalised under IFRS 15 and amortised on a straight-line basis over the life of the franchise, which ranges from 5 to 13 years. Refer to “Franchise set-up costs” section for further details on page 153.

2. Summary of significant accounting policies continued

Property, plant and equipment

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

Residual values and useful economic lives are reviewed annually. Where there is a contract end date, useful economic lives are based on this, not including any possible extensions not yet confirmed. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal and over their expected useful life on a straight-line basis, to operating costs in the income statement, as follows:

Leasehold land and buildings	The life of the lease
Freehold buildings	Over 50 to 100 years
Bus vehicles	Over 8 to 15 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount, being the higher of value in use or fair value less costs of disposal. Any impairment in value is recognised immediately in the income statement.

Government grants

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

Share based payment transactions

The cost of options granted to employees during the year is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of the Group (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Subsequent to the year-end, the Group was acquired by Gerrard Investment Bidco Limited which is a joint venture between Kinetic TCo Pty Ltd ("Kinetic") and Globalvia Inversiones S.A.U. ("Globalvia"). As a result, the Group's shares were delisted. Refer to Note 30 for further information.

Exceptional operating items

The Group presents as exceptional operating items on the face of the income statement material items of income or expense which, because of the size, nature and expected infrequency of the events giving rise to them, merit alternative presentation to allow an alternative understanding of financial performance. In considering the nature of the event, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, the precedent for similar items, and the commercial context for the particular transaction.

Items of income or expense that are considered by management for presentation as exceptional include onerous contract provisions, impairment of assets, restructuring provisions, takeover costs and fines or penalties, and the related tax on these items. Refer to the critical accounting judgements section on pages 140-145 for further detail on why certain items have been presented as exceptional items.

Finance income

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

Interest-bearing loans and borrowings

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition, the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other derecognition of debt are recognised directly in the income statement. Issue costs relating to any term extensions are offset against the proceeds and amortised over the life of the extension.

2. Summary of significant accounting policies continued

Leases

Lease identification

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

Right of use asset

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

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

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

Lease liability

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term with payments discounted at the rate implicit in the lease or, where that cannot be measured, at the Group's incremental borrowing rate. being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. Due to the capital structure of the Group, the Group's cost of debt forms the base of the IBR with specific finance and lease adjustments made, when applicable, which are linked to the lease term, country of lease and start date.

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

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Short term and low value asset leases

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

The Group recognises the rolling stock leases in Germany and Norway in accordance with IFRIC 12 Service Concession Arrangements, rather than IFRS 16 and therefore does not have a right-of-use asset or separate lease liability on the balance sheet in respect of these contracts.

Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

2. Summary of significant accounting policies continued

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- On the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income, or directly, in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Business combinations and goodwill

Business combinations are accounted for under IFRS 3 Business Combinations (Revised) using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree’s identifiable assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 in the income statement.

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

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

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

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

2. Summary of significant accounting policies continued

Software

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

Franchise set-up costs

A key part of the Group's activities is the process of bidding for and securing franchises, principally to operate rail services in the UK and bus and rail services internationally. In the UK, all franchise bid costs incurred prior to achieving preferred bidder status are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Internationally, all franchise bid costs incurred prior to a contract win are treated as an expense in the income statement irrespective of the ultimate outcome of the bid. Directly attributable, incremental costs incurred after achieving preferred bidder status, entering into a franchise extension or winning an international bid are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise, which ranges from 5 to 13 years. The amortisation expense is taken to the income statement within operating costs.

Customer contracts

Customer contracts relate to the value attributed to contracts and relationships purchased as part of the Group's acquisitions. The value is based on the unexpired term of the contracts at the date of acquisition. Customer contracts have a residual value of £nil and are amortised on a straight-line basis over the unexpired contract term, which is determined on an individual customer basis. The amortisation expense is taken to the income statement as operating costs.

Impairment of assets

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

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

Impairment losses (including goodwill impairment) of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Goodwill impairment losses are not reversed. The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, on a systematic basis less any residual value, over its remaining useful life.

Assets held for sale

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

Inventories

Inventories of fuel and engineering spares are valued at the lower of cost and net realisable value on a first in first out basis after making due allowance for obsolete and slow moving items. Cost comprises direct materials and costs incurred in bringing the items to their present location and condition. Net realisable value represents the estimated selling price less costs of sale. Purchases of fuel may be subject to cash flow hedges for commodity price risk. The initial cost of hedged fuel is adjusted by the associated hedging gain or loss transferred from the cash flow hedge reserve (basis adjustment).

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cashflow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. Summary of significant accounting policies continued

Financial instruments

Financial assets

The Group's financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss in the income statement, directly attributable transaction costs. Financial assets are subsequently classified as being measured at amortised cost, fair value through other comprehensive income, or fair value through the income statement.

The Group's financial assets at amortised cost are non-derivative financial assets held for collection of contractual cashflows where those cashflows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Group does not have any financial assets held at fair value through the income statement.

The Group does not have any financial assets held at fair value through other comprehensive income.

The Group uses an impairment model with impairment provisions based on expected credit losses. The Group applies the IFRS 9 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date for trade receivables, contract assets, accrued income and lease receivables using a provision matrix based on the Group's historical credit loss experience. The loss allowance on the receivables from central government is measured at an amount equal to 12-months' expected credit losses because these assets have a low credit risk at the reporting date.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk (such as changes to credit ratings or when the contractual payments are overdue by more than 30 days) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Trade receivables, amounts recoverable on contracts and accrued income are written-off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written-off are credited against the same line item.

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities

The Group's financial liabilities include trade payables, accruals, interest-bearing loans and borrowings and derivative financial instruments. At initial recognition, the Group measures financial liabilities at fair value plus, in the case of a financial liability not at fair value through the income statement, transaction costs that are directly attributable to the issue of the financial liability.

With the exception of derivative financial instruments, all other financial liabilities are subsequently measured on an amortised costs basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cashflows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10% different from the discounted present value of the remaining cashflows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cashflows after the modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

2. Summary of significant accounting policies continued

Financial instruments continued

Derivative financial instruments

The Group uses derivatives to hedge its risks associated with fuel price fluctuations. These derivatives are designated as cash flow hedges. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently remeasured at fair value at each balance sheet date.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cashflows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Gains or losses on fuel derivatives are recycled from equity into inventory on qualifying hedges to achieve fixed rate fuel costs with operating results.

Financial guarantees

Financial guarantees are accounted for in accordance with IFRS 9. Financial Guarantees are initially recognised at their fair value and are subsequently measured at the higher of the IFRS 9 expected credit losses and the amount initially recognised less any cumulative amount of income/amortisation recognised.

Fair value measurement

The Group measures financial instruments (derivatives) and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 24.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

2. Summary of significant accounting policies continued

Fair value measurement continued

When required, the Group presents the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Provisions

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

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

The Group provides for property, station and fleet dilapidations, where appropriate, based on the future expected repair costs required to restore them to their fair condition at the end of their respective lease terms, where it is considered that a reliable estimate can be made. The Group also provides for penalties where appropriate.

A provision is recognised in the Group's consolidated balance sheet for any contract that is onerous. A contract is considered onerous where it is probable that the unavoidable costs of delivering the contract exceed the future economic benefits expected to be derived from the contract. Determining the amount of an onerous contract provision (the lower of the net costs of fulfilling the contract or costs of terminating the contract) may involve forecasting future financial performance, where the most likely amount method is used. The amount of any onerous contract provision is re-assessed at each balance sheet date. Any increase or decrease required to the amount of the provision is charged or credited to the consolidated income statement. The Group has recognised onerous contract provisions in respect of the Bavarian and Norwegian rail franchises – refer to pages 192-193 for further details, including details of the key judgements made in relation to these provisions.

Uninsured liabilities

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

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

Provisions are accounted for on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

Treasury shares

Reacquired shares in the Group, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares.

Investments

Investments are held at fair value through profit or loss. The Group's subsidiary Go-Ahead Verkehrsgesellschaft Deutschland GmbH holds a 7.4% shareholding in Mobileeee Betriebsgesellschaft mbh & Co KG, an all-electric car-sharing service based in Germany. The value of this investment in the financial statements is £nil (2021: £nil).

Retirement benefits

The Group operates a number of pension schemes, both defined benefit and defined contribution. The costs of these are recognised in the income statement.

Bus retirement benefit schemes

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

2. Summary of significant accounting policies continued

Retirement benefits continued

Bus retirement benefit schemes continued

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. Any surplus is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

Contributions payable under defined contribution schemes in both Regional Bus and London & International Bus are charged to operating costs in the income statement as they fall due.

Rail retirement benefit schemes

The Group's UK train operating companies (TOCs) participate in the Railways Pension Scheme (RPS), which is an industry-wide defined benefit scheme. The Group is obligated to fund the relevant section of the scheme over the period for which the franchise is held.

All the costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. In addition, at the end of the franchise, any deficit or surplus passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable during the period over which it operates the franchise, these contributions being subject to change on consideration of future statutory valuations. The net liability reflects the Group's obligation to fund the statutory deficits of the relevant RPS sections over the franchise term.

The last statutory valuation of the RPS scheme sections in which the Group is involved, carried out on 31 December 2013 as noted in note 29, and its IAS 19 actuarial valuation are carried out for different purposes and may result in materially different amounts. There are ongoing funding deficits across the RPS schemes in which the Group participates and the IAS 19 valuation is set out in the disclosures below.

The accounting treatment for the time based risk-sharing feature of the Group's participation in the RPS is not explicitly considered by IAS 19 Employee Benefits (Revised). Since the contributions currently committed to being paid to each TOC section are lower than the share of the service cost (for current and future service) than would normally be calculated under IAS 19 Employee Benefits (Revised), the Group does not account for uncommitted contributions towards the section's current or expected future deficits. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current franchise and committed contributions. As a result, the Group consequently reduces any section deficit balance and reduces any service costs that would give rise to an increase in such deficit through the use of a franchise adjustment. The franchise adjustment reflects the extent to which third parties are expected to contribute towards the cost of the plan as a consequence of the deficit transferring at the end of the franchise, which is deemed, in the directors' view, in line with paragraphs 92–94 of IAS 19 Employee Benefits (Revised). Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

Contributions payable under defined contribution schemes in Germany and Norway are charged to operating costs in the income statement as they fall due.

Please refer to note 29 for further details.

3. Reconciliation of alternative profit measures (APMs)

The Group uses a number of alternative performance measures (APMs) throughout the Annual Report and Accounts. Management believes that adjusting for these items provides an alternate understanding of the Group's operating performance and financial position.

APMs used by the Group may not be comparable with similarly titled measures and disclosures by other companies. APMs have limitations as an analytical tool and a user of the financial statements should not consider these measures in isolation from, or as a substitute for, analysis of the Group's results of operations; and they may not be indicative of the Group's historical operating results, nor are they meant to be a projection or forecast of its future results.

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-exceptional operating profit:

	2022 £m	2021 £m
Operating profit	**110.3**	11.4
Exceptional items:		
– Norway franchise onerous contract provision charge/(release) and asset impairment	**(51.6)**	76.7
– German Bavaria franchise onerous contract provision	**36.0**	—
– Department for Transport settlements, financial penalty and associated costs relating to LSER and other historic franchises	**(9.3)**	32.4
– Asset impairments and provisions – Regional Bus	**(1.2)**	0.2
– Goodwill impairment – Regional Bus	**2.7**	—
– Asset impairments and restructuring costs – International Rail	**—**	(5.2)
– Takeover legal and professional fees	**2.2**	—
Operating profit pre-exceptional items	**89.1**	115.5

Further detailed information on the exceptional items is given in note 7.

A summary of the impact of the exceptional items on other statutory measures is as follows:

	Pre-exceptional 2022 £m	**Exceptional 2022 £m**	**Post-exceptional 2022 £m**	Pre-exceptional 2021 £m	Exceptional 2021 £m	Post-exceptional 2021 £m
Group operating profit	**89.1**	**21.2**	**110.3**	115.5	(104.1)	11.4
Profit/(loss) before taxation	**73.5**	**21.2**	**94.7**	97.2	(104.1)	(6.9)
Tax expense	**(13.1)**	**(0.4)**	**(13.5)**	(34.3)	0.5	(33.8)
Profit/(loss) for the year from continuing operations	**60.4**	**20.8**	**81.2**	62.9	(103.6)	(40.7)
Attributable to:						
– Equity holders of the parent	**50.9**	**17.0**	**67.9**	46.6	(92.6)	(46.0)
– Non-controlling interests	**9.5**	**3.8**	**13.3**	16.3	(11.0)	5.3
	60.4	**20.8**	**81.2**	62.9	(103.6)	(40.7)
Earnings per share						
– Basic	**118.3p**	**39.6p**	**157.9p**	108.4p	(215.4)p	(107.0)p
– Diluted	**117.8p**	**39.4p**	**157.2p**	108.0p	(214.7)p	(106.7)p

3. Reconciliation of alternative profit measures (APMs) continued

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.

	2022 £m	2021 £m
Syndicated loans	**280.0**	280.0
£250m sterling seven-year bond	**250.0**	250.0
€8m revolving credit facility	**6.9**	5.5
€10.85m loan	**9.3**	7.7
Flexbuss loan	**13.8**	—
Total core facilities	**560.0**	543.2
Amount drawn down at year end (see below)	**380.8**	389.8
Headroom on facilities	**179.2**	153.4
Unrestricted cash[1]	**141.3**	86.9
Headroom on facilities and unrestricted cash	**320.5**	240.3

1 Unrestricted cash is calculated as total cash of £191.8m (2021: £630.6m) less restricted cash of £50.5m (2021: £543.7m).

Reconciliation of "Amount drawn down at year end" to Liabilities arising from financing activities

Amount drawn down at 2 July 2022

	Syndicated loan facility £m	Lease liabilities £m	£250m sterling bond £m	Flexbuss loan £m	Euro RCF £m	Euro loan £m	Total £m
Liabilities arising from financing activities (Note 22)	**(104.3)**	**(867.6)**	**(255.5)**	**(13.8)**	**(5.3)**	**(6.9)**	**(1,253.4)**
Interest outstanding at year end	**—**	**—**	**6.3**	**—**	**—**	**—**	**6.3**
Debt issue costs	**(0.5)**	**—**	**(0.8)**	**—**	**—**	**—**	**(1.3)**
Adjust lease liabilities	**—**	**867.6**	**—**	**—**	**—**	**—**	**867.6**
Amount drawn down at year end	**(104.8)**	**—**	**(250.0)**	**(13.8)**	**(5.3)**	**(6.9)**	**(380.8)**

Amount drawn down at 3 July 2021

	Syndicated loan facility £m	Lease liabilities £m	£250m sterling bond £m	Flexbuss loan £m	Euro RCF £m	Euro loan £m	Total £m
Liabilities arising from financing activities (Note 22)	**(126.2)**	**(312.6)**	**(255.1)**	**—**	**(5.5)**	**(7.7)**	**(707.1)**
Interest outstanding at year end	**—**	**—**	**6.2**	**—**	**—**	**—**	**6.2**
Debt issue costs	**(0.4)**	**—**	**(1.1)**	**—**	**—**	**—**	**(1.5)**
Adjust lease liabilities	**—**	**312.6**	**—**	**—**	**—**	**—**	**312.6**
Amount drawn down at year end	**(126.6)**	**—**	**(250.0)**	**—**	**(5.5)**	**(7.7)**	**(389.8)**

3. Reconciliation of alternative profit measures (APMs) continued

Adjusted net debt

Adjusted net debt is the net cash/debt position of the Group adjusted to reflect the impact of restricted cash on cashflows. Net cash/debt is the value of cash and cash equivalents offset by borrowings, including interest-bearing loans and borrowings and lease liabilities. Restricted cash represents amounts held in UK Rail which can only be distributed with the agreement of the relevant local transport authorities and are therefore outside of management's control.

Management presents adjusted net debt on pre and post-exceptional item bases. Management also present adjusted net debt excluding the impact of the adoption of IFRS 16 in line with the requirement of debt covenants. The components of adjusted net debt are shown within note 22.

Free cashflow

Free cashflow is used by management to determine the amount of cash the Group has generated in the year from its operations that can be utilised for strategic purposes. A summary of free cashflow and the reconciliation between the cashflow statement and the adjusted net debt position is presented as part of the consolidated cashflow statement. Free cashflow is calculated as cashflow generated from operations (excluding restricted cash movements) less tax paid, net interest paid, net capital investment and dividends paid to non-controlling interests.

Management also presents free cashflow on a pre-IFRS 16 basis. This is presented to aid review of the free cashflow excluding the impacts of IFRS 16 on the Group.

Cashflow reconciliation

A reconciliation of cash generated from operations to free cashflow and net debt, two non-GAAP measures used by management, is shown on pages 158 to 160. Free cashflow and adjusted net debt are measures used by management, which reflect the impact of restricted cash on cashflows.

EBITDA (excluding exceptional items) reconciliation

EBITDA (excluding exceptional items) is defined as earnings before interest, tax, depreciation, amortisation and impairment and excludes exceptional items, as shown on page 166. This metric is used in the calculation of our pre-IFRS 16 EBITDA (excluding exceptional items) which is relevant to our debt covenants.

EBITDA (excluding exceptional items) pre-IFRS 16 is calculated as EBITDA (excluding exceptional items) less the IFRS 16 effect which is the costs that would have been incurred in operating costs relating to leases not on the balance sheet before IFRS 16 was adopted.

4. Segmental analysis

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

For management purposes, the Group is organised into four reportable segments: Regional Bus, London & International Bus, UK Rail, and International Rail. Operating segments are reported to the chief operating decision maker, considered to be the Group Chief Executive, on a periodic basis for the purposes of resource allocation and assessment of segmental performance. Segments are organised based on the long-term economic characteristics as well as the similar nature of the business activities and are reported as follows:

Regional Bus comprises UK bus operations outside London.

The London & International Bus segment comprises bus operations in London under the control of Transport for London (TfL), rail replacement and other contracted services in London, bus operations in Singapore under the control of the Land Transport Authority (LTA) of Singapore, bus operations in Ireland under the control of the National Transport Authority (NTA) of Ireland and bus operations, school transport, medical transfer and private hire buses in Sweden through the acquisition of Flexbuss during the current year. These are aggregated as a single segment for internal management purposes given the similar contractual nature of the services and how these services are provided, the type of customer, the similar economic characteristics and the similar regulatory environment. The operations are also governed and controlled by a distinct management team.

The UK Rail segment comprises UK Rail operations. The UK Rail operation, through an intermediate holding company, Govia Limited, is 65% owned by Go-Ahead and 35% by Keolis and during the year, included two rail franchises: Southeastern (until 17 October 2021) and GTR. The registered office of Keolis (UK) Limited is in England and Wales. The UK Rail operating companies have similar business activities and objectives, to provide passenger rail services and to achieve a modest profit margin through franchise agreements.

The International Rail segment comprises overseas rail operations in Germany and Norway. International Rail operations commenced on 15 June 2019 in Germany and on 15 December 2019 in Norway. A new operation in Bavaria started during the year on 12 December 2021 and a further train line has been mobilising during the year which started operating on 11 December 2022. These operations are managed collectively by the local transport authorities. The German operations are 100% owned by Go-Ahead. Germany and Norway operations are aggregated as a single segment for internal management purposes given the similar business activities and objectives and the fact that they each operate services under heavily controlled regimes and specifications, set by the local transport authorities in their respective countries.

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities and accordingly IFRS 8 does not require this information to be presented. Segment performance is evaluated based on operating profit or loss, on a pre and post-exceptional basis below.

Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

The following tables present information regarding the Group's reportable segments for the year ended 2 July 2022 and the year ended 3 July 2021.

Year ended 2 July 2022

	Regional Bus £m	London & International Bus £m	Total Bus £m	UK Rail £m	International Rail £m	Total Rail £m	Total Operations £m
Passenger revenue	**325.1**	**—**	**325.1**	**1,119.2**	**78.6**	**1,197.8**	**1,522.9**
Contract revenue	**70.0**	**676.9**	**746.9**	**0.2**	**—**	**0.2**	**747.1**
Other revenue	**68.8**	**4.0**	**72.8**	**142.1**	**20.8**	**162.9**	**235.7**
Franchise subsidy	**—**	**—**	**—**	**722.6**	**91.8**	**814.4**	**814.4**
Segment revenue	**463.9**	**680.9**	**1,144.8**	**1,984.1**	**191.2**	**2,175.3**	**3,320.1**
Inter-segment revenue	**(3.6)**	**(17.3)**	**(20.9)**	**(11.1)**	**—**	**(11.1)**	**(32.0)**
Group revenue	**460.3**	**663.6**	**1,123.9**	**1,973.0**	**191.2**	**2,164.2**	**3,288.1**
Operating costs including impairment losses	**(433.4)**	**(605.8)**	**(1,039.2)**	**(1,949.4)**	**(210.4)**	**(2,159.8)**	**(3,199.0)**
Group operating profit/(loss) (pre-exceptional items)	**26.9**	**57.8**	**84.7**	**23.6**	**(19.2)**	**4.4**	**89.1**
Exceptional operating items	**(2.3)**	**(0.9)**	**(3.2)**	**8.9**	**15.5**	**24.4**	**21.2**
Group operating profit/(loss) (post-exceptional items)	**24.6**	**56.9**	**81.5**	**32.5**	**(3.7)**	**28.8**	**110.3**
Share of result of joint venture							**(0.1)**
Net finance costs							**(15.5)**
Profit before tax and non-controlling interests							**94.7**
Tax expense							**(13.5)**
Profit for the year							**81.2**

4. Segmental analysis continued

Year ended 2 July 2022

Further information on exceptional operating items is disclosed in note 7.

	Regional Bus £m	London & International Bus £m	Total Bus £m	UK Rail £m	International Rail £m	Total Rail £m	Total Operations £m
Other segment information							
Capital expenditure:							
– Additions	**12.9**	**29.8**	**42.7**	**1.2**	**1.5**	**2.7**	**45.4**
– Intangible assets	**0.4**	**0.4**	**0.8**	**0.3**	**0.3**	**0.6**	**1.4**
– Right of use assets	**3.3**	**15.0**	**18.3**	**879.4**	**3.1**	**882.5**	**900.8**
Depreciation:							
– Owned assets	**35.6**	**25.0**	**60.6**	**11.3**	**1.3**	**12.6**	**73.2**
– Right of use assets	**5.8**	**19.1**	**24.9**	**346.0**	**0.5**	**346.5**	**371.4**
Amortisation:							
– Intangible assets	**0.4**	**1.7**	**2.1**	**1.3**	**0.1**	**1.4**	**3.5**

Year ended 3 July 2021

	Regional Bus £m	London & International Bus £m	Total Bus £m	UK Rail £m	International Rail £m	Total Rail £m	Total Operations £m
Passenger revenue	233.6	—	233.6	661.6	50.8	712.4	946.0
Contract revenue	70.6	682.9	753.5	0.5	—	0.5	754.0
Other revenue	127.5	1.6	129.1	132.2	7.2	139.4	268.5
Franchise subsidy	—	—	—	2,071.5	82.2	2,153.7	2,153.7
Segment revenue	431.7	684.5	1,116.2	2,865.8	140.2	3,006.0	4,122.2
Inter-segment revenue	(4.0)	(23.6)	(27.6)	(36.1)	—	(36.1)	(63.7)
Group revenue	427.7	660.9	1,088.6	2,829.7	140.2	2,969.9	4,058.5
Operating costs including impairment losses	(409.8)	(592.4)	(1,002.2)	(2,773.0)	(167.8)	(2,940.8)	(3,943.0)
Group operating profit/(loss) (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/(loss) (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)

Further information on exceptional operating items is disclosed in note 7.

	Regional Bus £m	London & International Bus £m	Total Bus £m	UK Rail £m	International Rail £m	Total Rail £m	Total Operations £m
Other segment information							
Capital expenditure:							
– Additions	28.5	21.5	50.0	2.3	0.6	2.9	52.9
– Intangible assets	0.9	—	0.9	0.4	0.9	1.3	2.2
– Right of use assets	7.9	9.9	17.8	168.2	1.0	169.2	187.0
Depreciation:							
– Owned assets	37.5	27.6	65.1	15.3	1.1	16.4	81.5
– Right of use assets	5.3	20.2	25.5	460.6	0.4	461.0	486.5
Amortisation:							
– Intangible assets	0.7	2.1	2.8	1.6	1.9	3.5	6.3

4. Segmental analysis continued

Inter-segment revenue relates to transactions between the Group's operating segments and includes rail replacement bus services and sub-leasing of rolling stock.

At 2 July 2022, there were non-current assets included within the London & International Bus segment of £7.2m (2021: £9.4m) relating to operations in Singapore and Ireland. Operations in Singapore generated a revenue of £60.8m (2021: £55.4m) and operations in Ireland generated a revenue of £37.6m (2021: £39.2m) during the year.

Non-current assets included within International Rail of £26.4m relate to international operations in Germany (2021: £23.1m). Operations in Norway generated a revenue of £52.1m (2021: £43.5m) and operations in Germany generated a revenue of £139.1m (2021: £96.7m).

We have two major customers which individually contribute more than 10% of Group revenue, one of which contributed £1,185.4m (2021: £2,195.6m), and the other contributed £547.0m (2021: £560.5m). No other individual customer contributed 10% or more to the Group's revenue in either the current or prior year.

5. Operating costs

Detailed below are the key amounts recognised in arriving at our operating costs. For accounting policies see 'Profit and revenue sharing/support agreements', 'Property, plant and equipment', 'Government grants' and 'Franchise set-up costs' in note 2. Exceptional items are outlined in note 7.

	2022 £m	2021 £m
Employee costs (note 6)	**1,291.5**	1,418.8
Rail operating charges (see below)	**706.5**	1,102.7
Energy costs (see below)	**246.8**	278.8
DfT franchise agreement payments/(receipts)	**2.5**	(10.9)
Depreciation (see below)	**444.6**	568.0
Intangible amortisation	**3.5**	6.3
Auditor's remuneration (see below)	**3.5**	1.7
Impairment losses (including reversals) on financial assets and contract assets	**(2.0)**	7.1
Profit on assets held for sale	**(0.3)**	—
Reimbursement of operating costs	**(10.4)**	(13.5)
Government grants	**(2.6)**	(2.8)
Government grants: COVID-19	**—**	(22.8)
Profit on disposal of property, plant and equipment	**(0.5)**	(0.2)
Other operating costs	**515.9**	609.8
Total operating costs (pre-exceptional operating items)	**3,199.0**	3,943.0

5. Operating costs continued

Further analysis of the above operating costs is as follows:

	2022 £m	2021 £m
Rail operating charges		
– Rail rolling stock	**156.7**	214.7
– Other rail	**170.9**	215.7
– Other non-rail	**2.3**	1.0
Total lease and sublease payments recognised as an expense (excluding rail access charges)	**329.9**	431.4
– Rail access charges	**376.6**	671.3
Total lease and sublease payments recognised as an expense	**706.5**	1,102.7
Depreciation		
– Owned assets	**73.2**	81.5
– Right of use assets	**371.4**	486.5
Total depreciation expense	**444.6**	568.0
Auditor's remuneration		
– Audit fee for the audit of the parent financial statements	**0.1**	0.1
– Audit fee for the audit of the subsidiary financial statements	**3.4**	1.4
– Additional audit fees incurred as a result of the matters of concern relating to LSER and other historic franchises and affiliate trading	**—**	1.2
Total audit fees for the audit of the financial statements	**3.5**	2.7
Total non-audit fees	**—**	0.2
Total auditor's remuneration (post-exceptional)	**3.5**	2.9
Energy costs		
– Bus fuel	**104.2**	89.4
– Rail diesel fuel	**3.4**	2.3
– Rail electricity	**116.4**	171.6
– Cost of site energy	**22.8**	15.5
Total energy costs	**246.8**	278.8

The Group's rail operating companies hold agreements with different entities for access to the railway infrastructure (track, stations and depots). These are classified as rail operating charges as they do not constitute a right of use asset.

Government grant income of £2.6m (2021: £2.8m) is mainly attributable to the release of grants received to support the mobilisation of international business operations and service improvements including smart ticketing, deliverable over a period of up to 15 years.

6. Employee costs

This note shows total employment costs, inclusive of share-based payment charges. We have a number of share plans used to award shares to directors and employees. A charge is recognised over the vesting period in the consolidated income statement, based on the fair value of the award at the date of grant. The note also shows the average number of people employed by the Group during the year. For accounting policies see 'Share based payment transactions' in note 2.

	2022 £m	2021 £m
Wages and salaries	**1,122.3**	1,234.5
Social security costs	**116.4**	121.3
Other pension costs	**52.7**	61.8
Share based payments (credit)/charge	**0.1**	1.2
	1,291.5	1,418.8

The average monthly number of employees during the year, including directors, was:

	2022	2021
Administration and supervision	**3,038**	3,614
Maintenance and engineering	**2,570**	2,787
Operations	**21,531**	24,172
	27,139	30,573

6. Employee costs continued

The detailed information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the Directors' remuneration report. Aggregate directors' emoluments are also disclosed in note 30.

Long Term Incentive Plans

The former executive directors participated in The Go-Ahead Group Long Term Incentive Plan 2015 (LTIP). The LTIP provided for executive directors to be awarded nil cost shares in the Group conditional on specified performance conditions being met over a period of three years. Refer to the Directors' remuneration report for further details of the LTIP.

The charge recognised for the LTIP during the year to 2 July 2022 was £nil (2021: £0.1m expense) in respect of granted shares (net of the impact of lapsed/cancelled shares).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 2 July 2022 and 3 July 2021 were:

	2022 % per annum	2021 % per annum
The Go-Ahead Group		
Future share price volatility	**50.0**	40.0
FTSE Mid-250 index comparator:		
Future share price volatility	**n/a**	25.0
Correlation between companies	**n/a**	30.0

The following table shows the number of share options for the LTIP:

	2022	2021
Outstanding at the beginning of the year	**240,826**	162,832
Granted during the year[1]	**42,203**	127,987
Forfeited during the year[2]	**(105,765)**	(49,993)
Exercised during the year	**—**	—
Outstanding at the end of the year	**177,264**	240,826

1. On 5 May 2022, share options were granted with a nil exercise price under The Go-Ahead Group Long Term Incentive Plan 2015 ("2021 RSP"). These were granted to the Group Chief Executive and vesting will be subject to achievement of financial and non-financial underpins measured over a three-year performance period, commencing with the start of the 2021/22 financial year and ending with the end of the 2023/24 financial year. For more information, please see the remuneration report.
2. Following the year-end, all outstanding LTIP awards (with the exception of the new RSP awards) lapsed or were cancelled following a remuneration committee meeting. Further information can be found in the remuneration report on pages 90 to 105.

The weighted average fair value of these options granted during the year was £8.16 (2021: £9.44). The weighted average remaining contractual life of the options was 1.66 years (2021: 1.81 years).

The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2021: £nil).

The estimated amounts due to the relevant tax authorities in relation to the above transactions are detailed in the directors' Remuneration Report.

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for certain senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three-year period. Refer to the Directors' remuneration report for further details of the DSBP. The DSBP options are not subject to any market-based performance conditions. Therefore, the fair value of the options is equal to the share price at the date of grant.

The expense recognised for the DSBP during the year to 2 July 2022 was £0.1m (2021: £1.2m).

The following table shows the number of share options for the DSBP:

	2022	2021
Outstanding at the beginning of the year	**277,012**	180,055
Granted during the year	**14,777**	135,084
Forfeited during the year	**(32,668)**	(7,369)
Exercised during the year	**(19,030)**	(30,758)
Outstanding at the end of the year	**240,091**	277,012

6. Employee costs continued
Deferred Share Bonus Plan continued
The weighted average fair value of options granted during the year was £8.32 (2021: £8.32). At the year end, 57,367 options related to DSBP awards which had vested before the year end but remained unexercised by participants. Of these, 524 options related to the award granted in November 2013, 3,276 related to the award granted in November 2014, 2,904 related to the award granted in November 2015, 2,937 related to the award granted in November 2016 and 8,123 related to the award granted in November 2017, 39,603 related to the award granted in November 2018. The weighted average share price of the options at the year end was £15.80 (2021: £11.40).

The weighted average remaining contractual life of the options was 0.94 years (2021: 1.59 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £8.54 (2021: £8.83).

Following the year-end, Go-Ahead announced they had reached agreement on the terms of a recommended cash offer for the Group, pursuant to which Bidco would acquire the entire issued and to be issued share capital of Go-Ahead (the Scheme of Arrangement becoming effective 10 October 2022). All DSBP awards were paid out in cash in line with the terms in the Scheme of Arrangement. See note 31 and the Directors Report on pages 90 to 110 for further details on the takeover.

7. Exceptional items
This note identifies items of an exceptional nature that have a significant impact on the results of the Group in the period. For accounting policies see 'Exceptional items' in note 2.

	2022 £m	2021 £m
Norway franchise onerous contract provision and asset impairment	**(51.6)**	76.7
German Bavaria franchise onerous contract provision	**36.0**	—
Department for Transport settlements, financial penalty and associated costs relating to LSER and other historic franchises	**(9.3)**	32.4
Asset impairments and provisions – Regional Bus	**(1.2)**	0.2
Goodwill impairment – Regional Bus	**2.7**	—
Asset impairments and restructuring costs – International Rail	**—**	(5.2)
Takeover legal and professional fees	**2.2**	—
Exceptional operating (credit)/charge	**(21.2)**	104.1

Year ended 2 July 2022
Total exceptional operating items in the year were a net credit of £21.2m to the income statement.

Norway franchise onerous contract provision and asset impairment
On 28 June 2022, an amended contract was signed between Go-Ahead Norway A/S and the Norwegian Railway Directorate following discussions over a number of months, regarding the structure of its rail contract.

Under the original contract, which began in December 2019, the revenue risk associated with changes in passenger demand rested with Go-Ahead. During the COVID-19 pandemic, the Norwegian Government provided financial support to rail operators, preventing material losses. However, this support was only temporary, so an onerous contract provision was initially recognised for the expected future losses over the life of the contract.

The amended contract takes effect from 1 July 2022 and runs for the duration of the original contract, until December 2027 (plus a two-year extension option until December 2029). The contract provides a revenue support mechanism until the end of the contract. The contract also includes an incentive scheme linked to revenue growth.

As a result of these improved contractual arrangements, the onerous contract provision has been reassessed and has significantly decreased. This has resulted in a net release of £51.6m of the provision, which has been recognised as an exceptional operating credit during the year.

Sensitivity analysis of the key variables in the provision model are shown on pages 140 to 145.

7. Exceptional items continued

Year ended 2 July 2022 continued

German Bavaria franchise onerous contract provision

Following the commencement of the first of the Group's two rail franchises in Bavaria in December 2021, the Directors have performed a reassessment of the onerous contract provision in relation to these franchises. The second Bavarian franchise became operational in December 2022.

Based on the Group's current knowledge and expectations of the income and costs associated with these contracts, it has been deemed necessary under IAS 37 to reassess the onerous contract provision. As a result, it has been determined that an increase of £36.0m in the provision is required, which has been recognised as an exceptional operating charge in the year ended 2 July 2022. This is primarily due to updated information and circumstances becoming available during the current financial year, resulting in a change in assumptions to several inputs in the model, such as increased staff costs as a result of more reliable information available through operations beginning in Bavaria in 2021. As a result, the provision recognised as at 2 July 2022 totals £58.8 (2021: £38.9m restated).

Refer to page 229 for further information, including sensitivity analysis of the key variables in the provision model.

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

A net exceptional credit of £9.3m has been recognised during the year ended 2 July 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 year, the financial penalty confirmation and other associated costs in relation to these matters.

On 9 May 2022, the Department for Transport issued the final penalty notice to 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 as an exceptional operating charge. The financial penalty was paid from LSER's restricted cash balance during the year and a release of £6.5m to the provision has been recorded as an exceptional operating credit in the current year accordingly.

In addition to this, settlements were reached with the DfT in relation to substantially all of the outstanding matters relating to LSER and other historic franchises, including affiliate trading disputes. This has resulted in a net credit of £11.7m which has been recorded as exceptional. This is offset by £8.9m of associated legal and professional costs incurred in relation to this matter.

Asset impairments and provisions – Regional Bus

During the year ended 3 July 2021, an onerous contract provision of £1.2m was recognised as an exceptional operating charge in relation to a loss-making contract where passenger demand was not recovering at the same levels as the wider commercial network. During the year ended 2 July 2022, this contract was renegotiated, removing the need for the onerous contract provision. As a result, this provision has been released and recognised as an exceptional operating credit in the year ended 2 July 2022, consistent with the treatment in the prior year.

Goodwill impairment – Regional Bus

During the year, goodwill of £2.7m has been impaired relating to Go North East due to the challenges in the current performance of the business and slow recovery from COVID-19. The carrying value of Go North East goodwill following this impairment is £nil (2021: £2.7m).

Takeover legal and professional fees

On 13 June 2022, it was announced that the board of directors of the Group and Gerrard Investment Bidco Limited (Bidco) had reached an agreement on the terms of a recommended cash acquisition of the Group. Subsequent to the year-end, the shareholders of the Group voted in favour of this agreement. Costs incurred by the Group in the year ended 2 July 2022 in relation to this totalled £2.2m and have been recognised as exceptional given that they are expected to be one-off in nature. Subsequent to the year-end, further costs of approximately £12m have been incurred relating to the takeover. No provision was included for the additional costs at year-end on the basis that the outcome of the transaction was uncertain.

Year ended 3 July 2021

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

Department for Transport potential financial penalty and associated costs relating to LSER

The Group recognised a provision of £30.0m in the year ended 3 July 2021 in relation to a potential financial penalty from the DfT 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.

7. Exceptional items continued

Year ended 3 July 2021 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 involved 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 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.

8. Finance income and costs

Finance income mainly comprises interest received from bank deposits. Finance costs mainly arise from interest due on the bond and bank loans. For accounting policies see 'Finance income' and 'Interest-bearings loans and borrowings' in note 2.

	2022 £m	2021 £m
Bank interest receivable on bank deposits	**0.5**	0.7
Interest on net pension asset	**0.7**	1.0
Interest receivable on net investment	**0.1**	0.1
Other interest receivable	**0.5**	0.3
Finance income	**1.8**	2.1
Interest payable on bank loans and overdrafts	**(2.3)**	(2.7)
Interest payable on £250m sterling seven-year bond	**(6.3)**	(6.2)
Other interest payable*	**0.5**	(2.2)
Unwinding of discounting on provisions	**(0.2)**	—
Interest payable on lease liabilities	**(8.9)**	(9.0)
Interest on net pension liability	**(0.1)**	(0.1)
Finance costs	**(17.3)**	(20.2)

* Other interest payable includes the release of an interest accrual in LSER in the year of £1.3m in relation to amounts owed to the DfT.

9. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note sets out the deferred tax assets and liabilities held across the Group. For accounting policies see 'Taxation' in note 2.

The Group taxation policy can be found at www.go-ahead.com.

a. Tax recognised in the income statement and in other comprehensive income

Tax relating to items charged or credited in the income statement:

	2022 £m	2021 £m
Current year tax charge	**10.7**	21.0
Adjustments in respect of current tax of previous years	**(1.5)**	(0.7)
Total current tax	**9.2**	20.3
Deferred tax relating to origination and reversal of temporary differences at 25% (2021: 25%)	**3.1**	(1.1)
Adjustments in respect of deferred tax of previous years	**(0.1)**	0.2
Impact of opening deferred tax rate	**1.3**	14.4
Total deferred tax	**4.3**	13.5
Tax reported in consolidated income statement	**13.5**	33.8

The tax reported in the consolidated income statement in the current year includes exceptional amounts relating to legal and professional costs. See note 7 for further details.

Tax relating to items charged or credited outside of the income statement:

	2022 £m	2021 £m
Tax on remeasurement gains on defined benefit pension plans	**9.6**	(5.3)
Current tax on cashflow hedges	**9.2**	—
Deferred tax on cashflow hedges	**(1.5)**	4.4
Deferred tax on share based payments (taken directly to equity)	**0.1**	(0.1)
Tax reported outside of the consolidated income statement	**17.4**	(1.0)

b. Reconciliation

A reconciliation of income tax applicable to accounting profit before taxation, at the statutory tax rate, to tax at the Group's effective tax rate for the years ended 2 July 2022 and 3 July 2021 is as follows:

	2022 £m	2021 £m
Accounting profit/(loss) before taxation	**94.7**	(6.9)
At United Kingdom tax rate of 19.0% (2021: 19.0%)	**18.0**	(1.3)
Share scheme costs not allowable for tax purposes	**—**	(0.3)
Non-qualifying depreciation	**0.8**	1.0
Expenditure not allowable for tax purposes	**2.2**	7.0
Income not taxable	**(5.0)**	(2.1)
Adjustments in respect of tax of previous years	**(1.6)**	(0.5)
Movement on unrecognised deferred tax on losses carried forward	**(1.6)**	16.1
Effect of the difference between current year corporation tax and deferred tax rates	**(0.4)**	0.1
Overseas tax rate difference	**(0.2)**	(0.6)
Impact of opening deferred tax rate	**1.3**	14.4
Tax reported in consolidated income statement	**13.5**	33.8
Effective tax rate	**14.3%**	(489.9%)

The 2022 effective tax rate on a pre-exceptional basis is 17.8% (2021: 35.3%). The pre and post-exceptional effective tax rates include a £1.3m (2021: £14.4m) charge in relation to the UK corporation tax rate change from an opening rate 19% to a closing rate of 25%. Excluding this charge, the effective tax rate is 12.8% (2021: 20.5%).

The Group had subsidiary trading companies in Germany, Ireland, Norway, Australia and Singapore during the year. The tax residencies of these companies are the same as the countries of incorporation, which are disclosed in note 30.

9. Taxation

b. Reconciliation continued

Singapore and Ireland profits are generated through the provision of bus passenger services and have been taxed at the appropriate local taxation rates of 17% and 12.5% respectively and have been included in the total statutory tax charge. Germany and Norway have faced trading difficulties which have resulted in historic losses; therefore no taxation has been recognised during the financial year. Australia's trading results for the financial year are immaterial.

The Group has not recognised deferred tax assets of £40.3m (2021: £26.0m) based on a taxation rate of 30.0% (2021: 30.0%) in respect of losses incurred of £134.4m (2020: £86.7) in Germany carried forward and £5.6m (2021: £16.9m) based on a taxation rate of 22.0% (2021: 22.0%) in respect of losses incurred of £25.3m (2020: £76.7m) in Norway carried forward. There is no time limit on the utilisation of these assets in Germany and Norway and they have not been recognised due to the uncertainty over their recovery in future periods.

c. Reconciliation of net current tax (asset)/liability

A reconciliation of the net current tax (asset)/liability is provided below:

	2022 £m	2021 £m
Current tax liability/(asset) at the start of the year	**4.2**	(4.0)
Corporation tax reported in consolidated income statement	**9.2**	20.3
Corporation tax reported in other comprehensive income	**9.2**	—
Net paid in the year	**(14.3)**	(12.1)
Net current tax liability at the end of the year	**8.3**	4.2

d. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2022 £m	2021 £m
Deferred tax liability		
Accelerated capital allowances	**(24.8)**	(21.1)
Other temporary differences	**(14.7)**	(14.2)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(13.2)**	(13.9)
Cashflow hedges	**—**	(1.5)
Retirement benefit obligations	**(20.1)**	(9.0)
Deferred tax liability included in balance sheet	**(72.8)**	(59.7)
Deferred tax asset		
Other temporary differences	**—**	0.9
Share based payments	**0.5**	0.6
Deferred tax asset included in balance sheet	**0.5**	1.5

The deferred tax asset, as shown above, is recognised as it is considered probable that there will be future taxable profits available.

The deferred tax liabilities and assets included in the balance sheet have been calculated using applicable enacted rates.

The movements in deferred tax in the income statement and other comprehensive income for the years ended 2 July 2022 and 3 July 2021 are as follows:

Year ended 2 July 2022

	At 3 July 2021 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	Acquisitions £m	**At 2 July 2022 £m**
Accelerated capital allowances	(21.1)	(3.7)	—	—	—	**(24.8)**
Asset backed funding pension arrangement	(13.2)	0.3	—	—	—	**(12.9)**
Other temporary differences	(0.1)	(0.1)	—	—	(1.6)	**(1.8)**
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(13.9)	0.7	—	—	—	**(13.2)**
Retirement benefit obligations	(9.0)	(1.5)	(9.6)	—	—	**(20.1)**
Cashflow hedges	(1.5)	—	1.5	—	—	**—**
Share based payments	0.6	—	—	(0.1)	—	**0.5**
	(58.2)	(4.3)	(8.1)	(0.1)	**(1.6)**	**(72.3)**

Notes to the consolidated financial statements continued

9. Taxation continued
d. Deferred tax continued
Year ended 3 July 2021

	At 27 June 2020 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	At 3 July 2021 £m
Accelerated capital allowances	(18.8)	(2.3)	—	—	(21.1)
Asset backed funding pension arrangement	(10.5)	(2.7)	—	—	(13.2)
Other temporary differences	2.0	(2.1)	—	—	(0.1)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(11.5)	(2.4)	—	—	(13.9)
Retirement benefit obligations	(10.1)	(4.2)	5.3	—	(9.0)
Cashflow hedges	2.9	—	(3.1)	(1.3)	(1.5)
Share based payments	0.3	0.2	—	0.1	0.6
	(45.7)	(13.5)	2.2	(1.2)	(58.2)

The deferred tax included in the Group income statement is as follows:

	2022 £m	2021 £m
Accelerated capital allowances	**3.9**	(1.9)
Revaluation	**(1.1)**	(0.6)
Retirement benefit obligations	**1.5**	1.6
Other temporary differences	**(0.1)**	—
Share based payments	—	(0.2)
	4.2	(1.1)
Adjustments in respect of prior years	**(1.2)**	0.2
Adjustment in respect of opening deferred tax rate	**1.3**	14.4
Deferred tax expense	**4.3**	13.5

e. Factors affecting tax charges
The standard rate of UK corporation tax is 19% and therefore 19% applies to the current tax charge arising during the year ended 2 July 2022. Legislation within the Finance Bill 2021 amended this rate to 25.0% with effect from April 2023 and therefore 25.0% has been applied, where applicable, to the Group's deferred tax balance as at the balance sheet date for balances which are expected to reverse after date.

10. Earnings per share

Basic earnings per share is the amount of profit after tax for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

Basic and diluted earnings per share

	Pre-exceptional 2022 £m	**Exceptional items 2022 £m**	**Post-exceptional 2022 £m**	Pre-exceptional 2021 £m	Exceptional items 2021 £m	Post-exceptional 2021 £m
Net profit/(loss) attributable to equity holders of the parent	**50.9**	**17.0**	**67.9**	46.6	(92.6)	(46.0)

	Pre-exceptional 2022 £m	**Exceptional items 2022 £m**	**Post-exceptional 2022 £m**	Pre-exceptional 2021 £m	Exceptional items 2021 £m	Post-exceptional 2021 £m
Basic weighted average number of shares in issue ('000)	**42,994**	**—**	**42,994**	42,988	—	42,988
Dilutive potential share options ('000)	**193**	**—**	**193**	142	—	142
Diluted weighted average number of shares in issue ('000)	**43,187**	**—**	**43,187**	43,130	—	43,130
Earnings per share:						
Basic earnings per share (pence per share)	**118.3**	**39.6**	**157.9**	108.4	(215.4)	(107.0)
Diluted earnings per share (pence per share)	**117.8**	**39.4**	**157.2**	108.0	(214.7)	(106.7)

The weighted average number of shares in issue excludes treasury shares held by the Group, and shares held in trust for the LTIP and DSBP arrangements.

No shares were bought back and cancelled by the Group in the period from 2 July 2022 to the completion of the acquisition of the Group by Gerrard Investment Bidco Limited on 10 October 2022, see note 31 for details.

11. Dividends paid and proposed

Dividends are one type of shareholder return, historically paid to our shareholders in April and November.

	2022 £m	2021 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2021: nil per share (2020: nil)	**—**	—
Interim dividend for 2022: nil per share (2021: nil)	**—**	—
	—	—

	2022 £m	2021 £m
Special dividend paid on completion of sale (not recognised as a liability as at 2 July 2022)		
Equity dividends on ordinary shares:		
Special dividend 2022: 100p per share (2021: nil)	**43.1**	—

Payment of proposed dividends does not have any tax consequences for the Group.

On 29 November 2022, an additional dividend of 37p per share (£16.0m) was paid to the Group's new shareholders.

12. Property, plant and equipment

The Group holds significant investments in land and buildings, bus vehicles and plant and equipment, which form our tangible assets. All assets (excluding freehold land) are depreciated over their useful economic lives. For accounting policies see 'Property, plant and equipment' in note 2.

	Freehold land and buildings £m	Short term leasehold land and properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost					
At 30 June 2020	227.6	18.0	716.7	187.3	1,149.6
Additions	0.3	2.8	42.8	6.9	52.8
Disposals	(4.8)	—	(25.7)	(1.7)	(32.2)
Transfer of ROU assets	—	—	1.1	—	1.1
Effect of foreign exchange rate changes	(1.1)	(0.2)	—	(0.3)	(1.6)
At 3 July 2021	222.0	20.6	734.9	192.2	1,169.7
Additions*	**14.6**	**1.5**	**22.3**	**7.1**	**45.5**
Acquisitions	**1.5**	**—**	**15.8**	**0.2**	**17.5**
Disposals	**(0.1)**	**(6.6)**	**(28.0)**	**(45.3)**	**(80.0)**
Transfer to/from other categories	**—**	**—**	**0.7**	**(0.3)**	**0.4**
Other	**—**	**—**	**0.6**	**—**	**0.6**
Effect of foreign exchange rate changes	**0.1**	**0.1**	**—**	**0.1**	**0.3**
At 2 July 2022*	**238.1**	**15.6**	**746.3**	**154.0**	**1,154.0**
Depreciation and impairment					
At 27 June 2020	22.8	8.1	393.5	136.2	560.6
Charge for the year	2.0	3.4	54.4	21.7	81.5
Impairment	—	—	3.4	0.2	3.6
Disposals	(4.4)	—	(24.5)	(1.6)	(30.5)
Transfer to/from other categories	—	—	0.8	—	0.8
Effect of foreign exchange rate changes	—	(0.1)	—	—	(0.1)
At 3 July 2021	20.4	11.4	427.6	156.5	615.9
Charge for the year	**2.1**	**2.7**	**50.9**	**17.5**	**73.2**
Impairment	**0.3**	**—**	**0.2**	**0.2**	**0.7**
Disposals	**—**	**(6.4)**	**(27.6)**	**(43.3)**	**(77.3)**
Transfer to/from other categories	**—**	**—**	**0.5**	**—**	**0.5**
Effect of foreign exchange rate changes	**0.1**	**—**	**—**	**0.1**	**0.2**
At 2 July 2022*	**22.9**	**7.7**	**451.6**	**131.0**	**613.2**
Net book value					
At 2 July 2022*	**215.2**	**7.9**	**294.7**	**23.0**	**540.8**
At 3 July 2021	201.6	9.2	307.3	35.7	553.8
At 27 June 2020	204.8	9.9	323.2	51.1	589.0

* Included in this note are assets under construction with a carrying value of £4.1m at 2 July 2022 (2021: nil). These assets mostly relate to buses requiring refurbishment and which will eventually be transferred into rolling stock and a small amount into PPE under construction. The Group expects these to be in use within 12 months of the year-end.

13. Leases

This note details right of use assets and the associated lease liabilities. For accounting policies see 'Leases' in note 2.

The Group has lease liabilities for land and buildings, rail rolling stock, bus vehicles and various items of plant and equipment. These contracts have no terms of renewal or purchase option escalation clauses.

Right of use assets

	Leasehold land and properties £m	Rolling stock £m	Plant and equipment £m	Total £m
Cost				
At 27 June 2020	29.7	1,000.4	0.3	1,030.4
Additions*	1.7	184.8	0.5	187.0
Disposals	(0.1)	(15.3)	—	(15.4)
Transfer to owned assets	—	(1.1)	—	(1.1)
Effect of foreign exchange rate changes	(0.3)	—	—	(0.3)
At 3 July 2021	31.0	1,168.8	0.8	1,200.6
Additions*	**12.3**	**888.5**	**—**	**900.8**
Acquisitions	**3.1**	**3.5**	**—**	**6.6**
Disposals	**(5.4)**	**(255.6)**	**(0.8)**	**(261.8)**
Transfer to owned assets	**—**	**(0.7)**	**—**	**(0.7)**
Other	**0.2**	**—**	**—**	**0.2**
At 2 July 2022	**41.2**	**1,804.5**	**—**	**1,845.7**
Depreciation and impairment				
At 27 June 2020	6.8	374.6	0.1	381.5
Charge for the year	6.7	479.3	0.5	486.5
Impairment	0.8	3.2	—	4.0
Disposals	0.1	(15.2)	—	(15.1)
Transfer to owned assets	—	(0.9)	—	(0.9)
Effect of foreign exchange rate changes	(0.1)	—	—	(0.1)
Other	0.2	(0.9)	—	(0.7)
At 3 July 2021	14.5	840.1	0.6	855.2
Charge for the year	**6.0**	**365.2**	**0.2**	**371.4**
Disposals	**(5.0)**	**(255.0)**	**(0.8)**	**(260.8)**
Transfer to owned assets	**—**	**(0.5)**	**—**	**(0.5)**
At 2 July 2022	**15.5**	**949.8**	**—**	**965.3**
Net book value				
At 2 July 2022	**25.7**	**854.7**	**—**	**880.4**
At 3 July 2021	16.5	328.7	0.2	345.4
At 27 June 2020	22.9	625.8	0.2	648.9

* Additions include £879.0m (2021: £165.9m) of contract modifications in relation to Govia Thameslink Railway as a result of the National Rail Contract (NRC) being awarded during the year, commencing 1 April 2022. In the prior year, additions included £165.9m of contract modifications when the Govia Thameslink Railway previous franchise contract was extended.

Lease liabilities

The balance sheet includes the following amounts:

	2022 £m	2021 £m
Current	**309.0**	263.9
Non-current	**558.6**	48.7
	867.6	312.6

13. Leases continued

Lease liabilities continued

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2022 £m	2021 £m
Less than one year	**326.0**	268.3
One to two years	**300.2**	16.8
Two to three years	**246.0**	11.6
Three to four years	**7.6**	9.1
Four to five years	**8.3**	4.4
More than five years	**12.6**	5.8
Total undiscounted lease liability	**900.7**	316.0

See note 22 for a reconciliation of the opening to closing lease liabilities.

Amounts recognised in the Group income statement

	2022 £m	2021 £m
Depreciation expense on right of use assets	**371.4**	486.5
Interest payable on lease liabilities	**8.9**	9.1
Expenses relating to short term leases	**3.1**	0.4
Expenses relating to low value leases	**0.2**	0.2
	383.6	496.2

Amounts recognised in the Group cashflow statement

	2022 £m	2021 £m
Total cash outflow for leases	**377.1**	543.5

Sale and leaseback transactions

A number of bus vehicles in the Group are leased with some purchased and sold immediately at fair value and for the same value as the carrying value of the asset at no gain or loss and leased back. This is to match vehicles to specific income streams. The cashflow impact of these transactions results in the cash received for the sale of vehicles offsetting the payments made for the purchase of vehicles. Cash payments are subsequently made over the life of the lease.

Service concession agreements

International Rail operations are similar in nature and consist of the operation of service concession agreements and the provision of transport services on behalf of local government bodies. The Group has access to infrastructure whilst operating the service agreement which is returned to the grantor at the end of the contract. Consideration received is determined by the franchise agreement with variable elements attributable to performance and revenue is accounted for and classified in line with IFRS 15. There are no construction or upgrade elements to the service agreement; therefore, no financial or intangible assets have been recognised.

Terminations

A significant number of the Group's rolling stock lease contracts include extension options which mirror potential franchise and revenue agreement extensions. The award of revenue extensions is at the discretion of the customer and outside the control of the Group. Therefore, it is management's judgement that it is not reasonably certain that the lease will be extended and therefore the lease term excludes extension periods.

14. Goodwill and intangible assets

The consolidated balance sheet contains significant intangible assets mainly in relation to goodwill, software, franchise set-up costs and customer contracts. Goodwill, which arises when the Group acquires a business and pays a higher amount than the fair value of the net assets primarily due to the synergies the Group expects to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise set-up costs are amortised over the life of the franchise. Customer contracts are amortised over the life of the contract. For further details see accounting policies for; "Software", "Franchise set-up costs", "Business combinations and goodwill", "Impairment of assets" and "Customer contracts" in note 2.

	Goodwill £m	Software costs £m	Franchise set-up costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost						
At 27 June 2020	87.4	28.5	50.1	16.7	10.0	192.7
Additions	—	2.2	—	—	—	2.2
Disposals	—	(0.7)	(2.5)	—	(7.1)	(10.3)
Effect of foreign exchange rate changes	—	—	(1.4)	—	—	(1.4)
At 3 July 2021	87.4	30.0	46.2	16.7	2.9	183.2
Additions	—	**1.4**	**—**	**—**	**—**	**1.4**
Acquisitions	**7.6**	—	**—**	**—**	**—**	**7.6**
Disposals	**—**	**(5.6)**	**—**	**(16.7)**	**—**	**(22.3)**
Transfers to other asset categories	**—**	**0.3**	**—**	**—**	**—**	**0.3**
At 2 July 2022	**95.0**	**26.1**	**46.2**	**—**	**2.9**	**170.2**
Amortisation and impairment						
At 27 June 2020	13.9	21.7	35.0	16.7	9.3	96.6
Charge for the year	—	3.1	3.1	—	0.1	6.3
Impairment	—	2.1	7.6	—	—	9.7
On disposal	—	(0.4)	(2.5)	—	(7.1)	(10.0)
Effect of foreign exchange rates	—	—	(1.2)	—	—	(1.2)
Other	—	(0.2)	—	—	—	(0.2)
At 3 July 2021	13.9	26.3	42.0	16.7	2.3	101.2
Charge for the year	**—**	**1.9**	**1.5**	**—**	**0.1**	**3.5**
Impairment	**2.7**	**0.3**	**—**	**—**	**—**	**3.0**
On disposal	**—**	**(5.3)**	**—**	**(16.7)**	**—**	**(22.0)**
At 2 July 2022	**16.6**	**23.2**	**43.5**	**—**	**2.4**	**85.7**
Net book value						
At 2 July 2022	**78.4**	**2.9**	**2.7**	**—**	**0.5**	**84.5**
At 3 July 2021	73.5	3.7	4.2	—	0.6	82.0
At 27 June 2020	73.5	6.8	15.1	—	0.7	96.1

Software costs

Software costs capitalised exclude software that is integral to the related hardware. Software is amortised on a straight-line basis over its expected useful life of three to five years.

Franchise set-up costs

A part of the Group's activities is the process of bidding for and securing franchises to operate rail and bus services in the UK and overseas. Directly attributable, incremental costs incurred after achieving preferred bidder status, entering into a franchise extension or winning an international bid are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise, currently between 5 and 13 years, in accordance with IFRS 15.

Rail franchise asset

This reflects the cost of the right to operate a rail franchise and relates to the cost of the intangible asset acquired on the handover of the franchise assets relating to the Southeastern rail franchise. The intangible asset was being amortised on a straight-line basis over the original life of the franchise and has been recorded as a disposal of nil net book value in the current year, following the end of the Group operating the franchise in October 2021.

Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions on a straight-line basis. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period. The unexpired term is 5.5 years.

14. Goodwill and intangible assets continued

Goodwill

Goodwill acquired through acquisitions has been allocated to individual cash generating units (CGUs) for impairment testing on the basis of the Group's business operations. The carrying value of goodwill is tested annually for impairment by cash generating unit and is as follows:

	2022 £m	2021 £m
Go South Coast	**34.6**	34.6
Brighton & Hove	**12.7**	12.7
Plymouth Citybus	**13.0**	13.0
Go North East	**—**	2.7
Regional Bus	**60.3**	63.0
Go-Ahead London	**10.5**	10.5
Flexbuss	**7.6**	—
London & International Bus	**18.1**	10.5
Total	**78.4**	73.5

During the year, goodwill of £2.7m has been impaired relating to Go North East due to the challenges in the current performance of the business and slow recovery from COVID-19. The carrying value of the Go North East cash-generating unit following this impairment is £nil.

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three-year period which have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long-term stability of the relevant income streams. The assumptions used are consistent with the historical performance of each unit and are expected to be realistically achievable in light of economic and industry measures and forecasts. The assessment of the value in use for Regional Bus cash generating units sensitive to the return of passenger revenue to pre-COVID-19 levels and cost inflation. The directors have also considered the implications of climate change and the Group's net zero commitment by 2045, when assessing the medium to long term projections. The Group, as a public transport services provider, has a vital role to play in helping reduce carbon emissions, and they therefore feel there is no adverse impact on the assumptions used.

Growth has been extrapolated forward, using a growth rate of 2%, from the end of the three-year forecasts over a total period of five years plus a terminal value using a growth rate of 2% which reflects the directors' view of long term growth rates in each business, and the long term recurrent nature of the businesses given the continued focus on public transport initiatives in response to government and public focus on climate change.

Separate discount rates have been calculated for the different cash generating units due to the varying impact of IFRS 16 on the underlying cashflows.

	Pre-tax and post-IFRS 16 discount rate		Terminal growth rate	
	2022 %	2021 %	2022 %	2021 %
Regional Bus	**11.2**	8.7	**2.0**	2.0
London & International Bus	**11.2**	8.4	**2.0**	2.0

Financial modelling adopting the assumptions outlined confirms that the carrying amount of the CGUs does not exceed their recoverable amount and no impairment charge is required.

The principal assumptions in the goodwill models are the forecasted cashflows in the three-year forecast period, the extrapolated growth rates and the discount rate. The calculation of value in use for each CGU is most sensitive to the discount rate and growth rates applied. Sensitivity analysis has been performed to understand what the percentage change in the principal assumptions would erode the headroom to zero. Details have been disclosed below of where a possible change in key assumptions would cause the carrying amount to exceed its recoverable amount.

The sensitivity analysis below is shown in relation to the Go South Coast CGU as this CGU is the most sensitive to changes in assumptions. The other CGUs can tolerate a higher discount rate and lower terminal growth rate before eroding the headroom to zero. The base case scenario for Go South Coast has headroom of £29.3m. The following assumption changes, holding others constant, would erode the headroom to zero for this CGU.

	%
Discount rate	13.8
Terminal growth rate	(1.8)

15. Business combinations

This note details acquisition transactions carried out in the current and prior periods. For accounting policies see 'Business combinations and goodwill' and 'Customer contracts' in note 2.

Year ended 2 July 2022

On 1 April 2022, Go-Ahead Sverige AB, a wholly owned subsidiary of the Group, acquired 100% of Flexbuss Sverige AB for an initial sum of 144.7m SEK (GBP £11.8m) with a further payment of 25.9m SEK (GBP £2.1m) made on 14 June 2022. This gives a total consideration paid of 170.6m SEK (GBP £13.9m). The company's operations consist of procured community-paid traffic, such as school traffic, ride services and scheduled traffic for municipalities and regions.

Aggregate net assets at the date of acquisition:

	SEK m	GBP m
Property, plant and equipment	**218.1**	**17.8**
ROU assets	**82.1**	**6.6**
Investment in subsidiary	**0.1**	**—**
Inventories	**1.4**	**0.1**
Cash and cash equivalents	**79.1**	**6.4**
Lease liability	**(80.8)**	**(6.6)**
Trade and other receivables	**47.7**	**3.9**
Trade and other payables	**(83.3)**	**(6.8)**
Interest-bearing loans and borrowings	**(186.4)**	**(15.1)**
Net assets	**78.0**	**6.3**
Goodwill	**92.6**	**7.6**
Cash	**170.6**	**13.9**
Total consideration	**170.6**	**13.9**

Acquisition costs of 1,854 SEK (GBP £0.2m) have been expensed through operating costs.

From the date of acquisition in the period, the acquisition recorded an operating profit of less than £0.3m (3.4m SEK) and revenue of £7.6m (93.7m SEK). Had the acquisitions been completed on the first day of the financial period, the impact on the Group's operating profit would have been an increase of £0.9m (11.2m SEK) and the impact on revenue would have been an increase of £22.1m (269.8m SEK).

Acquisition accounting is provisional and will be finalised in financial year 2022/23.

Year ended 3 July 2021

No business combinations occurred during the prior year.

16. Assets classified as held for sale

This note identifies any non-current assets or disposal groups that are held for sale. The carrying amounts of these assets will be recovered principally through a sale rather than through continuing use. For accounting policies see 'Assets held for sale' in note 2.

At 2 July 2022, assets held for sale had a carrying value of £0.1m (2021: £3.2m) and related to property, plant and equipment. Assets held for sale relating to bus rolling stock with a carrying value of £nil (2021: £3.1m) are included in London & International Bus. Assets held for sale relating to land and buildings have a carrying value of £0.1m (2021: £0.1m). Of these, £0.1m (2021: £0.1m) are included with Regional Bus and £nil (2021: £nil) are included within the Rail division.

The Group expects to sell £0.1m of these assets within 12 months of them going onto the "for sale" list and being actively marketed or reflecting contracts already in place for certain bus assets. Assets held for sale of £0.1m relate to land and buildings, within property, plant and equipment. The value at each balance sheet date represents management's best estimate of their resale value less disposal costs.

During the year ended 2 July 2022, assets held for sale were sold for a profit of £0.3m (2021: £0.3m) which was included within operating costs in the income statement (2021: £nil) and £nil (2021: £0.3m) was included in exceptional costs.

17. Inventories

Inventory primarily consists of vehicle spares and fuel and is presented net of allowances for obsolete products. For accounting policies see 'Inventories' in note 2.

	2022 £m	2021 £m
Raw materials and consumables	**14.5**	19.5

The amount of any reduction in value of inventories recognised as an expense during the year is £0.8m (2021: nil).

18. Trade and other receivables

Trade and other receivables mainly consist of amounts owed by principal contracting authorities and other customers, amounts paid to suppliers in advance, amounts receivable from central government and taxes receivable. Trade receivables are shown net of a loss allowance for expected credit losses.

	2022 £m	2021 £m
Current		
Trade receivables	**166.6**	146.0
Less: loss allowance for trade receivables	**(8.6)**	(10.8)
Trade receivables – net	**158.0**	135.2
Other receivables	**92.6**	31.9
Prepayments	**25.7**	77.5
Accrued income	**55.8**	40.6
Receivable from central government	**207.8**	128.0
	539.9	413.2

Included within amounts receivable from central government is VAT of £24.0m (2021: £47.1m).

Contract assets

	2022 £m	2021 £m
Contract assets*	**239.6**	121.5

* Contract assets are the sum of accrued Income and amounts receivable from central government shown net of VAT.

Amounts receivable from central government consists of UK and overseas VAT balances and amounts due from the DfT in the UK.

Accrued income and amounts receivable from central government principally comprise amounts relating to contracts with customers and make up the contract assets balance in the table above. Accrued income primarily comprises contract income which is billed on a regular basis and which is reclassified to trade receivables, as time passes, at the point at which it is billed. Contract assets have increased during the year as a result of amounts due under the CBSSG scheme and the timing of payments versus the recognition of related income. The non-current prepayment of £3.1m (2021: £2.0m) relates to a maintenance contract in Germany.

Non-current trade and other receivables

	2022 £m	2021 £m
Prepayments	**3.1**	2.0

18. Trade and other receivables continued

Ageing of trade receivables

As at 2 July 2022 and 3 July 2021, the ageing analysis of trade receivables and the loss allowance for trade receivables based on expected credit losses were as follows:

Year ended 2 July 2022

	Total £m	Not overdue £m	Less than 30 days £m	30–60 days £m	61–90 days £m	91–120 days £m	Greater than 120 days £m
Expected rate of credit losses	**5.2%**	**—**	**0.1%**	**—**	**0.1%**	**—**	**58.1%**
Gross carrying value of trade receivables	**166.6**	**132.3**	**12.1**	**4.6**	**1.7**	**1.1**	**14.8**
Loss allowance for trade receivables	**8.6**	**—**	**0.0**	**—**	**0.0**	**0.0**	**8.6**

The expected rate of credit losses have been revised during the year in light of changes to regulation within the UK Rail sector that facilitated the pursuit of property debtors which, in the previous period, was restricted as a result of COVID measures implemented by government.

Year ended 3 July 2021

	Total £m	Not overdue £m	Less than 30 days £m	30–60 days £m	61–90 days £m	91–120 days £m	Greater than 120 days £m
Expected rate of credit losses	7.4%	—	1.9%	1.8%	70.8%	23.3%	49.0%
Gross carrying value of trade receivables	146.0	112.3	5.3	5.6	2.4	4.3	16.1
Loss allowance for trade receivables	10.8	—	0.1	0.1	1.7	1.0	7.9

Loss allowance for trade receivables

Movements in the loss allowance for trade receivables were as follows:

	2022 £m	2021 £m
At 3 July 2021	**10.8**	4.1
Charge for the year	**0.8**	7.6
Utilised	**(0.2)**	(0.4)
Unused amounts reversed	**(2.8)**	(0.5)
At 2 July 2022	**8.6**	10.8

Impairment losses (including reversals) on financial assets and contract assets is amounts charged in the year less amounts reversed at £(2.0)m (2021: £7.1m).

Contract assets and accrued income were also considered for impairment but it was determined that provision for impairment was trivial both for the year ended 2 July 2022 and the year ended 3 July 2021. Loss allowance for other receivables and receivables from central government was measured as amount equal to 12-months' expected credit losses. Due to very low credit risk, no provision was required either for the year ended 2 July 2022 and the year ended 3 July 2021.

19. Finance lease receivables

On 25 March 2022 the Group entered into a new head lease for 962 train vehicles. On the same date, 44 train vehicles were subleased to SE Trains Limited. This lease structure was agreed with the DfT to meet the expected rail demands in the South East region of the United Kingdom.

Amounts receivable under finance leases

	2022 £m	2021 £m
Within year 1	**4.8**	2.3
Between year 1 and year 2	**3.6**	—
Between year 2 and year 3	**2.4**	—
Undiscounted lease payments receivable	**10.8**	2.3
Effect of discounting	**(0.4)**	—
Present value of lease payments	**10.4**	2.3
Net investment in the lease	**10.4**	2.3

Included in the income statement is finance income on the net investment in finance leases of £0.1m (2021: £0.1m).

The Group's finance lease arrangements do not include variable payments. The average effective interest rate approximates 2.44% (2021: 1.87%) per annum.

None of the finance lease receivables at the end of the reporting period are past due and management considers that no finance lease receivable is impaired.

20. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements. For accounting policies see 'Cash and cash equivalents' in note 2.

	2022 £m	2021 £m
Cash at bank and in hand	**186.8**	410.9
Cash equivalents	**5.0**	219.7
	191.8	630.6

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The fair value of cash and cash equivalents is not materially different from book value.

Amounts held by UK Rail companies included in cash at bank and on short term demand deposit can be distributed only with the agreement of the DfT, normally up to the value of distributable reserves or based on a working capital formula. Following the introduction of the Emergency Measures Agreements (EMAs), the Emergency Recovery Measures Agreements (ERMAs) and then the National Rail Contracts (NRCs), under these agreements the calculation mechanism for restricted cash continues to be in place. From 19 September 2020 until the end of March 2022, GTR was operating under an Emergency Recovery Measures Agreement (ERMA) and from 1st April 2022, GTR was operating under its successor National Rail Contract (NRC). Distributions of profit in respect of the period prior to the commencement of the EMA on 1 March 2020, amounting to £16.9m, were paid by the DfT in October 2022. As at year end, under the terms of the ERMA and the NRC, the remainder of GTR's cash continues to be restricted. South Eastern was operating under the EMA agreement at 3 July 2021 and its restricted cash balance was based on total cash less distributable reserves. Remaining restricted cash balances within South Eastern are balances owed to the DfT. As at 2 July 2022, balances amounting to £50.5m (2021: £543.7m) were restricted, with the decrease being primarily attributable to the cessation of the Group's Southeastern franchise in October 2021. Part of this amount is to cover deferred income for rail season tickets, which was £12.3m at 2 July 2022 (2021: £18.3m).

21. Trade and other payables

Trade and other payables mainly consist of amounts owed to suppliers that have been invoiced or accrued, deferred income and deferred season ticket income. They also include taxes and social security amounts due in relation to our role as an employer and amounts owed to central government.

Current trade and other payables

	2022 £m	2021 £m
Trade payables	**114.6**	120.0
Other taxes and social security costs	**32.8**	34.4
Other payables	**61.2**	57.4
Deferred season ticket income	**12.3**	18.3
Accruals	**226.6**	318.5
Deferred income	**48.6**	143.9
Payable to central government	**13.2**	187.5
Government grants	**1.5**	3.4
	510.8	883.4

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Amounts payable to central government consist of amounts payable to the DfT in the UK.
- Other payables are non-interest bearing and have varying terms of up to 12 months.

Deferred season ticket income and deferred income principally comprise amounts relating to contracts with customers:

Contract liabilities

	2022 £m	2021 £m	2020 £m
Contract liabilities	**60.9**	162.2	116.2

Contract liabilities at each balance sheet date are expected to be recognised as revenue within the next financial year. The contract liabilities balance as at 3 July 2021 was recognised as revenue during the year ended 2 July 2022. The balance as at 2 July 2022 has decreased primarily due to the end of the LSER franchise in the year.

Non-current trade and other payables

	2022 £m	2021 £m
Government grants	**17.5**	13.5

22. Interest-bearing loans and borrowings

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond. For accounting policies see 'Interest-bearing loans and borrowings', 'Cash and cash equivalents' and 'Leases' in note 2.

Net cash/debt and interest-bearing loans and borrowings

The net cash/debt position comprises cash, short term deposits, interest-bearing loans and borrowings. In line with our debt covenants, net debt is calculated using the outstanding principal value of debt and does not include accrued interest and is gross of debt issue costs. It can be summarised as:

Year ended 2 July 2022

			Current	Non-current		
	Effective interest rate %	Maturity	Within one year £m	After one year but not more than five years £m	After more than five years £m	Total £m
Syndicated loans	**0.60**	**1–4 years**	**—**	**104.7**	**—**	**104.7**
Interest accrued on syndicated loans			**0.1**	**—**	**—**	**0.1**
Debt issue costs on syndicated loans			**(0.2)**	**(0.3)**	**—**	**(0.5)**
£250m sterling seven-year bond	**2.50**	**1–3 years**	**—**	**250.0**	**—**	**250.0**
Interest accrued on £250m sterling seven-year bond			**6.2**	**—**	**—**	**6.2**
Debt issue costs on £250m sterling seven-year bond			**(0.3)**	**(0.4)**	**—**	**(0.7)**
€8m revolving credit facility	**2.10**	**0–1 years**	**5.3**	**—**	**—**	**5.3**
€10.85m loan	**2.79**	**Over 5 years**	**0.8**	**3.6**	**2.5**	**6.9**
Flexbuss loan	**0.60**	**0–9 years**	**2.4**	**9.1**	**2.3**	**13.8**
Lease liabilities (note 13)	**3.11**	**0–7 years**	**309.0**	**548.6**	**10.0**	**867.6**
Total interest-bearing loans and borrowings			**323.3**	**915.3**	**14.8**	**1,253.4**
Interest accrued			**(6.3)**	**—**	**—**	**(6.3)**
Debt issue costs			**0.5**	**0.7**	**—**	**1.2**
Total interest-bearing loans and borrowings** (adjusted by debt issue costs and interest)			**317.5**	**916.0**	**14.8**	**1,248.3**
Cash and short term deposits (note 20)			**(191.8)**	**—**	**—**	**(191.8)**
Net debt			**125.7**	**916.0**	**14.8**	**1,056.5**
Restricted cash*						**50.5**
Adjusted net debt						**1,107.0**

Year ended 3 July 2021

			Current	Non-current		
	Effective interest rate %	Maturity	Within one year £m	After one year but not more than five years £m	After more than five years £m	Total £m
Syndicated loans	0.63	1–4 years	—	126.6	—	126.6
Interest accrued on syndicated loans			0.1	—	—	0.1
Debt issue costs on syndicated loans			(0.1)	(0.4)	—	(0.5)
£250m sterling seven-year bond	2.50	1–4 years	—	250.0	—	250.0
Interest accrued on £250m sterling seven-year bond			6.2	—	—	6.2
Debt issue costs on £250m sterling seven-year bond			(0.5)	(0.7)	—	(1.2)
€8m revolving credit facility	2.10	0–1 years	5.5	—	—	5.5
€10.85m loan	2.79	Over 5 years	0.8	3.5	3.4	7.7
Lease liabilities (note 13)	2.26	0–7 years	263.9	42.0	6.8	312.7
Total interest-bearing loans and borrowings			275.9	421.1	10.2	707.2
Interest accrued			(6.3)	—	—	(6.3)
Debt issue costs			0.6	1.0	—	1.6
Total interest-bearing loans and borrowings** (gross of debt issue costs and interest)			270.2	422.1	10.2	702.5
Cash and short term deposits (note 20)			(630.6)	—	—	(630.6)
Net (cash)/debt			(360.4)	422.1	10.2	71.9
Restricted cash*						543.7
Adjusted net debt						615.6

* See note 20 for further information in relation to the Group's restricted cash balance.

** Net debt excludes accrued interest on debt and debt issue costs, therefore the total 'interest-bearing loans and borrowings' per the Balance Sheet and in provided table differs.

22. Interest-bearing loans and borrowings continued
Analysis of Group net debt/(cash)

	Cash and cash equivalents £m	Syndicated loan facility £m	Lease liabilities £m	£250m sterling bond £m	Flexbuss loan £m	Euro RCF £m	Euro loan £m	Total £m
At 27 June 2020	569.8	(147.4)	(648.6)	(256.2)	—	(5.8)	(9.1)	(497.3)
Net cashflow	62.5	17.0	534.3	—	—	—	0.8	614.6
Interest paid on loans and borrowings	(0.7)	0.7	9.0	6.2	—	—	0.4	15.6
Inception of new leases	—	—	(31.7)	—	—	—	—	(31.7)
Interest income/(expense)	0.7	(0.8)	(9.0)	(6.2)	—	—	(0.4)	(15.7)
Lease modifications	—	—	(166.6)	—	—	—	—	(166.6)
Effect of foreign exchange rate changes	(1.7)	3.8	—	—	—	0.3	0.6	3.0
At 3 July 2021 (*)	630.6	(126.7)	(312.6)	(256.2)	—	(5.5)	(7.7)	(78.1)
Acquired loan	**—**	**—**	**—**	**—**	**(15.1)**	**—**	**—**	**(15.1)**
Acquired lease liabilities	**—**	**—**	**(6.6)**	**—**	**—**	**—**	**—**	**(6.6)**
Net cashflow	**(440.9)**	**22.7**	**368.2**	**—**	**1.1**	**0.3**	**0.8**	**(47.8)**
Interest paid on loans and borrowings	**(0.5)**	**0.5**	**8.9**	**6.3**	**0.1**	**—**	**0.3**	**15.6**
Inception of new leases	**—**	**—**	**(21.9)**	**—**	**—**	**—**	**—**	**(21.9)**
Interest income/(expense)	**0.5**	**(0.5)**	**(8.9)**	**(6.3)**	**(0.1)**	**—**	**(0.3)**	**(15.6)**
Lease modifications	**—**	**—**	**(894.7)**	**—**	**—**	**—**	**—**	**(894.7)**
Effect of foreign exchange rate changes	**2.1**	**(0.8)**	**—**	**—**	**0.2**	**(0.1)**	**—**	**1.4**
At 2 July 2022	**191.8**	**(104.8)**	**(867.6)**	**(256.2)**	**(13.8)**	**(5.3)**	**(6.9)**	**(1,062.8)**

At 2 July 2022, included within net cash/(debt) is the value of interest accrued of £6.3m (2021: £6.2m), leading to an overall net debt figure of (£1,056.5m) (2021: (£71.9m)).

22. Interest-bearing loans and borrowings continued

Reconciliation of liabilities arising from financing activities

	Syndicated loan facility £m	Lease liabilities £m	£250m sterling bond £m	Flexbuss loan £m	Euro RCF £m	Euro loan £m	Total liabilities from financing activities £m
At 27 June 2020	(146.8)	(648.6)	(254.5)	—	(5.8)	(9.1)	(1,064.8)
Net Cashflow	17.0	534.3	—	—	—	0.8	552.1
Interest paid on loans and borrowings	0.7	9.0	6.2	—	—	0.4	16.3
Movement in debt issue costs	(0.1)	—	(0.6)	—	—	—	(0.7)
Inception of new leases	—	(31.7)	—	—	—	—	(31.7)
Interest expense	(0.8)	(9.0)	(6.2)	—	—	(0.4)	(16.4)
Lease modifications	—	(166.6)	—	—	—	—	(166.6)
Effect of foreign exchange rate changes	3.8	—	—	—	0.3	0.6	4.7
At 3 July 2021	(126.2)	(312.6)	(255.1)	—	(5.5)	(7.7)	(707.1)
Acquired loan	**—**	**—**	**—**	**(15.1)**	**—**	**—**	**(15.1)**
Acquired lease liabilities	**—**	**(6.6)**	**—**	**—**	**—**	**—**	**(6.6)**
Net Cashflow	**22.7**	**368.2**	**—**	**1.1**	**0.3**	**0.8**	**393.1**
Interest paid on loans and borrowings	**0.5**	**8.9**	**6.3**	**0.1**	**—**	**0.3**	**16.1**
Movement in debt issue costs	**—**	**—**	**(0.4)**	**—**	**—**	**—**	**(0.4)**
Inception of new leases	**—**	**(21.9)**	**—**	**—**	**—**	**—**	**(21.9)**
Interest expense	**(0.5)**	**(8.9)**	**(6.3)**	**(0.1)**	**—**	**(0.3)**	**(16.1)**
Lease modifications	**—**	**(894.7)**	**—**	**—**	**—**	**—**	**(894.7)**
Effect of foreign exchange rate changes	**(0.8)**	**—**	**—**	**0.2**	**(0.1)**	**—**	**(0.7)**
At 2 July 2022	**(104.3)**	**(867.6)**	**(255.5)**	**(13.8)**	**(5.3)**	**(6.9)**	**(1,253.4)**

Syndicated loan facility

On 16 July 2014, the Group entered into a £280.0m syndicated loan facility. The loan facility is unsecured and interest is charged at 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 11 October 2022 change of control clauses present in the syndicated loan facility agreement were activated as a result of the purchase of the Group by Gerrard Investment Bidco Limited. These change of control clauses resulted in one member of the banking syndicate group leaving the syndicate causing the facility commitments to decrease from £280.0m to £240.0m.

The primary financial covenant under the syndicated loan facility is an adjusted net debt to EBITDA (excluding exceptional items) ratio of not more than 3.5x and at 2 July 2022 it was 1.50x (2021: 1.56x). This is on a pre-IFRS 16 basis.

As at 2 July 2022, £104.7m (2021: £126.6m) of the facility was drawn down.

£250m sterling bond

On 6 July 2017, the Group raised a £250.0m bond of seven years maturing on 6 July 2024, with a coupon rate of 2.5%.

Euro RCF

On 24 October 2017, the Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH, entered into an €8.0m one-year revolving credit facility.

As at 2 July 2022, €6.1m or £5.3m (2021: €6.4m or £5.5m) was drawn down. The facility is unsecured and interest is charged at 2.1% plus EURIBOR.

Euro loan

On 24 October 2017, the Group's subsidiary, Go-Ahead Facility GmbH, entered into a €10.6m 10.5-year loan, which subsequently increased to €10.85m.

As at 2 July 2022, €8.1m or £6.9m (2021: €9.0m or £7.7m) was outstanding. The loan is secured against the German land and buildings included within property, plant and equipment. Interest is charged at a fixed rate of 2.79%.

Flexbuss loan

After acquisition of Flexbuss in Sweden in April 2022, the Group's subsidiary entered into finance agreements with eight banks for each individual bus owed by the company. The total number of buses accounts for 243 loans varying between each bank.

As at 2 July 2022, SEK172.7m or £13.8m (2021: nil) of loans were outstanding.

22. Interest-bearing loans and borrowings continued

Debt issue costs

There are debt issue costs of £0.5m (2021: £0.5m) on the syndicated loan facility.

The £250m sterling seven-year bond has debt issue costs of £0.7m (2021: £1.1m).

Debt issue costs are unamortised and remain capitalised as at 2 July 2022.

The Group is subject to two covenants in relation to its borrowing facilities. The covenants specify a maximum adjusted net debt to EBITDA (excluding exceptional items) and a minimum net interest cover. These covenants are on a pre-IFRS 16 basis. At the year end and throughout the year, the Group was not in breach of any bank covenants.

During the year, following delays to the publication of the 2020/21 year end financial statements, waivers were obtained from the Group's banks in relation to the information covenant requirements in the Group's borrowing facilities to submit accounts within a defined timeframe. Subsequent to year end, waivers have again been obtained from the Group's banks for the covenant requirements due to the delay in the publication of the 2021/22 year end financial statements.

23. Financial risk management objectives and policies

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to interest rate, liquidity, foreign exchange and credit risk, and the policies in place to monitor and manage these risks.

Financial risk factors and management

The Group's principal financial instruments comprise bank loans, a sterling bond, lease contracts and cash and short term deposits. The main purpose of these financial instruments is to provide an appropriate level of net debt to fund the Group's activities, namely working capital, fixed asset expenditure, acquisitions and dividends. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

It is Group policy to enter into derivative transactions relating to fuel swaps. The purpose of these is to manage the fuel price risks arising from the Group's operations.

It is, and has been throughout 2021/22 and 2020/21, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk, credit risk and commodity price risk, managed via fuel derivatives.

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Group's policy towards cash deposits is to deposit cash short term on UK money markets.

The Group is exposed to the risk of both increases and decreases in interest rates given it has cash balances on deposit and debt at floating rates.

The maturity and interest rate profile of interest-bearing loans and borrowings (excluding unamortised debt issue cost) and lease liabilities as at 2 July 2022 and 3 July 2021 is as follows:

	Average rate %	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Year ended 2 July 2022								
Floating rate liabilities								
Syndicated loans	**0.60**	**0.6**	**0.6**	**0.6**	**104.8**	**—**	**—**	**106.6**
€8m revolving credit facility	**2.10**	**5.4**	**—**	**—**	**—**	**—**	**—**	**5.4**
Gross floating rate liabilities		**6.0**	**0.6**	**0.6**	**104.8**	**—**	**—**	**112.0**
Fixed rate liabilities								
£250m sterling seven-year bond	**2.50**	**6.3**	**6.2**	**250.5**	**—**	**—**	**—**	**263.0**
€10.85m loan	**2.79**	**1.0**	**1.1**	**1.0**	**1.0**	**1.0**	**2.6**	**7.7**
Flexbuss loan	**2.90**	**2.8**	**2.6**	**2.5**	**2.5**	**2.4**	**2.3**	**15.1**
Lease liabilities	**3.11**	**326.0**	**300.2**	**246.0**	**7.6**	**8.3**	**12.6**	**900.7**
Net fixed rate liabilities		**336.1**	**310.1**	**500.0**	**11.1**	**11.7**	**17.5**	**1,186.5**

23. Financial risk management objectives and policies continued

	Average rate %	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Year ended 3 July 2021								
Floating rate liabilities								
Syndicated loans	0.63	0.8	0.7	0.7	0.8	127.4	—	130.4
€8m revolving credit facility	2.10	5.6	—	—	—	—	—	5.6
Gross floating rate liabilities		6.4	0.7	0.7	0.8	127.4	—	136.0
Fixed rate liabilities								
£250m sterling seven-year bond	2.50	6.2	6.3	6.3	250.5	—	—	269.3
€10.85m loan	2.79	1.0	1.0	1.1	1.0	1.0	3.5	8.6
Lease liabilities	2.26	268.3	16.8	11.6	9.1	4.4	5.8	316.0
Net fixed rate liabilities		275.5	24.1	19.0	260.6	5.4	9.3	593.9

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are non-interest bearing and are therefore not subject to interest rate risk.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) based on recent historical changes with increased reasonably possible change disclosed versus that of the prior year being reflective of the current economic circumstances.

	Increase/ (decrease) in basis points	Effect on profit before tax £m
2022		
GBP	**200.0**	**(2.0)**
GBP	**(200.0)**	**2.0**
2021		
GBP	50.0	(0.6)
GBP	(50.0)	0.6

Liquidity risk

The Group has in place a £280.0m syndicated loan facility of which £104.7m (2021: £126.6m) was drawn down at year end, as well as a £250m bond of seven years which matures on 6 July 2024. See note 22 for further information on the syndicated loan facility.

The Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH, has in place a €8.0m one-year revolving credit facility, of which €6.1m or £5.3m (2021: €6.4m or £5.5m) drawn down as at 2 July 2022. Further, the Group's subsidiary, Go-Ahead Facility GmbH, has in place a €10.85m 10.5-year loan.

After acquisition of Flexbuss in Sweden in April 2022, the Group's subsidiary entered into finance agreements with eight banks for each individual bus owed by the company. The total number of buses accounts for 243 loans varying between each bank. As at 2 July 2022, SEK172.7m or £13.8m (2021: nil) of the facilities were drawn down.

More information on the level of drawdowns and prevailing interest rates are detailed in note 22.

23. Financial risk management objectives and policies continued

Liquidity risk continued

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The information about the borrowings and prevailing interest rates is provided in note 22.

Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below:

	2022 £m	2021 £m
Syndicated loans	**280.0**	280.0
£250m sterling seven-year bond	**250.0**	250.0
€8m revolving credit facility	**6.9**	5.5
€10.85m loan	**9.3**	7.7
Flexbuss loan	**13.8**	—
Total core facilities	**560.0**	543.2
Amount drawn down at year end	**380.8**	389.8
Headroom	**179.2**	153.4

The Group's rail rolling stock and bus vehicles can be financed by lease arrangements, or term loans at fixed rates of interest over two to eight-year primary borrowing periods. This provides a regular inflow of funding to cover expenditure as it arises.

As at 2 July 2022, balances included in cash at bank and on short term deposit amounting to £50.5m (2021: £543.7m) were restricted. See note 20 on page 181 for further details.

The tables below summarise the maturity profile of the Group's financial liabilities at 2 July 2022 and 3 July 2021 based on contractual undiscounted payments.

Year ended 2 July 2022

	On demand £m	**Less than 3 months £m**	**3–12 months £m**	**1–5 years £m**	**More than 5 years £m**	**Total £m**
Interest-bearing loans and borrowings	**—**	**2.4**	**7.4**	**120.1**	**4.9**	**134.8**
£250m sterling seven-year bond	**—**	**6.3**	**—**	**256.7**	**—**	**263.0**
Lease liabilities	**—**	**81.5**	**244.5**	**562.1**	**12.6**	**900.7**
Derivative financial liabilities	**—**	**—**	**—**	**0.1**	**—**	**0.1**
Contractual trade and other payables	**31.2**	**233.6**	**114.8**	**—**	**—**	**379.6**
	31.2	**323.8**	**366.7**	**939.0**	**17.5**	**1,678.2**

Year ended 3 July 2021

	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	—	1.7	5.7	133.7	3.5	144.6
£250m sterling seven-year bond	—	6.2	—	263.1	—	269.3
Lease liabilities	—	104.8	163.5	41.9	5.8	316.0
Derivative financial liabilities	—	0.2	0.4	0.3	—	0.9
Contractual trade and other payables*	63.8	461.9	96.4	—	—	622.1
	63.8	574.8	266.0	439.0	9.3	1,352.9

* Financial liabilities held within trade and other payables as at 3 July 2021 have been restated to exclude £66.0m of non-financial liabilities identified as a misclassification in the year.

23. Financial risk management objectives and policies continued

Managing capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Details of the issued capital and reserves are shown in note 26. Details of interest-bearing loans and borrowings are shown in note 22.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 2 July 2022 and 3 July 2021.

The Group applies the primary objective by managing its capital structure such that net debt (adjusted to exclude restricted cash) to EBITDA* (excluding exceptional items) is within a range which retains an investment grade debt rating of at least BBB-.

In the year ended 2 July 2011, the Group obtained an investment grade long term credit rating from Standard & Poor's as follows:

Standard & Poor's	BBB- (stable outlook)

This rating was maintained in the year ended 2 July 2022.

Subsequent to the year end, S&P reaffirmed its credit rating.

In the year ended 2 July 2022, the Group obtained an investment grade long term issuer default rating from Fitch as follows:

Fitch	BBB- (RWN**)

This rating was recently reconfirmed with a stable outlook.

The Group's policy is to maintain an adjusted net debt to EBITDA (excluding exceptional items) ratio of 1.5x to 2.5x. The Group's calculation of adjusted net debt is set out in note 22 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. The Group continues to take measures to protect its cash including suspension of dividend and careful management of discretionary expenditure and capital investment. These actions were taken by the Board as a measure to protect this ratio.

* Operating profit before interest, tax, depreciation and amortisation.

** Rating Watch Negative

Currency risk

The Group has foreign exchange exposure in respect of cashflow commitments to its operations in Germany, Singapore, the Nordics, Ireland and Australia. These are currently not material to the Group.

Credit risk

The Group's credit risk is primarily attributable to its financial assets, comprising trade and other receivables (see note 18), cash and cash equivalents (see note 20) and fuel hedge derivatives (see note 24). The maximum credit risk exposure of the Group as at the year end was £736.9m (2021: £922.1m) and comprises amounts from a number of unconnected parties.

The considerable majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT), and the majority of sales with other entities are paid as they arise. Historically the annual cost due to expected credit losses has been immaterial so limited disclosures are therefore provided. The trade receivables from such public bodies are not considered to present a significant credit risk, which is supported by cash payment performance.

Smaller sundry individual trade receivables with third parties that have arisen are assessed as required for credit loss and a provision accrued when considered appropriate. The Group applies the IFRS 9 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date. Expected credit losses are assessed based on the number of days past due, the customer type, a judgement on credit risk, consideration of macroeconomic forecasts, as well as past experience when relevant. Movement in the provisions for the impairment of trade receivables are recorded within operating costs within the income statement.

Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A- or A3 or above by at least one of the credit rating agencies. The treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution. As at 2 July 2022, all cash and cash equivalents are held with financial institutions with a credit rating of A- or above as per Fitch ratings.

Commodity price risk

The Group is exposed to commodity price risk as a result of fuel usage. The Group closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate. The Group operates a bus fuel hedging policy which uses fuel hedges to fix the price of diesel fuel in advance. The core policy is to be fully hedged for the next financial year before the start of that year, with at least 50% of the following year fixed and 25% of the year thereafter. This hedging profile is then maintained on a month-by-month basis. After year end, the Group reviewed the hedging policy and going forward will only hedge for regional bus. Any litres hedged prior to year end will remain but all litres hedged post 2 July 2022 will be specifically for regional bus. Additional purchases can be made to lock in future costs, subject to Board approval. Risk component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased fuel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the risk component and there is a strong correlation between the movements in the price of the derivative and the fuel price purchased. Variances in pricing between the derivative commodity and the purchased price relate to underlying costs such as duty and delivery and are excluded from the hedge relationship. Further details are given in note 24.

24. Derivatives and other financial instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. For accounting policies see 'Financial assets', 'Financial liabilities', 'Derivatives financial instruments', and 'Fair value measurement' in note 2.

The carrying value of the Group's financial assets and liabilities is as follows:

Year ended 2 July 2022

	Amortised cost £m	Derivatives used for cashflow hedging £m	Total carrying value £m
Financial assets and derivatives			
Trade and other receivables	**480.6**	**—**	**480.6**
Cash and cash equivalents	**191.8**	**—**	**191.8**
Fuel price derivatives	**—**	**54.1**	**54.1**
Finance lease receivables	**10.4**	**—**	**10.4**
	682.8	**54.1**	**736.9**
Financial liabilities and derivatives			
Interest-bearing loans and borrowings	**(385.8)**	**—**	**(385.8)**
Lease liabilities	**(867.6)**	**—**	**(867.6)**
Trade and other payables classified as financial liabilities	**(379.6)**	**—**	**(379.6)**
Fuel price derivatives	**—**	**(0.1)**	**(0.1)**
	(1,633.0)	**(0.1)**	**(1,633.1)**

Year ended 3 July 2021

	Amortised cost £m	Derivatives used for cashflow hedging £m	Total carrying value £m
Financial assets and derivatives			
Trade and other receivables[1]	280.9	—	280.9
Cash and cash equivalents	630.6	—	630.6
Fuel price derivatives	—	8.3	8.3
Finance lease receivables	2.3	—	2.3
	913.8	8.3	922.1
Financial liabilities and derivatives			
Interest-bearing loans and borrowings	(394.5)	—	(394.5)
Lease liabilities	(312.6)	—	(312.6)
Trade and other payables classified as financial liabilities[2]	(622.1)	—	(622.1)
Fuel price derivatives	—	(0.9)	(0.9)
	(1,329.2)	(0.9)	(1,330.1)

1. Financial assets held within trade and other receivables as at 3 July 2021 have been restated to exclude £7.7m of non-financial assets identified as a misclassification in the year.

2. Financial liabilities held within trade and other payables as at 3 July 2021 have been restated to exclude £60.9m of non-financial liabilities identified as a misclassification in the year.

a. Fair values

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

24. Derivatives and other financial instruments continued

a. Fair values continued

The Group's financial instruments carried at fair value in the financial statements have been reviewed as at 2 July 2022 and 3 July 2021 and are as follows:

	2022 £m	2021 £m
Non-current financial assets: fuel price derivatives	**14.1**	3.4
Current financial assets: fuel price derivatives	**40.0**	4.9
	54.1	8.3
Current financial liabilities: fuel price derivatives	**—**	(0.6)
Non-current financial liabilities: fuel price derivatives	**(0.1)**	(0.3)
	(0.1)	(0.9)
Net financial derivatives	**54.0**	7.4

As at 2 July 2022 and 3 July 2021, the fair value of the fuel price derivatives is based on the external Mark-to-Market (MtM) valuations provided by the derivative providers. The valuations are prepared in accordance with the provider's own internal models and calculation methods based upon well-recognised financial principles. Only observable and relevant market inputs were used in the valuation therefore the fair value measurement was classified as level 2 valuation.

There are a small number of foreign currency fuel hedges in place as at 2 July 2022 and 3 July 2021. The foreign currency fuel hedge valuations are based on the external MtM valuations and are currently not material to the Group.

The fair values of all other assets and liabilities in notes 18, 19 and 22 are not significantly different from their carrying amount, with the exception of the £250m sterling seven-year bond which has a fair value of £242.1m (2021: £257.7m) but is carried at its amortised cost of £250.0m (2021: £250.0m). The fair value of the £250m sterling seven-year bond has been determined by reference to the price available from the market on which the bond is traded, and is therefore a level 1 valuation.

During the years ended 2 July 2022 and 3 July 2021, there were no transfers between valuation levels.

b. Hedging activities

Fuel derivatives

As discussed in note 23, the Group is exposed to commodity price risk as a result of fuel usage. The Group uses derivatives to hedge its risks associated with fuel price fluctuations and these derivatives are designated as cash flow hedges.

As at 2 July 2022, the Group had derivatives against fuel of 175 million litres for the three years ending June 2025. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 2 July 2022 the Group's hedging profile is as follows:

	<1 year	1–2 years	2–5 years
Actual percentage hedged	**Fully**	**50%**	**25%**
Litres hedged (million)	**105**	**48**	**22**
Average hedged rate (pence per litre)	**36.5**	**37.7**	**45.9**

As at 3 July 2021 the Group's hedging profile was as follows:

	<1 year	1–2 years	2–5 years
Actual percentage hedged	Fully	50%	25%
Litres hedged (million)	96	55	26
Average hedged rate (pence per litre)	32.8	32.1	31.2

Amounts that have affected the consolidated statement of comprehensive income as a result of applying hedge accounting during the year are as follows:

	2022 £m	2021 £m
Changes in fair value of hedged item used for calculating hedge ineffectiveness	**46.6**	22.5
Changes in fair value of hedging instrument used for calculating hedge ineffectiveness	**(46.6)**	(22.5)
Changes in fair value recognised in other comprehensive income (net of tax)	**12.6**	12.6
Amount removed from cash flow hedge reserve and included in the initial cost of inventory	**21.4**	5.5

The maturity of the hedge profile range is between July 2022 and June 2025.

24. Derivatives and other financial instruments continued

b. Hedging activities continued

Fuel derivatives continued

In relation to the hedging reserve, the following balances are included with respect to the fuel derivatives:

	2022 £m	2021 £m
Balance in the cashflow hedging reserve for continuing hedges	**39.8**	5.8

The potential sources of fuel hedge ineffectiveness include a larger change in the volume of litres than originally anticipated and variations on the settlement date or amount. At the year end no ineffectiveness was recognised on the cashflow hedges (2021: nil).

The following analysis details the Group's sensitivity on equity if the price of diesel fuel had been 10p per litre higher during the 52 weeks ending 2 July 2022 (2021: 53 weeks ending 3 July 2021):

	2022 £m	2021 £m
Impact on hedging reserve	**8.0**	10.6

25. Provisions

A provision is a liability recorded in the consolidated balance sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to onerous contracts in Norway and Germany, uninsured claims and dilapidation provisions relating to franchise commitments. For accounting policies see 'Provisions' and 'Uninsured liabilities' in note 2.

	Franchise Commitments £m	Onerous contract provisions (as previously reported) £m	Restatement* £m	Onerous contract provisions £m	Uninsured claims £m	Potential DfT penalty £m	Other £m	Total £m
At 27 June 2020	72.1	44.3	5.1	49.4	49.9	—	12.8	184.2
Provided (after discounting)	20.6	66.5	—	66.5	19.6	30.0	4.1	140.8
Utilised	(6.0)	(8.1)	—	(8.1)	(16.0)	—	(1.1)	(31.2)
Released	(3.4)	—	—	—	(5.6)	—	(2.1)	(11.1)
Effect of foreign exchange rate changes	—	(2.4)	—	(2.4)	—	—	—	(2.4)
At 3 July 2021	83.3	100.3	5.1	105.4	47.9	30.0	13.7	280.3
Provided (after discounting)	55.0	—	—	36.1	19.2	—	5.4	115.7
Utilised	(11.3)	—	—	(18.2)	(14.4)	(23.5)	(3.7)	(71.1)
Released	(5.2)	—	—	(52.8)	(6.1)	(6.5)	(2.4)	(73.0)
Transfers	(6.2)	—	—	—	—	—	(0.3)	(6.5)
Unwinding of discount	—	—	—	—	(0.1)	—	—	(0.1)
Effect of foreign exchange rate changes	—	—	—	(0.6)	—	—	0.1	(0.5)
At 2 July 2022	**115.6**	**—**	**—**	**69.9**	**46.5**	**—**	**12.8**	**244.8**

*Restated – see note 2

	2022 £m	2021* £m
Current	**132.7**	159.1
Non-current	**112.1**	121.2
	244.8	280.3

*Restated – see note 2

Franchise commitments

Franchise commitments of £115.6m (2021: £83.3m) relate to dilapidation provisions on vehicles, depots and stations across our UK Rail franchises and maintenance obligation provisions arising from the contractual relationships in place with the lessors. Of these provisions, £88.7m (2021: £83.3m) are classified as current and £26.9m (2021: nil) are classified as non-current. Transfer of franchise commitments of £6.2m relate to provisions transferred by LSER to the OLR following the cessation of the franchise in October 2021.

During the year £1.8m (2021: £3.4m) of dilapidation provisions which had been previously provided for were released in GTR. The remaining dilapidation costs will be incurred as part of a rolling maintenance contract. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

25. Provisions continued

Franchise commitments continued

Included within the franchise commitments of £115.6m are provisions relating to the settlement of dilapidation obligations as part of the transition from the GTR ERMA franchise to the NRC, amounting to £66.2m. Under that transition, future obligations for dilapidations become the responsibility of the DfT. Therefore, a settlement agreement is required between lessors, the Group and the DfT, which is expected to be completed in 2023 once the DfT have finalised their own analysis and review. This will involve consideration of the build-up of the provision over the life of the franchise against historical contract and funding positions and the amounts utilised over the same period for which the directors do not consider it likely that a significant credit to the Income Statement will be recognised. Consequently these factors will impact how any liabilities or credits that may arise following the settlement would be attributed between the different parties involved. The amounts held reflect the Group's best estimate of the amounts to be paid to settle the remaining franchise obligations.

In addition, the franchise commitments includes a provision of £43.9m for GTR's future maintenance obligations expected under the rolling stock lease contracts held. This provision reflects the Group's best estimates of the maintenance obligations to be discharged over the minimum period of the NRC to 1 April 2025. A corresponding reimbursement asset is also recognised reflecting the amounts inherent within the opening maintenance reserves retained by the lessors at the start of the NRC, see note 18 for further details.

Onerous contracts

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions and any significant developments in these in the year to 2 July 2022.

On 28 June 2022, Go-Ahead Norway signed an agreement with the Norwegian Rail Directorate to revise its rail contract. This revision included certain obligations being waived, compensation for loss of income from the impacts of the COVID-19 pandemic, incentives for reaching specified levels of passenger income, and other areas of agreement including compensation for 50% of energy costs when prices reach specified levels. Updating cashflow forecasts for the revision to the contract with the Rail Directorate, as well as updating the discount rate and other inputs as a result of the developments in the year, has led to a material reduction in the value of the onerous contract provision and so a release of the provision of £51.6m.

Whilst the directors are taking all actions available to them to reduce the impact of difficulties in the Group's German operations, upon reassessment of the Bavarian rail contracts' onerous contract provision under IAS 37 it was determined than an increase in the provision of £36.1m was necessary based on the contracts' forecast future cashflows discounted at a risk-free rate having considered these in light of updated market conditions and experience gained in running operations during the year.

In the year ended 3 July 2021, additional costs of £1.2m were recognised in relation to loss making contracts where passenger demand was not recovering at the same levels as the wider commercial network. Following renegotiation of these contracts, it was determined necessary to release £1.2m of this onerous contract provision in the year ended 2 July 2022.

Uninsured claims

The uninsured claims provision represents the cost to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Claims can primarily be categorised as either motor insurance-related claims or employers' liability and public liability claims. Of the uninsured claims, £13.6m (2021: £13.5m) are classified as current and £32.9m (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. Both the estimate of settlements that will be made in respect of claims received as well as the estimate of settlements made in respect of incidents not yet reported are based on historical trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Uninsured claims are provided on a gross basis and a separate reimbursement asset, for amounts due back from the insurance providers, of £2.6m is included within other receivables.

DfT financial penalty

Under the Railways Act 1993, in the prior year the DfT had the power to impose a financial penalty in relation to LSER. In the absence of specific precedent or relevant guidance, it was difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, included a provision of £30.0m at 3 July 2021 which reflected the Group's best estimate of the penalty at that time. On 9 May 2022, a final penalty notice was issued stating that the amount of the financial penalty would be £23.5m, as a result £6.5m of the provision was released.

For further Information please see the key source of estimation uncertainty relating to this matter on pages 140 to 145.

Other

The other provisions of £12.8m (2021: £13.7m) include dilapidations in the Bus division of £11.1m (2021: £13.5m), of which £3.8m (2021: £4.0m) are classified as current and £7.3m (2021: £9.5m) are classified as non-current. 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.

Notes to the consolidated financial statements continued

26. Issued capital and reserves

Called up share capital is the number of shares in issue at their par value. For accounting policies see 'Treasury shares' in note 2.

	Allotted, called up and fully paid			
	Millions	**2022 £m**	Millions	2021 £m
At 2 July 2022 and 3 July 2021	**47.1**	**4.7**	47.1	4.7

The Group has one class of ordinary shares which carry no right to fixed income and have a par value of 10p per share.

Share capital

Share capital represents proceeds on issue of the Group's equity, both nominal value and share premium. The nominal value is set out above and the balance is share premium with a value of £70.5m as of 2 July 2022 (2021: £70.5m). Note the share premium is separate to the share premium reserve.

Reserve for own shares

The reserve for own shares relates to 4,088,044 ordinary shares (8.7% of share capital), of which 185,814 are held to satisfy awards made under the Group's Restricted Share Plan, Long Term Incentive Plan or Deferred Share Bonus Plan ("Discretionary Share Plans"). (2021: The reserve for own shares had 4,094,851 ordinary shares 8.7% of share capital, of which 192,621 were held for LTIP and DSBP arrangements).

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 2 July 2022 the Group repurchased 42,882 shares for a total consideration of £0.36m to be used to satisfy awards made under the Group's Discretionary Share Plans. (2021: 57,176 shares repurchased for a total consideration of £0.56m). The Group has not cancelled any shares during the year or the prior year.

Total number of shares held are 4,088,044 with a value of £70.9m as at 2 July 2022 (2021: £71.3m).

Hedging reserve

The hedging reserve records the movement in value of fuel price derivatives designated in the effective cashflow hedges, offset by any movements recognised directly in equity.

Share premium reserve

The share premium reserve represents the premium on shares that have been issued to fund or part fund acquisitions made by the Group. This treatment is in line with Section 612 of the Companies Act 2006.

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

Translation reserve

The translation reserve records exchange differences arising from the translation of the balance sheets of foreign currency denominated subsidiaries.

	2022 £m	2021 £m
Translation reserve	**4.4**	3.8

27. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to rail operating charges and agreements to procure assets. These amounts are not recorded in the consolidated financial statements as we have not yet received the goods or services from the supplier.

Capital commitments

	2022 £m	2021 £m
Contracted for but not provided – acquisition of property, plant and equipment	**78.0**	26.0

27. Commitments continued

Rail operating charges – Group as lessee

The Group's train operating companies hold agreements with various different local entities for access to the railway infrastructure (track, stations and depots). These are now classified as rail operating charges, as they do not result in an IFRS 16 right of use asset. The agreements typically run for a period until the end of the relevant franchise.

Future minimum rentals payable under non-cancellable rail operating arrangements as at 2 July 2022 and 3 July 2021 were as follows:

As at 2 July 2022

	Rail rolling stock £m	Rail access charges £m	Rail and other £m	Total £m
Within one year	**172.6**	**365.4**	**61.5**	**599.5**
In the second to fifth years inclusive	**430.2**	**964.4**	**120.1**	**1,514.7**
Over five years	**283.7**	**841.0**	**9.8**	**1,134.5**
	886.5	**2,170.8**	**191.4**	**3,248.7**

As at 3 July 2021

	Rail rolling stock £m	Rail access charges £m	Rail and other £m	Total £m
Within one year	159.4	324.6	105.2	589.2
In the second to fifth years inclusive	194.1	390.8	17.6	602.5
Over five years	295.2	641.5	6.5	943.2
	648.7	1,356.9	129.3	2,134.9

Rail operating charges – Group as lessor

The Group's rail operating companies sub-lease access to stations and depots to other commercial organisations.

Future minimum rentals receivable under non-cancellable rail operating arrangements as at 2 July 2022 and 3 July 2021 were as follows:

	2022		2021	
	Land and buildings £m	Other rail agreements £m	Land and buildings £m	Other rail agreements £m
Within one year	**—**	**3.2**	0.2	0.7
In the second to fifth years inclusive	**—**	**4.5**	0.4	—
Over five years	**—**	**—**	—	—
	—	**7.7**	0.6	0.7

28. Contingencies

Performance bonds and other guarantees

The Group has provided bank guaranteed performance bonds of £45.1m (2021: £37.5m), a loan guarantee bond of £36.3m (2021: £36.3m) and season ticket bonds of £nil (2021: £66.5m) to the DfT in support of the Group's UK Rail franchise operations. In addition, the Group, together with Keolis, has a joint parental company commitment to provide funds of £136.4m (2021: £136.4m) to the DfT in respect of the Govia Thameslink Railway franchise, of which the Group has a 65% share equating to £88.4m (2021: £88.4m). At the year end £nil (2021: £nil) has been provided.

To support subsidiary companies in their normal course of business, the Group has provided parental company guarantees and indemnified certain banks and insurance companies which have issued certain performance bonds and a letter of credit. The letter of credit at 2 July 2022 is £55.1m (2021: £59.8m).

There is a pension bond of £1.8m (2021: £1.8m) in place in respect of the payment obligations of the Group to the local government pension scheme for employees of Plymouth City Limited.

The Group has a bond of $4.2m SGD (2021: $4.2m SGD) to the Land Transport Authority (LTA) of Singapore in support of the Group's Singapore bus operations. At the year end exchange rate this equates to £2.5m (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 year end exchange rate these equate to £29.1m (3 July 2021: £29.6m). The Group has provided parental company guarantees to provide funds of €214.6m (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 £184.9m (3 July 2021: £135.7m).

28. Contingencies continued

Performance bonds and other guarantees continued

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

The Group has bonds of 271.3m NOK (2021: 271.3m NOK) in favour of the local rail authorities in Norway in support of the Group's Nordic rail operations. At the year end exchange rate this equates to £22.5m (2021: £22.8m). The Group has provided a parental company guarantee to provide funds of 300.0m NOK (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 £24.9m (2021: £25.2m).

Contingent liabilities

Boundary Zone Fare proceedings against London & South Eastern Railway Limited (LSER), The Go-Ahead Group Limited, Govia Limited and Keolis (UK) Limited

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 Limited, Govia Limited and Keolis (UK) Limited have since also been added as defendants to the claim (together with LSER, the *Defendants*). The claim alleges that LSER 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 appealed the Decision to the Court of Appeal and the appeal was heard in June 2022. Judgment was handed down on 28 July 2022, refusing the appeal, and the claim will now proceed to a substantive trial. A hearing is to be held on 22 March 2023 to determine next steps in the claim, including the timetable for the filing of LSER's defence, whether the Department for Transport (DfT) should be granted permission to intervene in the claim, and whether the claim should be jointly case managed with a similar claim against Govia Thameslink Railway Limited (GTR) (see below).

The proceedings remain at an early stage. Certification of the claim to proceed is an initial procedural step and does not entail any judgement on the merits of the claim or on the defendants' 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 the Defendants. No provision associated with the claim (other than for legal costs of £2.5m) 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 Limited and Keolis (UK) Limited

On 10 June 2021 a CPA was filed at the 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 Limited and Keolis (UK) Limited (together, the Defendants). The collective proceedings combine claims against the 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.

The CAT heard the application for a CPO in July 2022. As with the CPO hearing involving LSER in respect of Boundary Zone Fares (see above), this hearing was an initial stage in proceedings to decide whether the claim meets the legislative criteria to proceed to a full trial. Judgment was handed down on 25 July 2022, certifying the claim to proceed to trial as a collective proceeding. The DfT has been granted permission to intervene in the proceedings. The CAT has ordered a first stage trial of liability issues starting in November 2023 for four weeks. This trial will determine whether GTR has abused a dominant position in a relevant market(s) but will not determine the amount of damages due if GTR is found to be liable. Issues of quantum of loss will be determined at a second stage trial, a date for which has yet to be determined.

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 the Defendants. No provision associated with the claim (other than for legal costs of £4.8m) 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.

28. Contingencies continued

Contingent liabilities continued

Boundary Zone Fare proceedings against Govia Thameslink Railway Limited (GTR), The Go-Ahead Group Limited, Govia Limited and Keolis (UK) Limited

On 24 November 2021 a CPA was filed at the 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 Limited and Keolis (UK) Limited (together, the *Defendants*). The claim alleges, similarly to the allegations made against LSER in relation to Boundary Zone Fares, that GTR 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 15 December 2021 the CAT stayed proceedings pending the determination of any appeals in the Boundary Zone Fare proceedings against LSER. The stay has now expired, and the claim will proceed to a determination on certification to decide whether this is a claim that meets the legislative criteria for this type of claim to proceed to a full trial. 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 Defendants do not oppose certification of this claim given the outcome of the appeal of the Boundary Zone Fare proceedings against LSER. A hearing is to be held on 22 March 2023 to determine certification and next steps in the claim, including whether the DfT should be granted permission to intervene in the claim and whether the claim should be jointly case managed with the Boundary Zone Fare proceedings against LSER (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 the Defendants.

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. No provision associated with the claim (other than for legal costs of £2.1m) has accordingly been made.

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.

29. Retirement benefit schemes

The Group operates a defined contribution pension scheme and a Workplace Savings Scheme for our employees and administers a defined benefit pension scheme which is closed to new entrants and future accruals. The UK train operating companies participate in the Railways Pension Scheme (RPS), a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise. For accounting policies see 'Retirement benefits' in note 2.

Retirement benefit obligations consist of the following:

	2022			2021		
	Bus £m	**Rail £m**	**Total £m**	Bus £m	Rail £m	Total £m
Pre-tax pension scheme asset	**80.2**	**—**	**80.2**	36.0	—	36.0
Deferred tax liability	**(20.1)**	**—**	**(20.1)**	(9.0)	—	(9.0)
Post-tax pension scheme asset	**60.1**	**—**	**60.1**	27.0	—	27.0

The net surplus before taxation on the bus defined benefit schemes was £80.2m (2021: £36.0m), consisting of estimated assets of £755.9m (2021: £906.0m) less liabilities of £675.7m (2021: £870.0m). The year end position of each bus scheme has been disclosed as a gross value in the balance sheet which equates to both a surplus and a deficit.

The net deficit before taxation on the rail schemes was £nil (2021: £nil). The nature of these schemes means at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates under the franchise.

	2022			2021		
	Bus £m	**Rail £m**	**Total £m**	Bus £m	Rail £m	Total £m
Remeasurement gains/(losses) due to:						
– Experience on benefit obligations	**(10.0)**	**(117.7)**	**(127.7)**	3.7	(43.2)	(39.5)
– Changes in demographic assumptions	**9.4**	**—**	**9.4**	1.3	92.9	94.2
– Changes in financial assumptions	**179.3**	**488.8**	**668.1**	(8.1)	(129.1)	(137.2)
– Return on assets greater than discount rate	**(140.8)**	**37.8**	**(103.0)**	(20.1)	230.4	210.3
Franchise adjustment movement	**—**	**(408.9)**	**(408.9)**	—	(151.0)	(151.0)
Remeasurement losses on defined benefit pension plans	**37.9**	**—**	**37.9**	(23.2)	—	(23.2)

29. Retirement benefit schemes continued

Bus schemes

The Go-Ahead Group Pension Plan

For the majority of bus employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the Go-Ahead Plan), which consists of funded defined benefit sections and defined contribution sections as follows.

The defined contribution sections of the Go-Ahead Plan are not contracted out of the State Second Pension Scheme. The Money Purchase Section is now closed to new entrants, except by invitation from the Company, and has been replaced by the Workplace Savings Section, which is also a defined contribution plan. The expense recognised for the Money Purchase Section of the Go-Ahead Plan is £9.5m (2021: £9.5m), being the contributions paid and payable. The expense recognised for the Workplace Savings Scheme is £8.8m (2021: £8.2m), being the contributions paid and payable.

The defined benefit sections of the Go-Ahead Plan are contracted out of the State Second Pension Scheme and provide benefits based on a member's final pensionable salary. The assets of the defined benefit sections are held in a separate trustee-administered fund. Contributions to these sections are assessed in accordance with the advice of an independent qualified actuary. The defined benefit sections of the Go-Ahead Plan have been closed to new entrants since 1 October 1994 and closed to future accrual from 31 March 2014.

The Go-Ahead Plan is a plan for related companies within the Group where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19 (Revised). Each of the participating companies account on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (Revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2021 and this has been used as the basis for the pension results reported in this note.

The investment strategy of the Go-Ahead Plan, which aims to meet liabilities as they fall due, is to invest plan assets in a mix of equities, other return seeking assets and liability driven investments to maximise the return on plan assets and minimise risks associated with lower than expected returns on plan assets. Trustees are required to regularly review investment strategy. The Go-Ahead Plan invests a portion of its portfolio in assets which seek to protect the Plan's funding level by matching the interest rate and inflation sensitivities of the Plan's liabilities. These Liability Driven Investments (LDI) utilise leverage (or gearing) to increase the level of funding protection which they provide for a given capital allocation. In September and October 2022, there was a substantial and sharp increase in the yield on UK government bonds which caused the value of the Plan's liabilities and LDI assets to fall quickly and considerably. As a result of this, most UK pension schemes, including the Plan, were required to give additional capital to the manager of their LDI portfolio in order to seek to maintain this protection. The Fiduciary Manager managed this process on behalf of the Trustee, selling down liquid assets elsewhere in the Plan's portfolio and moving capital to the LDI portfolio. The Plan was able to maintain a high level of protection throughout the period and beyond.

Other pension plans

Some employees of Plymouth Citybus Limited are members of a Devon County Council defined benefit scheme. This scheme is externally funded and no further entrants can join. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary.

Some employees of East Yorkshire Motor Services Limited are members of the EYMS Group pension defined benefit scheme. The scheme was closed to future accrual with effect from 6 January 2011 having previously been closed to new entrants with effect from 6 April 2001. Contributions to the scheme are based on advice from an independent qualified actuary. Existing contributions are based on the 5 April 2020 valuation.

The actuarial assumptions disclosed are in respect of the Go-Ahead Plan and EYMS Plan only, given the respective sizes of the three bus pension schemes.

The Germany business operates a defined contribution scheme, the expense recognised for the scheme is £0.1m (2021: £0.1m).

The Ireland business operates the Go-Ahead Transport Services Ireland Pension Plan which is a defined contribution scheme. The expense recognised for the scheme is £0.3m (2021: £0.3m).

The Nordic operation has a defined contribution scheme open to new entrants, the expense recognised for the scheme is £1.7m (2021: £1.7m). Some employees are members of the Government Pension Fund (SPK) defined benefit scheme, which is now closed to new members. The Norwegian Railway Directorate will cover the fulfilment of the regulatory obligation for these employees. The company has no further payment obligations.

29. Retirement benefit schemes continued

Bus schemes continued

Summary of bus schemes' year end assumptions

	2022 %	2021 %
Retail price index inflation	**3.3**	3.2
Consumer price index inflation	**2.8**	2.7
Discount rate	**3.5**	1.8
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment and deferred pension	**2.8**	2.7

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

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

	2022 Years	2021 Years
Pensioner	**21**	21
Non-pensioner	**22**	22

Sensitivity analysis

In making the valuation, the above assumptions have been used. For bus pension schemes, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation, the following adjustments would adjust the pension deficit as shown.

	2022 Pension deficit %	2021 Pension deficit %
Discount rate – increase of 0.5%	**(6.2)**	(7.9)
Price inflation – increase of 0.5%	**4.5**	7.4
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment – increase of 0.5%	**3.2**	4.1
Increase in life expectancy of pensioners or non-pensioners by one year	**3.4**	4.2

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.5% (2021: 0.5%) and one year in the sensitivity analysis is considered to be a reasonable illustrative approximation of possible changes, as these variations have recently arisen.

29. Retirement benefit schemes continued

Bus schemes continued

Maturity profile of bus schemes' defined benefit obligation

The following table shows the expected future benefit payments of the bus schemes at 2 July 2022.

	2022 £m
June 2023	**31.2**
June 2024	**32.1**
June 2025	**33.0**
June 2026	**33.9**
June 2027	**34.9**
June 2028 to June 2032	**189.8**

Category of assets at the year end

	2022		2021	
	£m	%	£m	%
Equities	**66.3**	**8.8**	84.6	9.3
Bonds	**75.7**	**10.0**	85.0	9.4
Property	**67.5**	**8.9**	62.1	6.9
Liability driven investment portfolio	**221.5**	**29.3**	417.5	46.1
Cash/other	**324.9**	**43.0**	256.8	28.3
	755.9	**100.0**	906.0	100.0

Most of the asset categories are held within pooled funds and are classed as quoted in an active market where the underlying assets are exchanged or traded or can be valued with a reasonable degree of certainty based on market data. Any liquidity funds have been classed as unquoted in active markets. Asset categories requiring judgement, mainly relating to property portfolios, are subject to uncertainty.

The plan invests a significant portion of its assets in a "liability driven investment" (LDI) portfolio which aims to match the Go-Ahead Plan's liabilities. This is expected to reduce the volatility of the Go-Ahead Plan's funding level due to changes in interest rates and inflation. The plan also has a "Journey Plan" in place, which means that over time as opportunities arise, the level of risk within the investment strategy is expected to reduce, with a larger portion of the plan's assets transitioned to matching assets. The plan measures the LDI portfolio at fair value at each reporting date using the following fair value hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

At 2 July 2022, the LDI portfolio was valued, using a level 1 valuation, as follows:

- At the closing bid price or, if single priced, at the closing single price
- At the latest available net asset value (NAV)

Funding position of the Group's pension arrangements

	2022 £m	2021 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	**(675.7)**	(870.0)
Assets at fair value	**755.9**	906.0
Pension scheme asset	**80.2**	36.0

29. Retirement benefit schemes continued

Bus schemes continued

Pension cost for the financial year

	2022 £m	2021 £m
Administration costs	**3.0**	2.2
Past service cost	**—**	1.0
Settlement charge	**—**	—
Interest income on net liabilities	**(0.7)**	(0.9)
Total pension costs	**2.3**	2.3

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effect of Guaranteed Minimum Pensions (GMP) between men and women. This judgement followed on from the previous judgement on 26 October 2018, where the High Court ruled that schemes had a legal obligation to pay benefits allowed for GMP equalisation. The previous judgement had not considered historical transfer values. The judgement has implications for many defined benefit schemes, including those in which the Group participates.

As a result of this change, a pre-tax, non-cash, non-exceptional past service cost of £1.0m was recognised in the income statement in the prior year. Nothing was recognised in current year in respect of this.

Analysis of the change in the pension scheme liabilities over the financial year

	2022 £m	2021 £m
Pension scheme liabilities – at start of year	**870.0**	881.4
Interest cost	**15.4**	12.9
Past service cost	**—**	1.0
Remeasurement (gains)/losses due to:		
– Experience on benefit obligations	**10.0**	(3.7)
– Changes in demographic assumptions	**(9.4)**	(1.3)
– Changes in financial assumptions	**(179.3)**	8.1
Benefits paid	**(31.0)**	(28.4)
Pension scheme liabilities – at end of year	**675.7**	870.0

Analysis of the change in the pension scheme assets over the financial year

	2022 £m	2021 £m
Fair value of assets – at start of year	**906.0**	934.4
Interest income of plan assets	**16.1**	13.8
Remeasurement gains due to return on assets greater than discount rate	**(140.8)**	(20.1)
Actuarial loss on assets	**—**	—
Administration costs	**(3.0)**	(2.2)
Group contributions	**8.6**	8.5
Benefits paid	**(31.0)**	(28.4)
Fair value of plan assets – at end of year	**755.9**	906.0

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2023	**7.3**
Estimated employee contributions in financial year 2023	**—**
Estimated total contributions in financial year 2023	**7.3**

29. Retirement benefit schemes continued

Rail schemes

The Railways Pension Scheme (RPS)

The majority of employees in our train operating companies are members of sections of the Railways Pension Scheme (RPS), an industry-wide defined benefit scheme. The Group is obligated to fund the relevant section of the scheme over the period for which the franchise is held.

The RPS is governed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

All the costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. The RPS sections are all open to new entrants and the assets and liabilities of each company's section are separately identifiable and segregated for funding purposes.

In addition, at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates the franchise.

Changes in financial assumptions include the effect of changes in the salary cap agreed to offset additional National Insurance costs as a result of the schemes no longer "opting out".

The accounting policy for the Railways Pension Scheme (RPS) is detailed in note 2 and the accounting judgements are covered in the "critical accounting judgements and key sources of estimation uncertainty" section in the Group financial statements.

British Railways Additional Superannuation Scheme (BRASS) matching AVC Group contributions of £0.2m (2021: £0.3m) were paid in the year.

Summary of year end assumptions

	2022 %	2021 %
Retail price index inflation	**3.1**	3.1
Consumer price index inflation	**2.7**	2.7
Discount rate	**1.9**	1.9
Rate of increase in salaries	**3.4**	3.4
Rate of increase of pensions in payment and deferred pension	**2.7**	2.7

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

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

	2022 Years	2021 Years
Pensioner	**21**	21
Non-pensioner	**22**	22

The mortality assumptions adopted as at 2 July 2022 and as at 3 July 2021 are based on the initial results of the funding valuation as at 31 December 2019, which has not yet been finalised.

Sensitivity analysis

Due to the nature of the franchise adjustment, the balance sheet position in respect of the RPS is not sensitive to small movements in any of the assumptions and therefore we have not included any quantitative sensitivity analysis.

Category of assets at the year end

	2022		2021	
	£m	**%**	£m	%
Equities	**1,567.3**	**99.9**	2,557.1	99.3
Property	**—**	**—**	8.9	0.3
Cash	**1.6**	**0.1**	10.3	0.4
	1,568.9	**100.0**	2,576.3	100.0

All of the asset categories above are held within pooled funds and therefore unquoted in active markets.

29. Retirement benefit schemes continued

Rail schemes continued

Funding position of the Group's pension arrangements

	2022 £m	2021 £m
Employer's 60% share of pension scheme:		
Liabilities at the end of the year	**(1,887.5)**	(3,602.2)
Assets at fair value	**1,568.9**	2,576.3
Gross deficit	**(318.6)**	(1,025.9)
Franchise adjustment	**318.6**	1,025.9
Pension scheme liability	**—**	—

Pension cost for the financial year

	2022 £m	2021 £m
Service cost	**105.1**	135.6
Administration costs	**3.4**	6.7
Franchise adjustment to current period costs	**(78.9)**	(103.3)
Interest cost on net liabilities	**14.9**	17.2
Interest on franchise adjustments	**(14.9)**	(17.2)
Pension cost	**29.6**	39.0

Analysis of the change in the employer's 60% share of pension scheme liabilities over the financial year

	2022 £m	2021 £m
Pension scheme liabilities less members' share (40%) of the deficit – at start of year	**3,602.2**	3,231.0
Franchise adjustment (100%)	**(1,025.9)**	(1,056.3)
	2,576.3	2,174.7
Liability movement for members' share of assets (40%)	**55.9**	187.9
Service cost (60%)	**104.9**	135.5
Interest cost (60%)	**35.2**	37.3
Interest on franchise adjustment (100%)	**(14.9)**	(17.2)
Franchise adjustment to current period costs (100%)	**(78.9)**	(103.3)
Remeasurement losses/(gains) due to:		
– Experience on benefit obligations (60%)	**117.8**	43.2
– Changes in demographic assumptions (60%)	**—**	(92.9)
– Changes in financial assumptions (60%)	**(488.8)**	129.1
Benefits paid (100%)	**(55.5)**	(69.0)
Franchise adjustment movement (100%)	**408.9**	151.0
Divestitures	**(1,092.0)**	—
	1,568.9	2,576.3
Franchise adjustment (100%)	**318.6**	1,025.9
Pension scheme liabilities less members' share (40%) of the deficit – at end of year	**1,887.5**	3,602.2

Analysis of the change in the pension scheme assets over the financial year

	2022 £m	2021 £m
Fair value of assets – at start of year (100%)	**2,576.3**	2,174.7
Interest income of plan assets (60%)	**20.2**	20.2
Remeasurement gains due to return on assets greater than discount rate (60%)	**37.8**	230.3
Administration costs (100%)	**(5.8)**	(11.1)
Group contributions (100%)	**29.4**	38.7
Benefits paid (100%)	**(55.5)**	(69.0)
Members' share of movement of assets (40%)	**58.5**	192.5
Divestitures	**(1,092.0)**	—
Fair value of plan assets – at end of year (100%)	**1,568.9**	2,576.3

29. Retirement benefit schemes continued

Rail schemes continued

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2023	**25.8**
Estimated employee contributions in financial year 2023	**17.2**
Estimated total contributions in financial year 2023	**43.0**

Franchise adjustment

The effect of removing the franchise adjustment on the financial statements is provided below:

	2022 £m	2021 £m
Balance sheet		
Defined benefit pension plan	**(318.6)**	(1,025.9)
Deferred tax asset	**79.6**	194.9
	(239.0)	(831.0)
Other comprehensive income		
Remeasurement losses	**(408.9)**	(151.0)
Tax on remeasurement losses	**102.2**	28.7
	(306.7)	(122.3)
Income statement		
Franchise adjustment to current period costs	**(78.9)**	(103.3)
Interest on franchise adjustments	**(14.9)**	(17.2)
Deferred tax charge	**23.5**	22.9
	(70.3)	(97.6)

Risks associated with defined benefit plans

UK Rail schemes

Despite remaining open to new entrants and future accrual, the risks posed by the RPS are limited as, under the franchise arrangements, the train operating companies are not responsible for any residual deficit at the end of a franchise. As such, there is limited short term cashflow risk within this business and, if agreed, it would also be proportionately borne by the employees as well as the Group.

29. Retirement benefit schemes continued

Risks associated with defined benefit plans continued

Bus schemes

The number of employees in defined benefit plans is reducing, as these plans are closed to new entrants, and, in the case of the Go-Ahead Plan and the EYMS Plan, closed to future accrual.

The key risks relating to the defined benefit pension arrangements and the steps taken by the Group to mitigate them are as follows:

Risk	Description	Mitigation
Asset volatility	The liabilities are calculated using a discount rate set with reference to bond yields with maturity profiles matching pension maturity; if assets underperform this yield, this may lead to a deficit. Most of the defined benefit arrangements hold a proportion of return seeking assets (equities, diversified growth funds and global absolute return funds) and, to offset the additional risk, hold a proportion in liability driven investments, which should reduce volatility relative to the liabilities.	Asset liability modelling has been undertaken recently in all significant plans to ensure that unrewarded risks are hedged where appropriate and that we have a balance of risk seeking and liability driven investments.
Inflation risk	A significant proportion of the UK benefit obligations are linked to inflation, and higher expected inflation will lead to higher liabilities.	The business has some inflation linking in its revenue streams, which helps to offset this risk. During the 2018 financial year, the key inflation measure for the Group final salary scheme was changed from RPI to CPI when looking at future pension increases, which has helped to lower the magnitude of the inflation risk.
Life expectancy	The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	The Group final salary scheme has recently carried out a pensioner buy-in for a small subset of the pensioner population. This has mitigated the longevity risk for the members included in the buy-in. The assumptions used to fund the scheme are regularly reviewed and updated to reflect changes in expected life expectancy.
Legislative risk	Future legislative changes are uncertain. In the past these have led to increases in obligations, introducing pension increases, and vesting of deferred pensions, or reduced investment return through the ability to reclaim advance corporation tax.	The Group takes professional advice to keep abreast of legislative changes.

30. Related party disclosures and Group undertakings

The subsidiaries, joint arrangements and investments listed below each contribute to the profits, assets and cashflow of the Group. The Group has a number of related parties including joint ventures, pension schemes and directors. For accounting policies see 'Interests in joint arrangements' in note 2.

The consolidated financial statements include the financial statements of The Go-Ahead Group Limited and the following Group undertakings:

Name	Country of incorporation and principal place of business	% equity interest 2022	2021
Trading subsidiaries			
Go-Ahead Holding Limited	United Kingdom[1]	**100**	100
Go North East Limited	United Kingdom	**100**	100
London General Transport Services Limited	United Kingdom	**100**	100
Go-Ahead London Rail Replacement Services Limited	United Kingdom	**100**	100
Brighton & Hove Bus and Coach Company Limited	United Kingdom	**100**	100
The City of Oxford Motor Services Limited	United Kingdom	**100**	100
Go South Coast Limited	United Kingdom	**100**	100
Plymouth Citybus Limited	United Kingdom	**100**	100
Konectbus Limited	United Kingdom	**100**	100
Thames Travel (Wallingford) Limited	United Kingdom	**100**	100
Carousel Buses Limited	United Kingdom	**100**	100
New Southern Railway Limited	United Kingdom[2]	**65**	65
London & South Eastern Railway Limited	United Kingdom[2]	**65**	65
London & Birmingham Railway Limited	United Kingdom[2]	**65**	65
Southern Railway Limited	United Kingdom[2]	**65**	65
Govia Thameslink Railway Limited	United Kingdom[2]	**65**	65
Govia Limited	United Kingdom[2]	**65**	65
Go-Ahead Scotland Limited	United Kingdom	**100**	100
Tom Tappin, Limited	United Kingdom	**100**	100
EYMS Group Limited	United Kingdom	**100**	100
East Yorkshire Motor Services Limited	United Kingdom	**100**	100
NetCourt Properties Limited	United Kingdom	**100**	100
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Germany	**100**	100
Go-Ahead Baden-Württemberg GmbH	Germany	**100**	100
Go-Ahead Facility GmbH	Germany	**100**	100
Go-Ahead Bayern GmbH	Germany	**100**	100
Go-Ahead Singapore PTE Ltd	Singapore	**100**	100
Go-Ahead Sverige AB	Sweden	**100**	100
Flexbuss Sverige AB	Sweden	**100**	100
Kanten Fastigheter och Förvaltning AB	Sweden	**100**	100
Go-Ahead Norge AS	Norway	**100**	100
Go-Ahead Transport Services (Dublin) Limited	Ireland	**100**	100
Go North West Limited	United Kingdom	**100**	100
GA Retail Services Limited	United Kingdom	**100**	100
Go-Ahead Australia Pty. Limited	Australia	**100**	100
Jointly controlled entities			
On Track Retail Limited	United Kingdom[3]	**50**	50
Investments			
Mobileeee GmbH	Germany[4]	**7**	7

1. Held by The Go-Ahead Group Limited (formerly The Go-Ahead Group plc) which is 100% owned by Gerrard Investment Bidco Limited, a newly formed company indirectly owned by Kinetic TCo Pty Ltd (Kinetic) and Globalvia Inversiones S.A.U. (Globalvia) . All other companies are held through subsidiary undertakings.
2. The rail companies are 65% owned by The Go-Ahead Group Limited and 35% owned by Keolis (UK) Limited and held through Govia Limited.
3. On Track Retail Limited is a joint venture with Assertis Limited.
4. Mobileeee GmbH is an investment of Go-Ahead Verkehrsgesellschaft Deutschland GmbH.

The above trading subsidiaries have one class of ordinary shares which carry no right to fixed income, with the exception of On Track Retail Limited, which also has redeemable preference shares.

The registered office of all trading subsidiaries incorporated in the United Kingdom is 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne NE1 6EE, UK.

30. Related party disclosures and Group undertakings continued

The registered offices of trading subsidiaries incorporated outside of the United Kingdom are as follows:

Subsidiary	Registered office
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Zehdenicker Straße 1, D-10119, Berlin, Germany
Go-Ahead Baden-Württemberg GmbH	Büchsenstraße 20, D-70174, Stuttgart, Germany
Go-Ahead Facility GmbH	Bahnhof 2, D-73457, Essingen, Germany
Go-Ahead Bayern GmbH	Logwidstr 1, D-86150, Augsburg, Germany
Go-Ahead Sverige AB	Hamngatan 4, 211 22 Malmö, Sweden
Go-Ahead Norge AS	Jernbanetorget 1, 0154 Oslo, Norway
Flexbuss Sverige AB	Prästgårdsgränd 4, 382 33 Nybro, Sweden
Kanten Fastigheter och Förvaltning AB	Prästgårdsgränd 4, 382 33 Nybro, Sweden
Go Ahead Singapore PTE Ltd	2 Loyang Way, Singapore 508776
Go-Ahead Dublin Services (Transport) Limited	Ballymount Road Lower, Dublin 12, D12 X201, Ireland
Go-Ahead Australia Pty. Limited	DW Accounting & Advisory Pty Ltd, Level 4, 91-97 William Street, Melbourne, Vic 3000, Australia

			% equity interest	
Name	Company number	Country of incorporation	**2022**	2021
Dormant subsidiaries				
Go-Ahead Events Services Limited (previously East Midlands Railway Limited)	7164882	United Kingdom	**100**	100
Go Wear Buses Limited	2019645	United Kingdom	**100**	100
Go-Reading Limited	3158846	United Kingdom	**100**	100
The Go-Ahead Group Trustee Company limited	2125799	United Kingdom	**100**	100
Go-Ahead Property Development Limited	7128594	United Kingdom	**100**	100
GHI Limited	4262016	United Kingdom	**100**	100
Southern Vectis Limited	2005917	United Kingdom	**100**	100
Birmingham Passenger Transport Services Limited	2901263	United Kingdom	**100**	100
Go Coastline Limited	2018469	United Kingdom	**100**	100
Go London Limited	2849983	United Kingdom	**100**	100
Go West Midlands Limited	2490584	United Kingdom	**100**	100
Levers Coaches Limited	2524573	United Kingdom	**100**	100
MetroCity (Newcastle) Limited	4153866	United Kingdom	**100**	100
Thames Trains Limited	3007943	United Kingdom	**100**	100
Victory Railway Holdings Limited	3147927	United Kingdom	**100**	100
Abingdon Bus Company Limited	3151270	United Kingdom	**100**	100
Gatwick Handling Limited	2984113	United Kingdom	**100**	100
GH Heathrow Ltd.	2813292	United Kingdom	**100**	100
GH Manchester Limited	1883900	United Kingdom	**100**	100
GH Stansted Limited	1983429	United Kingdom	**100**	100
Go-Ahead Finance Company	4699524	United Kingdom	**100**	100
Go-Ahead Finland Oy	2958257-7	Finland	**100**	100
Go-Ahead Seletar PTE Ltd	201541899Z	Singapore	**100**	100
Go North West (2021) Limited	13275587	United Kingdom	**100**	100
Hants & Dorset Motor Services Limited	2752603	United Kingdom	**100**	100
Hants & Dorset Trim Limited	2017829	United Kingdom	**100**	100
Solent Blue Line Limited	2103030	United Kingdom	**100**	100
Marchwood Motorways (Southampton) Limited	1622531	United Kingdom	**100**	100
The Southern Vectis Omnibus Company Limited	0241973	United Kingdom	**100**	100
Tourist Coaches Limited	3006529	United Kingdom	**100**	100
Wilts & Dorset Bus Company Limited	1671355	United Kingdom	**100**	100
Wilts & Dorset Investments Limited	4613075	United Kingdom	**100**	100
Wilts & Dorset Holdings Limited	2091878	United Kingdom	**100**	100
Dockland Buses Limited	3420004	United Kingdom	**100**	100
Blue Triangle Buses Limited	3770568	United Kingdom	**100**	100
Go-Ahead Leasing Limited	5262810	United Kingdom	**100**	100
Go Northern Limited	0132492	United Kingdom	**100**	100

30. Related party disclosures and Group undertakings continued

Name	Company number	Country of incorporation	% equity interest 2022	2021
Metrobus Limited	1742404	United Kingdom	**100**	100
London Central Bus Company Limited	2328565	United Kingdom	**100**	100
Hants & Dorset Transport Support Services Limited	8669065	United Kingdom	**100**	100
Thamesdown Transport Limited	1997617	United Kingdom	**100**	100
Excelsior Coaches Limited	4329621	United Kingdom	**100**	100
Excelsior Transport Limited	4329645	United Kingdom	**100**	100
Excelsior Travel Limited	4342549	United Kingdom	**100**	100
East Yorkshire Concert Tours Limited	2142740	United Kingdom	**100**	100
East Yorkshire Coach Holidays Limited	0243051	United Kingdom	**100**	100
Bus UK Limited	2232813	United Kingdom	**100**	100
Buscall Limited	3887602	United Kingdom	**100**	100
Connor and Graham Limited	0546796	United Kingdom	**100**	100
East Yorkshire Buses Limited	0254844	United Kingdom	**100**	100
East Yorkshire Coaches Limited	0331077	United Kingdom	**100**	100
East Yorkshire Properties Limited	2256485	United Kingdom	**100**	100
East Yorkshire Tours Limited	0172326	United Kingdom	**100**	100
East Yorkshire Travel Limited	3225828	United Kingdom	**100**	100
East Yorkshire Holiday Tours Limited	2140988	United Kingdom	**100**	100
Frodingham Coaches Limited	2135501	United Kingdom	**100**	100
Hull and District Motor Services Limited	2183936	United Kingdom	**100**	100
Hull Park and Ride Limited	3886603	United Kingdom	**100**	100
Kingstonian Travel Services Limited	3561955	United Kingdom	**100**	100
EYMS Bus & Coach Training Limited	2123369	United Kingdom	**100**	100
Scarborough and District Motor Services Limited	2133854	United Kingdom	**100**	100
Hedingham & District Omnibuses Ltd.	0863658	United Kingdom	**100**	100
Anglian Bus Limited	1260689	United Kingdom	**100**	100
H.C.Chambers & Son Limited	0327497	United Kingdom	**100**	100
Aviance UK Limited	1036291	United Kingdom	**100**	100

Name	Company number	Country of incorporation	% equity interest 2022	2021
Jointly controlled dormant entities				
South Tyneside Smartzone Limited	09907829	United Kingdom	**50**	50
Newcastle Smartzone Limited	09907839	United Kingdom	**33**	33
North Tyneside Smartzone Limited	09907842	United Kingdom	**33**	33
Thameslink Rail Limited	3013232	United Kingdom*	**65**	65
London & South East Passenger Rail Services Limited	6537238	United Kingdom*	**65**	65
U-Go Mobility PTY Ltd	644573526	Australia	**50**	50
Sunderland Smartzone Limited	09907836	United Kingdom	**33**	33

* The rail companies are 65% owned by The Go-Ahead Group Limited and 35% owned by Keolis (UK) Limited and held through Govia Limited.

The above dormant entities have one class of ordinary shares which carry no right to fixed income.

The registered office of all UK dormant subsidiaries incorporated in the United Kingdom is 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne, NE1 6EE, UK. The registered office for Go-Ahead Finland Oy is Bulevardi 1A, 00100 Helsinki, Finland and the registered office for Go-Ahead Seletar PTE Ltd is 2 Loyang Way, Singapore 508776.

The registered office of all jointly controlled dormant entities is Kepier House, Belmont Business Park, Durham, DH1 1TH.

All dormant companies listed above, incorporated in the United Kingdom, have taken advantage of the UK Companies Act 2006, Section 480 exemption from audit.

Transactions with other related parties

The Group meets certain costs of administering the Group's retirement benefit plans, including the provision of meeting space and office support functions to the Trustees. Costs borne on behalf of the retirement benefit plans amounted to £0.2m (2021: £0.2m).

30. Related party disclosures and Group undertakings continued

Joint ventures

The Group's joint venture, On Track Retail Limited (OTR), has its principal place of business in the United Kingdom. The principal activity of OTR is the development and provision of web ticketing applications for the rail industry. The activities of the joint venture are strategically important to the business activities of the Group. The Group owns 50% of the ordinary share capital of OTR and the Group's share of OTR's result for the year is disclosed on the face of the income statement.

Investments

The Group's subsidiary Go-Ahead Verkehrsgesellschaft Deutschland GmbH holds a 7.4% shareholding in Mobileeee Betriebsgesellschaft mbh & Co KG, an all-electric car-sharing service based in Germany. The value of this investment in the financial statements is £nil (2021: £nil).

Compensation of key management personnel of the Group

The key management are considered to be the directors of the parent company.

	2022 £m	2021 £m
Short term employee benefits	**2.7**	1.4
Long term employee benefits*	**—**	—
Post-employment benefits	**—**	—
	2.7	1.4

* The long term employee benefits relate to the LTIP and DSBP.

Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	**2022**	2021
Govia Limited	United Kingdom	**35%**	35%
London & South Eastern Railway Limited*	United Kingdom	**35%**	35%
Southern Railway Limited*	United Kingdom	**35%**	35%
London & Birmingham Railway Limited*	United Kingdom	**35%**	35%
Govia Thameslink Railway Limited*	United Kingdom	**35%**	35%
Thameslink Rail Limited*	United Kingdom	**35%**	35%
New Southern Railway Limited*	United Kingdom	**35%**	35%

* Subsidiary of Govia Limited.

	2021 £m	2021 £m
Accumulated balances of material non-controlling interest:		
Govia Limited	**35.6**	22.3
Total comprehensive income allocated to material non-controlling interest:		
Govia Limited	**13.3**	5.3

The summarised financial information of these subsidiaries is provided on the subsequent page. The information is based on amounts before intercompany eliminations.

30. Related party disclosures and Group undertakings continued

Summarised income statement of Govia Limited and its subsidiary companies for the years ended 2 July 2022 and 3 July 2021

	2022 £m	2021 £m
Revenue	**1,983.9**	2,865.3
Operating costs	**(1,949.3)**	(2,798.3)
Exceptional items	**11.5**	(31.8)
Finance income	**0.4**	0.8
Finance costs	**(6.0)**	(9.2)
Profit before taxation*	**40.5**	26.8
Tax expense	**(2.4)**	(11.4)
Profit for the year from controlling operations*	**38.1**	15.4
Total comprehensive income*	**38.1**	15.4
Attributable to non-controlling interests*	**13.3**	5.3
Dividends paid to non-controlling interests	**—**	3.7

*post-exceptional

Summarised balance sheet of Govia Limited and its subsidiary companies as at 2 July 2022 and 3 July 2021

	2022 £m	2021 £m
Current assets – inventories, trade and other receivables, and cash	**492.0**	847.9
Non-current assets – property, plant and equipment, intangible assets, and deferred tax	**814.9**	287.9
Current liabilities – trade and other payables, and provisions	**(696.4)**	(1,069.6)
Non-current liabilities – provisions	**(508.6)**	(2.3)
Total equity	**101.9**	63.9
Attributable to:		
Equity holders of the parent	**66.3**	41.6
Non-controlling interest	**35.6**	22.3

These balance sheet amounts are shown before intercompany eliminations.

Summarised cashflow information of Govia Limited and its subsidiary companies for the years ended 2 July 2022 and 3 July 2021

	2022 £m	2021 £m
Operating	**(131.7)**	571.6
Investing	**(1.0)**	(2.0)
Financing	**(332.2)**	(515.7)
Net (decrease)/increase decrease in cash and cash equivalents	**(464.9)**	53.9

The non-controlling interests have no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

There are no terms or conditions relating to any related party transactions which need to be separately disclosed.

31. Post balance sheet events

Regional Bus

On 19 August 2022, the DfT announced that the Bus Recovery Grant (BRG) will be extended for a further 6 months to the end of March 2023, with £130.0m of funding available for UK bus services. Following this, on 17 February 2023 a further extension of BRG funding to 30 June 2023 was announced, with an additional £80.0m of funding available.

On 19 December 2022, the DfT announced the introduction of a scheme to cap most single bus fares in England (outside London) to £2 from 1st January 2023 until 31st March 2023, with funding available for UK bus services of £60.0m. Following this on 17 February 2023 an extension to the scheme was announced to 30 June 2023, with £75.0m of additional funding available.

The Group has won the first two contracts to be awarded by Transport for Greater Manchester as part of its plan to re-regulate bus services in the city region under its new Bee Network. Go-Ahead's Go North West operating company will run 55 bus routes in both Wigan and Bolton from 17 September 2023.

- On 14 November 2022, Go-Ahead purchased 100% of the issued share capital of Clyst St-Mary-based coach and bus operator, Dartline Coaches, for approximately £5.0m. The acquisition saw 118 employees and 84 vehicles become part of Go South West's operating company and will expand the Group's business in the region. Goodwill of approximately £1.0m was recognised as a result of the transaction. At the acquisition date, Dartline Coaches held tangible fixed assets of approximately £3.4m, current assets of £2.0m and liabilities of £1.5m. The accounting for this transaction is currently being finalised at the time of publication of the Annual Report and Accounts.
- On 1 February 2023, Go-Ahead acquired 100% of the issued share capital of Southdown Buses for approximately £1.5m. Southdown Buses is a bus company operating in East Surrey, Kent and Sussex. Southdown, which operates 25 buses and employs 43 people, will operate as a subsidiary of Go-Ahead's Brighton-based operating company. The company runs scheduled routes and provides rail replacement bus services, and it will expand the Group's business in the region. The accounting for this transaction is currently in progress at the time of publication of the Annual Report and Accounts.

London & International Bus

On 24 August 2022, it was confirmed that the Land Transport Authority of Singapore had granted a three-year contract extension to Go-Ahead Singapore to continue operating in the Loyang region of the island. The extension begins in September 2023 and will run until September 2026. This follows the initial five-year contract which saw the Group's entry into the Singapore bus market in September 2016. This is Go-Ahead Singapore's second contract extension, with the first being a 2-year extension awarded in August 2020, running from September 2021 to September 2023.

In December 2022, Go-Ahead won a contract to operate buses in Sydney, under a joint venture with an Australian company, UGL. This takes the Group into a new market, and in line with the ambition set out for international expansion under the Group's new strategy. The buses will run under a brand the Group has created for the joint venture, called U-Go Mobility. From July 2023, the Group will operate a network of 225 buses, to be run by more than 400 colleagues in an area stretching from Sydney's southern beaches to the city's south-western suburbs. The Group will be delivering more than 500,000 passenger journeys daily.

Offer and subsequent purchase of the Go-Ahead Group ("Go-Ahead") by Gerrard Investment Bidco Limited ("Bidco")

On 13 June 2022, the boards of directors of BidCo and Go-Ahead announced they had reached agreement on the terms of a recommended cash offer for the Group, pursuant to which BidCo would acquire the entire issued share capital of Go-Ahead (the "Scheme of Arrangement"). BidCo is a newly formed company indirectly owned by Kinetic TCo Pty Ltd ("Kinetic") and Globalvia Inversiones S.A.U. ("Globalvia"). This offer was increased on 4 August 2022, to 1,550 pence for each Go-Ahead share, comprising 1,450 pence in cash and a special dividend of 100 pence per Go-Ahead share.

On 16 August 2022, the Scheme of Arrangement was approved by the requisite majority of shareholders. The Scheme of Arrangement was subject to certain other conditions including sanction by the Court which took place on 6 October 2022, with the Scheme of Arrangement becoming effective on 10 October 2022 and Go-Ahead's shares being delisted on 11 October 2022.

International Rail

Subsequent to the year-end, a dispute has arisen with the Norwegian Rail Directorate relating to specific terms for the compensation for loss of passenger income mechanism that had been agreed under the revised agreement traffic agreement dated 28 June 2022. Based on legal advice obtained and review of correspondence between the Company and the Rail Directorate at the time of the signing of the revised agreement in June, the Directors are satisfied that the onerous provision has been calculated based on the terms of the revised agreement. Whilst the Directors are confident of a successful outcome, until such time as the dispute is resolved with the Directorate there remains a possible risk that if successfully challenged by the Directorate, this could increase the onerous contract provision by up to £20.0m. The Directors consider that the onerous contract provision reflects their best estimate of the terms agreed at the time.

Cyber security Incident

On 5 September 2022, a cyber security incident was announced by the Group after unauthorised activity was detected on its network. Upon becoming aware of the incident, the Group immediately engaged external forensic specialists and took precautionary measures with its IT infrastructure. There is no financial impact of this in the financial year ended 2 July 2022 and the financial impact in FY23 is currently still being assessed.

Board Changes

For information on Board changes that occurred subsequent to the year ended 2 July 2022, please see pages 66 to 69 of the Board overview section of Governance.

Company balance sheet

as at 2 July 2022

Registered No. 02100855

	Notes	2022 £m	2021* £m
Assets			
Non-current assets			
Intangible assets	4	**1.9**	2.4
Property, plant and equipment	5	**0.5**	0.6
Right of use assets	6	**3.5**	2.5
Investment property	7	**200.4**	190.3
Investments	8	**48.4**	151.9
Trade and other receivables	9	**598.0**	539.2
Derivative financial assets	12	**14.1**	3.4
Retirement benefit assets	15	**99.8**	62.4
		966.6	952.7
Current assets			
Trade and other receivables	9	**125.6**	226.4
Cash and cash equivalents		**41.8**	36.4
Assets held for sale		**0.1**	0.1
Derivative financial assets	12	**40.0**	4.9
		207.5	267.8
Total assets		**1,174.1**	1,220.5
Liabilities			
Current liabilities			
Trade and other payables	10	**(114.0)**	(102.7)
Provisions		**(0.1)**	(0.1)
Interest-bearing loans and borrowings	11	**(5.8)**	(5.7)
Lease liabilities	6	**(1.4)**	(2.1)
Derivative financial liabilities	12	**—**	(0.6)
		(121.3)	(111.2)
Non-current liabilities			
Trade and other payables	10	**(58.2)**	(60.6)
Provisions	13	**(13.8)**	(13.3)
Interest-bearing loans and borrowings	11	**(249.6)**	(249.4)
Lease liabilities	6	**(5.6)**	(5.2)
Derivative financial liabilities	12	**(0.1)**	(0.3)
Deferred tax liabilities	14	**(58.9)**	(50.7)
		(386.2)	(379.5)
Total liabilities		**(507.5)**	(490.7)
Net assets		**666.6**	729.8
Capital and reserves			
Share capital	16	**75.2**	75.2
Revaluation reserve	16	**53.5**	56.9
Share premium reserve	16	**1.6**	1.6
Capital redemption reserve	16	**0.7**	0.7
Reserve for own shares	16	**(70.9)**	(71.3)
Retained earnings		**606.5**	666.7
Total equity		**666.6**	729.8

* Restated – see Note 1.

The loss for the year ended 2 July 2022 was £84.9m (2021: profit of £57.7m). The Company notes 1 to 20 are an integral part of the Company financial statements.

The financial statements were approved and authorised for issuance by the Board of directors on 24 February 2023 and were signed on its behalf by:

Christian Schreyer
Group Chief Executive

24 February 2023

Company statement of changes in equity

for the year ended 2 July 2022

	Share capital £m	Revaluation reserve £m	Share premium reserve £m	Capital redemption reserve £m	Reserve of own shares £m	Retained earnings £m	Total equity £m
At 27 June 2020*	75.2	60.3	1.6	0.7	(71.3)	621.9	688.4
Profit for the year	—	—	—	—	—	57.7	57.7
Remeasurement on defined benefit retirement plans (net of tax)*	—	—	—	—	—	(16.6)	(16.6)
Total comprehensive income*	—	—	—	—	—	41.1	41.1
Dividend paid (note 3)	—	—	—	—	—	—	—
Movement on revaluation reserve (note 16)	—	(3.4)	—	—	—	3.4	—
Acquisition of own shares	—	—	—	—	(0.6)	—	(0.6)
Net share-based payment charge	—	—	—	—	—	0.9	0.9
Exercise of share options	—	—	—	—	0.6	(0.6)	—
At 3 July 2021*	75.2	56.9	1.6	0.7	(71.3)	666.7	729.8
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(84.9)**	**(84.9)**
Remeasurement on defined benefit retirement plans (net of tax)	**—**	**—**	**—**	**—**	**—**	**22.0**	**22.0**
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**(62.9)**	**(62.9)**
Dividend paid (note 3)	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Movement on revaluation reserve (note 16)	**—**	**(3.4)**	**—**	**—**	**—**	**3.4**	**—**
Acquisition of own shares	**—**	**—**	**—**	**—**	**(0.4)**	**—**	**(0.4)**
Deferred tax on share-based payment transactions	**—**	**—**	**—**	**—**	**—**	**0.1**	**0.1**
Exercise of share options	**—**	**—**	**—**	**—**	**0.8**	**(0.8)**	**—**
At 2 July 2022	**75.2**	**53.5**	**1.6**	**0.7**	**(70.9)**	**606.5**	**666.6**

* Restated – see Note 1.

Directors' responsibilities in relation to the Company financial statements

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Notes to the Company financial statements

1. Company accounting policies

Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 (FRS 101)

The Company financial statements of The Go-Ahead Group Limited for the year ended 2 July 2022 were authorised for issue by the Board of directors on 24 February 2023 and the balance sheet was signed on the Board's behalf by Christian Schreyer. The Go-Ahead Group Limited is a private company, limited by shares, that is incorporated, domiciled and registered in England and Wales. The Company is the immediate and ultimate parent company of The Go-Ahead Group. The registered office is 3rd Floor, 41–51 Grey Street, Newcastle upon Tyne, NE1 6EE, UK. The Company's ordinary shares at the year-end were publicly traded on the London Stock Exchange and were not under the control of any single shareholder. Subsequent to the year end the entire share capital of the group was purchased by Gerrard Investment Bidco Limited, a newly formed company indirectly owned by Kinetic TCo Pty Ltd ("Kinetic") and Globalvia Inversiones S.A.U. ("Globalvia").

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in line with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs).

No income statement is presented by the Company as permitted by Section 408 of the Companies Act 2006.

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 2 July 2022. The financial year represents the 52 weeks to 2 July 2022 (prior financial year 53 weeks to 3 July 2021).

The financial statements are prepared under the historical cost convention as modified by financial instruments recognised at fair value.

The financial statements are prepared in pounds sterling and are rounded to the nearest one hundred thousand (£0.1m).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures and standards not yet effective:

- The requirements of paragraphs 45(b) and 46–52 of IFRS 2 Share Based Payment
- The requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91–99 of IFRS 13 Fair Value Measurement
- The requirements in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1
  - Paragraph 73(e) of IAS 16 Property, Plant and Equipment
  - Paragraph 118(e) of IAS 38 Intangible Assets
- The requirements of paragraphs 10(d), 10(f), 16, 39(c), 40A, 40B, 40C, 40D, 111 and 134–136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cashflows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 110 (2nd sentence), 113(a), 114, 115, 118, 119(a)-119(c), 120–127 and 129 of IFRS 15 Revenue from Contracts with Customers
- The requirements of paragraph 52, 89 (2nd sentence), 90, 91 and 93 of IFRS 16 Leases and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

1. Company accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty

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

Retirement benefit scheme

The measurement of defined benefit pension schemes requires the estimation of future changes in salaries, inflation and longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 15. The Company engages with Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to our particular circumstances. Management also benchmarks these assumptions on a periodic basis with other professional advisors. Sensitivity analysis on the retirement defined benefit schemes is detailed in note 15.

Accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the income will flow to the Company and the value can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and comprises intercompany management charges and property rental. The Company recognises revenue when the entity satisfies a performance obligation by transferring the management and property rental services to the customer.

Property, plant and equipment

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

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal and over their expected useful life on a straight-line basis, to operating costs in the income statement, as follows:

Leasehold land and buildings	The life of the lease
Freehold buildings	Over 50 to 100 years
Plant and equipment	Over 3 to 15 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount, being the higher of value in use or fair value less costs of disposal. Any impairment in value is recognised immediately in the income statement.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Investment property

The fair value of the land and property held as investment property was last revalued in 2007. Since this date, the Company has transitioned to FRS101 and adopted the cost model. Any costs associated with the item are included within the carrying amount of the property when it is probable that the future economic benefit associated with the item is probable and can be measured reliably. All other repair and maintenance costs are charged to the income statement. Investment property is measured at cost and is reviewed in line with the impairment review policy noted below.

Derivative financial instruments

The Company uses derivatives to hedge risks associated with fuel price fluctuations. These derivatives are not designated in hedge relationships. They are initially recognised at fair value and subsequently measured at fair value through profit or loss.

Leases

Lease identification

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

Right of use assets

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

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

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

1. Company accounting policies continued

Accounting policies continued

Leases continued

Lease liability

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

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

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

Short term and low value asset leases

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

Sale and leaseback transactions

On transition to IFRS 16, the Company applied the modified retrospective approach. Under the modified retrospective approach, the Company did not revisit and amend the sale and lease back transactions that were ongoing as of the date of transition.

Retirement benefits

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognised in the statement of comprehensive income in the period in which they occur.

The current service cost is recognised in the income statement within operating costs. The net interest expense or income is recognised in the income statement within finance costs.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which obligations are to be settled directly for The Go-Ahead Group Pension Plan. Fair value is based on market price information and in the case of quoted securities is the published bid price. Any surplus is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

For the defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1. Company accounting policies continued
Accounting policies continued
Share based payment transactions
The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences, except:

- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

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

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

Provisions are accounted for on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

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

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

1. Company accounting policies continued
Accounting policies continued
Impairment of assets continued
Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, on a systematic basis less any residual value, over its remaining useful life. We have considered indicators of impairment in the carrying value of the assets, including the excess in value compared to both the market capitalisation and the consolidated net assets of the Group. In concluding that there is no impairment required, we have considered different methods to value the assets, including the use of estimated future cashflows, which are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset discounted forecast cashflows and using an appropriate multiple of forecasted cashflows.

Treasury shares
Reacquired shares in the Company, which remain uncancelled, are deducted from equity. Consideration paid and the associated costs are also recognised in shareholders' funds as a separate reserve for own shares.

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

Issue costs relating to any term extensions are offset against the proceeds and amortised over the life of the extension.

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

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Other liabilities include dilapidations provisions; reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide sensitivity analysis of the extent by which these amounts could change in the next financial year.

Financial instruments
Financial assets
The Company's financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through the income statement, directly attributable transaction costs. Financial assets are subsequently classified as being measured at amortised cost, fair value through other comprehensive income, or fair value through the income statement.

The Company's financial assets at amortised cost are non-derivative financial assets held for collection of contractual cashflows where those cashflows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Company's impairment policies in relation to financial assets are consistent with those of the Group, with additional consideration given to amounts owed by Group undertakings (note 10) and loans to Group companies (note 9). In respect of these assets, the Company recognises lifetime ECL when there has been a significant increase in credit risk (such as changes to credit ratings or when the contractual payments are overdue by more than 30 days) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

1. Company accounting policies continued

Accounting policies continued

Financial instruments continued

Financial liabilities

The Company's financial liabilities include trade payables, accruals, interest-bearing loans and borrowings and derivative financial instruments. At initial recognition, the Company measures financial liabilities at fair value plus, in the case of a financial liability not at fair value through the income statement, transaction costs that are directly attributable to the issue of the financial liability.

With the exception of derivative financial instruments, all other financial liabilities are subsequently measured on an amortised cost basis.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cashflows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10% different from the discounted present value of the remaining cashflows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cashflows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Fair value measurement

The Company measures financial instruments and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 12.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1. Company accounting policies continued

Accounting policies continued

Fair value measurement continued

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

When required, the Company presents the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Software

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

New standards

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

- Impact of the initial application of Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Impact of the initial application of COVID-19 Related Rent Concessions beyond 30 June 2021 - amendment to IFRS 16

Adoption of the standards and interpretations had no material impact on the Group's financial position or related performance.

Prior year restatements

Investment in subsidiary reclassification

In 2014, the Group implemented an Asset Backed Funding (ABF) arrangement for the Group's defined benefit pension scheme. As part of this arrangement, the parent company, Go-Ahead Group Limited (previously Go-Ahead Group plc), made a contribution to the Pension Scheme of £63.2m. This amount was previously, incorrectly, disclosed in the Company only financial statements within investments as a loan due from group undertakings. Therefore this item has been revalued and reclassified as a pension scheme asset and is fair valued in accordance with IAS 19 which impacts the 2021 opening reserves. The impact of this to the opening position of the Company's 2021 financial statements is a reduction of £63.2m in investment in subsidiaries, an increase of £17.0m in pension asset and a reduction of £46.2m in 2021 opening reserves. The incremental impact on this adjustment to the 2021 closing balance sheet is an increase of £4.0m to the pension scheme asset and reduction in reserves by the same amount.

Notes to the Company financial statements continued

1. Company accounting policies continued

Accounting policies continued

Parent company guarantee

For the year ended 2 July 2022, the following subsidiaries of the Company are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act relating to subsidiary companies:

Subsidiary name	Company number	Subsidiary name	Company number
East Yorkshire Motor Services Limited	00216628	Konectbus Ltd	03149258
EYMS Group Limited	02065145	Plymouth Citybus Limited	02004966
Carousel Buses Limited	04062073	Go North West Limited	08205871
Thames Travel (Wallingford) Limited	04184436	GA Retail Services Limited	04173713
Tom Tappin, Limited	00350802	Go-Ahead Scotland Limited	SC447303
NetCourt Properties Limited	03740809		

For the year ended 2 July 2022, the following subsidiaries of the Company are exempt from the requirements of the Companies Act 2006 relating to the preparation and filing of individual accounts by virtue of Section 394A and 394 of that Act relating to dormant subsidiary companies:

Dormant subsidiary name	Company number	Dormant subsidiary name	Company number
Abingdon Bus Company Limited	03151270	Go-Ahead Events Services Limited (previously East Midlands Railway Limited)	07164882
Anglian Bus Limited	01260689	Go-Ahead Finance Company	04699524
Aviance UK Limited	01036291	Go-Ahead Leasing Limited	05262810
Birmingham Passenger Transport Services Limited	02901263	Go-Ahead Property Development Limited	07128594
Blue Triangle Buses Limited	03770568	Go-Reading Limited	03158846
Bus UK Limited	02232813	H.C.Chambers & Son Limited	00327497
Buscall Limited	03887602	Hants & Dorset Motor Services Limited	02752603
Connor and Graham Limited	00546796	Hants & Dorset Transport Support Services Limited	08669065
Dockland Buses Limited	03420004	Hants & Dorset Trim Limited	02017829
East Yorkshire Buses Limited	00254844	Hedingham & District Omnibuses Ltd.	00863658
East Yorkshire Coach Holidays Limited	00243051	Hull and District Motor Services Limited	02183936
East Yorkshire Coaches Limited	00331077	Hull Park and Ride Limited	03886603
East Yorkshire Concert Tours Limited	02142740	Kingstonian Travel Services Limited	03561955
East Yorkshire Holiday Tours Limited	02140988	Levers Coaches Limited	02524573
East Yorkshire Properties Limited	02256485	London Central Bus Company Limited	02328565
East Yorkshire Tours Limited	00172326	Marchwood Motorways (Southampton) Limited	01622531
East Yorkshire Travel Limited	03225828	Metrobus Limited	01742404
Excelsior Coaches Limited	04329621	Metrocity (Newcastle) Limited	04153866
Excelsior Transport Limited	04329645	Scarborough and District Motor Services Limited	02133854
Excelsior Travel Limited	04342549	Solent Blue Line Limited	02103030
EYMS Bus & Coach Training Limited	02123369	Southern Vectis Limited	02005917
Frodingham Coaches Limited	02135501	Thamesdown Transport Limited	01997617
Gatwick Handling Limited	02984113	Thames Trains Limited	03007943
GH Heathrow Limited	02813292	The Go-Ahead Group Trustee Company Limited	02125799
GH Manchester Limited	01883900	The Southern Vectis Omnibus Company Limited	00241973
GH Stansted Limited	01983429	Tourist Coaches Limited	03006529
GHI Limited	04262016	Victory Railway Holdings Limited	03147927
Go Coastline Limited	02018469	Wilts & Dorset Holdings Limited	02091878
Go London Limited	02849983	Wilts & Dorset Investments Limited	04613075
Go Northern Limited	00132492	Wilts & Dorset Bus Company Limited	01671355
Go Wear Buses Limited	02019645	Go West Midlands Limited	02490584

Partnership exemption

For the year ended 2 July 2022, by virtue of Regulation 7 of the Partnerships (Accounts) Regulations 2008, Go-Ahead Scottish Limited Partnership (SL013471) is entitled to exemption from the requirement to prepare, publish and have its individual accounts audited under Regulations 4 – 6 of the Partnerships (Accounts) Regulations 2008. The results of Go-Ahead Scottish Limited Partnership are consolidated within The Go-Ahead Group Limited consolidated results.

Notes to the Company financial statements continued

2. Employee costs

This note shows total employment costs, inclusive of share-based payment charges. We have a number of share plans used to award shares to directors and employees. A charge is recognised over the vesting period, based on the fair value of the award at the date of grant. The note also shows the average number of people employed by the Company during the year. For accounting policies see Share based payments in note 1.

	2022 £m	2021 £m
Wages and salaries	**14.1**	11.3
Social security costs	**1.7**	1.2
Other pension costs	**3.2**	3.5
Share based payments (credit)/ charge	**(0.5)**	0.5
	18.5	16.5

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effect of Guaranteed Minimum Pensions (GMP) between men and women. This judgement followed on from the previous judgement on 26 October 2018, where the High Court ruled that schemes had a legal obligation to pay benefits allowed for GMP equalisation. The previous judgement had not considered historical transfer values. The judgement has implications for many defined benefit schemes, including those in which the Group participates.

As a result of this change, a pre-tax, non-cash, non-exceptional past service cost of £1m was recognised in the income statement in the prior year. Nothing was recognised in current year in respect of this.

The average monthly number of employees during the year, including executive directors, was:

	2022 No.	2021 No.
Administration and supervision	**212**	198

The information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the Directors' remuneration report.

Long Term Incentive Plans

The former executive directors participated in The Go-Ahead Group Long Term Incentive Plan 2015 (LTIP). The LTIP provides for executive directors to be awarded nil cost shares in the Company conditional on specified performance conditions being met over a period of three years. Refer to the Directors' remuneration report for further details of the LTIP.

The expense recognised for the LTIP during the year to 2 July 2022 was £nil (2021: £0.1m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 2 July 2022 and 3 July 2021 were:

	2022 % per annum	2021 % per annum
The Go-Ahead Group		
Future share price volatility	**50.0**	40.0
FTSE Mid-250 index comparator:		
Future share price volatility	**n/a**	25.0
Correlation between companies	**n/a**	30.0

The following table shows the number of share options for the LTIP:

	2022 No.	2021 No.
Outstanding at the beginning of the year	**240,826**	162,832
Granted during the year[1]	**42,203**	127,987
Forfeited during the year[2]	**(105,765)**	(49,993)
Exercised during the year	**—**	—
Outstanding at the end of the year	**177,264**	240,826

1. On 5 May 2022, share options were granted with a nil exercise price under The Go-Ahead Group Long Term Incentive Plan 2015 ("2021 RSP"). These were granted to the Group Chief Executive and vesting will be subject to achievement of financial and non-financial underpins measured over a three-year performance period, commencing with the start of the 2021/22 financial year and ending with the end of the 2023/24 financial year. For more information, please see the remuneration report.
2. Following the year-end, all outstanding LTIP awards (with the exception of the new RSP awards) lapsed or were cancelled following a remuneration committee meeting. Further information can be found in the remuneration report on pages 90 to 110.

2. Employee costs continued

Long Term Incentive Plans continued

The weighted average fair value of options granted during the year was £8.16 (2021: £9.44).

The weighted average remaining contractual life of the options was 1.66 years (2021: 1.81 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2021: £nil).

The estimated amounts due to the relevant tax authorities in relation to the above transactions are detailed in the Directors' remuneration report.

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for executive directors and certain other senior employees to be awarded shares in the Company conditional on the achievement of financial and strategic targets. The shares are deferred over a three-year period. Refer to the Directors' remuneration report for further details of the DSBP.

The DSBP options are not subject to any market-based performance conditions. Therefore, the fair value of the options is equal to the share price at the date of grant.

The expense recognised for the DSBP during the year to 2 July 2022 was £0.2m (2021: £0.4m).

The following table shows the number of share options for the DSBP:

	2022 No.	2021 No.
Outstanding at the beginning of the year	**79,610**	79,588
Granted during the year	**—**	16,485
Forfeited during the year	**(25,546)**	(7,369)
Exercised during the year	**(5,779)**	(9,094)
Outstanding at the end of the year	**48,285**	79,610

The weighted average fair value of options granted during the year was £nil (2021: £8.32).

At the year end, 27,392 options related to DSBP awards, which had vested before the year end and have not yet been exercised by participants.

Of these 26,431 options related to the award granted in November 2018, 437 options related to the award granted in November 2017 and 524 options related to the award granted in November 2013.

21,340 options, relating to the DSBP award granted in November 2019, are now eligible to vest following the end of a three-year deferral period in November 2022. The weighted average share price of the options at the year end was £15.80 (2021: £11.40).

The weighted average remaining contractual life of the options was 0.49 years (2021: 1.21 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £7.92 (2021: £10.81).

3. Dividends

Dividends are one type of shareholder return, historically paid to our shareholders in April and November.

	2022 £m	2021 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2021: nil per share (2020: nil)	**—**	—
Interim dividend for 2022: nil per share (2021: nil)	**—**	—
	—	—

	2022 £m	2021 £m
Special dividend paid on completion of sale (not recognised as a liability as at 2 July 2022)		
Equity dividends on ordinary shares:		
Special dividend 2022: 100p per share (2021: nil)	**43.1**	—

Payment of proposed dividends does not have any tax consequences for the Group.

On 29 November 2022, an additional dividend of 37p per share (£16.0m) was paid to the Group's new shareholders.

Notes to the Company financial statements continued

4. Intangible assets

	Software £m
Cost	
At 3 July 2021	15.2
Additions	0.4
At 2 July 2022	**15.6**
Amortisation and impairment	
At 3 July 2021	12.8
Charge for the year	0.9
At 2 July 2022	**13.7**
Net book value	
At 2 July 2022	**1.9**
At 3 July 2021	2.4

Software costs capitalised exclude software that is integral to the related hardware. Software is amortised on a straight-line basis over its expected useful life of three to five years.

5. Property, plant and equipment

	Plant and equipment £m
Cost	
At 3 July 2021	8.4
Additions	0.1
At 2 July 2022	**8.5**
Depreciation and impairment	
At 3 July 2021	7.8
Charge for the year	0.2
At 2 July 2022	**8.0**
Net book value	
At 2 July 2022	**0.5**
At 3 July 2021	0.6

6. Leases

The Company has lease liabilities for land and buildings. These contracts have no terms of renewal or purchase option escalation clauses.

Right of use assets

	Leasehold land and buildings £m
Cost	
At 3 July 2021	3.6
Additions	1.5
At 2 July 2022	**5.1**
Depreciation and impairment	
At 3 July 2021	1.1
Charge for the year	0.5
At 2 July 2022	**1.6**
Net book value	
At 2 July 2022	**3.5**
At 3 July 2021	2.5

6. Leases continued

Right of use assets continued

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a sale and leaseback of certain properties used by the Group. Lease liabilities for the inter-group leases are disclosed within note 10.

Lease liabilities

The balance sheet includes the following amounts:

	2022			2021		
	Right of use assets £m	Investment property - right of use assets £m	Total £m	Right of use assets £m	Investment property - right of use assets £m	Total £m
Current	**(0.4)**	**(1.0)**	**(1.4)**	(0.1)	(2.0)	(2.1)
Non-current	**(3.4)**	**(2.2)**	**(5.6)**	(2.2)	(3.0)	(5.2)
	(3.8)	**(3.2)**	**(7.0)**	(2.3)	(5.0)	(7.3)

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2022			2021		
	Right of use assets £m	Investment property - right of use assets £m	Total £m	Right of use assets £m	Investment property - right of use assets £m	Total £m
Less than one year	**(0.4)**	**(1.0)**	**(1.4)**	(0.1)	(2.1)	(2.2)
One to two years	**(0.6)**	**(0.4)**	**(1.0)**	(0.6)	(1.1)	(1.7)
Two to three years	**(0.5)**	**(0.4)**	**(0.9)**	(0.6)	(0.4)	(1.0)
Three to four years	**(0.5)**	**(0.3)**	**(0.8)**	(0.5)	(0.4)	(0.9)
Four to five years	**(0.5)**	**(0.3)**	**(0.8)**	(0.5)	(0.1)	(0.6)
More than five years	**(1.6)**	**(1.5)**	**(3.1)**	—	(1.5)	(1.5)
Total undiscounted lease liability	**(4.1)**	**(3.9)**	**(8.0)**	(2.3)	(5.6)	(7.9)

Cash outflow on leases is as follows:

	2022 £m	2021 £m
Total cash outflow for leases	**3.7**	5.8

7. Investment property

	Owned property £m	Inter-group leasehold land and buildings £m	Right of use assets £m	Total £m
Cost				
At 3 July 2021	130.4	76.6	9.0	216.0
Additions	13.5	—	—	13.5
At 2 July 2022	**143.9**	**76.6**	**9.0**	**229.5**
Depreciation and impairment				
At 3 July 2021	19.7	2.2	3.8	25.7
Charge for the year	1.1	0.3	1.7	3.1
Impairment	0.3	—	—	0.3
At 2 July 2022	**21.1**	**2.5**	**5.5**	**29.1**
Net book value				
At 2 July 2022	**122.8**	**74.1**	**3.5**	**200.4**
At 3 July 2021	110.7	74.4	5.2	190.3

Owned property includes non-depreciable land amounting to £81.6m (2021: £68.1m).

If investment properties had been revalued, they would have been included at the following fair value:

	2022 £m	2021 £m
Owned property	**138.2**	113.8

Owned investment properties were valued on market value basis in May 2022 by a third party chartered surveyor.

8. Investments

	Shares in Group companies £m
Cost	
At 2 July 2022 and 3 July 2021	**151.9**
Impairments	
At 3 July 2021	**—**
Impairment	**(103.5)**
At 2 July 2022	**(103.5)**
Net carrying amount	
At 2 July 2022	**48.4**
At 3 July 2021*	**151.9**

* Restated – see Note 1 for further details.

For details of the subsidiary undertakings as at 2 July 2022, refer to note 30 of the Group financial statements.

At the year end, an impairment review was performed of the carrying value of the investments in subsidiaries and the intercompany receivables held by the Company. Using the takeover value which provided an observable fair value of the Group (see Note 31 to the consolidated financial statements for more information), the directors assessed that an impairment charge of £103.5m should be recognised.

9. Trade and other receivables

Amounts falling due within one year

	2022 £m	2021 £m
Amounts owed by Group companies	**119.5**	217.2
Trade and other debtors	**6.1**	9.2
	125.6	226.4

Amounts falling due after more than one year

	2022 £m	2021 £m
Amounts owed by Group companies	**598.0**	539.2

All current outstanding amounts owed by Group companies are repayable on demand and arise from funding provided by the Company to its subsidiaries. Given the way in which the group is funded, in order to assess the carrying values of the intercompany receivables held, the directors assessed the recoverability of intercompany balances using the takeover value and the inherent estimated future cash flows that underpinned that valuation.

An impairment charge of £0.5m has been recognised in the year (2021: £7.9m) increasing the year-end provision to £23.5m.

10. Trade and other payables

Amounts falling due within one year

	2022 £m	2021 £m
Amounts owed to Group undertakings	**98.6**	88.4
Trade and other creditors	**15.4**	14.3
	114.0	102.7

Amounts falling due after more than one year

	2022 £m	2021 £m
Amounts owed to Group undertakings	**58.2**	60.6

10. Trade and other payables continued

Amounts falling due after more than one year continued

During the year ended 28 June 2014, The Go-Ahead Group plc undertook a sale and leaseback of certain properties used by the Group. Included in the amounts owed to Group undertakings is an amount of £60.5m (2021: £62.9m) relating to this transaction. This arrangement has no terms of renewal or purchase option escalation clauses and there are no restrictions imposed by the arrangement. The remaining contractual maturities of these lease liabilities, which are gross and undiscounted, are as follows:

	2022 £m	2021 £m
Less than one year	**5.2**	5.1
One to two years	**5.4**	5.2
Two to three years	**5.5**	5.4
Three to four years	**5.7**	5.5
Four to five years	**5.9**	5.7
More than five years	**53.7**	59.5
Total undiscounted lease liability	**81.4**	86.4

11. Interest-bearing loans and borrowings

Amounts falling due within one year

	2022 £m	2021 £m
Accrued interest on £250m sterling seven-year bond	**6.2**	6.2
Debt issue costs	**(0.4)**	(0.5)
	5.8	5.7

Amounts falling due after more than one year

	2022 £m	2021 £m
£250m sterling seven-year bond (due in 1-3 years)	**250.0**	250.0
Debt issue costs	**(0.4)**	(0.6)
	249.6	249.4

Interest-bearing loans and borrowings comprise a £250m sterling bond, less issue costs. For further details refer to note 22 of the Group financial statements. The Company has no security over its liabilities.

12. Financial instruments at fair value

The fair values of the Company's financial instruments carried in the financial statements have been reviewed as at 2 July 2022 and 3 July 2021 and are as follows:

	2022 £m	2021 £m
Non-current financial assets: fuel price derivatives	**14.1**	3.4
Current financial assets: fuel price derivatives	**40.0**	4.9
	54.1	8.3
Current financial liabilities: fuel price derivatives	**—**	(0.6)
Non-current financial liabilities: fuel price derivatives	**(0.1)**	(0.3)
	(0.1)	(0.9)
Net financial derivatives	**54.0**	7.4

Further information on the financial derivatives can be found in note 24 of the Group financial statements.

Fuel derivatives

As discussed in note 24 of the Group financial statements, the Company is exposed to commodity price risk as a result of fuel usage. The Company uses derivatives to hedge its risks associated with fuel price fluctuations. These derivatives are not designated in hedge relationships. They are initially recognised at fair value and subsequently measured at fair value through profit or loss.

As at 2 July 2022, the Company had derivatives against fuel of 175 million litres for the three years ending June 2025. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

13. Provisions

	Uninsured claims £m	Other £m	Total £m
At 27 June 2020	9.9	0.3	10.2
Provided (after discounting)	5.8	0.5	6.3
Released	(2.3)	—	(2.3)
Utilised	(0.9)	—	(0.9)
At 3 July 2021	12.5	0.8	13.3
Provided (after discounting)	**2.4**	**—**	**2.4**
Released	**(1.3)**	**—**	**(1.3)**
Utilised	**(0.3)**	**(0.3)**	**(0.6)**
At 2 July 2022	**13.3**	**0.5**	**13.8**

Uninsured claims represent the cost to the Company to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Company by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within six years. Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historical trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Uninsured claims are provided on a gross basis and a separate reimbursement asset, for amounts due back from the insurance providers, of £nil (2021: £nil) is included within other receivables.

The other provisions include £0.3m relating to dilapidation costs which are expected to be incurred within three to four years. The remaining £0.2m relates to an onerous contract provision for a vacant property. Future costs relating to rental charges, business rates and dilapidation costs have been provided for and will be utilised within one to three years.

Reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year.

14. Current and deferred taxation

Amounts falling due within more than one year

Deferred taxation provided at the enacted rate is as follows:

	2022 £m	2021 £m
Accelerated capital allowances	**(12.2)**	(12.7)
Other timing differences	**(13.5)**	(13.8)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	**(13.2)**	(13.8)
Retirement benefit obligations	**(20.0)**	(10.4)
Deferred taxation	**(58.9)**	(50.7)

The movements in deferred tax in the income statement and other comprehensive income for the year ended 2 July 2022 are as follows:

	At 3 July 2021 £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	At 2 July 2022 £m
Accelerated capital allowances	(12.7)	0.5	—	—	**(12.2)**
Asset backed funding pension arrangement	(13.2)	0.3	—	—	**(12.9)**
Other temporary differences	(1.2)	0.1	—	—	**(1.1)**
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(13.8)	0.6	—	—	**(13.2)**
Retirement benefit obligations	(10.4)	(1.4)	(8.2)	—	**(20.0)**
Share based payments	0.6	—	—	(0.1)	**0.5**
	(50.7)	0.1	(8.2)	(0.1)	**(58.9)**

The deferred tax asset relating to the share-based payments was recognised in the current and prior year as it is considered probable that there will be future taxable profits available.

15. Retirement benefits

Defined contribution scheme

During the year ended 2 July 2022, the Company participated in the defined contribution scheme of The Go-Ahead Group Pension Plan (the Go-Ahead Plan). This scheme is not contracted out of the State Second Pension Scheme. It is now closed to new entrants and has been replaced by a Workplace Savings Scheme, which is also a defined contribution pension scheme. The expense recognised in these accounts for the year in respect of the defined contribution scheme of the Go-Ahead Plan was £0.4m (2021: £0.4m), being the contributions paid and payable. The expense recognised for the Workplace Saving Scheme was less than £0.1m (2021: less than £0.1m), being the contributions paid and payable.

Defined benefit scheme

During the year ended 2 July 2022, the Company participated in a scheme which is part of the Go-Ahead Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The defined benefit section of the Go-Ahead Plan has been closed to new entrants and to future accrual.

The most recent actuarial valuation of the scheme was at 31 March 2021 and was updated by Willis Towers Watson to take account of the requirements of IAS 19 (Revised) in order to assess the liabilities of the scheme at 2 July 2022 and 3 July 2021.

In 2014, the Group implemented an Asset Backed Funding (ABF) arrangement for the Group's defined benefit pension scheme. As part of this arrangement, the parent company, Go-Ahead Group Limited (previously Go-Ahead Group plc), made a contribution to the Pension Scheme of £63.2m. This item has been fair valued in accordance with IAS 19 leading to an overall pension asset value of £19.8m (2021: £20.9m).

The total net assets and liabilities of the scheme are recognised on the Company balance sheet.

	2022 £m	2021* £m
Pre-tax pension scheme asset	**80.0**	41.5
Other pension asset	**19.8**	20.9
Total pre-tax pension scheme asset	**99.8**	62.4
Deferred tax liability	**(20.0)**	(10.4)
Post-tax pension scheme asset	**79.8**	52.0

* Restated – see Note 1.

15. Retirement benefits continued

Defined benefit scheme continued

The following disclosures provide details of the entire defined benefit scheme.

The main assumptions are:

	2022 %	2021 %
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment and deferred pensions	**2.8**	2.7
Discount rate	**3.5**	1.8
Retail price index inflation	**3.3**	3.2
Consumer price index inflation	**2.8**	2.7

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

	2022 Years	2021 Years
Pensioner	**20**	21
Non-pensioner	**21**	22

Sensitivity analysis

In making the valuation, the above assumptions have been used. For the Go-Ahead Plan, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation, the following adjustments would adjust the pension deficit as shown.

	2022 Pension deficit %	2021 Pension deficit %
Discount rate – increase of 0.5%	**(6.2)**	(8.0)
Price inflation – increase of 0.5%	**4.6**	7.5
Rate of increase in salaries	**n/a**	n/a
Rate of increase of pensions in payment – increase of 0.5%	**3.2**	4.0
Increase in life expectancy of pensioners or non-pensioners by one year	**3.4**	4.2

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.5% and one year in the sensitivity analysis is considered to be a reasonable approximation of possible changes, as these variations have recently arisen.

Notes to the Company financial statements continued

15. Retirement benefits continued

Maturity profile of defined benefit obligation

The following table shows the expected future benefit payments of the plan.

	2022 £m
June 2023	**28.7**
June 2024	**29.5**
June 2025	**30.3**
June 2026	**31.1**
June 2027	**32.0**
June 2028 to June 2032	**173.8**

Category of assets at the year end

	2022		2021	
	£m	%	£m	%
Equities	**53.6**	**7.6**	68.7	8.1
Bonds	**73.5**	**10.4**	84.0	9.9
Property	**66.3**	**9.4**	61.1	7.2
Liability driven investment portfolio	**210.9**	**29.9**	406.3	47.9
Cash/other	**301.2**	**42.7**	228.2	26.9
	705.5	**100.0**	848.3	100.0

All of the asset categories above are held within pooled funds and are classed as quoted in an active market where the underlying assets are exchanged, traded or can be valued with a reasonable degree of certainty based on market data. Any

funds have been classed as unquoted in active markets.

Funding position of the Group's pension arrangements

	2022 £m	2021 £m
Employer's share of pension scheme:		
Liabilities at the end of the year	**(625.5)**	(806.8)
Assets at fair value	**705.5**	848.3
Pension scheme asset	**80.0**	41.5
Deferred tax liability	**(20.0)**	(10.4)
Post-tax pension scheme asset	**60.0**	31.1

Pension cost for the financial year

	2022 £m	2021 £m
Administration costs	**2.5**	2.0
Past service costs	**—**	1.0
Settlement gain	**—**	—
Interest income on net liabilities	**(0.8)**	(1.0)
Total pension costs	**1.7**	2.0

15. Retirement benefits continued

Analysis of the change in the pension scheme liabilities over the financial year

	2022 £m	2021 £m
Pension scheme liabilities – at start of year	**806.8**	814.7
Interest cost	**14.3**	12.0
Remeasurement (gains)/losses due to:		
– Experience on benefit obligations	**9.7**	(2.2)
– Changes in demographic assumptions	**(9.4)**	—
– Changes in financial assumptions	**(168.0)**	7.0
Past service cost	**—**	1.0
Benefits paid	**(27.9)**	(25.7)
Pension scheme liabilities – at end of year	**625.5**	806.8

Analysis of the change in the pension scheme assets over the financial year

	2022 £m	2021 £m
Fair value of assets – at start of year	**848.3**	878.0
Interest income on plan assets	**15.1**	13.0
Remeasurement gains due to return on assets greater than discount rate	**(134.7)**	(22.0)
Administration costs	**(2.5)**	(2.0)
Group contributions	**7.2**	7.0
Benefits paid	**(27.9)**	(25.7)
Fair value of plan assets – at end of year	**705.5**	848.3

Estimated contributions for future

	£m
Estimated Company contributions in financial year 2023	**5.9**
Estimated employee contributions in financial year 2023	**—**
Estimated total contributions in financial year 2023	**5.9**

Risks associated with the defined benefit plan, the nature of the benefits provided by the plan, a description of the regulatory framework and a description of the responsibilities for the governance of the plan are outlined in note 29 to the Group financial statements.

Compensation of key management personnel is detailed in note 30 of the Group financial statements.

16. Issued capital and reserves

	Allotted, called up and fully paid			
	2022 Millions	2022 £m	2021 Millions	2021 £m
At 2 July 2022 and 3 July 2021	**47.1**	**4.7**	47.1	4.7

The Company has one class of ordinary shares which carry no right to fixed income and have a par value of 10p per share.

Share capital

Share capital represents proceeds on issue of the Group's equity, both nominal value and share premium. The nominal value is set out above and the balance is share premium.

Revaluation reserve

The revaluation reserve represents the value of properties involved in an asset backed funding transaction with the Go-Ahead Pension Plan, adjusted for amortisation, together with historical revaluation balances. The movement on the revaluation reserve represents the write down of the revaluation reserve over the expected useful life of the properties, offsetting the depreciation charges being taken to the profit or loss account.

Share premium reserve

The share premium reserve represents the premium on shares that have been issued to fund or part fund acquisitions made by the Group. This treatment is in line with Section 612 of the Companies Act 2006.

The information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the Directors' report.

Capital redemption reserve

The capital redemption reserve reflects the nominal value of cancelled shares.

Notes to the Company financial statements continued

16. Issued capital and reserves continued

Reserve for own shares

The reserve for own shares relates to 4,088,044 ordinary shares (8.7% of share capital), of which 185,814 are held to satisfy awards made under the Group's Restricted Share Plan, Long Term Incentive Plan or Deferred Share Bonus Plan ("Discretionary Share Plans"). The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for reissue in appropriate circumstances. During the year ended 2 July 2022, the Company repurchased 42,882 shares for a total consideration of £0.4m to be used to satisfy awards made under the Group's Discretionary Share Plans (2021: 57,176 shares repurchased for a total consideration of £0.6m). The Company has not cancelled any shares during the year or the prior year.

Retained earnings

The audit fee for the audit of the financial statements payable in respect of the Company was £0.1m (2021: £0.1m). Please refer to note 5 of the Group financial statements.

17. Capital commitments

There were capital commitments of £nil at 2 July 2022 (2021: £nil).

18. Contingent liabilities

The Company provides guarantees in respect of bank and equipment finance borrowings of the subsidiaries of The Go-Ahead Group Limited.

The Company has issued guarantees dated 30 March 2006 to participating subsidiaries of The Go-Ahead Group Pension Plan in respect of scheme liabilities arising. Total assets on a post-tax basis in respect of this guaranteed scheme were £60.0m as at 2 July 2022 (2021: assets of £31.1m) excluding ABF arrangements.

At 2 July 2022 letters of credit amounting to £55.1m (2021: £59.8m) were provided by a Company banker, guaranteed by the Company, in favour of the Group's insurers, to cover liabilities of the Company and its subsidiaries.

19. Related party transactions

The Company has taken advantage of the exemption under FRS 101, and transactions with 100% subsidiaries of The Go-Ahead Group Limited have not been disclosed.

The Company owns 65% of the ordinary shares in Govia Limited. London & South Eastern Railway Limited (Southeastern), London & Birmingham Railway Limited (London Midland), Thameslink Rail Limited (Thameslink), New Southern Railway Limited (New Southern), Southern Railway Limited (Southern) and Govia Thameslink Railway Limited (GTR) are 100% owned by Govia Limited and hence the Company owns a 65% interest.

	Govia		South Eastern		London Midland		Thameslink		New Southern		GTR	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Interest received from related party	**0.1**	0.1	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Repayment of loan by related party	**—**	35.0	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Management charges	**—**	—	**1.0**	2.8	**—**	—	**—**	—	**—**	—	**4.9**	5.1
Amounts owed from related party	**11.5**	5.8	**0.4**	3.4	**0.4**	1.7	**—**	—	**—**	—	**1.7**	2.3
Amounts owed to related party	**—**	—	**—**	—	**—**	—	**0.6**	0.6	**3.9**	3.8	**—**	—

20. Post balance sheet events

For detail on post balance sheet events relating to the Company, see Note 31 to the consolidated financial statements.

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