

24 February 2022

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

THE GO-AHEAD GROUP PLC
(“GO-AHEAD” OR “THE GROUP”)
Full year results for the year ended 3 July 2021

Business and finance overview

- Strong financial performance in Bus and GTR overshadowed by matters relating to London & South Eastern Railway (LSER) and challenges in International Rail
- Adjusted operating profit of £115.5m (2020: £76.4m restated); statutory loss before tax of £6.9m (2020: £39.5m loss, restated)
- Maintained strong balance sheet reflecting prudent financial management throughout the COVID-19 pandemic, with adjusted net debt/EBITDA of 1.56x as at 3 July 2021
- International rail exceptional items: onerous contract and asset impairment provisions of £76.9m recognised in Norway; previous provision in Germany increased to £36.6m and restated in the prior year
- New Group Chief Executive, Christian Schreyer, joined in November 2021 and additional senior management appointments made

London & South Eastern Railway

- The Group ceased operating the Southeastern franchise on 17 October 2021
- The Department for Transport (DfT)'s decision not to award a National Rail Contract (NRC) to LSER was as a consequence of matters regarding the calculation of profit share payments and treatment of certain overpayments made by the DfT to LSER
- Notwithstanding the complexity of LSER's franchise agreements, Go-Ahead accepts that serious errors were made in relation to the LSER franchise with respect to engagement with the DfT over several years and has apologised to the DfT
- The Board is implementing enhanced corporate governance arrangements, particularly relating to the way in which complex rail operations are overseen

Financial implications relating to LSER

- Amounts totalling £51.3m (including the previously disclosed £25.0m) have been identified by the Independent Review as being due to the DfT; £49.2m of which has been paid by LSER to the DfT
- Other commercial negotiations with the DfT are ongoing, with an estimated additional liability of £21.3m
- The Group is recognising a provision of £30.0m for a potential financial penalty from the DfT

Current trading and outlook

- Reassuring recovery in passenger numbers; temporary decline following emergence of the COVID-19 Omicron variant reversed; Regional Bus volumes currently around 80 per cent of pre-pandemic levels
- Discussions ongoing with the DfT regarding a potential NRC for GTR from April 2022
- Trading across each of the Group's divisions is in line with previous guidance and the Board's expectations for the 2022 full year remain unchanged
- Business review is being undertaken by the new management team, the conclusions of which will be announced in the coming weeks
- The Board understands the importance of dividends to shareholders and is committed to resuming payments at the appropriate time
- The Group remains in a strong position, underpinned by its well-established market positions, continuing sector-leading operational performance and robust balance sheet. Public transport remains critical to environmental sustainability, economic recovery, the delivery of health and wellbeing outcomes, and keeping communities connected

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

1. On a pre-IFRS basis, in line with bank covenants.
2. Before exceptional items.

Update on restoration of listing

The Board has applied to the FCA for the restoration of the Group's shares and bonds to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange

Financial summary

	2021	2020 Restated	Increase/ (decrease) %
Revenue (£m)	4,058.5	3,897.2	4.
Adjusted operating profit (£m)	115.5	76.4	51.2
<i>Regional Bus adjusted operating profit (£m)</i>	17.9	20.5	(12.7)
<i>London and International Bus adjusted operating profit (£m)</i>	68.5	50.0	37.0
<i>UK Rail adjusted operating profit (£m)</i>	56.7	50.5	12.3
<i>International Rail adjusted operating profit (£m)</i>	(27.6)	(44.6)	38.1
Adjusted profit before tax (£m)	97.2	54.2	79.3
Adjusted basic earnings per share (p)	108.4	50.0	116.8
Exceptional items	(104.1)	(93.7)	(11.1)
Statutory operating profit (£m)	11.4	(17.3)	165.9
<i>Regional Bus statutory operating profit (£m)</i>	17.7	(6.2)	385.5
<i>London and International Bus statutory operating profit (£m)</i>	68.5	50.0	37.0
<i>UK Rail statutory operating profit (£m)</i>	24.3	50.5	(51.9)
<i>International Rail statutory operating loss (£m)</i>	(99.1)	(111.6)	11.2
Statutory loss before tax (£m)	(6.9)	(39.5)	82.5
Statutory basic earnings per share (p)	(107.0)	(153.3)	30.2

Adjusted measures are presented on a pre-exceptional item basis

	2021			2020 (restated)		
	Under IFRS 16	Impact of IFRS 16	Under IAS 17	Under IFRS 16	Impact of IFRS 16	Under IAS 17
Cashflow generated from operations (excluding restricted cash) (£m)	620.2	541.9	78.3	503.1	385.5	117.6
Free cashflow (£m)	538.0	532.9	5.1	352.8	371.8	(19.0)
Adjusted net debt (£m) [^]	(615.6)	(309.7)	(305.9)	(965.9)	(644.3)	(321.6)
Adjusted net debt/EBITDA [^]	0.88x	0.62x	1.56x	1.77x	1.68x	1.98x

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

Christian Schreyer, Group Chief Executive, commented:

"It's been a very challenging year for Go-Ahead and our shareholders, for which I apologise, on behalf of the Board. I'm pleased to be publishing these results today and I am looking firmly to the future with optimism.

"The Group's operating performance is strong and we are seeing a reassuring recovery in passenger volumes across bus and rail following the impacts of COVID-19 with our trading expectations for 2022 unchanged.

"In relation to London & South Eastern Railway, we are optimistic that the outstanding matters will soon be settled with the DfT.

"In International Rail, I am confident that we have the right team in place to address the challenging contractual situations we face in those markets.

“In my 25 year career in public transport and mobility services, I have never been so proud to be part of the industry as throughout the pandemic. Transport workers all over the world stepped up and kept vital services moving at a time when much of the world appeared to stop.

“Go-Ahead’s 27,000 people have demonstrated incredible resilience and commitment through this period, and I have great confidence in my teams around the world to support the next exciting phase for the Group. We see significant opportunities ahead as public transport benefits from trends towards lower carbon travel, urbanisation, digitalisation and demographic change.

“I look forward to announcing the conclusions of my business review in the coming weeks.”

The person responsible for arranging the release of this announcement on behalf of the Group is Carolyn Ferguson, Company Secretary.

For further information, please contact:

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Christian Schreyer, Group Chief Executive, and Gordon Boyd, Interim Group Chief Financial Officer, will be hosting a Q&A conference call for investors and analysts at 09.00 today, please contact investorrelations@go-ahead.com for details. A video webcast of the presentation will be available on Go-Ahead’s website ahead of the conference call.

Chair’s letter

Rebuilding for the future

Dear Shareholder

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

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

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

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

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

London & South Eastern Railway Ltd

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

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

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

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

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

Enhancing our corporate governance arrangements

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

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

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

Board changes

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

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

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

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

Financial performance

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

Dividend

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

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

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

Our role in environmental sustainability

Our ambition is to enhance the lives and wellbeing of the communities that we serve. An increasingly important component of this is the vital role we play in environmental sustainability, particularly in tackling climate change. In the wake of the UN Climate Change

Conference (COP26) in Glasgow and governments around the globe setting ever more ambitious targets on carbon reduction, environmental responsibility is moving higher up the agenda. This is a global problem which requires a global solution, and we must all work together to fundamentally change the way things are done.

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

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

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

Social importance of public transport

The COVID-19 pandemic has emphasised that the provision of safe and convenient public transport services is critical for the health and wellbeing of our communities. By enabling social contact, enhancing environmental sustainability, supporting economic recovery, and maintaining vital links with employment, education, leisure and healthcare, public transport plays a huge role in the overall health of society. At Go-Ahead, we are proud of the longstanding commitment of our people to our passengers and communities. The pandemic has presented our communities with enormous challenges and our people have risen to these, supporting and serving them in new ways throughout the crisis.

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

Policy and partnership

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

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

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

Looking forward

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

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

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

Clare Hollingsworth

Chair

23 February 2022

Group Chief Executive's review

Important purpose supported by great people

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

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

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

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

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

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

A pivotal moment

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

COVID-19

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

However, the scale of the global impact of the COVID-19 pandemic is something none of us could have anticipated and, while the pandemic is not yet over, its implications are far reaching in terms of travel patterns, with volumes still heavily suppressed from their pre-pandemic levels. It will, of course, take time for these patterns to stabilise but in the meantime we cannot stand still. Now is the time for us to build a transport network for the future.

Policy change

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

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

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

The future of transport

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

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

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

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

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

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

Performance in the year

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

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

The prior year exceptional charge has been restated by £37.1m. This was required due to an understatement in the onerous contract provision relating to rail contracts in Bavaria, Germany, in the 2020 financial year.

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

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

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

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

Looking forward

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

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

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

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

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

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

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

Christian Schreyer

Group Chief Executive

23 February 2022

London & South Eastern Railway

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

Why is Southeastern no longer part of Go-Ahead?

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

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

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

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

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

What did the Independent Review conclude?

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

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

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

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

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

Are there any other ongoing matters relating to LSER?

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

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

How much has been paid to the DfT?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Business and finance review

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

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

Group overview

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

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 3 July 2021 was a 53 week period whereas the year ended 27 June 2020 was a 52 week period. Like-for-like comparatives have been referenced below where meaningful.

Prior year restatements

A number of restatements and adjustments were identified during the year. Note 31 in this document summarises the impact of the adjustments to each financial year and to each of the primary financial statements.

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

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

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

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

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

Financial overview

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

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

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

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

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

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

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

Bus

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

Bus overview

	2021	2020 Restated	Increase/ (decrease) £m	Increase/ (decrease) %
Total bus operations				
Revenue (£m)	1,088.6	1,012.9	75.7	7.5
Operating profit ⁽¹⁾ (£m)	86.4	70.5	15.9	22.6
Operating profit margin ⁽¹⁾	7.9%	7.0%	n/a	0.9ppt
Regional Bus				
Revenue (£m)	427.7	408.8	18.9	4.6
Operating profit ⁽¹⁾ (£m)	17.9	20.5	(2.6)	(12.7)
Operating profit margin ⁽¹⁾	4.2%	5.0%	n/a	(0.8ppt)
London & International Bus				

Revenue (£m)	660.9	604.1	56.8	9.4
Operating profit ⁽¹⁾ (£m)	68.5	50.0	18.6	37.0
Operating profit margin ⁽¹⁾	10.4%	8.3%	n/a	2.1ppt
Like for like revenue growth				
Regional Bus ⁽²⁾	(1.9%)	(11.4%)	n/a	9.5ppt
London & International Bus ⁽³⁾	6.7%	3.0%	n/a	3.7ppt
Like for like volume growth				
Regional Bus passenger journeys ⁽⁴⁾	(42.1%)	(24.7%)	n/a	(17.4ppt)
London & International Bus miles operated ⁽⁵⁾	3.8%	0.4%	n/a	3.4ppt

1. Excluding exceptional items.

2. Like for like revenue is calculated after removing £23.2m from 2021 revenue and £4.3m of 2020 revenue relating to contracts started part way through the previous year. £7.6m was removed in 2021 to adjust for the 53 week year.

3. Like for like revenue is calculated after removing £4.7m from 2021 revenue and £0.6m of 2020 revenue relating to contracts started part way through the previous year. £12.4m was removed in 2021 to adjust for the 53 week year.

4. On a like for like basis, excluding the impact of the 53 week year in the current year.

5. On a like for like basis, excluding the impact of Go-Ahead Ireland's first year of operation and excluding the impact of the 53 week year in the current year.

Overall bus performance

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

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

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

Regional Bus

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

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

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

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

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

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

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

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

	£m	£m
	Post-exceptional	Pre-exceptional
2020 operating profit/(loss)	(6.2)	20.5
CBSSG not recognised in 2020 due to uncertainty	7.2	7.2
2020 including CBSSG recognised in 2021	1.0	27.7
Changes:		
Estimate of prior year profit for period pre-COVID-19	(15.7)	(15.7)

Operating profit movement on operations covered by CBSSG	1.2	1.2
Costs not covered by CBSSG	(2.5)	(2.5)
Exceptional items	26.5	—
2021 excluding CBSSG recognised related to 2020	10.5	10.7
Recognition of confirmed prior year CBSSG	7.2	7.2
2021 operating profit	17.7	17.9

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

London & International Bus

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

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

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

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

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

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

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

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

Capital expenditure and depreciation

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

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

In London, the purchase of 41 new buses (2020: 39 buses) reflects the timing of contract wins and renewals. In Regional Bus, 98 new buses (2020: 133 buses) were purchased. Over half of the total buses purchased were electric (74 buses) and the remainder comprised extended hybrid and Euro 6 buses. Vehicle procurement is aligned with our climate change strategy and target to operate a zero-emission bus fleet by 2035.

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

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

Fuel

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

Bus fuel hedging prices

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

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

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

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

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

Bus financial outlook

Regional Bus

Following year end, passenger volumes increased over the first five months of the 2022 financial year, with a slowing in the recovery towards the end of 2021 following the emergence of the COVID-19 Omicron variant, in line with the industry. Since the lifting of the UK Government's "Plan B" restrictions, passenger volumes have returned to pre-Omicron levels.

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

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

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

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

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

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

The Board expects Regional Bus to deliver a 2022 result similar to that of the prior two years.

London & International Bus

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

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

Rail

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

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

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

Rail overview

	2021	2020 Restated	Increase/ (decrease) £m	Increase/ (decrease) %
Total Rail operations				
Total revenue (£m)	2,969.9	2,884.3	85.6	3.0
Operating profit* (£m)	29.1	5.9	23.2	393.2

Operating profit margin *	1.0%	0.2%	n/a	0.8ppt
UK Rail				
Total revenue (£m)	2,829.7	2,814.3	15.4	0.5
Operating profit* (£m)	56.7	50.5	6.2	12.3
Operating profit margin*	2.0%	1.8%	n/a	0.2ppt
International Rail				
Total revenue (£m)	140.2	70.0	70.2	100.3
Operating profit* (£m)	(27.6)	(44.6)	17.0	38.1
Operating profit margin*	(19.7%)	(63.7%)	n/a	(44.0ppt)

* Excluding exceptional items.

Prior year restatements

A number of restatements and adjustments were identified during the year and the 2020 financial statements have been restated accordingly. The 2019 consolidated balance sheet has also been restated as some of these adjustments affect the opening reserves of the comparative balance sheet given the historical period to which they relate. The misstatements can be aggregated based on their nature and cause and grouped as matters of concern relating to LSER and other closed franchises and affiliate trading, Germany onerous contract provision, correction of errors and presentational adjustments and reclassifications.

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

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

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

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

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

Overall Rail performance

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

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

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

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

	2021	2020 Restated	Increase/ (decrease) £m	Increase/ (decrease) %
Passenger revenue				
GTR	412.2	1,242.7	(830.5)	(66.8)
Southeastern	249.4	666.3	(416.9)	(62.6)
Germany	33.2	28.9	4.3	14.9
Norway	17.6	11.1	6.5	58.0
Total passenger revenue	712.4	1,949.0	(1,236.6)	(63.4)
Other revenue				
GTR	87.5	151.0	(63.5)	(42.1)
Southeastern	9.0	19.5	(10.5)	(53.8)
Germany	5.8	4.6	1.2	26.1
Norway	1.5	—	1.5	n/a
Other	—	0.9	(0.9)	n/a
Total other revenue	103.8	176.0	(72.2)	(41.0)

Subsidy and revenue support

GTR EMA & ERMA ¹	1,234.2	375.5	858.7	228.7
Southeastern EMA	837.3	359.4	477.9	133.0
Germany subsidy	57.8	17.9	39.9	222.9
Norway subsidy	24.4	7.4	17.1	229.7
Other	—	(0.9)	0.9	n/a
Total subsidy and revenue support	2,153.7	759.3	1,394.4	183.6
Total revenue	2,969.9	2,884.3	85.6	3.0

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

Operating profit

UK Rail

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

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

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

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

Individual franchise performance

GTR

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

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

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

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

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

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

Southeastern

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

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

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

Matters of concern

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

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

Commercial negotiations

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

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

Payments made to the DfT

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

Provision for potential financial penalty

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

Historic closed franchises

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

International Rail

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

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

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

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

Germany

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

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

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

prior year. The calculation of the understatement was determined based on the assessment of information available that should reasonably have been included in the assumptions underpinning the 2020 provision.

Having become aware of the issue, we have identified a number of control weaknesses that are being addressed as part of the broader controls review. No onerous provision has been recognised for the Baden-Württemberg contracts. Whilst a significant proportion of the cost base of these contracts is fixed, providing visibility and certainty, we continue to manage risk and seek to reduce the extent of expected losses. The level of provision will remain under review as we progress through the remaining mobilisation period and into the start of operations.

Norway

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

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

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

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

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

Capital expenditure and depreciation

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

Depreciation on owned assets for UK and International Rail was £16.4m (2020: £17.9m), reflecting the timing of capital expenditure which is being depreciated over the lives of the franchises. Depreciation on right of use assets was £461.0m (2020: £353.8m). The increase reflects the full year of IFRS 16 leases in Southeastern which came into the scope of IFRS 16 in April 2020 following receipt of the previous year's direct award contract.

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

Rail outlook

UK Rail

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

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

In 2022, the Board expects UK Rail to deliver an operating profit of £15-20m.

International Rail

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

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

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

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

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

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

In 2022, the Board expects International Rail to deliver an operating loss of £15-20m.

Financial review

Profit/(loss) before taxation

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

Earnings per share

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

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

* Restated.

Dividends

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

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

Cashflow

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

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

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

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

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

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

Summary cashflow

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

Opening adjusted net debt*	(965.9)	(321.6)	(270.3)	(270.3)	(695.6)	(51.3)
Closing adjusted net debt*	(615.6)	(305.9)	(965.9)	(321.6)	350.3	15.7

* Adjusted net debt is net cash less restricted cash.

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

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

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

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

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

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

Group capital investment is expected to be around £60m in 2022 with investment in our London bus fleet to meet contractual requirements. The net cash cost to the Group is expected to be lower as investment in Regional Bus is linked to the availability of grants and government funding.

Net debt/cash

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

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

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

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

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

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

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

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

Capital structure

	2021 £m	2020* £m
Syndicated facility 2025	280.0	280.0
7-year £250m 2.5% sterling bond 2024	250.0	250.0
Euro financing facilities	13.2	17.1
Total core facilities	543.2	547.1
Amount drawn down at 3 July 2021	389.8	412.3
Balance available	153.4	134.8
Net debt		
Total borrowing	389.8	412.3
Total lease liabilities	312.6	648.6
Total cash	(630.6)	(569.8)
Net debt	71.8	491.1
Adjusted net debt		
Net debt/(cash)	71.8	491.1
Restricted cash	543.7	474.8
Adjusted net debt	615.6	965.9

EBITDA (excluding exceptional items)	695.5	546.3
Adjusted net debt/EBITDA (excluding exceptional items)	0.89x	1.77x
Adjusted net debt (pre-IFRS 16)		
Adjusted net debt	615.6	965.9
IFRS 16 lease liabilities	(309.7)	(644.3)
Adjusted net debt (pre-IFRS 16)	305.9	321.6
EBITDA (excluding exceptional items) (pre-IFRS 16)	195.7	162.4
Adjusted net debt/EBITDA (excluding exceptional items)	1.56x	1.98x

* Restated.

At the year end, significant medium term finance was available through a £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 with a value of £240.0m in the final year.

Exceptional items

Exceptional costs of £104.1m (2020: £93.7m restated) were recognised in the year relating to International Rail (£76.7m), UK Rail (£32.4m) and Regional Bus (£0.2m).

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

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

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

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

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

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

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

Bidding and international developments

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

Amortisation

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

Net finance costs

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

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

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

Taxation

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

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

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

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

Non-controlling interests

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

Pensions

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

Bus pensions

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

Rail pensions

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

Gordon Boyd

Interim Group Chief Financial Officer

23 February 2022

Risk management

The principal risks described in the Group's Annual Report for the year ended 3 July 2021 (2021 Annual Report and Accounts) have been summarised below. Further information on these risks, including their potential impact and changes to the risks during the year, can be found within the 2021 Annual Report and Accounts on pages 60 to 64, which will be available on our website by midday on Thursday 24 February 2022.

External risks

1. Economic environment and society post-COVID-19

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

Mitigating actions

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

2. Political and regulatory framework

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

Mitigating actions

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

- Brexit contingency measures in place including increased stock levels of spare parts maintained across bus and rail, apprenticeships and colleague engagement plans to support recruitment and retention

Strategic risks

3. Sustainability of UK Rail profits or loss of franchise

Failure to retain UK Rail franchises on acceptable terms. Historic claims to be settled prior to entering into National Rail Contract (NRC).

Mitigating actions

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

4. Inappropriate investment

Failure to deliver strategy or make appropriate investment decisions.

Failure to deliver expected returns in International Rail.

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

Mitigating actions

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

5. Competition

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

Mitigating actions

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

Operational risks

6. Catastrophic incident, severe infrastructure failure or extreme weather

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

Mitigating actions

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

7. Employee relations, resource planning and talent management

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

Failure to attract, retain and develop talent.

Mitigating actions

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

8. Information technology failure/interruption/security breach

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

Mitigating actions

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

9. Mobilisation of international rail contracts

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

Mitigating actions

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

10. Compliance with rail franchise agreements

Failure to comply with contractual obligations.

Mitigating actions

- Specific annual briefings/updates of key commercial terms to wider management team
- Strengthening of senior leadership team with the appointment of a new Group Strategy and Transformation Director
- Develop KPIs to monitor contract performance
- Increase role of group assurance to complement assurance undertaken at local level
- Group Audit Committee Chair to be appointed to rail operating company board

- Open and transparent dialogue with contractual counterparty
- Remit and scope of Internal Audit is to be expanded, with a clear responsibility for the compliance functions within our rail businesses

Consolidated income statement and narrative

53 weeks ended 3 July 2021

	Notes	Pre-exceptional 2021 £m	Exceptional items 2021 £m	Post-exceptional 2021 £m	Pre-exceptional 2020* £m	Exceptional items 2020* £m	Post-exceptional 2020* £m
Group revenue	4	4,058.5	—	4,058.5	3,897.2	—	3,897.2
Operating costs	5–7	(3,935.9)	(104.1)	(4,040.0)	(3,818.4)	(93.7)	(3,912.1)
Impairment losses (including reversals) on financial assets and contract assets	5, 17	(7.1)	—	(7.1)	(2.4)	—	(2.4)
Group operating profit/(loss)		115.5	(104.1)	11.4	76.4	(93.7)	(17.3)
Results of equity accounted investments		(0.2)	—	(0.2)	(0.6)	—	(0.6)
Finance income	8	2.1	—	2.1	5.4	—	5.4
Finance costs	8	(20.2)	—	(20.2)	(27.0)	—	(27.0)
Profit/(loss) before taxation		97.2	(104.1)	(6.9)	54.2	(93.7)	(39.5)
Tax expense	9	(34.3)	0.5	(33.8)	(17.7)	6.3	(11.4)
Profit/(loss) for the year from continuing operations		62.9	(103.6)	(40.7)	36.5	(87.4)	(50.9)
Attributable to:							
Equity holders of the parent		46.6	(92.6)	(46.0)	21.5	(87.4)	(65.9)
Non-controlling interests		16.3	(11.0)	5.3	15.0	—	15.0
		62.9	(103.6)	(40.7)	36.5	(87.4)	(50.9)
Earnings per share							
– Basic	10	108.4p	(215.4)p	(107.0)p	50.0p	(203.3)p	(153.3)p
– Diluted	10	108.0p	(214.7)p	(106.7)p	49.9p	(202.8)p	(152.9)p
Dividends paid (pence per share)	11						71.91p
Final dividend proposed (pence per share)	11						—

* Restated - see note 31.

The consolidated income statement includes the majority of our income and expenses for the year with the remainder recorded in the consolidated statement of comprehensive income.

Highlights of the movements in the year are set out below:

Revenue

Revenue increased by 4.1% to £4,058.5m (2020: £3,897.2m restated). UK Rail operations comprised 69.7% of the total revenue and remained largely consistent with prior year at £2,829.7m (2020: £2,814.3m restated). International Rail operations comprised 3.5% of total revenue and increased by 100.3% during the year to £140.2m due to the results including a full year of Norway operations which commenced in December 2019. Regional Bus comprised 10.5% of revenue, increasing by 4.6% to £427.7m reflecting the first full year of operation of contracts in Cornwall, a full year of CBSSG receipts and an element of prior year CBSSG funding recognised in the current year. London & International Bus comprised the remaining 16.3%, growing by 9.4% to £660.9m reflecting a full year's operation of contracts in Ireland, contract revenue growth including route wins in London bus, one-off benefits in London relating to the recognition profile of Quality Incentive Contracts (QICs) and COVID-19 related government receipts in Singapore. Segmental performance is shown in note 4.

Operating profit

Overall, the operating profit, before exceptional items, increased 51.2% from £76.4m (restated) to £115.5m reflecting the strong performance in London & International Bus. Operating profit in the London & International Bus segment has increased due to the one-off benefit from a change in recognition profiling in London relating to QICs of £14.0m and COVID-19 related government receipts in Singapore, with margins in this segment increasing from 8.3% (restated) to 10.4%. The pandemic has mostly impacted performance in the Regional Bus segment and pre-exceptional margins have declined slightly from 5.0% to 4.2%. UK Rail profit margins (before exceptional items) remained largely consistent at 2.0% (2020: 1.8%) and International Rail margins (pre-exceptional items) improved from (63.7%) to (19.7%) due to the results including a full year of Norway operations which commenced in December 2019 and also improved operational and financial performance in Germany.

Exceptional operating items

During the year, an exceptional charge of £104.1m has been recognised, an increase of £10.4m compared to the prior year (2020: £93.7m restated). The key items recorded as exceptional in the current year relate to onerous contract provisions and a potential fine, as detailed below. Refer to note 7 for details of all exceptional items.

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to FY20 and the Group's FY21 interim results. A number of errors have been identified in respect of the assumptions used when calculating the onerous provision in the Bavarian rail franchise in the prior year and the Group's FY21 interim results. The prior year provision was determined to be understated by £36.6m which has been restated in these financial statements.

At 30 June 2019 (as previously reported)	74.7	(71.3)	3.5	1.6	0.7	—	300.9	310.1	35.1	345.2
Restatements	—	—	—	—	—	—	(23.2)	(23.2)	(15.4)	(38.6)
At 30 June 2019 (restated) ¹	74.7	(71.3)	3.5	1.6	0.7	—	277.7	286.9	19.7	306.6
(Loss)/profit for the year (restated) ²	—	—	—	—	—	—	(65.9)	(65.9)	15.0	(50.9)
Movement on hedges (net of tax) (note 23) ³	—	—	(20.5)	—	—	—	—	(20.5)	—	(20.5)
Remeasurement on defined benefit retirement plans (net of tax) (note 28)	—	—	—	—	—	—	(2.7)	(2.7)	—	(2.7)
Foreign exchange	—	—	—	—	—	(2.3)	—	(2.3)	—	(2.3)
Total comprehensive (expense)/income	—	—	(20.5)	—	—	(2.3)	(68.6)	(91.4)	15.0	(76.4)
Transfer of cash flow hedging (gains)/losses and cost of hedging to the initial carrying amount of hedged items ³	—	—	4.7	—	—	—	—	4.7	—	4.7
Exercise of share options	—	0.7	—	—	—	—	(0.7)	—	—	—
Share based payment charge (and associated tax) (note 6)	—	—	—	—	—	—	1.6	1.6	—	1.6
Acquisition of own shares (note 25)	—	(0.7)	—	—	—	—	—	(0.7)	—	(0.7)
Share issue	0.5	—	—	—	—	—	—	0.5	—	0.5
Dividends (note 11) ⁴	—	—	—	—	—	—	(30.9)	(30.9)	(14.0)	(44.9)
At 27 June 2020 ¹	75.2	(71.3)	(12.3)	1.6	0.7	(2.3)	179.1	170.7	20.7	191.4
(Loss)/profit for the year	—	—	—	—	—	—	(46.0)	(46.0)	5.3	(40.7)
Movement on hedges (net of tax) (note 23)	—	—	12.6	—	—	—	—	12.6	—	12.6
Remeasurement on defined benefit retirement plans (net of tax) (note 28)	—	—	—	—	—	—	(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 25)	—	(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	3.6	115.9	131.5	22.3	153.8

1. Opening reserves as at June 2019 have been restated by £38.6m as a result of corrections impacting the consolidated income statement. Retained earnings has been reduced by £23.3m in relation to matters of concern relating to LSER and other historic franchises and affiliate trading, and an increase of £0.1m in relation to correction of errors. NCI has been restated by £15.4m which is 35% of the restated transactions which relate to UK Rail franchises. See Note 31c. Consolidated balance sheets as at 27 June 2020 and 29 June 2019 below and the respective notes in note 31 for further information.

2. Restated – Profit/(loss) in 2019 was restated given the impact of the prior year restatements which are set out in note 31.

3. Restated - These two lines have been restated for a reclassification of £4.7m of cashflow hedge in relation to fuel purchases between the statement of other comprehensive income and statement of changes in equity - previously reported as the net figure of £15.8m as a movement on hedges (net of tax). See note 31c, presentational corrections and reclassifications, point 5 IFRS 9 cashflow hedge reclassification below for further details.

4. Restated – Dividends relating to non-controlling interest have reduced by £0.7m from £14.7m previously reported due to the impact on distributable profits of the prior year restatements – see note 31 for further information.

The consolidated statement of changes in equity shows the movements in equity shareholders' funds and non-controlling interests

Equity shareholders' funds decreased from £170.7m (restated) to £131.5m as a result of the loss for the year.

Non-controlling interests have increased from £20.7m (restated) to £22.3m and consist of the appropriate share of UK Rail profits, less dividends paid to non-controlling interests during the year.

The hedging reserve reflects the movements on the fuel hedge derivatives which are marked to a market price. The increase is due to higher market prices resulting in a profit in the year.

Consolidated balance sheet

as at 3 July 2021

	Notes	2021 £m	2020* £m	2019* £m
Assets				
Non-current assets				
Property, plant and equipment	12	553.8	589.0	631.9
Right of use assets	13	345.4	648.9	—
Goodwill	14	73.5	73.5	74.1
Other intangible assets	14	8.5	22.6	34.7
Deferred tax assets	9	1.5	3.3	0.5
Derivative financial assets	23	3.4	0.1	1.5
Trade and other receivables	17	2.0	—	—
Retirement benefit assets	28	41.5	63.3	53.8
		1,029.6	1,400.7	796.5
Current assets				
Inventories	16	19.5	19.7	16.8
Trade and other receivables	17	413.2	290.5	352.7
Finance lease receivables	18	2.3	—	—
Derivative financial assets	23	4.9	0.1	4.4
Assets classified as held for sale	15	3.2	7.2	2.7
Current tax assets	9	13.4	4.9	—
Cash and cash equivalents	19	630.6	569.8	630.8
		1,087.1	892.2	1,007.4
Total assets		2,116.7	2,292.9	1,803.9
Liabilities				
Current liabilities				
Trade and other payables	20	(883.4)	(765.3)	(875.0)
Derivative financial liabilities	23	(0.6)	(11.0)	(0.8)
Interest-bearing loans and borrowings	21	(12.0)	(12.3)	(11.7)
Lease liabilities	13	(263.9)	(517.3)	(1.8)
Current tax liabilities	9	(17.6)	(0.9)	(13.5)
Provisions	24	(159.1)	(51.2)	(40.5)
		(1,336.6)	(1,358.00)	(943.3)
Non-current liabilities				
Trade and other payables	20	(13.5)	(15.6)	(9.0)
Derivative financial liabilities	23	(0.3)	(5.6)	(0.8)
Interest-bearing loans and borrowings	21	(382.5)	(403.9)	(401.6)
Lease liabilities	13	(48.7)	(131.3)	(4.3)
Retirement benefit obligations	28	(5.5)	(10.3)	(5.1)
Deferred tax liabilities	9	(59.7)	(48.9)	(49.5)
Provisions	24	(116.1)	(127.9)	(83.7)
		(626.3)	(743.5)	(554.0)
Total liabilities		(1,962.9)	(2,101.5)	(1,497.3)
Net assets		153.8	191.4	306.6
Capital and reserves				
Share capital	25	75.2	75.2	74.7
Reserve for own shares	25	(71.3)	(71.3)	(71.3)
Hedging reserve	25	5.8	(12.3)	3.5
Share premium reserve	25	1.6	1.6	1.6
Capital redemption reserve	25	0.7	0.7	0.7
Translation reserve	25	3.6	(2.3)	—
Retained earnings		115.9	179.1	277.7
Total shareholders' equity		131.5	170.7	286.9
Non-controlling interests		22.3	20.7	19.7
Total equity		153.8	191.4	306.6

* Restated – see note 31.

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 23 February 2022 and were signed on its behalf by:

Clare Hollingsworth – Chair

Gordon Boyd – Interim Group Chief Financial Officer

Consolidated balance sheet narrative

as at 3 July 2021

The consolidated balance sheet shows all of our assets and liabilities at the year end

Further details of the major movements of our assets and liabilities in the year are set out below:

Property, plant and equipment

Overall, property, plant and equipment totalled £553.8m, down £35.2m on the prior year, with the vast majority held in the Bus division in freehold land and buildings and bus vehicles. During the year, the Group spent £52.9m on assets, £50.0m in the Bus division and £2.9m in the Rail division; offsetting this were depreciation charges of £81.5m, £65.2m in the Bus division and £16.3m in the Rail division.

Right of use assets

Right of use assets decreased by £303.5m from the prior year, to £345.4m. This is primarily due to a depreciation charge of £486.5m in the year which is significant as the majority of the leases relate to the UK Rail businesses which have short lease terms due to the remaining terms of the franchises. This charge is partially offset by additions of £187.0m, which includes contract modifications of £165.9m as a result of the franchise contract extension in Govia Thameslink Railway.

Goodwill and intangible assets

The total intangible balance of £82.0m is down £14.1m on the prior year as a result of the movement in other intangibles. This is due to an impairment of £9.7m of franchise set-up costs and other intangible assets, and £0.8m of associated right of use assets within Norway, along with the amortisation charge for the Group for the year totalling £6.3m which is offset by additions of £2.2m.

Current assets

The Group's current assets totalled £1,087.1m, up £194.9m on the restated prior year. Of this increase, £60.8m was in cash and the remainder of the movement was due to higher trade receivables. Both of these increases were mainly in the UK Rail businesses and arose from the timing of working capital movements, the lifting of COVID-19 restrictions in the current year and the franchises operating under the EMA and ERMA contracts.

Derivative financial assets and liabilities

Included in current assets is £4.9m and in non-current assets is £3.4m, offset by current liabilities of £0.6m and non-current liabilities of £0.3m. These represent the mark to market value of the fuel hedges, split between those due within one year and those due in more than one year.

Trade and other payables

Trade and other payables have increased by £118.1m to £883.4m, mainly attributable to the timing of working capital payments in the UK Rail businesses, including timing of payments from and to the DfT in relation to the EMA and ERMA contracts.

Interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings totalled £382.6m, down from £403.9m in 2020. Principal balances within this are amounts drawn on our revolving credit facility of £126.6m and the £250.0m corporate bond, offset by deferred debt issue costs. Current interest-bearing loans and borrowings totalled £11.9m, down from £12.3m (restated) in 2020. Interest rates and movements on these balances are shown in full in note 21.

Lease liabilities

Lease liabilities total £312.6m which is a decrease of £336.0m compared to 2020. This decrease is mainly due to the majority of the leases relating to the rail businesses which have short term lease terms due to the remaining term of the franchises. During the year, there was a contract modification of £165.9m in Govia Thameslink Railway as a result of the rail franchise being extended. The lease liability comprises £263.9m of current liabilities and £48.7m of non-current liabilities which is reflective of the remaining term of the UK Rail franchises at the year end.

Retirement benefit schemes

Further details of the retirement benefit schemes in both bus and rail are shown in note 28. The net surplus on the bus schemes totals £36.0m and represents the excess of current assets compared to future liabilities in the pension fund. An asset-backed off-balance sheet funding arrangement is in place, as agreed with the scheme trustees. The rail deficit is £nil reflecting that the franchise adjustment (for the amounts which are the ongoing responsibility of the Department for Transport (DfT) or others beyond the franchise term) offsets the pension scheme deficit calculated.

Provisions

As shown in note 24, the Group provides for both uninsured claims and for rail franchise commitments including property and rolling stock dilapidations. The total provisions balance has increased by £96.1m compared to 2020 provisions of £179.1m (restated). This is primarily as a result of an onerous contract provision recognised in relation to the Norwegian rail franchise of £65.3m and a £30.0m provision for the Group's current best estimate of any potential penalty in relation to the matters of concern relating to LSER and other historic franchises and affiliate trading outlined above. In addition to this, the total provision for uninsured claims of £47.9m is £2.0m lower than in 2020 and franchise commitments are £7.3m higher than prior year at £79.3m.

Capital and reserves

Movements in equity and reserves are described in the commentary on the consolidated statement of changes in equity.

Consolidated cashflow statements

53 weeks ended 3 July 2021

	Notes	2021 £m	2020* £m
Loss after tax for the year		(40.7)	(50.9)
Net finance costs	8	18.1	21.6
Tax expense	9	33.8	11.4
Depreciation of property, plant and equipment	12	81.5	84.1
Depreciation of right of use assets	13	486.5	375.5

Amortisation of intangible assets	14	6.3	9.4
Asset impairment, excluding exceptional items		5.7	0.9
Exceptional items	7	104.1	93.7
Share of result of joint venture		0.2	0.6
Profit on sale of property, plant and equipment		0.1	(0.9)
Share based payment charges	6	1.2	1.6
Difference between pension contributions paid and amounts recognised in the income statement		(5.3)	(7.3)
Decrease/(increase) in inventories		0.2	(2.9)
(Increase)/decrease in trade and other receivables		(125.8)	58.8
Increase/(decrease) in trade and other payables		120.7	(113.2)
Movement in provisions, excluding exceptional items		2.7	10.6
Cashflows generated from operations		689.3	493.0
Taxation paid	9	(12.1)	(28.2)
Net cashflows from operating activities		677.2	464.8
Cashflows from investing activities			
Interest received		1.1	5.5
Proceeds from sale of property, plant and equipment		6.3	0.7
Proceeds from sale of property, plant and equipment held for sale		7.3	2.0
Movement in finance lease receivables	18	8.4	—
Purchase of property, plant and equipment		(52.9)	(72.6)
Purchase of property, plant and equipment held for sale		(5.7)	—
Purchase of intangible assets		(2.2)	(18.4)
Net cashflows used in investing activities		(37.7)	(82.8)
Cashflows from financing activities			
Interest paid on lease liabilities		(9.0)	(13.9)
Other interest paid		(11.3)	(11.5)
Dividends paid to members of the parent	11	—	(30.9)
Dividends paid to non-controlling interests		(3.7)	(13.9)
Proceeds from issue of shares		—	0.5
Payment to acquire own shares		(0.6)	(0.7)
Repayments of borrowings		(307.2)	(361.9)
Proceeds from borrowings		289.4	363.6
Payment of lease liabilities		(534.5)	(374.3)
Net cashflows used in financing activities		(576.9)	(443.0)
Net increase/(decrease) in cash and cash equivalents		62.6	(61.0)
Cash and cash equivalents at 27 June 2020	19	569.8	630.8
Effect of foreign exchange rate changes		(1.8)	—
Cash and cash equivalents at 3 July 2021**	19	630.6	569.8

* Restated – see note 31.

** Cash balances of £543.7m (2020: £474.8m) were restricted at 3 July 2021. Further details are shown in note 19.

Consolidated cashflow and reconciliations

53 weeks ended 3 July 2021

The consolidated cashflow statement shows the cashflows from operating, investing and financing activities for the year

Net cash/debt

Closing adjusted net debt on a post-IFRS 16 basis was £615.6m, a decrease of £350.3m from opening adjusted net debt of £965.9m. Closing adjusted net debt on a pre-IFRS 16 basis was £305.9m. In line with our debt covenants, net debt is pre-IFRS16 and adjusted for restricted cash. Adjusted net debt is calculated using the outstanding principal value of debt and does not include accrued interest and is gross of debt issue costs.

Cashflow reconciliation

A reconciliation of cash generated from operations to free cashflow and net debt, two non-GAAP measures used by management, is shown below. Free cashflow and adjusted net debt are measures used by management, which reflect the impact of restricted cash on cashflows.

	2021			2020*		
	IFRS 16 basis £m	IFRS 16 effect £m	Pre-IFRS 16 basis £m	IFRS 16 basis £m	IFRS 16 effect £m	Pre-IFRS 16 basis £m
Summary cashflow						

EBITDA (excluding exceptional items)	695.6	499.9	195.7	546.3	383.9	162.4
Movement in restricted cash	(68.9)	—	(68.9)	(45.7)	—	(45.7)
Working capital and other operating cashflows	(6.5)	42.0	(48.5)	2.5	1.6	0.9
Cashflow generated from operations (excluding restricted cash movements)	620.2	541.9	78.3	503.1	385.5	117.6
Tax paid	(12.1)	—	(12.1)	(28.2)	—	(28.2)
Net interest paid	(19.2)	(9.0)	(10.2)	(19.9)	(13.7)	(6.2)
Net capital investment	(47.2)	—	(47.2)	(88.3)	—	(88.3)
Dividends paid to non-controlling interests	(3.7)	—	(3.7)	(13.9)	—	(13.9)
Free cashflow	538.0	532.9	5.1	352.8	371.8	(19.0)
Payments to acquire own shares	(0.6)	—	(0.6)	(0.7)	—	(0.7)
Proceeds from issue of shares	—	—	—	0.5	—	0.5
Inception of new leases	(31.7)	(31.7)	—	(235.0)	(235.0)	—
Lease modifications	(166.6)	(166.6)	—	—	—	—
IFRS 16 lease liabilities onto balance sheet	—	—	—	(781.1)	(781.1)	—
Dividends paid to members of the parent	—	—	—	(30.9)	—	(30.9)
Other	11.2	—	11.2	(1.2)	—	(1.2)
Movement in adjusted net debt**	350.3	334.6	15.7	(695.6)	(644.3)	(51.3)
Opening adjusted net debt**	(965.9)	(644.3)	(321.6)	(270.3)	—	(270.3)
Closing adjusted net debt**	(615.6)	(309.7)	(305.9)	(965.9)	(644.3)	(321.6)

* Restated – see note 31.

** Adjusted net debt represents net cash less restricted cash.

EBITDA (excluding exceptional items) is defined as earnings before interest, tax, depreciation, amortisation and impairment and excludes exceptional items. In the year to 3 July 2021, it increased to £695.6m (£195.7m on a pre-IFRS 16 basis) as a result of the ongoing recovery from the impacts of the COVID-19 pandemic and continued COVID-19 support arrangements.

Capital expenditure, net of sale proceeds, was £41.2m lower in the year at £47.2m (2020: £88.3m restated) due to higher sales proceeds and lower purchases. Tax payments in the year decreased by £16.1m to £12.1m primarily due the timing of payments made to HMRC.

EBITDA (excluding exceptional items) reconciliation

EBITDA (excluding exceptional items) is defined as earnings before interest, tax, depreciation, amortisation and impairment and excludes exceptional items, as shown below. This metric is used in the calculation of our pre-IFRS 16 EBITDA (excluding exceptional items) which is relevant to our debt covenants.

	2021 £m	2020* £m
Loss after tax for the year	(40.7)	(50.9)
Exceptional operating items	104.1	93.7
Net finance costs	18.1	21.6
Tax expense	33.8	11.4
Depreciation of property, plant and equipment	81.6	84.1
Depreciation of right of use assets	486.5	375.5
Amortisation of intangible assets	6.3	9.4
Share of result of joint venture	0.2	0.6
Asset impairment, excluding exceptional items	5.7	0.9
EBITDA (excluding exceptional items)	695.6	546.3

* Restated – see note 31.

Notes to the consolidated financial statements

1. Basis of preparation

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 3 July 2021 or 27 June 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered in due course. The auditor's reports on the 2021 and 2020 accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The 2020 Annual Report has been authorised for issue and signed by the Board of directors at the time of this announcement.

Directors' responsibility statement

The responsibility statement has been prepared in connection with the preparation of the company's full annual report for the 53 week period ended 3 July 2021. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards, adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Chairman's Statement, Group Chief Executive's Review, and the Finance Review will form part of the Strategic Report and will be incorporated into the directors' report. They include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole.

The announcement was approved by the Board of directors on 23 February 2022 and is signed on its behalf by:

Christian Schreyer, Group Chief Executive

Gordon Boyd, Interim Group Chief Financial Officer

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Going concern

During the financial year, and up to the date of signing the Annual Report and Accounts, the COVID-19 pandemic has continued to have a significant impact on the Group. Whilst the Group has seen positive trends emerging over the period since the balance sheet date with the easing and cessation of many UK and international government restrictions, it is difficult to judge what the long term impact of the pandemic will be on the wider economy and, in particular, the transport sector in which the Group operates.

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

Owing to the above factors, and the difficulties in forecasting the resulting impact on ongoing compliance with the Group's loan facility covenants, the going concern assessment is considered a critical accounting judgement

However, the directors have considered the Group's current and future prospects and judge that it is appropriate to continue to adopt the going concern basis of preparation as they are satisfied that the Group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Please refer to the Directors' report for the Group's going concern statement.

Contract and franchise accounting

The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them are governed by a number of contracts between the major participants: the DfT, Network Rail and train operating companies (TOCs). These contracts include detailed performance regimes which determine the allocation of financial responsibility relating to the attribution of delays. The processes for attribution, whilst well understood, require detailed assessment and can take significant time to resolve, particularly in unusual circumstances.

The useful economic lives of assets within the TOCs are determined by reference to the length of the franchise and are matched to the contractual franchise end date. The residual value of assets is determined by their condition at the franchise end date and by the level of maintenance that has been undertaken during the period of operation.

The Group makes provision for income and costs relating to performance regimes and contractual obligations relating to operating delays caused by Network Rail or caused by our own operating companies. This process can be based primarily on previous experience of settling such claims, or, in certain circumstances, based on management's view of the most likely outcome of individual claims. The Group has significant internal expertise to assess and manage these aspects of the agreements and the issues relating to delay attribution to enable management to assess the most probable outcomes; nonetheless significant judgements are required, which can have material impacts on the financial statements.

Accordingly, judgements in these and other areas are made on a continuing basis with regard to amounts due and the recoverable carrying value of related assets and liabilities arising from franchises and other contracts. Regular reviews are performed on the expected outcome of these arrangements, which require assessments and judgements relating to the expected level of revenues and costs.

Please refer to note 27 for details of contingent liabilities relating to these judgements and estimations.

As a result of the COVID-19 pandemic, on 23 March 2020 the UK Government suspended all rail franchise agreements and introduced an industry-wide Emergency Measures Agreement (EMA) scheme to support train operating companies. The GTR EMA was in place for an initial period to 19 September 2020. Since this date, GTR is operating under an Emergency Recovery Measures Agreement (ERMA) now extended until the end of March 2022. The ERMA is similar in nature to that of the EMA with GTR continuing to receive a management fee for the remainder of its franchise.

Contract and franchise accounting specific to the rail business is disclosed in the segmental analysis in note 4.

Exceptional operating items

In certain years the Group presents as exceptional operating items, on the face of the income statement, material items of income or expense which, because of the size, nature or expected infrequency of the events giving rise to them, merit separate presentation to allow an alternative understanding of financial performance. The determination of whether items merit presentation as exceptional in a particular year is therefore a matter of judgement.

Items of income or expense that are considered by management for designation as exceptional include onerous contract provisions, impairment of assets, restructuring provisions and fines or penalties, and the related tax on these items. Set out below are details of the transactions against which management has considered the exceptional items accounting policy.

Asset impairments and restructuring costs – International Rail

During the prior year, freehold land and buildings were impaired by £4.4m in Germany and recognised as an exceptional operating item. During the year ended 3 July 2021, a depot that had previously been impaired was sold for an amount greater than the previously estimated recoverable amount. Further, as part of this sale agreement, there is no longer an obligation to pay break fees on the depot which were provided for as of 27 June 2020, and therefore this provision has been released. This has resulted in an exceptional operating credit of £5.2m.

Asset impairments, provisions and restructuring costs – Regional Bus

In Regional Bus, an impairment charge of £1.1m has been recognised in relation to property, plant and equipment following the termination of contracts resulting from the effects of the COVID-19 pandemic. Additional costs of £1.2m have also been recognised in relation to loss making contracts where passenger demand is not recovering at the same levels as the wider commercial network. These costs have been offset by the release of restructuring provisions of £1.0m and an impairment reversal of £1.1m following the sale of some coaches that were previously impaired and recognised as exceptional operating charges during the year ended 27 June 2020. Whilst the costs and credits incurred this year do not meet the quantitative threshold to be classified as exceptional on a standalone basis, management has concluded that these items should be classified as exceptional in line with the Group's exceptional items accounting policy, in order to ensure a consistent approach with similar costs incurred previously.

German Bavaria franchise onerous contract provision

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to full year 2020 and the 2021 interim results. A number of errors were identified in respect of the accounting for the onerous provision in the Bavarian rail franchise in the prior year and the Group's 2021 interim results.

The prior year provision was determined to be understated by £36.6m which has been restated in these financial statements. Correspondingly there was a reduction in the onerous contract provision of £25.9m reported in the Group's 2021 interim results. The calculation of the understatement was determined following a review of historical information and consideration given to what information then available could reasonably have been included that indicated errors in the previous cash flow assumptions underpinning the provision.

The quantum of this provision and impairment is deemed to be sufficiently material to be classified as exceptional in line with the Group's accounting policy. See below for more information in the key sources of estimation uncertainty section.

Norway franchise onerous contract provision and asset impairment

As part of the detailed review of all material contracts performed by the directors, an onerous contract provision was also recognised in relation to the Norway rail franchise.

In December 2019, the Group began operating rail services in Norway. As the contract involves exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis, initially with 100% loss coverage. As the pandemic continued, loss coverage was reduced from this level down to 85%. The impact of the reduction and possible cessation of funding, the fixed nature of the operating requirements and the longer than expected duration of lower passenger demand following the impact of COVID-19 have resulted in a reduction to the estimated economic benefits in use of the contract. This is based on the expected future cashflows and a risk free discount rate, triggering the need to reassess the assumptions made in the onerous contract and impairment models. This potential reduction in future revenue results in an onerous contract provision of £65.3m in the consolidated balance sheet (and an exceptional operating charge of £66.2m in the consolidated income statement with £0.9m to the translation reserve) and asset impairments of £10.5m being recognised at the year end. The quantum of this provision and impairment is deemed to be sufficiently material to be classified as exceptional in line with the Group's accounting policy. See below for more information in the key sources of estimation uncertainty section.

Department for Transport penalty and associated costs relating to LSER

In UK Rail, as described above, a provision has been recognised of £30.0m relating to a potential penalty from the DfT. Associated professional fees of £2.1m have also been recognised as an exceptional item. In aggregate, these costs are deemed to be sufficiently material and non-recurring in nature to be classified as exceptional in line with the Group's accounting policy. See below for more information in the key sources of estimation uncertainty section.

The two items below were considered by management for designation as exceptional items but were determined not to meet the criteria stated in the Group's accounting policy.

London Bus – QICs

In London & International Bus, Quality Incentive Contracts (QICs) payments are received as part of the contract revenue and the potential premiums or penalties are assessed cumulatively on a contract by contract basis from TfL, at the end of each period based on key performance obligations. The whole of cumulative penalties/premiums are recognised in the income statement on a pro rata basis to the contract year. In the year, due to Transport for London (TfL) moving from annual to quarterly settlement of QICs, greater levels of certainty were created allowing an accelerated recognition of this revenue. This was considered by management against the Group's accounting policy for designation as an exceptional operating item but determined not to meet the criteria due to the Group regularly experiencing the timing benefits and detriments of settlement of amounts from its various contracts. As such this item was not considered to be sufficiently infrequent and has been included in pre-exceptional revenue in the year.

Pre-EMA settlements

In the Rail division, provisions were held in respect of qualifying changes relating to pre-EMA periods and recovery of strike costs. Agreement was reached in writing with the DfT that all outstanding qualifying changes will be settled based on the outcome of the audited financial model. The DfT also confirmed that strike costs are considered already settled through the 'big change' settlement in December 2018. As a result of the agreement and settlement with the DfT, the previously held provisions totalling £12.2m were released to the P&L. This was considered by management per Group's accounting policy for designation as an exceptional operating item but determined not to meet the criteria due to the Group regularly transacting settlements in relation to these types of matters in the UK Rail segment given the size, nature and complexity of these franchises. Further, previous precedent has been seen with both similar costs and releases being taken to the income statement and not presented as exceptional in previous years.

During the prior year, charges in relation to Regional Bus restructuring and impairment of assets resulting from the impact of the COVID-19 pandemic were classified as exceptional. Similarly, impairment of assets and contract provisions in relation to our German business were classified as exceptional in the prior year.

Accounting for the Railways Pension Scheme (RPS)

The UK train operating companies participate in the Railways Pension Scheme (RPS), a defined benefit pension scheme which covers the whole of the UK rail industry. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme which means that costs are formally shared 60% employer and 40% employee. The Group only recognises amounts in relation to its share of costs in the income statement. The RPS is partitioned into sections and the Group is responsible for the funding of these sections whilst it operates the relevant franchise. At the end of the franchise term, responsibility for the funding, and consequently any deficit or surplus existing at that date, is passed to the next franchisee. At each balance sheet date a franchise adjustment is recognised to the IAS 19 net pension asset or liability to reflect that portion expected to pass to the next franchisee.

The directors view this arrangement as synonymous to the circumstances described in paragraphs 92–94 of IAS 19 Employee Benefits (Revised), with a third party taking on the obligation for future contributions. As there is no requirement to make contributions to fund the current deficit, then it is assumed that all of the current deficit will be funded by another party and hence none of the deficit is attributable to the current franchisee. In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in the future, which is recognised as an adjustment to service cost in the income statement. As a result, any portion of service cost not expected to be covered by contributions paid during the franchise but expected to transfer at the end of the franchise is treated as an adjustment to the income statement.

Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

The directors deem this to be the most appropriate interpretation of IAS 19 to reflect the specific circumstances of the RPS where the franchise commitment is only to pay contributions during the period in which we run the franchise. An alternative approach would involve not limiting the measurement of the service cost through the recognition of an income statement franchise adjustment, but recognising all movements on the franchise adjustment as a movement in a reimbursement right in other comprehensive income. For the year ended 3 July 2021, the impact of this alternative treatment, on a post-tax basis, would be an increase in costs of £97.6m (2020: £72.6m) to the income statement and a credit to other comprehensive income of £122.3m (2020: debit of £185.0m). Since the franchise contract only refers to the contribution requirements during the franchise term, and not any reimbursement rights, the directors consider that viewing the treatment as contribution sharing with the next franchisee is most appropriate.

COVID-19: Rail – Emergency Measures Agreements (EMAs) and Emergency Recovery Measures Agreements (ERMAs)

The COVID-19 pandemic continues to have a major impact on the global economy and has had an impact on the Group's operational performance during the current year. The Group has received government support in each area of its divisional operations. In the Rail division, from 1 March 2020, UK operations saw all the revenue and cost risk being transferred to the Government by way of Emergency Measures Agreements (EMAs) and later Emergency Recovery Measures Agreements (ERMAs).

LSER's EMA ended on 17 October 2021 when its Southeastern franchise expired and the DfT chose to appoint the Operator of Last Resort (OLR). For GTR, the EMA term ended on 19 September 2020 at which point GTR transferred to an ERMA which has its term end on 31 March 2022.

As part of these agreements, signed by the DfT, GTR and LSER in the prior year, there are two income streams; a management fee to run business as usual and a performance based fee payable on achieving various target operational performance benchmarks. The management fee is recognised within franchise subsidy revenue, in line with the revenue recognition policy for subsidy receipts received from the DfT.

For EMAs and ERMAs, the performance payment is assessed by the DfT through a review process, which awards rail franchisees with a score of 1, 2 or 3 against three criteria (four for the ERMA) over the entire term of the EMA in areas of operational performance, customer experience and acting as a good and efficient operator and was extended to include collaboration for the ERMA.

Subsequent to the year end, the EMA performance payment has been confirmed and recognised at £3.9m for LSER. As a result, it is no longer considered a critical accounting judgement.

GTR's EMA performance payment was confirmed by the DfT in December 2020 to be £3.8m and this was recognised in the first half of this financial year.

The ERMA is similar in nature to that of the EMA with GTR continuing to receive a base management fee for the remainder of its franchise; however, the performance payment is assessed with a score of 1, 2 or 3 against the four criteria of operational performance, customer experience, financial performance and collaborative behaviours.

The scores are assessed six monthly and the performance payment awarded and recognised for the period to 31 March 2021 was £8.3m. The cumulative ERMA performance payment for GTR can range up to £18.3m over the ERMA term.

Using the fact that after year end, GTR's performance scores in 3 of the 4 ERMA categories were confirmed and also using the EMA performance outcome and the ERMA assessment completed to date as guides, a performance payment of £3.3m was accrued as at the financial year end, covering the period from April 2021 to year end, in addition to the £8.3m recognised for the period to 31 March 2021. As a result, judgement remains until the final performance score is confirmed.

In Germany, the rail contracts currently in operation are management contracts. Consequently, there is no material revenue risk associated with these contracts.

In Norway, the rail contract is partly subject to revenue risk in relation to the unsubsidised part of the contract. Throughout the financial year ended 3 July 2021, the Norwegian Government continued to support the rail industry with a package materially covering revenue lost since March 2020. This support package has been extended to at least March 2022 with the possibility of further support if COVID-19 restrictions remain and infection rates remain high. See further disclosures below in this section in relation to Norwegian rail franchises.

Key sources of estimation uncertainty

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

Measurement of franchise commitments

The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations, within the UK Rail franchises, and a provision relating to the franchise set-up costs of the German Bavaria franchise, is set out in note 24.

Significant elements of the dilapidation provisions are subject to interpretation of franchise agreements and rolling stock agreements. The Group has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the most probable outcomes. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from professional external advisors to support provision levels.

The forecasts in relation to the estimated value in use of the German franchise are subject to estimation due to the sensitivity of the assumptions used. The most sensitive assumptions relate to the assessment of future performance penalties, driver costs and costs of franchise set-up.

Sensitivity analysis with respect to franchise commitments is provided in note 24.

Retirement benefit schemes – bus

The measurement of defined benefit pension schemes requires the estimation of future changes in salaries, inflation, longevity of current and deferred members and the selection of a suitable discount rate, as set out in note 28. The Group engages Willis Towers Watson, a global professional services company whose specialisms include actuarial advice, to support the process of establishing reasonable bases for all of these estimates, to ensure they are appropriate to the Group's particular circumstances. Management also benchmarks these assumptions on a periodic basis with other professional advisors. Sensitivity analysis on the bus retirement defined benefit schemes is detailed in note 28.

Norwegian rail franchises

In December 2019, the Group began operating rail services in Norway, its first contract in this market and the first commercially run network in the country. After a successful start to operations, the effects of the COVID-19 pandemic were felt just three months into this contract.

As the contract involves exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis, initially with 100% loss coverage. As the pandemic continued, loss coverage was reduced from this level down to 95%, then 90% and subsequently to 85%.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be made for an onerous contract where it is probable that the future economic benefits to be derived from the contract are less than the unavoidable costs under the contract.

The impact of the reduction and possible cessation of funding, the fixed nature of the operating costs and the longer than expected duration of lower passenger demand following the impact of COVID-19 have resulted in a reduction of the estimated value in use of the contract, which is based on the expected future cashflows and a risk-free discount rate, triggering the need to reassess the assumptions made in the onerous contract and impairment models. This reduction in future revenue results in an onerous contract provision of £65.3m and asset impairments of £10.5m being recognised at the year end.

In December 2021, government support was subsequently prolonged to include November and December. Whilst temporary support at an equivalent level is in place until March 2022, after this period the government has indicated further support may be in place until at least August 2022, although at an unconfirmed level. The inclusion of government support at 85% loss coverage from November 2021 to the end of March 2022 in the calculation of the onerous contract provision would reduce its size by £6.8m and there is ongoing dialogue with the Government in relation to a possible renegotiation of the contract.

The estimation of both the cashflow forecasts and discount rate involves a significant degree of judgement. Cashflow forecasts are derived from the most recent Board approved corporate plan. Cashflows for the remainder of the contract years are based on the third year of the corporate plan, updated to reflect the most recent experience of the franchises and other expected future developments. In line with IAS 37 paragraph 47, the pre-tax risk-free discount rates applied to risk adjusted future cashflows are derived with reference to relevant government bond yields in order to reflect the current market assessment of the time value of money. Whilst the directors are taking every possible measure to mitigate the expected losses associated with the contract, the determination of the onerous contract provision involves inherent uncertainties and the estimation of many inputs, including future variations in passenger demand, the level of government support, service performance, energy costs, staff costs and the exercise of the contract's two extension years. The key areas of estimation uncertainty are expected to become clearer as recovery from the pandemic continues. Considering reasonably possible favourable and adverse movements in these key inputs over each contract's life gives a range of estimation uncertainty whereby in the best-case scenario the contract would still be loss making at a discounted loss of £46.0m, and in the reasonably possible worst-case scenario the contract would incur a discounted loss of £112.3m.

In accordance with IAS 1, this disclosure focuses on assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of the provision within the next financial year. The key areas of estimation uncertainty, and the associated sensitivities, are as follows:

- Passenger demand: Passenger demand is assumed to recover to 93% of pre-COVID levels by June 2024, with June being the seasonal peak. If this took 12 months longer the provision would increase by £13.0m and if this happened 12 months earlier the provision would decrease by £6.8m.
- Emergency government support: Government support being extended to August 2022 would reduce the provision by £11.8m.

- Variable costs: An increase or reduction in energy costs and staff costs by 50% and 2% respectively would increase or reduce the provision by £8.7m.

The provision is included within onerous contract provisions and further details can be found in note 24.

German rail franchises

The Group has a number of contractual commitments in Germany in respect of its current rail franchises in Baden-Württemberg and Bavaria. IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be made for an onerous contract where it is probable that the future economic benefits to be derived from the contract are less than the unavoidable costs under the contract.

In the prior year, the Group concluded that assets with a net book value of £16.5m in relation to the three Baden-Württemberg franchises were impaired down to £1.7m and it maintains that view. However, it also continues to hold the view that the contract is not onerous as the risk-adjusted discounted future cash inflows are expected to exceed the unavoidable costs over the life of the contracts.

In relation to Bavaria, the Group has two rail contracts, each running for 12 years, which are collectively worth €2bn in lifetime revenues. One of these contracts became operational in December 2021 and the other will become operational in December 2022. Whilst the first contract commenced operations in December 2021 and the second contract is still in its mobilisation phase. based on the Group's current knowledge and expectations of the income and costs associated with these contracts, it has been deemed necessary under IAS 37 to reassess the onerous contract provision. As a result, the provision recognised as at 3 July 2021 totals £33.8m (2020 restated: £44.3m). Whilst the directors are taking every possible measure to mitigate the expected losses associated with these contracts, the determination of the onerous contract provision involves inherent uncertainties and the estimation of many inputs which may give rise to a material adjustment of the provision in future years. Key assumptions in the model relate to future variations in passenger capacity (additional vehicle km), route pairing outcomes, service performance, energy costs and consumption levels, staff costs, and maintenance costs.

The degree of estimation uncertainty associated with the onerous contract provision is expected to reduce as operations commence and develop, as some of the existing estimation uncertainty derives from the fact that the final operational plan, contractual terms and operational model are still being determined. Considering reasonably possible favourable and adverse movements in these key inputs over each contract's 12-year life, gives a range of outcomes whereby in the best case scenario the contracts would still be loss making at a discounted loss of £17.5m, as a result of the costs of the mobilisation, and in the reasonably possible worst case scenario the contract would incur a discounted loss of £52.6m.

In accordance with IAS 1, this disclosure focuses on assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of the provision within the next financial year. The key areas of estimation uncertainty, and the associated sensitivity, are as follows:

- Compensation for unpaired train kilometres (kms): A reduction or increase of 25% of the actual empty/unpaired kms being agreed with the LTA will increase or reduce the provision by £5.2m.
- Energy cost management: A reduction in the assumed energy regeneration levels by 2% of those assumed in the onerous contract provision calculation would increase the provision by £2.9m.
- Penalties: An increase or reduction of 20% in the level of penalties would increase or reduce the provision by £2.3m.
- Heavy maintenance reserve: the maintenance reserve to be paid back at the end of the two contracts is based on manufacturers' cost estimates and will be based on the client's final assessment, therefore an increase or reduction of 10% of the reserve would increase or reduce the provision by £1.9m.
- Staff costs: the inclusion of a further 20% contingency for not realising the planned efficiencies or removing the 20% contingency would increase or decrease the provision by £3.9m.

The estimates included in the onerous contract calculation are made based on the current level of agreed kilometres as per the contract. However, should the agreed kilometres change there will be corresponding changes in the estimates around maintenance costs, sales and marketing costs and energy costs. Further, estimates around rolling stock dilapidation costs and the renting out of trained drivers may depend upon the outcome of future events and may need to be revised as circumstances change.

Franchise accruals

The Group has recognised £86.8m of franchise accruals relating to dilapidation, maintenance and end of life liabilities, which are included in the overall accruals balance of £323.6m. These accruals in particular are subject to a greater level of estimation uncertainty as there is a range of possible outcomes, of which the best estimate has been recognised. It is reasonably possible that changes to these estimates could result in an increase or decrease in these accruals of c. 40% or 20% respectively.

Potential penalty to the Department for Transport relating to London & South Eastern Railway Limited (LSER)

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

Whilst the financial penalty should be proportionate to the nature of the matter it concerns, per the Railways Act 1993, the financial penalty can range from zero to 10% of the total turnover of 2019 and 2020 at LSER (£204.4m).

COVID-19 Bus Service Support Grant (CBSSG)

CBSSG income recognition is no longer considered a key source of estimation uncertainty for the year ended 3 July 2021 as it was in the prior year.

CBSSG was a grant payable to bus operators in respect of commercial services in return for making available sufficient capacity to run an agreed level of commercial miles. In the prior year when the scheme was introduced, estimating the amount receivable involved significant estimation uncertainty however there is now more evidence available in relation to settled scheme periods and as such there is greater certainty over CBSSG income to be received. For the year ended 3 July 2021, the Group's operating companies have determined that they are potentially entitled to CBSSG income of £123.8m, inclusive of the £7.2m received in

relation to the prior year. This is £3.8m higher than the amount recognised in the financial statements due to uncertainty relating to unsettled CBSSG claims.

The new recovery funding package, the Bus Recovery Grant (BRG), running until the start of April 2022, reflects the Government's decision to continue to provide a level of support to bus operators to allow the provision of vital services to communities whilst passenger numbers continue to recover from the effects of the COVID-19 pandemic.

3. Reconciliation of alternative profit measures (APMs)

The Group uses a number of alternative performance measures (APMs) throughout the Annual Report and Accounts. Management believes that adjusting for these items provides an alternate understanding of the Group's operating performance and financial position.

The APMs used by the Group are disclosed below:

Operating profit pre-exceptional items

Exceptional operating items represent material items of revenue or expenses because of the size or nature and the expected infrequency of the events giving rise to them. This metric is a key metric reviewed by management and adjusting operating profit for exceptional items gives an alternative understanding of the Group's recurring performance.

Reconciliation of pre and post-operating profit:

	2021 £m	2020* £m
Operating profit	11.4	(17.3)
Exceptional items:		
– Asset impairments, provisions and restructuring costs – Regional Bus	0.2	26.7
– Asset impairments and restructuring costs – International rail	(5.2)	23.2
– German Bavaria franchise onerous contract provision	—	43.8
– Norway franchise onerous contract provision and asset impairment	76.7	—
Department for Transport potential financial penalty and associated costs relating to LSER	32.4	—
Operating profit pre-exceptional items	115.5	76.4

* Restated. Details of the restatements and the impact on the above table in respect of the year ending 27 June 2020 are explained in note 31.

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 2021 £m	Exceptional 2021 £m	Post- exceptional 2021 £m	Pre- exceptional 2020* £m	Exceptional 2020* £m	Post- exceptional 2020* £m
Group operating profit	115.5	(104.1)	11.4	76.4	(93.7)	(17.3)
Profit/(loss) before taxation	97.2	(104.1)	(6.9)	54.2	(93.7)	(39.5)
Tax expense	(34.3)	0.5	(33.8)	(17.7)	6.3	(11.4)
Profit/(loss) for the year from continuing operations	62.9	(103.6)	(40.7)	36.5	(87.4)	(50.9)
Attributable to:						
– Equity holders of the parent	46.6	(92.6)	(46.0)	21.5	(87.4)	(65.9)
– Non-controlling interests	16.3	(11.0)	5.3	15.0	—	15.0
	62.9	(103.6)	(40.7)	36.5	(87.4)	(50.9)
Earnings per share						
– Basic	108.4p	(215.4)p	(107.0)p	50.0p	(203.3)p	(153.3)p
– Diluted	108.0p	(214.7)p	(106.7)p	49.9p	(202.8)p	(152.9)p

* Restated. Details of the restatements and the impact on the above table in respect of the year ending 27 June 2020 are explained in note 31.

Headroom on facilities plus unrestricted cash

Headroom on facilities plus unrestricted cash is the total amounts available on the facilities listed below, added to the value of unrestricted cash available as of the year-end date, as shown below. This is a key metric reviewed by management to help assess the liquidity of the Group.

	2021 £m	2020 £m
Syndicated loans	280.0	280.0
£250m sterling seven-year bond	250.0	250.0
€8m revolving credit facility	5.5	7.3
€10.85m loan	7.7	9.8
Total core facilities	543.2	547.1
Amount drawn down at year end	389.8	412.3
Headroom on facilities	153.4	134.8
Unrestricted cash	86.9	95.0
Headroom on facilities and unrestricted cash	240.3	229.8

Adjusted net debt

Adjusted net debt is the net cash/debt position of the Group adjusted to reflect the impact of restricted cash on cashflows. Net cash/debt is the value of cash and cash equivalents offset by borrowings, including interest-bearing loans and borrowings and

Tax expense	(33.8)
Loss for the year	(40.7)

Year ended 3 July 2021

Further information on exceptional operating items is disclosed in note 7.

	Regional Bus £m	London & International Bus £m	Total Bus £m	UK Rail £m	International Rail £m	Total Rail £m	Total Operations £m
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

Year ended 27 June 2020

	Regional Bus (as restated ²) £m	London & International Bus (as previously reported) £m	Restatements to London & International Bus ¹ £m	London & International Bus (as restated) £m	Total Bus (as restated) £m	UK Rail (as previously reported) £m	Restatements to UK Rail ¹ £m	UK Rail (as restated) £m	International Rail £m	Total Rail (as restated) £m	Total Operations (as restated ¹) £m
Passenger revenue	315.2	—	—	—	315.2	1,909.0	—	1,909.0	40.0	1,949.0	2,264.2
Contract revenue	67.6	627.3	—	627.3	694.9	0.6	—	0.6	—	0.6	695.5
Other revenue	31.6	3.7	—	3.7	35.3	206.4	—	206.4	4.7	211.1	246.4
Franchise subsidy	—	—	—	—	—	735.2	(1.2)	734.0	25.3	759.3	759.3
Segment revenue	414.4	631.0	—	631.0	1,045.4	2,851.2	(1.2)	2,850.0	70.0	2,920.0	3,965.4
Inter-segment revenue	(5.6)	(26.9)	—	(26.9)	(32.5)	(35.7)	—	(35.7)	—	(35.7)	(68.2)
Group revenue	408.8	604.1	—	604.1	1,012.9	2,815.5	(1.2)	2,814.3	70.0	2,884.3	3,897.2
Operating costs including impairment losses	(388.3)	(555.6)	1.5	(554.1)	(942.4)	(2,762.0)	(1.8)	(2,763.8)	(114.6)	(2,878.4)	(3,820.8)
Group operating profit (pre- exceptional items)	20.5	48.5	1.5	50.0	70.5	53.5	(3.0)	50.5	(44.6)	5.9	76.4
Exceptional operating items ³	(26.7)	—	—	—	(26.7)	—	—	—	(67.0)	(67.0)	(93.7)
Group operating profit/(loss) (post- exceptional items)	(6.2)	48.5	1.5	50.0	43.8	53.5	(3.0)	50.5	(111.6)	(61.1)	(17.3)
Share of result of joint venture	—	—	—	—	—	—	—	—	—	—	(0.6)
Net finance costs	—	—	—	—	—	—	—	—	—	—	(21.6)
Loss before tax and non- controlling interests											(39.5)
Tax expense	—	—	—	—	—	—	—	—	—	—	(11.4)
Loss for the year											(50.9)

1 Details of the restatements in respect of the year ending 27 June 2020 are explained in note 31, including restatements to the Group's net finance costs and tax expense.

2 In addition to the restatements outlined in note 31, the presentation of Regional Bus revenue for the year ended 27 June 2020 has also been restated in order to disclose this on a consistent basis with the equivalent disclosure for the year ended 3 July 2021. This restatement's effect is limited to equal and opposite adjustments to the Regional Bus segment's passenger revenue and inter-segment revenue lines of £31.9m such that Group revenue line is unaffected. This restatement removes the revenue pertaining to The Go-Ahead Group plc's activities as a Group company from each affected line.

3 International Rail exceptional items have been restated as a result of the Germany onerous contract provision adjustment, as outlined in note 31.

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	39.1	17.5	56.6	6.1	9.9	16.0	72.6
– Intangible assets	2.0	2.4	4.4	0.5	13.5	14.0	18.4
– Right of use assets	8.2	23.6	31.8	204.0	1.1	205.1	236.9
Depreciation:							
– Owned assets	38.0	28.2	66.2	17.0	0.9	17.9	84.1
– Right of use assets	5.0	16.7	21.7	353.4	0.4	353.8	375.5
Amortisation:							
– Intangible assets	1.7	4.0	5.7	1.4	2.3	3.7	9.4

Inter-segment revenue relates to transactions between the Group's operating segments and includes rail replacement bus services and sub-leasing of rolling stock.

At 3 July 2021, there were non-current assets included within the London & International Bus segment of £9.4m (2020: £12.4m) relating to operations in Singapore and Ireland. Operations in Singapore generated a revenue of £55.4m (2020: £56.9m) and operations in Ireland generated a revenue of £39.2m (2020: £33.4m) during the year.

Non-current assets included within International Rail of £23.1m relate to international operations in Germany (2020: £23.0m in Germany and £11.6m in Norway). Operations in Norway generated a revenue of £43.5m (2020: £18.5m) and operations in Germany generated a revenue of £96.7m (2020: £51.4m).

We have two major customers which individually contribute more than 10% of Group revenue, one of which contributed £2,195.6m (2020: £736.2m restated), and the other contributed £560.5m (2020: £506.4m). The increase during the year is due to increased government assistance as a result of the continuing COVID-19 pandemic. No other individual customer contributed 10% or more to the Group's revenue in either the current or prior year.

5. Operating costs

Detailed below are the key amounts recognised in arriving at our operating costs.

Exceptional items are outlined in note 7.

	2021 £m	2020 (as previously reported) Restatements* £m	2020 (as restated) £m
Employee costs (note 6)	1,418.8	1,355.9	1,352.8
Rail operating charges (see below)	1,101.7	990.8	990.8
Energy costs (see below)	278.8	261.8	261.8
DfT franchise agreement (receipts)/payments	(10.9)	93.3	93.3
Depreciation (see below)	568.0	459.6	459.6
Intangible amortisation	6.3	9.4	9.4
Auditor's remuneration (see below)	1.7	1.3	1.3
Impairment losses (including reversals) on financial assets and contract assets**	7.1	2.6	2.4
Reimbursement of operating costs	(13.5)	(27.1)	(27.1)
Government grants	(2.8)	(3.6)	(3.6)
Government grants: COVID-19	(22.8)	(27.2)	(27.2)
Profit on disposal of property, plant and equipment	(0.2)	(0.9)	(0.9)
Other operating costs	610.8	704.6	708.2
Total operating costs (pre-exceptional operating items)	3,943.0	3,820.5	3,820.8

* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 31 and are presented in the table above.

** In addition to the restatements outlined in note 31, a reclassification of £0.2m has been made between impairment losses on trade receivables and other operating costs, as presented in the table above. This is to reflect that the impairment charge for the year should be presented net of any amounts unused and reversed during the year.

Further analysis of the above operating costs is as follows:

	2021 £m	2020 £m
Rail operating charges		
– Rail rolling stock	214.7	212.9
– Other rail	215.7	194.4
Total lease and sublease payments recognised as an expense (excluding rail access charges)	430.4	407.3
– Rail access charges	671.3	583.5
Total lease and sublease payments recognised as an expense	1,101.7	990.8
Depreciation		
– Owned assets	81.5	84.1
– Right of use assets	486.5	375.5
Total depreciation expense	568.0	459.6
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	1.4	1.1
– Additional audit fees incurred as a result of the matters of concern relating to LSER and other historic franchises and affiliate trading*	1.2	—
Total audit fees for the audit of the financial statements*	2.7	1.2
Total non-audit fees	0.2	0.1
Total auditor's remuneration (post-exceptional)*	2.9	1.3
Energy costs		
– Bus fuel	89.4	98.3
– Rail diesel fuel	2.3	2.4
– Rail electricity	171.6	145.1
– Cost of site energy	15.5	16.0
Total energy costs	278.8	261.8

* Additional audit fees were incurred during the year as a result of the matters of concern relating to LSER and other historic franchises and affiliate trading outlined above. This results in total audit fees of £2.7m, £1.2m of which is recorded within exceptional items.

The Group's rail operating companies hold agreements with different entities for access to the railway infrastructure (track, stations and depots). These are classified as rail operating charges as they do not constitute a right of use asset.

Government grant income of £2.8m (2020: £3.6m) is mainly attributable to the release of grants received to support the mobilisation of international business operations and service improvements including smart ticketing, deliverable over a period of up to 15 years.

Government grant income in relation to the COVID-19 pandemic of £22.8m (2020: £27.2m) primarily relates to the Coronavirus Job Retention Scheme (CJRS) in the UK, and the equivalent schemes in our international operations. The amounts recognised reflect the grants receivable in respect of the year ended 3 July 2021 and relate to the costs reclaimable for furloughed employees to the extent that it is reasonably certain that the grant will be received.

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.

	2021 £m	2020 (as previously presented) £m	Restatements* £m	2020 (as restated) £m
Wages and salaries	1,234.5	1,181.2	(3.1)	1,178.1
Social security costs	121.3	117.0	—	117.0
Other pension costs	61.8	56.1	—	56.1
Share based payments charge	1.2	1.6	—	1.6
	1,418.8	1,355.9	(3.1)	1,352.8

* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 31 and are presented in the table above.

The average monthly number of employees during the year, including directors, was:

	2021	2020
Administration and supervision	3,614	3,643
Maintenance and engineering	2,787	2,763
Operations	24,172	23,594
	30,573	30,000

The detailed information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 is provided in the Directors' remuneration report. Aggregate directors' emoluments are also disclosed in note 29.

Sharesave scheme

Shareholder approval was obtained at the 2013 AGM for a Savings-Related Share Option Scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (the Sharesave scheme) for employees of the Group and its operating companies.

The Sharesave scheme is open to all full time and part time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the Group was £50. Participants were given the choice of taking their money back, or purchasing Go-Ahead Group shares at a 20% discount of the market price set at the date of invitation. Sharesave 2016 participants had six months from the maturity date to exercise their options. Sharesave 2016 matured on 1 May 2019. There are no current active Sharesave schemes in place.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk free interest rate, forfeiture rate and option life.

There are no savings-related options at 3 July 2021.

The expense recognised for the scheme during the year to 3 July 2021 was £nil (2020: £nil).

The following table illustrates the number and weighted average exercise price (WAEP) of share options for the Sharesave scheme:

	2021		2020	
	No.	WAEP £	No.	WAEP £
Outstanding at the beginning of the year	—	—	174,606	19.11
Forfeited during the year	—	—	(144,554)	19.11
Exercised during the year	—	—	(30,052)	19.11
Outstanding at the end of the year	—	—	—	—

The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2020: £19.11).

At the year end nil options (2020: nil) were exercisable and the weighted average exercise price of the options at year end was £nil (2020: £nil).

The options outstanding at the end of the year have a weighted average remaining contracted life of nil years (2020: nil years).

Long Term Incentive Plans

The former executive directors participated in The Go-Ahead Group Long Term Incentive Plan 2015 (LTIP). The LTIP provided for executive directors to be awarded nil cost shares in the Group conditional on specified performance conditions being met over a period of three years. Refer to the Directors' remuneration report for further details of the LTIP.

The expense recognised for the LTIP during the year to 3 July 2021 was £0.1m (2020: £0.7m).

The fair value of LTIP options granted is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the options granted in the year to 3 July 2021 and 27 June 2020 were:

	2021 % per annum	2020 % per annum
The Go-Ahead Group plc:		
Future share price volatility	40.0	31.0
FTSE Mid-250 index comparator:		
Future share price volatility	25.0	25.0
Correlation between companies	30.0	30.0

The following table shows the number of share options for the LTIP:

	2021	2020
Outstanding at the beginning of the year	162,832	143,603
Granted during the year	127,987	58,927
Forfeited during the year	(49,993)	(39,698)
Exercised during the year	—	—
Outstanding at the end of the year	240,826	162,832

The LTIP award granted to the former Group Chief Executive in November 2018 lapsed in full from November 2021 as none of the performance measures were achieved following the three-year performance period ending 3 July 2021.

The weighted average share price of the options at the year end was £11.40 (2020: £9.06). The weighted average fair value of options granted during the year was £9.44 (2020: £21.12). The weighted average remaining contractual life of the options was 1.81 years (2020: 1.05 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £nil (2020: £nil).

The estimated amounts due to the relevant tax authorities in relation to the above transactions are detailed in the directors' Remuneration Report.

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for certain senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three-year period. Refer to the Directors' remuneration report for further details of the DSBP. The DSBP options are not subject to any market based performance conditions. Therefore, the fair value of the options is equal to the share price at the date of grant.

The expense recognised for the DSBP during the year to 3 July 2021 was £1.2m (2020: £0.9m).

The following table shows the number of share options for the DSBP:

	2021	2020
Outstanding at the beginning of the year	180,055	150,420
Granted during the year	135,084	63,125
Forfeited during the year	(7,369)	(1,476)
Exercised during the year	(30,758)	(32,014)
Outstanding at the end of the year	277,012	180,055

The weighted average fair value of options granted during the year was £8.32 (2020: £21.12). At the year end, 27,316 options related to DSBP awards, which vested before the year end, which have not yet been exercised by participants. Of these 27,316 options, 524 options related to the award granted in November 2013, 3,276 related to the award granted in November 2014, 2,904 related to the award granted in November 2015, 3,917 related to the award granted in November 2016 and 16,695 related to the award granted in November 2017. 55,631 options, relating to the DSBP award granted in November 2018, will be eligible to vest from November 2021 following the end of a three-year deferral period. The weighted average share price of the options at the year end was £11.40 (2020: £9.06).

The weighted average remaining contractual life of the options was 1.59 years (2020: 0.91 years). The weighted average exercise price at the date of exercise for the options exercised in the period was £8.83 (2020: £20.86).

Share incentive plans

The Group operates a share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (SIP). The SIP is open to all Group employees (including executive directors) who have completed at least six months' continuous service with a Group company at the date they are invited to participate in the plan where eligible.

The SIP permits the Group to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Group has, so far, made awards of partnership shares only. Under these awards, the Group invites qualifying employees to apply between £10 and £150 per month in acquiring shares in the Group at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the Group and employees.

7. Exceptional items

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

	2021	As previously reported 2020	Restatements 2020	As restated 2020
	£m	£m	£m	£m
Asset impairments, provisions and restructuring costs – Regional Bus	0.2	26.7	—	26.7
Asset impairments and restructuring costs – International Rail*	(5.2)	23.2	—	23.2
German Bavaria franchise onerous contract provision*	—	7.2	36.6	43.8
Norway franchise onerous contract provision and asset impairment	76.7	—	—	—
Department for Transport potential financial penalty and associated costs relating to LSER	32.4	—	—	—
Exceptional operating items	104.1	57.1	36.6	93.7

* In the prior year, the German onerous contract provision was included in 'Asset impairments, provisions and restructuring costs – rail'. Given the additional provisions made in Germany and Norway, and the quantum of them, the onerous contract provisions have now been presented separately.

Year ended 3 July 2021

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

Asset impairments and restructuring costs – Regional Bus

During the year ended 3 July 2021, an impairment charge of £1.1m was recognised in relation to property, plant and equipment following the termination of further contracts in Regional Bus. Further, costs of £1.2m have also been recognised in relation to loss making contracts where passenger demand is not recovering at the same levels as the wider commercial network.

This has been offset by the release of restructuring provisions of £1.0m and an impairment reversal of £1.1m following the sale of some coaches that were previously impaired and recognised as exceptional operating charges during the year ended 27 June 2020.

Asset impairments and restructuring costs – International Rail

During the prior year, freehold land and buildings were impaired by £4.4m in Germany and recognised as an exceptional operating item. During the year ended 3 July 2021, a depot that had previously been impaired was sold for an amount greater than the previously estimated recoverable amount. Further, as part of this sale agreement, there is no longer an obligation to pay break fees on the depot which were provided for as of 27 June 2020, and therefore this provision has been released. This has resulted in an exceptional operating credit of £5.2m.

Norway franchise onerous contract provision and asset impairment

In December 2019, the Group began operating rail services in Norway, its first contract in this market and the first commercially run network in the country. After a successful start to operations, the effects of the COVID-19 pandemic were felt just three months into this contract.

As the contract involves exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis, initially with 100% loss coverage. As the pandemic continued, loss coverage was reduced from this level down to 85%.

The impact of the reduction and possible cessation of funding, the fixed nature of the operating requirements and the longer than expected duration of lower passenger demand following the impact of COVID-19 have resulted in a reduction of the net economic benefits of the contract. This is based on the expected future cashflows and a risk free discount rate, which triggered the need to reassess the assumptions made in the onerous contract and impairment models. This reduction in future revenue results in an onerous contract provision charge of £66.2m and asset impairments of £10.5m being recognised at the year end.

As a non-adjusting post balance sheet event in accordance with IAS 10, in December 2021 government support was subsequently prolonged to include November 2021 to March 2022. Whilst temporary support at an equivalent level is in place until March 2022, after this period the government has indicated further support at an unconfirmed level may be in place until at least August 2022. The inclusion of government support at 85% loss coverage from November 2021 to the end of March 2022 in the calculation of the onerous contract provision would reduce its size by £6.8m. There is ongoing dialogue with the Government in relation to a possible renegotiation of the contract. Refer to the critical accounting judgements section above for further details.

Department for Transport potential financial penalty and associated costs relating to LSER

Under the Railways Act 1993, the DfT has the power to impose a financial penalty in relation to LSER as outlined above. In the absence of specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, has included a provision of £30.0m which reflects the Group's current best estimate of any penalty. The Group has also recognised associated legal and professional costs in relation to this of £2.4m.

Year ended 27 June 2020

Total exceptional operating items in the prior year comprised a charge of £93.7m (restated) to the income statement.

Asset impairments and restructuring costs – Regional Bus

During the prior year, strategic reviews were carried out following a decline in the operational performance of Regional Bus and the impact of COVID-19. As a result of these reviews, several restructuring programmes of varying degrees were initiated during 2020 and a number of specific contracts, services and routes were terminated. In addition, COVID-19 has had a significant impact on certain bus operations, in particular coaching contracts, airline and other holiday routes. Related assets have also been impaired to reflect the changing environment. An exceptional item of £26.7m has been recognised and comprises £15.9m of property, plant and equipment impairments, £3.8m of intangible asset impairments (including £0.6m of goodwill), £5.5m of restructuring costs, £0.5m impairment of assets held for sale and £1.0m impairment of right of use assets.

Asset impairments, provisions and restructuring costs – International Rail

German rail operations commenced on 15 June 2019 and have faced a number of challenges during the first year of operation. A comprehensive review of the overall business, including future franchises, has been undertaken and this has identified that there

were indicators for possible impairments across the business. A full impairment review was subsequently carried out and an exceptional item of £23.2m has been recognised during the year. Impairments and provisions have been identified in relation to intangible assets and committed, irrecoverable franchise set-up costs. These include £16.4m of franchise set-up costs and £0.7m of software, plus a £4.4m impairment of the freehold land and buildings. Restructuring costs of £1.7m have also been recognised as an exceptional charge.

German Bavaria franchise onerous contract provision

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to FY20 and the Group's FY21 interim results. A number of errors have been identified in respect of the assumptions used when calculating the onerous provision in the Bavarian rail franchise in the prior year and the Group's FY21 interim results.

The prior year provision was determined to be understated by £36.6m which has been restated in these financial statements. Correspondingly there was a reduction of £25.9m charged to the consolidated income statement in the Group's FY21 interim results. The calculation of the understatement was determined following a review of historical information and consideration given to what information then available could reasonable have been included in the previous cash flow assumptions underpinning the provision.

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.

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Bank interest receivable on bank deposits	0.7	3.8	—	3.8
Interest on net pension asset	1.0	1.3	—	1.3
Interest receivable on net investment	0.1	—	—	—
Other interest receivable	0.3	0.3	—	0.3
Finance income	2.1	5.4	—	5.4
Interest payable on bank loans and overdrafts	(2.7)	(4.4)	—	(4.4)
Interest payable on £250m sterling seven year bond	(6.2)	(6.3)	—	(6.3)
Other interest payable	(2.2)	(0.4)	(1.2)	(1.6)
Unwinding of discounting on provisions	—	(0.7)	—	(0.7)
Interest payable on lease liabilities	(9.0)	(13.9)	—	(13.9)
Interest on net pension liability	(0.1)	(0.1)	—	(0.1)
Finance costs	(20.2)	(25.8)	(1.2)	(27.0)

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

9. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note sets out the deferred tax assets and liabilities held across the Group.

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:

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Current year tax charge	21.0	11.2	(0.4)	10.8
Adjustments in respect of current tax of previous years	(0.7)	(0.1)	—	(0.1)
Total current tax	20.3	11.1	(0.4)	10.7
Deferred tax relating to origination and reversal of temporary differences at 25% (2020: 19.0%)	(1.1)	(4.4)	(0.1)	(4.5)
Adjustments in respect of deferred tax of previous years	0.2	(0.3)	—	(0.3)
Impact of opening deferred tax rate	14.4	5.5	—	5.5
Total deferred tax	13.5	0.8	(0.1)	0.7
Tax reported in consolidated income statement	33.8	11.9	(0.5)	11.4

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

The tax reported in the consolidated income statement in the current year includes exceptional amounts relating to the reversal of asset impairments in Regional Bus. See note 7 for further details.

Tax relating to items charged or credited outside of the income statement:

	2021 £m	2020 £m
Tax on remeasurement gains on defined benefit pension plans	(5.3)	(0.4)
Deferred tax on cashflow hedges	4.4	(3.8)
Deferred tax on share based payments (taken directly to equity)	(0.1)	0.2
Tax reported outside of the consolidated income statement	(1.0)	(4.0)

b. Reconciliation

A reconciliation of income tax applicable to accounting profit before taxation, at the statutory tax rate, to tax at the Group's effective tax rate for the years ended 3 July 2021 and 27 June 2020 is as follows:

	2021 £m	2020 (as previously presented) £m	Restatements* £m	2020 (as restated) £m
Accounting loss before taxation	(6.9)	(0.2)	(39.3)	(39.5)
At United Kingdom tax rate of 19.0% (2020: 19.0%)	(1.3)	—	(7.5)	(7.5)
Share scheme costs not allowable for tax purposes	(0.3)	0.3	—	0.3
Non-qualifying depreciation	1.0	0.9	—	0.9
Expenditure not allowable for tax purposes	7.0	1.1	—	1.1
Income not taxable	(2.1)	—	—	—
Adjustments in respect of deferred tax of previous years	0.2	(0.3)	—	(0.3)
Movement on unrecognised deferred tax on losses carried forward	16.1	4.5	7.0	11.5
Effect of the difference between current year corporation tax and deferred tax rates	0.1	—	—	—
Adjustments in respect of current tax of previous years	(0.7)	(0.1)	—	(0.1)
Overseas tax rate difference	(0.6)	—	—	—
Impact of opening deferred tax rate	14.4	5.5	—	5.5
Tax reported in consolidated income statement	33.8	11.9	(0.5)	11.4
Effective tax rate	(489.9%)	(5,950.0%)	1.2%	(28.9%)

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

The 2021 effective tax rate on a pre-exceptional basis is 35.3% (2020: 32.7% restated). The pre and post-exceptional effective tax rates include a £14.4m (2020: £5.5m) charge in relation to the UK corporation tax rate change from an opening rate of 19.0% to a closing rate of 25.0%. This change was substantively enacted at the balance sheet date. Excluding this charge, the effective tax rate is 20.5% (2020: 22.5% restated).

The Group had subsidiary trading companies in Germany, Ireland, Norway, Australia and Singapore during the year. The tax residencies of these companies are the same as the countries of incorporation, which are disclosed in note 29.

Singapore and Ireland profits are generated through the provision of bus passenger services and have been taxed at the appropriate local taxation rates of 17.0% and 12.5% respectively and have been included in the total statutory tax charge. Germany and Norway have faced trading difficulties which have resulted in a loss; therefore no taxation has been recognised during the financial year. Australia's trading results for the financial year are immaterial.

The Group has not recognised deferred tax assets of £26.0m (2020: £24.0m restated) based on a taxation rate of 30.0% (2020: 30.0%) in respect of losses incurred in Germany carried forward and £16.9m (2020: £nil) based on a taxation rate of 22.0% (2020: 22.0%) in respect of losses incurred in Norway carried forward. There is no time limit on the utilisation of these assets in Germany and Norway and they have not been recognised due to the uncertainty over their recovery in future periods.

c. Reconciliation of net current tax (asset)/liability

A reconciliation of the net current tax (asset)/liability is provided below:

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Current tax (asset)/liability at the start of the year	(4.0)	13.1	0.4	13.5
Corporation tax reported in consolidated income statement	20.3	11.1	(0.4)	10.7
Net paid in the year	(12.1)	(28.2)	—	(28.2)
Net current tax liability/(asset) at the end of the year	4.2	(4.0)	—	(4.0)

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

d. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Deferred tax liability				
Accelerated capital allowances	(21.1)	(18.8)	—	(18.8)
Other temporary differences	(14.2)	(8.6)	0.1	(8.5)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(13.9)	(11.5)	—	(11.5)
Cashflow hedges	(1.5)	—	—	—
Retirement benefit obligations	(9.0)	(10.1)	—	(10.1)
Share based payments	—	—	—	—
Deferred tax liability included in balance sheet	(59.7)	(49.0)	0.1	(48.9)
Deferred tax asset				
Other temporary differences	0.9	—	—	—
Share based payments	0.6	—	0.4	0.4
Cashflow hedges	—	2.9	—	2.9

Deferred tax asset included in balance sheet	1.5	2.9	0.4	3.3
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* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

The deferred tax asset, as shown above, is recognised as it is considered probable that there will be future taxable profits available.

The deferred tax liabilities and assets included in the balance sheet have been calculated using applicable enacted rates.

The movements in deferred tax in the income statement and other comprehensive income for the years ended 3 July 2021 and 27 June 2020 are as follows:

Year ended 3 July 2021

	At 27 June 2020 (as previously reported) £m	Restatements* £m	At 30 June 2020 (as restated) £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	At 3 July 2021 £m
Accelerated capital allowances	(18.8)	—	(18.8)	(2.3)	—	—	(21.1)
Asset backed funding pension arrangement	(10.5)	—	(10.5)	(2.7)	—	—	(13.2)
Other temporary differences	1.9	0.1	2.0	(2.1)	—	—	(0.1)
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(11.5)	—	(11.5)	(2.4)	—	—	(13.9)
Retirement benefit obligations	(10.1)	—	(10.1)	(4.2)	5.3	—	(9.0)
Cashflow hedges	2.9	—	2.9	—	(3.1)	(1.3)	(1.5)
Share based payments	—	0.3	0.3	0.2	—	0.1	0.6
	(46.1)	0.4	(45.7)	(13.5)	2.2	(1.2)	(58.2)

Year ended 27 June 2020

	At 30 June 2019 (as previously reported) £m	Restatements* £m	At 30 June 2019 (as restated) £m	Recognised in income statement £m	Recognised in other comprehensive income £m	Recognised directly in equity £m	At 27 June 2020 (as restated) £m
Accelerated capital allowances	(20.1)	—	(20.1)	1.3	—	—	(18.8)
Asset backed funding pension arrangement	(9.7)	—	(9.7)	(0.8)	—	—	(10.5)
Other temporary differences	0.6	0.3	0.9	1.1	—	—	2.0
Revaluation of land and buildings treated as deemed cost on conversion to IFRS	(10.9)	—	(10.9)	(0.6)	—	—	(11.5)
Retirement benefit obligations	(8.5)	—	(8.5)	(2.0)	0.4	—	(10.1)
Cashflow hedges	(0.9)	—	(0.9)	—	4.8	(1.0)	2.9
Share based payments	0.2	—	0.2	0.3	—	(0.2)	0.3
	(49.3)	0.3	(49.0)	(0.7)	5.2	(1.2)	(45.7)

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

The deferred tax included in the Group income statement is as follows:

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Accelerated capital allowances	(1.9)	(3.8)	—	(3.8)
Revaluation	(0.6)	(0.6)	—	(0.6)
Retirement benefit obligations	1.6	1.4	—	1.4
Other temporary differences	—	(1.4)	(0.1)	(1.5)
Share based payments	(0.2)	—	—	—
	(1.1)	(4.4)	(0.1)	(4.5)
Adjustments in respect of prior years	0.2	(0.3)	—	(0.3)
Adjustment in respect of opening deferred tax rate	14.4	5.5	—	5.5
Deferred tax expense	13.5	0.8	(0.1)	0.7

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

e. Factors affecting tax charges

The standard rate of UK corporation tax is 19.0% and therefore 19.0% applies to the current tax charge arising during the year ended

3 July 2021. Legislation within the Finance Bill 2020 advised a UK corporation tax rate of 19.0% from 1 April 2020 and this rate was applied, where applicable, to the Group's deferred tax balance at the prior year end. Legislation substantively enacted in the Finance Bill 2021 amended this rate to 25.0% with effect from April 2023 and therefore 25.0% has been applied, where applicable, to the Group's deferred tax balance as at the balance sheet date for balances arising after this date.

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 exceptional 2021 £m	Item 2021 £m	Post- exceptional 2021 £m	Pre- exceptional 2020 (as previously reported) £m	Restatements* £m	Pre- exceptional 2020 (as restated) £m	Exceptional Items (as previously reported) 2020 £m	Restatements* £m	Exceptional Items (as restated) 2020 £m	Post- exceptional 2020 (as previously reported) £m	Restatements* £m	Post- exceptional 2020 (as restated) £m
Net profit/(loss) attributable to equity holders of the parent	46.6	(92.6)	(46.0)	22.2	(0.7)	21.5	(50.8)	(36.6)	(87.4)	(28.6)	(37.3)	(65.9)
Basic weighted average number of shares in issue ('000)	42,988	—	42,988	42,998	—	42,998	—	—	—	42,998	—	42,998
Dilutive potential share options ('000)	142	—	142	104	—	104	—	—	—	104	—	104
Diluted weighted average number of shares in issue ('000)	43,130	—	43,130	43,102	—	43,102	—	—	—	43,102	—	43,102
Earnings per share:												
Basic earnings per share (pence per share)	108.4	(215.4)	(107.0)	51.6	(1.6)	50.0	(118.1)	(85.1)	(203.3)	(66.5)	(86.7)	(153.3)
Diluted earnings per share (pence per share)	108.0	(214.7)	(106.7)	51.5	(1.6)	49.9	(117.9)	(84.9)	(202.8)	(66.4)	(86.5)	(152.9)

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

The weighted average number of shares in issue excludes treasury shares held by the Group, and shares held in trust for the LTIP and DSBP arrangements.

No shares were bought back and cancelled by the Group in the period from 3 July 2021 to 23 February 2022.

11. Dividends paid and proposed

Dividends are one type of shareholder return, historically paid to our shareholders in April and November.

	2021 £m	2020 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2020: nil per share (2019: 71.91p)	—	30.9
Interim dividend for 2021: nil per share (2020: nil)	—	—
	—	30.9
	2021 £m	2020 £m
Proposed for approval at the AGM (not recognised as a liability as at 3 July 2021)		
Equity dividends on ordinary shares:		
Final dividend for 2021: nil per share (2020: nil)	—	—

Payment of proposed dividends does not have any tax consequences for the Group.

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.

	Freehold land and buildings £m	Long term leasehold land and properties £m	Short term leasehold land and properties £m	Bus vehicles £m	Plant and equipment £m	Total £m
Cost						
At 30 June 2019	217.5	3.1	19.2	707.2	234.4	1,181.4
Additions	10.2	—	3.8	44.7	13.9	72.6
Disposals	—	—	(8.0)	(24.9)	(58.1)	(91.0)
Transfer categories	1.9	(3.1)	3.1	1.1	(3.0)	—
Transfer of assets held for sale	(2.3)	—	—	—	—	(2.3)
Transfer of ROU assets	—	—	—	(11.4)	—	(11.4)
Effect of foreign exchange rate changes	0.3	—	(0.1)	—	0.1	0.3
At 27 June 2020	227.6	—	18.0	716.7	187.3	1,149.6
Additions	0.3	—	2.8	42.8	6.9	52.9
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
Depreciation and impairment						
At 30 June 2019	13.9	0.5	12.2	350.8	172.1	549.5
Charge for the year	1.9	—	2.1	57.1	23.0	84.1
Impairment	5.4	—	0.8	15.0	0.1	21.3
Disposals	—	—	(7.2)	(24.8)	(58.1)	(90.1)
Transfer categories	1.6	(0.5)	0.3	(0.4)	(1.0)	—
Transfer of ROU assets	—	—	—	(4.2)	—	(4.2)
Effect of foreign exchange rate changes	—	—	(0.1)	—	0.1	—
At 27 June 2020	22.8	—	8.1	393.5	136.2	560.6
Charge for the year	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 of ROU assets	—	—	—	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
Net book value						
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
At 29 June 2019	203.6	2.6	7.0	356.4	62.3	631.9

13. Leases

This note details right of use assets and the associated lease liabilities.

The Group has lease liabilities for land and buildings, rail rolling stock, bus vehicles and various items of plant and equipment. These contracts have no terms of renewal or purchase option escalation clauses.

Right of use assets

The right of use assets were brought onto the balance sheet on 30 June 2019 on the Group's transition to IFRS 16 Leases.

	Leasehold land and properties £m	Rolling stock £m	Plant and equipment £m	Total £m
Cost				
At 30 June 2019	—	—	—	—
On transition to IFRS 16	25.0	757.4	0.3	782.7
Additions	4.6	232.3	—	236.9
Disposals	—	(0.7)	—	(0.7)
Transfer from owned assets	—	11.4	—	11.4
Effect of foreign exchange rate changes	0.1	—	—	0.1
At 27 June 2020	29.7	1,000.4	0.3	1,030.4
Additions*	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
Depreciation and impairment				
At 30 June 2019	—	—	—	—
Charge for the year	5.7	369.7	0.1	375.5
Impairment	—	1.0	—	1.0
Disposals	—	(0.3)	—	(0.3)
Transfer from owned assets	—	4.2	—	4.2
Other	1.1	—	—	1.1

At 27 June 2020	6.8	374.6	0.1	381.5
Charge for the year	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

Net book value

At 3 July 2021	16.5	328.7	0.2	345.4
At 27 June 2020	22.9	625.8	0.2	648.9
At 29 June 2019	—	—	—	—

* Additions includes £165.9m of contract modifications in relation to Govia Thameslink Railway as a result of the current rail franchise being extended during the year to 31 March 2022. This accounts for an increase in leasehold land and property additions of £0.6m, rolling stock of £165.2m and plant and equipment of £0.1m.

Lease liabilities

The balance sheet includes the following amounts:

	2021 £m	2020 £m
Current	263.9	517.3
Non-current	48.7	131.3
	312.6	648.6

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2021 £m	2020 £m
Less than one year	268.3	525.9
One to two years	16.8	97.0
Two to three years	11.6	14.7
Three to four years	9.1	9.3
Four to five years	4.4	8.2
More than five years	5.8	5.8
Total undiscounted lease liability	316.0	660.9

See note 21 for a reconciliation of the opening to closing lease liabilities.

Amounts recognised in the Group income statement

	2021 £m	2020 £m
Depreciation expense on right of use assets	486.5	375.5
Interest payable on lease liabilities	9.1	13.9
Expenses relating to short term leases	0.4	112.6
Expenses relating to low value leases	0.2	0.3
	496.2	502.3

Amounts recognised in the Group cashflow statement

	2021 £m	2020 £m
Total cash outflow for leases	543.5	388.2

Sale and leaseback transactions

A number of bus vehicles in the Group are leased with some purchased and sold immediately at fair value and for the same value as the carrying value of the asset at no gain or loss and leased back. This is to match vehicles to specific income streams. The cashflow impact of these transactions results in the cash received for the sale of vehicles offsetting the payments made for the purchase of vehicles. Cash payments are subsequently made over the life of the lease.

Service concession agreements

International Rail operations are similar in nature and consist of the operation of service concession agreements and the provision of transport services on behalf of local government bodies. The Group has access to infrastructure whilst operating the service agreement which is returned to the grantor at the end of the contract. Consideration received is determined by the franchise agreement with variable elements attributable to performance and revenue is accounted for and classified in line with IFRS 15. There are no construction or upgrade elements to the service agreement; therefore, no financial or intangible assets have been recognised.

Terminations

A significant number of the Group's rolling stock lease contracts include extension options which mirror potential franchise and revenue agreement extensions. The award of revenue extensions is at the discretion of the customer and outside the control of the Group. Therefore, it is management's judgement that it is not reasonably certain that the lease will be extended and therefore the lease term excludes extension periods.

14. Goodwill and intangible assets

The consolidated balance sheet contains significant intangible assets mainly in relation to goodwill, software, franchise set-up costs and customer contracts. Goodwill, which arises when the Group acquires a business and pays a higher amount than the fair value of the net assets primarily due to the synergies the Group expects to create, is not amortised but is subject to annual impairment reviews. Software is amortised over its expected useful life. Franchise set-up costs are amortised over the life of the franchise. Customer contracts are amortised over the life of the contract.

	Goodwill £m	Software costs £m	Franchise set-up costs £m	Rail franchise asset £m	Customer contracts £m	Total £m
Cost						
At 30 June 2019	87.4	26.8	37.1	16.7	14.7	182.7
Additions	—	5.3	13.1	—	—	18.4
Disposals	—	(3.5)	(0.1)	—	(4.7)	(8.3)
Effect of foreign exchange rate changes	—	(0.1)	—	—	—	(0.1)
At 27 June 2020	87.4	28.5	50.1	16.7	10.0	192.7
Additions	—	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
Amortisation and impairment						
At 30 June 2019	13.3	18.7	12.6	16.7	12.6	73.9
Charge for the year	—	3.0	6.1	—	0.3	9.4
Impairment	0.6	3.4	16.4	—	1.1	21.5
On disposal	—	(3.4)	(0.1)	—	(4.7)	(8.2)
At 27 June 2020	13.9	21.7	35.0	16.7	9.3	96.6
Charge for the year	—	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
Net book value						
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
At 29 June 2019	74.1	8.1	24.5	—	2.1	108.8

Software costs

Software costs capitalised exclude software that is integral to the related hardware. Software is amortised on a straight-line basis over its expected useful life of three to five years.

Franchise set-up costs

A part of the Group's activities is the process of bidding for and securing franchises to operate rail and bus services in the UK and overseas. Directly attributable, incremental costs incurred after achieving preferred bidder status, entering into a franchise extension or winning an international bid are capitalised as an intangible asset and amortised on a straight-line basis over the life of the franchise, currently between 5 and 13 years, in accordance with IFRS 15.

Rail franchise asset

This reflects the cost of the right to operate a rail franchise and relates to the cost of the intangible asset acquired on the handover of the franchise assets relating to the Southeastern rail franchise. The intangible asset was being amortised on a straight-line basis over the original life of the franchise.

Customer contracts

This relates to the value attributed to customer contracts and relationships purchased as part of the Group's acquisitions on a straight-line basis. The value is calculated based on the unexpired term of the contracts at the date of acquisition and is amortised over that period. The unexpired term is 6.5 years.

Goodwill

Goodwill acquired through acquisitions has been allocated to individual cash generating units (CGUs) for impairment testing on the basis of the Group's business operations. The carrying value of goodwill is tested annually for impairment by cash generating unit and is as follows:

	2021 £m	2020 £m
Go South Coast	34.6	34.6
Brighton & Hove	12.7	12.7
Plymouth Citybus	13.0	13.0
Go North East	2.7	2.7
Regional Bus	63.0	63.0
Go-Ahead London	10.5	10.5
Total	73.5	73.5

The recoverable amount of goodwill has been determined based on a value in use calculation for each cash generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three-year period which

have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long term stability of the relevant income streams. The assumptions used are consistent with the historical performance of each unit and are expected to be realistically achievable in light of economic and industry measures and forecasts. The assessment of the value in use for Regional Bus cash generating units sensitive to the return of passenger revenue to pre-COVID-19 levels. The directors have also considered the implications of climate change, when assessing the medium to long term projections. The Group, as a public transport services provider, has a vital role to play in helping reduce carbon emissions, and they therefore feel there is no adverse impact on the assumptions used.

Growth has been extrapolated forward, using a growth rate of 2.0%, from the end of the three-year forecasts over a total period of five years plus a terminal value using a growth rate of 2.0% which reflects the directors' view of long term growth rates in each business, and the long term recurrent nature of the businesses given the continued focus on public transport initiatives in response to government and public focus on climate change.

Separate discount rates have been calculated for the different cash generating units due to the varying impact of IFRS 16 on the underlying cashflows.

	Pre-tax and post-IFRS 16 discount rate		Terminal growth rate	
	2021 %	2020 %	2021 %	2020 %
Regional Bus	8.7	6.7	2.0	2.0
London Bus	8.4	6.6	2.0	2.0

Financial modelling adopting the assumptions outlined confirms that the carrying amount of the CGUs does not exceed their recoverable amount and no impairment charge is required.

The principal assumptions in the goodwill models are the forecasted cashflows in the three-year forecast period, the extrapolated growth rates and the discount rate. The calculation of value in use for each CGU is most sensitive to the discount rate and growth rates applied. Sensitivity analysis has been performed to understand what the percentage change in the principal assumptions would erode the headroom to zero. Details have been disclosed below of where a possible change in key assumptions would cause the carrying amount of the Go South Coast CGU to exceed its recoverable amount. The other CGUs can tolerate a higher discount rate and lower terminal growth rate before eroding the headroom to zero.

	Regional Bus %
Discount rate	9.5
Terminal growth rate	1.2

15. Assets classified as held for sale

This note identifies any non-current assets or disposal groups that are held for sale. The carrying amounts of these assets will be recovered principally through a sale rather than through continuing use.

At 3 July 2021, assets held for sale had a carrying value of £3.2m (2020: £7.2m) and related to property, plant and equipment. Assets held for sale relating to bus rolling stock with a carrying value of £3.1m (2020: £4.8m) are included in London & International Bus. Assets held for sale relating to land and buildings have a carrying value of £0.1m (2020: £2.4m). Of these, £0.1m (2020: £0.2m) are included with Regional Bus and £nil (2020: £2.2m) are included within the Rail division.

The Group expects to sell £3.2m of these assets within 12 months of them going onto the "for sale" list and being actively marketed or reflecting contracts already in place for certain bus assets. Assets held for sale of £0.1m relate to land and buildings, within property, plant and equipment. The value at each balance sheet date represents management's best estimate of their resale value less disposal costs.

During the year ended 3 July 2021, assets held for sale were sold for a profit of £0.3m (2020: £nil) which was included within exceptional items and £nil (2020: £nil) was included in operating costs in the income statement.

16. Inventories

Inventory primarily consists of vehicle spares and fuel and is presented net of allowances for obsolete products.

	2021 £m	2020 £m
Raw materials and consumables	19.5	19.7

The amount of any write down of inventories recognised as an expense during the year is immaterial.

17. Trade and other receivables

Trade and other receivables mainly consist of amounts owed by principal contracting authorities and other customers, amounts paid to suppliers in advance, amounts receivable from central government and taxes receivable. Trade receivables are shown net of a loss allowance for expected credit losses.

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Current				
Trade receivables	146.0	55.4	13.7	69.1
Less: provision for impairment of receivables	(10.8)	(4.1)	—	(4.1)
Trade receivables – net	135.2	51.3	13.7	65.0
Other receivables	31.9	16.5	—	16.5
Prepayments	77.5	76.4	—	76.4
Accrued income	40.6	33.2	—	33.2
Receivable from central government	128.0	91.1	8.3	99.4

Included within amounts receivable from central government is VAT of £47.1m (2020: £49.0m and 2019: £37.7m).

Contract assets

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m	2019 (as restated) £m
Contract assets**	121.5	124.3	(40.7)	83.6	105.0

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

** Included within amounts receivable from central government is VAT of £47.1m (2020: £49.0m and 2019: £37.7m). Contract assets are the sum of the accrued income and amounts receivable from central government shown net of VAT. The 2020 and 2019 contract asset balances contract asset balances shown in the table above have been restated as VAT balances were incorrectly included in contract assets in those years, net of the £8.3m in the above table.

Contract assets are the sum of accrued income and amounts receivable from central government shown net of VAT.

Amounts receivable from central government consists of UK and overseas VAT balances and amounts due from the DfT in the UK.

Accrued income and amounts receivable from central government principally comprise amounts relating to contracts with customers and make up the contract assets balance in the table above. Accrued income primarily comprises contract income which is billed on a regular basis and which is reclassified to trade receivables, as time passes, at the point at which it is billed. Contract assets have increased during the year as a result of amounts due under the CBSSG scheme and the timing of payments versus the recognition of related income. The non-current prepayment of £2.0m (2020: £nil) relates to a maintenance contract in Germany.

Non-current trade and other receivables

	2021 £m	2020 £m
Prepayments	2.0	—

Ageing of trade receivables

As at 3 July 2021 and 27 June 2020, the ageing analysis of trade receivables and the provision for impairment of receivables based on expected credit losses were as follows:

Year ended 3 July 2021

	Total £m	Not overdue £m	Less than 30 days £m	30–60 days £m	60–90 days £m	90–120 days £m	Greater than 120 days £m
Expected rate of credit losses	7.4%	—	1.9%	1.8%	70.8%	23.3%	49.0%
Gross carrying value of trade receivables	146.0	112.3	5.3	5.6	2.4	4.3	16.1
Provision for impairment of receivables	10.8	—	0.1	0.1	1.7	1.0	7.9

Year ended 27 June 2020

	Total £m	Not overdue £m	Less than 30 days £m	30–60 days £m	60–90 days £m	90–120 days £m	Greater than 120 days £m
Expected rate of credit losses (as restated)	5.9%	—	2.9%	—	67.7%	9.8%	26.5%
Gross carrying value of trade receivables (as previously reported)	55.4	39.0	6.9	3.6	3.1	1.1	1.7
Restatements to trade receivables*	13.7	3.3	3.4	0.8	—	3.0	3.2
Gross carrying value of trade receivables (as restated)	69.1	42.3	10.3	4.4	3.1	4.1	4.9
Provision for impairment of receivables	4.1	—	0.3	—	2.1	0.4	1.3

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

Provision for impairment of receivables

Trade receivables at nominal value of £10.8m (2020: £4.1m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2021 £m	2020 £m
At 27 June 2020	4.1	2.1
Charge for the year	7.6	2.6
Utilised	(0.4)	(0.4)
Unused amounts reversed	(0.5)	(0.2)
At 3 July 2021	10.8	4.1

Impairment losses (including reversals) on financial assets and contract assets is amounts charged in the year less amounts reversed at £7.1m (2020: £2.4m).

Contract assets and accrued income were also considered for impairment but it was determined that provision for impairment was trivial both for the year ended 3 July 2021 and the year ended 27 June 2020. Loss allowance for other receivables and receivables from central government was measured as amount equal to 12-months' expected credit losses. Due to very low credit risk, no provision was required either for the year ended 3 July 2021 or the year ended 27 June 2020.

The provision for impairment of receivables has increased due to a mechanism agreed with the DfT under which certain receivables are provided for rather than being written off and are then covered through the EMA and ERMA funding as required. The credit risk associated with the Group's trade and other receivables is explained in note 22.

18. Finance lease receivables

On 1 September 2020 the Group entered into a new head lease for 30 train units. These train units were previously on a head lease with another train operating company and as such it was agreed they would be cascaded to the Group over a 13-month period. The remaining receivable for each train unit is being transferred into a right of use asset when each individual train unit is delivered to the Group during the cascade period, at which time it is assessed to satisfy the requirement for recognition of the right of use asset.

	2021 £m	2020 (as previously reported) £m
Year 1	2.3	—
After year 1	—	—
Undiscounted lease payments receivable	2.3	—
Present value of lease payments	2.3	—
Net investment in the lease	2.3	—

Included in the income statement is finance income on the net investment in finance leases of £0.1m (2020: £nil).

The Company's finance lease arrangements do not include variable payments. The average effective interest rate approximates 1.87% per annum.

None of the finance lease receivables at the end of the reporting period are past due and management considers that no finance lease receivable is impaired.

19. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits which have a maturity of three months or less to comply with DfT short term liquidity requirements.

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Cash at bank and in hand	410.9	139.6	138.5	278.1
Cash equivalents	219.7	430.2	(138.5)	291.7
	630.6	569.8	—	569.8

* Cash has been reclassified from cash equivalents to cash at bank due to previous misclassification.

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The fair value of cash and cash equivalents is not materially different from book value.

Amounts held by UK Rail companies included in cash at bank and on short term demand deposit can be distributed only with the agreement of the DfT, normally up to the value of distributable reserves or based on a working capital formula. Following the introduction of the Emergency Measures Agreements (EMAs) and then the Emergency Recovery Measures Agreements (ERMAs) under these emergency measures the calculation mechanism for restricted cash continues to be in place. From 19 September 2020 until the end of March 2022, GTR is operating under an Emergency Recovery Measures Agreement (ERMA). As at year end, under the terms of the ERMA, all of GTR's cash continues to be restricted. Southeastern was operating under the EMA agreement at year end and its restricted cash balance is based on total cash less distributable reserves. As at 3 July 2021, balances amounting to £543.7m (2020: £474.8m) were restricted. Part of this amount is to cover deferred income for rail season tickets, which was £18.3m at 3 July 2021 (2020: £21.3m).

20. Trade and other payables

Trade and other payables mainly consist of amounts owed to suppliers that have been invoiced or accrued, deferred income and deferred season ticket income. They also include taxes and social security amounts due in relation to our role as an employer and amounts owed to central government.

Current trade and other payables

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Trade payables	120.0	129.2	—	129.2
Other taxes and social security costs	34.4	28.8	—	28.8
Other payables	57.4	72.1	(6.8)	65.3
Deferred season ticket income	18.3	21.3	—	21.3
Accruals	318.5	265.2	7.2	272.4
Deferred income	143.9	94.9	—	94.9

Payable to central government	187.5	102.6	46.9	149.5
Government grants	3.4	3.9	—	3.9
	883.4	718.0	47.3	765.3

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Amounts payable to central government consists of amounts payable to the DfT in the UK
- Other payables are non-interest bearing and have varying terms of up to 12 months

Deferred season ticket income and deferred income principally comprise amounts relating to contracts with customers:

Contract liabilities

	2021 £m	2020 £m	2019 £m
Contract liabilities	162.2	116.2	218.1

Contract liabilities at each balance sheet date are expected to be recognised as revenue within the next financial year. The contract liabilities balance as at 27 June 2020 was recognised as revenue during the year ended 3 July 2021. The balance as at 3 July 2021 has increased primarily due to the timing of advanced funding received from the Department for Transport (DfT).

Non-current trade and other payables

	2021 £m	2020 £m
Government grants	13.5	15.6

21. Interest-bearing loans and borrowings

The Group's sources of borrowing for funding and liquidity requirements come from a range of committed bank facilities and a capital market bond.

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 3 July 2021

	Effective interest rate %	Maturity	Current	Non-current		Total £m
			Within one year £m	After one year but not more than five years £m	After more than five years £m	
Syndicated loans	0.63	1–4 years	—	126.6	—	126.6
Interest accrued on syndicated loans			0.1	—	—	0.1
Debt issue costs on syndicated loans			(0.1)	(0.4)	—	(0.5)
£250m sterling seven-year bond	2.5	1–4 years	—	250.0	—	250.0
Interest accrued on £250m sterling seven-year bond			6.2	—	—	6.2
Debt issue costs on £250m sterling seven-year bond			(0.5)	(0.6)	—	(1.1)
€8m revolving credit facility	2.1	0–1 years	5.5	—	—	5.5
€10.85m loan	2.79	Over 5 years	0.8	3.5	3.4	7.7
Lease liabilities (note 13)	2.26	0–7 years	263.9	42.0	6.8	312.7
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	422.0	10.2	702.5
Cash and short term deposits (note 19)			(630.6)	—	—	(630.6)
Net (cash)/debt			(360.4)	422.0	10.2	71.9
Restricted cash*						543.7
Adjusted net debt						615.6

Year ended 27 June 2020

	Effective interest rate %	Maturity	Current	Non-current		Total £m
			Within one year £m	After one year but not more than five years £m	After more than five years £m	
Syndicated loans	0.69	1–4 years	—	147.4	—	147.4
Debt issue costs on syndicated loans			(0.1)	(0.5)	—	(0.6)
£250m sterling seven-year bond	2.50	1–4 years	—	250.0	—	250.0

Interest accrued on £250m sterling seven-year bond (as previously reported)					—	—	—	—
Restatement*					6.2	—	—	6.2
Interest accrued on £250m sterling seven-year bond (as restated)					6.2	—	—	6.2
Debt issue costs on £250m sterling seven-year bond					(0.6)	(1.1)	—	(1.7)
€8m revolving credit facility	2.10	0–1 years			5.8	—	—	5.8
€10.85m loan	2.79	Over 5 years			1.0	3.6	4.5	9.1
Lease liabilities (note 13)	2.07	0–8 years			517.3	124.3	7.0	648.6
Total interest-bearing loans and borrowings (as restated)					529.6	523.7	11.5	1,064.8
Interest accrued (as previously reported)					—	—	—	—
Restatement*					(6.2)	—	—	(6.2)
Interest accrued (as restated)					(6.2)	—	—	(6.2)
Debt issue costs					0.7	1.6	—	2.3
Total interest-bearing loans and borrowings (gross of debt issue costs and interest) (as restated)					524.1	525.3	11.5	1,060.9
Cash and short term deposits (note 19)					(569.8)	—	—	(569.8)
Net (cash)/debt					(45.7)	525.3	11.5	491.1
Restricted cash**								474.8
Adjusted net debt								965.9

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

** See note 19 for further information in relation to the Group's restricted cash balance.

Analysis of Group net debt/(cash)

	Cash and cash equivalents £m	Syndicated loan facility £m	Lease liabilities £m	£250m sterling bond (as previously reported) £m	Restatement* £m	£250m sterling bond (as restated) £m	Euro RCF £m	Euro loan £m	Total £m
At 30 June 2019	630.8	(144.7)	(6.1)	(250.0)	(6.2)	(256.2)	(5.7)	(9.7)	208.4
Net cashflow	(61.0)	(2.5)	373.6	—	—	—	—	0.8	310.9
Interest (received)/paid on loans and borrowings	(3.8)	1.4	13.9	—	6.2	6.2	—	0.3	18.0
Inception of new leases	—	—	(235.0)	—	—	—	—	—	(235.0)
Interest income/(expense)	3.8	(1.4)	(13.9)	—	(6.2)	(6.2)	—	(0.3)	(18.0)
Effect of foreign exchange rate changes	—	(0.2)	—	—	—	—	(0.1)	(0.2)	(0.5)
On transition to IFRS 16	—	—	(781.1)	—	—	—	—	—	(781.1)
At 27 June 2020	569.8	(147.4)	(648.6)	(250.0)	(6.2)	(256.2)	(5.8)	(9.1)	(497.3)
Net cashflow	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)
Interest accrued	—	0.1	—	—	—	6.2	—	—	6.3
Net (cash)/debt	630.6	(126.6)	(312.6)	—	—	(250.0)	(5.5)	(7.7)	(71.8)

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

Reconciliation of liabilities arising from financing activities

	Syndicated loan facility (as previously presented) £m	Restatement * £m	Syndicated loan facility (as restated) £m	Lease liabilities £m	£250m sterling bond (as previously reported) £m	Restatement * (as restated) £m	£250m sterling bond (as restated) £m	Euro RCF £m	Euro loan £m	Total liabilities from financing activities £m
At 30 June 2019	(144.7)	0.8	(143.9)	(6.1)	(250.0)	(4.0)	(254.0)	(5.7)	(9.7)	(419.4)
Net Cashflow (excluding interest paid)	(2.5)	—	(2.5)	373.6	—	—	—	—	0.8	371.9
Interest paid on loans and borrowings	—	1.4	1.4	13.9	—	6.2	6.2	—	0.3	21.8
Movement in debt issue costs	—	(0.2)	(0.2)	—	—	(0.5)	(0.5)	—	—	(0.7)
Inception of new leases	—	—	—	(235.0)	—	—	—	—	—	(235.0)
Interest expense	—	(1.4)	(1.4)	(13.9)	—	(6.2)	(6.2)	—	(0.3)	(21.8)
Effect of foreign exchange rate changes	(0.2)	—	(0.2)	—	—	—	—	(0.1)	(0.2)	(0.5)
On transition to IFRS 16	—	—	—	(781.1)	—	—	—	—	—	(781.1)
At 27 June 2020	(147.4)	0.6	(146.8)	(648.6)	(250.0)	(4.5)	(254.5)	(5.8)	(9.1)	(1,064.8)
Net Cashflow	17.0	—	17.0	534.3	—	—	—	—	0.8	552.1
Interest paid on loans and borrowings	0.7	—	0.7	9.0	—	—	6.2	—	0.4	16.3
Movement in debt issue costs	(0.1)	—	(0.1)	—	—	—	(0.6)	—	—	(0.7)
Inception of new leases	—	—	—	(31.7)	—	—	—	—	—	(31.7)
Interest expense	(0.8)	—	(0.8)	(9.0)	—	—	(6.2)	—	(0.4)	(16.4)
Lease modifications	—	—	—	(166.6)	—	—	—	—	—	(166.6)
Effect of foreign exchange rate changes	3.8	—	3.8	—	—	—	—	0.3	0.6	4.7
At 3 July 2021	(126.8)	0.6	(126.2)	(312.6)	(250.0)	—	(255.1)	(5.5)	(7.7)	(707.1)
Interest accrued	0.1	—	0.1	—	—	—	6.2	—	—	6.3
Debt issue costs	0.1	(0.6)	(0.5)	—	—	—	(1.1)	—	—	(1.6)
Total interest-bearing loans and borrowings (gross of interest and issue costs)	(126.6)	—	(126.6)	(312.6)	(250.0)	—	(250.0)	(5.5)	(7.7)	(702.4)

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

Syndicated loan facility

On 16 July 2014, the Group entered into a £280.0m syndicated loan facility. The loan facility is unsecured and interest is charged at LIBOR + margin, where the margin is dependent upon the gearing of the Group. The original facility was for a period of five years and has had a number of extensions, the most recent of which was agreed in July 2021, extending the maturity to July 2025 with a value of £240.0m in the final year.

Our primary financial covenant under the syndicated loan facility is an adjusted net debt to EBITDA (excluding exceptional items) ratio of not more than 3.5x and at 3 July 2021 it was 1.56x (2020: 1.98x restated). This is on a pre-IFRS 16 basis.

As at 3 July 2021, £126.6m (2020: £147.4m) of the facility was drawn down.

£250m sterling bond

On 6 July 2017, the Group raised a £250.0m bond of seven years maturing on 6 July 2024, with a coupon rate of 2.5%.

Euro RCF

On 24 October 2017, the Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH, entered into an €8.0m one-year revolving credit facility.

As at 3 July 2021, €6.4m or £5.5m (2020: €6.4m or £5.8m) was drawn down. The facility is unsecured and interest is charged at 2.1% plus EURIBOR.

Euro loan

On 24 October 2017, the Group's subsidiary, Go-Ahead Facility GmbH, entered into a €10.6m 10.5-year loan, which subsequently increased to €10.85m.

As at 3 July 2021, €9.0m or £7.7m (2020: €10.0m or £9.1m) was outstanding. The loan is secured against the German land and buildings included within property, plant and equipment. Interest is charged at a fixed rate of 2.79%.

Debt issue costs

There are debt issue costs of £0.5m (2020: £0.6m) on the syndicated loan facility.

The £250m sterling seven-year bond has debt issue costs of £1.1m (2020: £1.7m).

The Group is subject to two covenants in relation to its borrowing facilities. The covenants specify a maximum adjusted net debt to EBITDA (excluding exceptional items) and a minimum net interest cover. These covenants are on a pre-IFRS 16 basis. At the year end and throughout the year, the Group has not been in breach of any bank covenants.

Subsequent to the year end, following delays to the publication of the year end financial statements waivers were obtained from the Group's banks in relation to the information covenant requirements in the Group's borrowing facilities to submit accounts within a defined timeframe.

22. Financial risk management objectives and policies

This note details our treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to interest rate, liquidity, foreign exchange and credit risk, and the policies in place to monitor and manage these risks.

Financial risk factors and management

The Group's principal financial instruments comprise bank loans, a sterling bond, lease contracts and cash and short term deposits. The main purpose of these financial instruments is to provide an appropriate level of net debt to fund the Group's activities, namely working capital, fixed asset expenditure, acquisitions and dividends. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

It is Group policy to enter into derivative transactions relating to fuel swaps. The purpose of these is to manage the fuel price risks arising from the Group's operations.

It is, and has been throughout 2020-21 and 2019-20, the Group's policy that no trading in derivatives shall be undertaken and derivatives are only purchased for internal benefit.

The main financial risks arising from the Group's activities are interest rate risk, liquidity risk, credit risk and commodity price risk, managed via fuel derivatives.

Interest rate risk

The Group borrows and deposits funds and is exposed to changes in interest rates. The Group's policy towards cash deposits is to deposit cash short term on UK money markets.

The Group has net cash and hence the present adverse risk is a decrease in interest rates.

The maturity and interest rate profile of the financial assets and liabilities of the Group (excluding unamortised debt issue costs) as at 3 July 2021 and 27 June 2020 is as follows:

	Average rate %	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
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	2.1	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	2.5	6.2	6.3	6.3	250.5	—	—	269.3
€10.85m loan	2.79	1.0	1.0	1.1	1.0	1.0	3.5	8.6
Lease liabilities	2.26	268.3	16.8	11.6	9.1	4.4	5.8	316.0
Net fixed rate liabilities		275.5	24.1	19.0	260.6	5.4	9.3	593.9

	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 27 June 2020								
Floating rate liabilities								
Syndicated loans (as previously reported)	0.69	—	—	—	—	147.4	—	147.4
Restatement*		1.0	1.0	1.0	1.0	1.0	—	5.0
Syndicated loans (as restated)	0.69	1.0	1.0	1.0	1.0	148.4	—	152.4
€8m revolving credit facility (as previously reported)	2.10	5.8	—	—	—	—	—	5.8
Restatement*		0.1	—	—	—	—	—	0.1
€8m revolving credit facility (as restated)	2.10	5.9	—	—	—	—	—	5.9
Gross floating rate liabilities		6.9	1.0	1.0	1.0	148.4	—	158.3
Fixed rate liabilities								
£250m sterling seven-year bond (as previously reported)	2.50	—	—	—	—	250.0	—	250.0
Restatement*		6.2	6.2	6.3	6.3	0.5	—	25.5
£250m sterling seven-year bond (as restated)	2.50	6.2	6.2	6.3	6.3	250.5	—	275.5
€10.85m loan (as previously reported)	2.79	1.0	0.9	0.9	0.9	0.9	4.5	9.1

Restatement*		0.2	0.2	0.2	0.2	0.2	0.1	1.1
€10.85m loan (as restated)	2.79	1.2	1.1	1.1	1.1	1.1	4.6	10.2
Lease liabilities (as previously reported)	2.07	517.3	95.6	13.8	8.7	6.2	7.0	648.6
Restatement*		8.6	1.4	0.9	0.6	2	(1.2)	12.3
Lease liabilities (as restated)	2.07	525.9	97	14.7	9.3	8.2	5.8	660.9
Net fixed rate liabilities		533.3	104.3	22.1	16.7	259.8	10.4	946.6

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are non-interest bearing and are therefore not subject to interest rate risk.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) based on recent historical changes.

	Increase/ (decrease) in basis points	Effect on profit before tax £m
2021		
GBP	50.0	(0.6)
GBP	(50.0)	0.6
2020		
GBP	50.0	(0.8)
GBP	(50.0)	0.8

Liquidity risk

The Group has in place a £280.0m syndicated loan facility which allows the Group to maintain liquidity within the desired gearing range.

On 16 July 2014, the Group entered into a £280.0m syndicated loan facility. The loan facility is unsecured and interest is charged at LIBOR + margin, where the margin is dependent upon the gearing of the Group. The original facility was for a period of five years and has had a number of extensions, the most recent of which was agreed in July 2021, extending the maturity to July 2025 with a value of £240.0m in the final year.

On 6 July 2017, the Group raised a £250m bond of seven years maturing on 6 July 2024 with a coupon rate of 2.5%.

On 24 October 2017, the Group's subsidiary, Go-Ahead Verkehrsgesellschaft Deutschland GmbH, entered into an €8.0m one-year revolving credit facility. The facility is unsecured and interest is charged at 2.1% plus EURIBOR. As at 3 July 2021, €6.4m or £5.5m (2020: €6.4m or £5.8m) was drawn down.

On 24 October 2017, the Group's subsidiary, Go-Ahead Facility GmbH, entered into a €10.6m 10.5-year loan which subsequently increased to €10.85m. The loan is secured against the German land and buildings included within property, plant and equipment. Interest is charged at a fixed rate of 2.79%.

The level of drawdowns and prevailing interest rates are detailed in note 21.

Available liquidity as at 3 July 2021 and 27 June 2020 was as follows:

	2021 £m	2020 £m
Syndicated loans	280.0	280.0
£250m sterling seven-year bond	250.0	250.0
€8m revolving credit facility	5.5	7.3
€10.85m loan	7.7	9.8
Total core facilities	543.2	547.1
Amount drawn down at year end	389.8	412.3
Headroom	153.4	134.8

The Group's rail rolling stock and bus vehicles can be financed by lease arrangements, or term loans at fixed rates of interest over two to eight-year primary borrowing periods. This provides a regular inflow of funding to cover expenditure as it arises.

As at 3 July 2021, balances included in cash at bank and on short term deposit amounting to £543.7m (2020: £474.8m) were restricted. See note 19 for further details.

The tables below summarise the maturity profile of the Group's financial liabilities at 3 July 2021 and 27 June 2020 based on contractual undiscounted payments.

Year ended 3 July 2021

	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	—	1.7	5.7	133.7	3.5	144.6
£250m sterling seven-year bond	—	6.2	—	263.1	—	269.3
Lease liabilities	—	104.8	163.5	41.9	5.8	316.0
Derivative financial liabilities	—	0.2	0.4	0.3	—	0.9

Contractual trade and other payables	63.8	527.9	96.4	—	—	688.1
	63.8	640.8	266.0	439.0	9.3	1,418.9

Year ended 27 June 2020

	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m	Total* £m
Interest-bearing loans and borrowings (as previously reported)	—	0.3	6.5	151.1	4.4	162.3
Restatements*	—	—	1.3	4.7	0.2	6.2
Interest-bearing loans and borrowings (as restated)	—	0.3	7.8	155.8	4.6	168.5
£250m sterling seven-year bond (as previously reported)	—	6.2	—	250	—	256.2
Restatements*	—	—	—	19.3	—	19.3
£250m sterling seven-year bond (as restated)	—	6.2	—	269.3	—	275.5
Lease liabilities	—	131.5	394.4	129.2	5.8	660.9
Derivative financial liabilities	—	2.5	7.4	5.6	—	15.5
Contractual trade and other payables (as previously reported)	101.1	368.3	99.8	—	—	569.2
Restatements*	—	48.3	—	—	—	48.3
Contractual trade and other payables (as restated)	101.1	416.6	99.8	—	—	617.5
	101.1	557.1	509.4	559.9	10.4	1,737.9

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 on and are presented in the table above. In addition to the restatements outlined in note 31, this table has been restated to include the estimated contractual future interest payments assuming that conditions existing at the year-end continue.

Managing capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Details of the issued capital and reserves are shown in note 25. Details of interest-bearing loans and borrowings are shown in note 21.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 3 July 2021 and 27 June 2020.

The Group applies the primary objective by managing its capital structure such that net debt (adjusted to exclude restricted cash) to EBITDA* (excluding exceptional items) is within a range which retains an investment grade debt rating of at least BBB-.

In the year ended 2 July 2011, the Group obtained investment grade long term credit ratings from Standard & Poor's and Moody's as follows:

Standard & Poor's	BBB- (stable outlook)
Moody's	Baa3 (stable outlook)

Those ratings were maintained in the year ended 3 July 2021.

Subsequent to the year end, due to delayed publication of the Group's results, Moody's withdrew its rating of the Group in January 2022. S&P reaffirmed its credit rating but considers the Group's outlook to be under review. The Group's policy is to maintain an adjusted net debt to EBITDA (excluding exceptional items) ratio of 1.5x to 2.5x. The Group's calculation of adjusted net debt is set out in note 21 and includes cash and short term deposits, interest-bearing loans and borrowings, and excludes restricted cash. The Group continues to take measures to protect its cash including suspension of dividend and careful management of discretionary expenditure and capital investment. These actions were taken by the Board as a measure to protect this ratio.

* Operating profit before interest, tax, depreciation and amortisation.

Currency risk

The Group has foreign exchange exposure in respect of cashflow commitments to its operations in Germany, Singapore, the Nordics, Ireland and Australia. These are currently not material to the Group.

Credit risk

The Group's credit risk is primarily attributable to its financial assets, comprising trade and other receivables (see note 17), cash and cash equivalents (see note 19) and fuel hedge derivatives (see note 23). The maximum credit risk exposure of the Group as at the year end was £930.1m (2020: £735.1m (restated to remove VAT balances, see note 17 for details)) and comprises amounts from a number of unconnected parties.

The considerable majority of the Group's receivables are with public (or quasi-public) bodies (such as the DfT), and the majority of sales with other entities are paid as they arise. Historically the annual cost due to expected credit losses has been immaterial so limited disclosures are therefore provided. The trade receivables from such public bodies are not considered to present a significant credit risk, which is supported by cash payment performance.

Smaller sundry individual trade receivables with third parties that have arisen are assessed as required for credit loss and a provision accrued when considered appropriate. The Group applies the IFRS 9 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date. Expected credit losses are assessed based on the number of days past due, the customer type, a judgement on credit risk, consideration of macroeconomic forecasts, as well as past experience when relevant. Movement in the provisions for the impairment of trade receivables are recorded within operating costs within the income statement.

Risk of exposure to non-return of cash on deposit is managed through a treasury policy of holding deposits with banks rated A- or A3 or above by at least one of the credit rating agencies. The treasury policy outlines the maximum level of deposit that can be placed with any one given financial institution.

Commodity price risk

The Group is exposed to commodity price risk as a result of fuel usage. The Group closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate. The Group operates a bus fuel hedging policy which uses fuel hedges to fix the price of diesel fuel in advance. The core policy is to be fully hedged for the next financial year before the start of that year, with at least 50% of the following year fixed and 25% of the year thereafter. This hedging profile is then maintained on a month by month basis. Additional purchases can be made to lock in future costs, subject to Board approval. Risk component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased fuel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the risk component and there is a strong correlation between the movements in the price of the derivative and the fuel price purchased. Variances in pricing between the derivative commodity and the purchased price relate to underlying costs such as duty and delivery and are excluded from the hedge relationship. Further details are given in note 23.

23. Derivatives and other financial instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset.

The carrying value of the Group's financial assets and liabilities is as follows:

Year ended 3 July 2021

	Amortised cost £m	Derivatives used for cashflow hedging £m	Total carrying value £m
Financial assets and derivatives			
Trade and other receivables	288.6	—	288.6
Cash and cash equivalents	630.6	—	630.6
Fuel price derivatives	—	8.3	8.3
Finance lease receivables	2.3	—	2.3
	921.5	8.3	929.8
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	(683.0)	—	(683.0)
Fuel price derivatives	—	(0.9)	(0.9)
	(1,390.1)	(0.9)	(1,396.1)

Year ended 27 June 2020

	Amortised Cost (as previously reported) £m	Restatement £m	Amortised Cost* (as restated) £m	Derivatives used for cashflow hedging £m	Total carrying value (as restated) £m	Fair value £m	Restatement £m	Fair value* (as restated) £m
Financial assets and derivatives								
Trade and other receivables	192.1	(27.0)	165.1	—	165.1	192.1	(27.0)	165.1
Cash and cash equivalents	569.8	—	569.8	—	569.8	569.8	—	569.8
Fuel price derivatives	—	—	—	0.2	0.2	0.2	—	0.2
	761.9	(27.0)	734.9	0.2	735.1	762.1	(27.0)	735.1
Financial liabilities and derivatives								
Interest-bearing loans and borrowings	(410.0)	(6.2)	(416.2)	—	(416.2)	(400.3)	(6.2)	(406.5)
Lease liabilities	(648.6)	—	(648.6)	—	(648.6)	(648.6)	—	n/a
Trade and other payables classified as financial liabilities*	(598.0)	(18.4)	(616.4)	—	(616.4)	(598.0)	(18.4)	(616.4)
Fuel price derivatives	—	—	—	(15.5)	(15.5)	(15.5)	—	(15.5)
	(1,656.6)	(24.6)	(1,681.2)	(15.5)	(1,696.7)	(1,662.4)	(24.6)	(1,038.4)

* Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above. In addition to the restatements described in note 31, VAT balances of £47.1m (£49.0m) have been removed from trade and other receivables in order to correctly present this line excluding VAT. See note 17 for details.

a. Fair values

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Group's financial instruments carried at fair value in the financial statements have been reviewed as at 3 July 2021 and 27 June 2020 and are as follows:

	2021	2020 (as previously presented)	Restatement*	2020 (as restated)
	£m	£m	£m	£m
Non-current financial assets: fuel price derivatives	3.4	0.1	—	0.1
Current financial assets: fuel price derivatives	4.9	0.1	—	0.1
	8.3	0.2	—	0.2
Current financial liabilities: fuel price derivatives	(0.6)	(9.9)	(1.1)	(11.0)
Non-current financial liabilities: fuel price derivatives	(0.3)	(5.6)	—	(5.6)
	(0.9)	(15.5)	(1.1)	(16.6)
Net financial derivatives	7.4	(15.3)	(1.1)	(16.4)

As at 3 July 2021 and 27 June 2020, the fair value of the fuel price derivatives is based on the external Mark-to-Market (MtM) valuations provided by the derivative providers. The valuations are prepared in accordance with the provider's own internal models and calculation methods based upon well-recognised financial principles. Only observable and relevant market inputs were used in the valuation therefore the fair value measurement was classified as level 2 valuation.

There are a small number of foreign currency hedges in place as at 3 July 2021 and 27 June 2020. The foreign currency hedge valuations are based on the external MtM valuations and are currently not material to the Group.

The fair values of all other assets and liabilities in notes 17, 19 and 20 are not significantly different from their carrying amount, with the exception of the £250m sterling seven-year bond which has a fair value of £257.6m (2020: £240.3m) but is carried at its amortised cost of £250.0m (2020: £250.0m). The fair value of the £250m sterling seven-year bond has been determined by reference to the price available from the market on which the bond is traded, and is therefore a level 1 valuation.

During the years ended 3 July 2021 and 27 June 2020, there were no transfers between valuation levels.

b. Hedging activities

Fuel derivatives

As discussed in note 22, the Group is exposed to commodity price risk as a result of fuel usage.

As at 3 July 2021, the Group had derivatives against fuel of 177 million litres for the three years ending June 2024. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 3 July 2021 the Group's external hedging profile is as follows:

	<1 year	1–2 years	2–5 years	Total
Actual percentage hedged	Fully	50%	25%	
Litres hedged (million)	96	55	26	177
Average hedged rate (pence per litre)	32.8	32.1	31.2	32.3

Amounts that have affected the consolidated statement of comprehensive income as a result of applying hedge accounting during the year are as follows:

	2021	2020
	£m	£m
Changes in fair value of hedged item used for calculating hedge ineffectiveness	22.5	(19.6)
Changes in fair value of hedging instrument used for calculating hedge ineffectiveness	(22.5)	19.6
Changes in fair value recognised in other comprehensive income (net of tax)	12.6	(15.8)
Amount removed from cash flow hedge reserve and included in the initial cost of inventory	5.5	4.7

The maturity of the hedge profile range is between July 2021 and June 2024.

In relation to the hedging reserve, the following balances are included with respect to the fuel derivatives:

	2021	2020
	£m	£m
Balance in the cashflow hedging reserve for continuing hedges	5.8	(12.3)

The potential sources of fuel hedge ineffectiveness include a change in the volume of litres than originally anticipated and variations on the settlement date or amount. At the year end no (2020: nil) ineffectiveness was recognised on the cashflow hedges.

24. Provisions

A provision is a liability recorded in the consolidated balance sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to onerous contracts in Norway and Germany, uninsured claims and dilapidation provisions relating to franchise commitments.

	Franchise Commitments (as previously reported)	Restatement ¹	Franchise Commitments (as restated) ²	Onerous contract provisions (as previously reported) ³	Restatement ¹	Onerous contract provisions (as restated)	Uninsured claims	Potential DfT penalty	Other (as previously reported)	Restatement ¹	Other (as restated)	Total ¹
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 30 June 2019	64.0	5.7	69.7	—	—	—	43.4	—	9.4	1.7	11.1	124.2
Provided (after discounting)	11.0	0.1	11.1	7.2	37.1	44.3	24.8	—	2.9	0.6	3.5	83.6
Utilised	(7.0)	—	(7.0)	—	—	—	(16.2)	—	(1)	—	(1.0)	(24.2)
Released	(2.0)	—	(2.0)	—	—	—	(1.8)	—	(0.8)	—	(0.8)	(4.6)

Unwinding of discounting	0.4	—	0.4	—	—	—	(0.3)	—	—	—	—	0.1
At 27 June 2020	66.4	5.8	72.2	7.2	37.1	44.3	49.9	—	10.5	2.3	12.8	179.1
Provided (after discounting) ²	—	—	20.6	—	—	66.5	19.6	30.0	—	—	4.1	140.8
Utilised	—	—	(6.0)	—	—	(8.1)	(16.0)	—	—	—	(1.1)	(31.2)
Released	—	—	(3.3)	—	—	—	(5.6)	—	—	—	(2.1)	(11.0)
Effect of foreign exchange rate changes	—	—	—	—	—	(2.4)	—	—	—	—	—	(2.4)
At 3 July 2021			83.5			100.3	47.9	30.0			13.7	275.2

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Current	159.1	46.1	5.1	51.2
Non-current	116.1	87.9	40.0	127.9
	275.2	134	45.1	179.1

1 Details of the restatements in respect of the year ending 27 June 2020 are explained in Note 31 and are presented in the table above.

2 Amounts provided during the year of £20.6m of onerous contract provisions (2020: £44.4m restated) and £30.0m in relation to the potential DfT financial penalty and associated costs (2020: nil) were recorded as exceptional items due to the size and expected infrequency. Refer to note 7 for further details.

3 In the prior year, the German onerous contract provision was included in franchise commitments. In the current year, given the additional provisions made and the quantum of them, the onerous contract provisions have now been presented in a separate column. The prior year has been restated for consistency.

Franchise commitments

Franchise commitments of £83.5m (2020: £72.2m restated) relate to dilapidation provisions on vehicles, depots and stations across our two (2020: two) UK Rail franchises. The current year balance includes provisions for ongoing matters of concern relating to LSER and other historic franchises., see above for further details. All of these provisions, £83.3m (2020: £25.2m), are classified as current.

During the year £3.3m (2020: £2.0m) of dilapidation provisions which had been previously provided for were released. The remaining dilapidation costs will be incurred as part of a rolling maintenance contracts. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors.

Estimation uncertainties arise with respect to dilapidation provisions, due to the complex nature of the assets. Estimated dilapidations can range significantly depending on the specific asset being considered. The range of outcomes are assessed on an asset by asset basis and the range can vary between a plus or minus 5%–20% dependent on procurement, production or maintenance efficiencies as well as potential economies of scale. Based on the individual assessments, the provision at the year end could fall within an estimated range of £71m to £119m.

Onerous contracts

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to FY20 and the Group's FY21 interim results. A number of errors have been identified in respect of the assumptions used when calculating the onerous provision in the Bavarian rail franchise in the prior year and the Group's FY21 interim results.

The prior year provision was determined to be understated by £37.1m which has been restated in these financial statements. The impact of this restatement to the 2020 consolidated income statement is an increase in exceptional items of £36.6m and an increase of £0.5m to the translation reserve. Correspondingly there was a reduction of £25.9m charged to the consolidated income statement in the Group's FY21 interim results. The calculation of the understatement was determined following a review of historical information and consideration given to what information then available could reasonable have been included in the previous cash flow assumptions underpinning the provision.

As of 3 July 2021, of the German onerous contract provision, £16.1m (2020: £6.5m restated) are classified as current. Considering reasonably possible favourable and adverse movements in these key inputs over each of the Bavarian contracts' 12-year lives, management have considered a range of estimation uncertainty. In the best case scenario the contracts would still be loss making at a loss of £15.0m, where these expected losses are generated during the mobilisation phase, while in the reasonably possible worst case scenario, the contract would incur a discounted loss of £50.2m.

In December 2019, the Group began operating rail services in Norway; its first contract in this market and the first commercially run network in the country. After a successful start to operations, the effects of the COVID-19 pandemic were felt just three months into this contract. As the contract involves exposure to changes in passenger demand, the Norwegian Government introduced a package of financial support early in the COVID-19 crisis, initially with 100% loss coverage. As the pandemic continued, loss coverage was reduced from this level down to 85%. The impact of the reduction and possible cessation of funding, the fixed nature of the operating requirements and the longer than expected duration of lower passenger demand following the impact of COVID-19 resulted in a reduction of the net economic benefits of the contract. This is based on the expected future cashflows and a risk free discount rate, triggering the need to reassess the assumptions made in the onerous contract and impairment models. This assumed reduction in future revenue results in an onerous contract provision charge of £66.2m being recognised at the year end. This has been recognised as an exceptional operating charge.

As a non-adjusting post balance sheet event in accordance with IAS 10, in December 2021 government support was subsequently prolonged to include November and December. Whilst temporary support at an equivalent level is in place until March 2022, after this period the government has indicated further support at an unconfirmed level may be in place until at least August 2022. The inclusion of government support at 85% loss coverage from November 2021 to the end of March 2022 in the calculation of the

onerous contract provision would reduce its size by £6.8m and there is ongoing dialogue with the Government in relation to a possible renegotiation of the contract.

Regional Bus has recognised £1.2m in relation to loss making contracts where passenger demand is not recovering at the same levels as the wider commercial network. Of the Regional Bus contract provisions £0.4m are classified as current.

Uninsured claims

The uninsured claims provision represent the cost to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Group by the insurer. Claims can primarily be categorised as either motor insurance-related claims or employers' liability and public liability claims. Of the uninsured claims, £13.5m (2020: £17.2m) are classified as current and £34.4m (2020: £32.7m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled within the next six years. Both the estimate of settlements that will be made in respect of claims received as well as the estimate of settlements made in respect of incidents not yet reported are based on historical trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Uninsured claims are provided on a gross basis and a separate reimbursement asset, for amounts due back from the insurance providers, of £2.3m is included within other receivables.

Potential DfT financial penalty

The provision relates to a potential penalty of £30.0m (2020: £nil) due to the Department for Transport, of which £30.0m (2020: £nil) is classified as current. Under the Railways Act 1993, the DfT has the power to impose a financial penalty in relation to LSER as outlined above. In the absence of specific precedent or relevant guidance, it is difficult to estimate precisely the likely quantum of any penalty. The Group, having considered independent legal advice received by the Independent Committee, has included a provision of £30.0m which reflects the Group's current best estimate of any penalty.

For further information please see the key source of estimation uncertainty relating to this matter above.

Other

The other provisions of £13.7m (2020: £12.8m restated) include dilapidations in the Bus division of £13.5m (2020: £12.8m restated), of which £4.0m (2020: £2.3m) are classified as current and £9.5m (2020: £8.2m) are classified as non-current, and a current legal provision of £0.2m in Norway. It is expected that the dilapidation costs will be incurred within two to six years. Reflecting the nature of the judgements associated with the provisioning for dilapidations, it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year.

25. Issued capital and reserves

Called up share capital is the number of shares in issue at their par value.

	Allotted, called up and fully paid			
	2021	2021	2020	2020
	Millions	£m	Millions	£m
At 3 July 2021 and 27 June 2020	47.1	4.7	47.1	4.7

The Group has one class of ordinary shares which carry no right to fixed income and have a par value of 10p per share.

Share capital

Share capital represents proceeds on issue of the Group's equity, both nominal value and share premium. The nominal value is set out above and the balance is share premium.

Reserve for own shares

The reserve for own shares relates to 4,094,851 ordinary shares (8.7% of share capital), of which 192,621 are held for LTIP and DSBP arrangements.

The remaining shares were purchased in order to enhance shareholders' returns and are being held as treasury shares for future issue in appropriate circumstances. During the year ended 3 July 2021 the Group repurchased 57,176 shares for a total consideration of £0.6m for LTIP and DSBP arrangements (2020: 39,770 shares repurchased for a total consideration of £0.7m). The Group has not cancelled any shares during the year (2020: no shares cancelled).

Hedging reserve

The hedging reserve records the movement in value of fuel price derivatives designated in the effective cashflow hedges, offset by any movements recognised directly in equity.

Share premium reserve

The share premium reserve represents the premium on shares that have been issued to fund or part fund acquisitions made by the Group. This treatment is in line with Section 612 of the Companies Act 2006.

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

Translation reserve

The translation reserve records exchange differences arising from the translation of the balance sheets of foreign currency denominated subsidiaries.

	2021	2020 (as previously reported)	Restatements *	2020 (as restated)
	£m	£m	£m	£m
Translation reserve	3.6	(1.8)	(0.5)	(2.3)

* Details of the restatements in respect of the year ending 27 June 2020 are explained in note 31 and are presented in the table above.

26. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to rail operating charges and agreements to procure assets. These amounts are not recorded in the consolidated financial statements as we have not yet received the goods or services from the supplier.

Capital commitments

	2021 £m	2020 £m
Contracted for but not provided – acquisition of property, plant and equipment	26.0	37.4

Lease commitments

	2021 £m	2020 £m
Contracted for but not commenced – right of use assets	—	268.9

Rail operating charges – Group as lessee

The Group's train operating companies hold agreements with various different local entities for access to the railway infrastructure (track, stations and depots). These are now classified as rail operating charges, as they do not result in an IFRS 16 right of use asset. The agreements typically run for a period until the end of the relevant franchise.

Future minimum rentals payable under non-cancellable rail operating arrangements as at 3 July 2021 and 27 June 2020 were as follows:

As at 3 July 2021

	Rail rolling stock £m	Rail access charges £m	Rail and other £m	Total £m
Within one year	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

As at 27 June 2020

	Rail rolling stock £m	Rail access charges £m	Rail and other £m	Total £m
Within one year	252.4	668.2	135.2	1,055.8
In the second to fifth years inclusive	176.3	198.2	44.7	419.2
Over five years	171.7	12.1	9.1	192.9
	600.4	878.5	189.0	1,667.9

Rail operating charges – Group as lessor

The Group's rail operating companies sub-lease access to stations and depots to other commercial organisations.

Future minimum rentals receivable under non-cancellable rail operating arrangements as at 3 July 2021 and 27 June 2020 were as follows:

	2021		2020	
	Land and buildings £m	Other rail agreements £m	Land and buildings £m	Other rail agreements £m
Within one year	0.2	0.7	1.2	8.0
In the second to fifth years inclusive	0.4	—	1.6	1.7
Over five years	—	—	—	—
	0.6	0.7	2.8	9.7

27. Contingencies

Performance bonds and other guarantees

The Group has provided bank guaranteed performance bonds of £37.5m (2020: £70.7m), a loan guarantee bond of £36.3m (2020: £36.3m) and season ticket bonds of £66.5m (2020: £165.0m) to the DfT in support of the Group's UK Rail franchise operations. In addition the Group, together with Keolis, has a joint parental company commitment to provide funds of £136.4m (2020: £136.0m) to the DfT in respect of the Govia Thameslink Railway franchise, of which the Group has a 65% share equating to £88.4m (2020: £88.4m). At the year end £nil (2020: £nil) has been provided.

To support subsidiary companies in their normal course of business, the Group has provided parental company guarantees and indemnified certain banks and insurance companies which have issued certain performance bonds and a letter of credit. The letter of credit at 3 July 2021 is £59.8m (2020: £62.0m).

The Group has a bond of \$4.2m SGD (2020: \$4.2m SGD) to the Land Transport Authority (LTA) of Singapore in support of the Group's Singapore bus operations. At the year end exchange rate this equates to £2.3m (2020: £2.5m).

Performance bonds and other guarantees

The Group has bonds of €34.5m (2020: €30.8m) in favour of the local rail authorities in support of the Group's German rail operations. At the year end exchange rate these equate to £29.6m (2020: £28.0m). The Group has provided a parental company

guarantee to provide funds of €158.2m (2020: €134.3m) in respect of the Germany operations, of which €nil (2020: €nil) has been provided for at year end. At the year end exchange rate this equates to £135.7m (2020: £122.1m).

The Group has bonds of €10.0m (2020: €10.0m) in favour of the National Transport Authority in Ireland in support of the Group's Irish bus operations. At the year end exchange rate this equates to £8.6m (2020: £9.1m).

The Group has bonds of 271.3m NOK (2020: 271.3m NOK) in favour of the local rail authorities in Norway in support of the Group's Nordic rail operations. At the year end exchange rate this equates to £22.8m (2020: £22.5m). The Group has provided a parental company guarantee to provide funds of 300.0m NOK (2020: 300.0m NOK) in respect of the Norway operations, of which €nil (2020: €nil) has been provided for at year end. At the year end exchange rate this equates to £25.2m (2020: £24.9m).

Contingent liabilities

Boundary Zone Fare proceedings against London & South Eastern Railway Limited (LSER)

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

The CAT heard the Application for a Collective Proceedings Order (CPO) between 9 and 12 March 2021. This hearing was an initial stage in proceedings to decide whether this is a claim that meets the legislative criteria for this type of claim to proceed to a full trial.

On 19 October 2021, notice of the CPO judgement was received and the claim was certified, meaning it can proceed to trial as a collective proceeding (the Decision). LSER requested the CAT's permission to appeal the Decision on 8 November 2021, and the CAT refused to give such permission at a case management conference on 18 November 2021. LSER has since been granted permission by the Court of Appeal to appeal the Decision. The timetable in which the Court of Appeal will hear LSER's appeal is not known at the time of writing.

An application has been made to add The Go-Ahead Group plc and Govia Limited as additional defendants to the claim, but at the time of writing the application had not been determined by the CAT.

The Proceedings remain at an early stage. Certification of the claim to proceed (subject to LSER's appeal) is an initial procedural step and does not entail any judgement on the merits of the claim or on the defendant's potential liability. The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot initially be substantiated. At this early stage of the Proceedings, prior to consideration of the substantive merits of the claim and the filing of full pleadings and evidence, it is not yet possible to assess the likely outcome of the case, or to quantify any potential liability of LSER. No provision associated with the claim (other than legal costs) has accordingly been made.

There is no legal precedent both in respect of this type of claim or how it would be valued if found to be a valid claim. Accordingly, the Group cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Annual Report and Accounts.

Pricing practices proceedings against Govia Thameslink Railway Limited (GTR), The Go-Ahead Group plc and others

On 10 June 2021 a CPA was filed at the Competition Appeal Tribunal (CAT) under Section 47B of the Competition Act 1998, against one of the Group's subsidiary companies, GTR, as well as The Go-Ahead Group plc and Keolis (UK) Limited (together, the Proposed Defendants). The proposed collective proceedings would combine claims against the Proposed Defendants caused by alleged infringements of the Chapter II prohibition on abuse of dominance in Section 18 of the Competition Act 1998 in respect of alleged loss suffered by rail passengers travelling on the London-Brighton mainline as a result of pricing and other practices of GTR.

Proceedings are at an early stage (and at an earlier stage than the collective proceedings against LSER in respect of Boundary Zone Fares, see above). Before the claim can proceed to a full trial the CPA must be heard to decide whether this is a claim that meets the legislative criteria for this type of claim. That hearing has been listed for July 2022.

At the initial Case Management Conference held in December 2021 it was determined that GTR's response to the CPA and any accompanying witness evidence be filed in February 2022. The CPA is not expected to be heard before April 2022. Should the CPA be granted the DfT has permission to intervene.

The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot be substantiated by GTR at this stage. It is therefore not yet possible to assess with any certainty the likely outcome of this case, or to quantify any potential liability of GTR. No provision associated with the claim (other than legal costs) has accordingly been made. There is no legal precedent both in respect of this type of claim or how it would be valued if found to be a valid claim. Finally, determining how such a claim would be allocated amongst the various parties, and other stakeholders including the Department for Transport (DfT), is highly uncertain.

Accordingly, the Group cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Annual Report and Accounts.

Boundary Zone Fare proceedings against Govia Thameslink Railway Limited (GTR) and others

On 24 November 2021 a Collective Proceedings Application was filed at the Competition Appeal Tribunal (CAT) under Section 47B of the Competition Act 1998, against one of the Group's subsidiary companies, GTR, as well as Govia Limited, The Go-Ahead Group plc and Keolis (UK) Limited. The claim alleges, similarly to the allegations made against LSER in relation to Boundary Zone Fares, that the company failed to make Boundary Zone Fares sufficiently available to those rail passengers who held TfL travelcards across its multiple sales channels and failed to ensure that customers were aware of these.

On 15th December 2021 the CAT stayed proceedings pending the determination of any appeals in the Boundary Zone Fare proceedings against LSER. Following this stay, and before the claim can proceed to a full trial, the Collective Proceedings Application must be heard to decide whether this is a claim that meets the legislative criteria for this type of claim to proceed to a full trial. That hearing has not yet been scheduled. This means that proceedings are at an earlier stage than both the collective

proceedings against LSER in relation to Boundary Zone Fares, and the proceedings against GTR in respect of pricing practices on the London-Brighton mainline (see above).

The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot initially be substantiated. It is not yet possible to assess with any certainty the likely outcome of this case, or to quantify any potential liability of GTR.

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

Accordingly, the Group cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Annual Report and Accounts.

Enforcement action in relation to London & Southeastern Railway Limited

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

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

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

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

Throughout the process, the Independent Committee has been focused on open, collaborative and constructive engagement with the DfT with a view to reaching a full and satisfactory settlement. Discussions with the DfT are continuing and until such settlement is reached, there does remain a risk of future outflows in relation to Southeastern and possibly also other historical franchise commitments. Currently, the Group is unable to make a reliable estimate of any such outflows.

Contingent assets

Rail

For information on the contingent asset disclosed as at the year ended 3 July 2021 in relation to claims against the rolling stock provider in Germany please refer to note 30 below.

28. Retirement benefit schemes

The Group operates a defined contribution pension scheme and a Workplace Savings Scheme for our employees and administer a defined benefit pension scheme which is closed to new entrants and future accruals. The UK train operating companies participate in the Railways Pension Scheme (RPS), a defined benefit scheme which covers the whole of the UK rail industry. This is partitioned into sections and the Group is responsible for the funding of these schemes whilst it operates the relevant franchise.

Retirement benefit obligations consist of the following:

	2021			2020		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Pre-tax pension scheme asset	36.0	—	36.0	53.0	—	53.0
Deferred tax liability	(9.0)	—	(9.0)	(10.1)	—	(10.1)
Post-tax pension scheme asset	27.0	—	27.0	42.9	—	42.9

The net surplus before taxation on the bus defined benefit schemes was £36.0m (2020: £53.0m), consisting of estimated assets of £906.0m (2020: £934.4m) less liabilities of £870.0m (2020: £881.4m). The year end position of each bus scheme has been disclosed as a gross value in the balance sheet which equates to both a surplus and a deficit.

The net deficit before taxation on the rail schemes was £nil (2020: £nil). The nature of these schemes means at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates under the franchise.

	2021			2020		
	Bus £m	Rail £m	Total £m	Bus £m	Rail £m	Total £m
Remeasurement gains/(losses) due to:						
– Experience on benefit obligations	3.7	(43.2)	(39.5)	5.5	42.8	48.3
– Changes in demographic assumptions	1.3	92.9	94.2	(0.1)	—	(0.1)
– Changes in financial assumptions	(8.1)	(129.1)	(137.2)	(87.6)	(319.6)	(407.2)
– Return on assets greater than discount rate	(20.1)	230.4	210.3	79.1	48.4	127.5
Franchise adjustment movement	—	(151.0)	(151.0)	—	228.4	228.4
Remeasurement losses on defined benefit pension plans	(23.2)	—	(23.2)	(3.1)	—	(3.1)

Bus schemes

The Go-Ahead Group Pension Plan

For the majority of bus employees, the Group operates one main pension scheme, The Go-Ahead Group Pension Plan (the Go-Ahead Plan), which consists of funded defined benefit sections and defined contribution sections as follows.

The defined contribution sections of the Go-Ahead Plan are not contracted out of the State Second Pension Scheme. The Money Purchase Section is now closed to new entrants, except by invitation from the Company, and has been replaced by the Workplace Savings Section, which is also a defined contribution plan. The expense recognised for the Money Purchase Section of the Go-Ahead Plan is £9.5m (2020: £10.0m), being the contributions paid and payable. The expense recognised for the Workplace Savings Scheme is £8.2m (2020: £7.8m), being the contributions paid and payable.

The defined benefit sections of the Go-Ahead Plan are contracted out of the State Second Pension Scheme and provide benefits based on a member's final pensionable salary. The assets of the defined benefit sections are held in a separate trustee-administered fund. Contributions to these sections are assessed in accordance with the advice of an independent qualified actuary. The defined benefit sections of the Go-Ahead Plan have been closed to new entrants since 1 October 1994 and closed to future accrual from 31 March 2014.

The Go-Ahead Plan is a plan for related companies within the Group where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19 (Revised). Each of the participating companies account on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (Revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2018, and the next will have an effective date of 31 March 2021.

The investment strategy of the Go-Ahead Plan, which aims to meet liabilities as they fall due, is to invest plan assets in a mix of equities, other return seeking assets and liability driven investments to maximise the return on plan assets and minimise risks associated with lower than expected returns on plan assets. Trustees are required to regularly review investment strategy.

Other pension plans

Some employees of Plymouth Citybus Limited are members of a Devon County Council defined benefit scheme. This scheme is externally funded and no further entrants can join. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary.

Some employees of East Yorkshire Motor Services Limited are members of the EYMS Group pension defined benefit scheme. The scheme was closed to future accrual with effect from 6 January 2011 having previously been closed to new entrants with effect from 6 April 2001. Contributions to the scheme are based on advice from an independent qualified actuary. Existing contributions are based on the 5 April 2020 valuation.

The actuarial assumptions disclosed are in respect of the Go-Ahead Plan and EYMS Plan only, given the respective sizes of the three bus pension schemes.

The Germany business operates a defined contribution scheme, the expense recognised for the scheme is £0.1m (2020: <0.1m).

The Ireland business operates the Go-Ahead Transport Services Ireland Pension Plan which is a defined contribution scheme. The expense recognised for the scheme is £0.3m (2020: £0.2m).

The Nordic operation has a defined contribution scheme open to new entrants, the expense recognised for the scheme is £1.7m (2020: £0.9m). Some employees are members of the Government Pension Fund (SPK) defined benefit scheme, which is now closed to new members. The Norwegian Railway Directorate will cover the fulfilment of the regulatory obligation for these employees. The company has no further payment obligations.

Summary of bus schemes' year end assumptions

	2021	2020
	%	%
Retail price index inflation	3.2	2.9
Consumer price index inflation	2.7	2.1
Discount rate	1.8	1.5
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment and deferred pension	2.7	2.2

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

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

	2021	2020
	Years	Years
Pensioner	21	21
Non-pensioner	22	23

Sensitivity analysis

In making the valuation, the above assumptions have been used. For bus pension schemes, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation, the following adjustments would adjust the pension deficit as shown.

	2021	2020
	Pension deficit	Pension deficit
	%	%

Discount rate – increase of 0.5%	(7.9)	(7.0)
Price inflation – increase of 0.5%	7.4	6.8
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment – increase of 0.5%	4.1	4.8
Increase in life expectancy of pensioners or non-pensioners by one year	4.2	4.3

The sensitivity analysis presented above has been calculated using approximate methods. The use of 0.5% and one year in the sensitivity analysis is considered to be a reasonable illustrative approximation of possible changes, as these variations can regularly arise. Note that as the Plymouth Citybus pension values are not material to the Group, the sensitivities have not been considered for this analysis.

Maturity profile of bus schemes' defined benefit obligation

The following table shows the expected future benefit payments of the bus schemes at 3 July 2021.

	2021
	£m
June 2022	28.4
June 2023	29.2
June 2024	29.9
June 2025	30.8
June 2026	31.5
June 2027 to June 2031	170.9

Category of assets at the year end

	2021		2020	
	£m	%	£m	%
Equities	84.6	9.3	95.3	10.2
Bonds	85.0	9.4	87.8	9.4
Property	62.1	6.9	56.1	6.0
Liability driven investment portfolio	417.5	46.1	457.9	49.0
Cash/other	256.8	28.3	237.3	25.4
	906.0	100.0	934.4	100.0

Most of the asset categories are held within pooled funds and are classed as quoted in an active market where the underlying assets are exchanged or traded or can be valued with a reasonable degree of certainty based on market data. Any liquidity funds have been classed as unquoted in active markets. Asset categories requiring judgement, mainly relating to property portfolios, are subject to significant uncertainty due to the unknown market situation relating to COVID-19 and a higher degree of caution should be given than in normal circumstances.

The plan invests a significant portion of its assets in a "liability driven investment" (LDI) portfolio which aims to match the Go-Ahead Plan's liabilities. This is expected to reduce the volatility of the Go-Ahead Plan's funding level due to changes in interest rates and inflation. The plan also has a "Journey Plan" in place, which means that over time as opportunities arise, the level of risk within the investment strategy is expected to reduce, with a larger portion of the plan's assets transitioned to matching assets. The plan measures the LDI portfolio at fair value at each reporting date using the following fair value hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

At 3 July 2021, the LDI portfolio was valued, using a level 1 valuation, as follows:

- At the closing bid price or, if single priced, at the closing single price
- At the latest available net asset value (NAV)

Funding position of the Group's pension arrangements

	2021	2020
	£m	£m
Employer's share of pension scheme:		
Liabilities at the end of the year	(870.0)	(881.4)
Assets at fair value	906.0	934.4
Pension scheme asset	36.0	53.0

Pension cost for the financial year

	2021	2020
	£m	£m
Administration costs	2.2	2.1
Past service cost	1.0	—
Settlement charge	—	—
Interest income on net liabilities	(0.9)	(1.2)
Total pension costs	2.3	0.9

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effect of Guaranteed Minimum Pensions (GMP) between men and women. This judgement followed on from the previous judgement on 26 October 2018, where the High Court ruled that schemes had a legal obligation to pay benefits allowed

for GMP equalisation. The previous judgement had not considered historical transfer values. The judgement has implications for many defined benefit schemes, including those in which the Group participates.

As a result of this change, a pre-tax, non-cash, non-exceptional past service cost of £1m was recognised in the income statement.

Analysis of the change in the pension scheme liabilities over the financial year

	2021 £m	2020 £m
Pension scheme liabilities – at start of year	881.4	810.1
Interest cost	12.9	17.8
Past service cost	1.0	—
Remeasurement (gains)/losses due to:		
– Experience on benefit obligations	(3.7)	(5.5)
– Changes in demographic assumptions	(1.3)	0.1
– Changes in financial assumptions	8.1	87.6
Benefits paid	(28.4)	(28.7)
Pension scheme liabilities – at end of year	870.0	881.4

Analysis of the change in the pension scheme assets over the financial year

	2021 £m	2020 £m
Fair value of assets – at start of year	934.4	858.8
Interest income of plan assets	13.8	19.1
Remeasurement gains due to return on assets greater than discount rate	(20.1)	79.1
Actuarial loss on assets	—	(0.4)
Administration costs	(2.2)	(2.1)
Group contributions	8.5	8.5
Benefits paid	(28.4)	(28.6)
Fair value of plan assets – at end of year	906.0	934.4

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2022	8.4
Estimated employee contributions in financial year 2022	—
Estimated total contributions in financial year 2022	8.4

Rail schemes

The Railways Pension Scheme (RPS)

The majority of employees in our train operating companies are members of sections of the Railways Pension Scheme (RPS), an industry-wide defined benefit scheme. The Group is obligated to fund the relevant section of the scheme over the period for which the franchise is held.

The RPS is governed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

All the costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. The RPS sections are all open to new entrants and the assets and liabilities of each company's section are separately identifiable and segregated for funding purposes.

In addition, at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Group's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates the franchise.

Changes in financial assumptions include the effect of changes in the salary cap agreed to offset additional National Insurance costs as a result of the schemes no longer "opting out".

The judgements are covered in the "critical accounting judgements and key sources of estimation uncertainty" in note 2 above.

British Railways Additional Superannuation Scheme (BRASS) matching AVC Group contributions of £0.3m (2020: £0.3m) were paid in the year.

Summary of year end assumptions

	2021 %	2020 %
Retail price index inflation	3.1	2.8
Consumer price index inflation	2.7	2.1
Discount rate	1.9	1.6
Rate of increase in salaries	3.4	3.1
Rate of increase of pensions in payment and deferred pension	2.7	2.1

The discount rate is based on the anticipated return of AA rated corporate bonds with a term matching the maturity of the scheme liabilities.

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

2021	2020
------	------

	Years	Years
Pensioner	21	21
Non-pensioner	22	23

The mortality assumptions adopted as at 3 July 2021 are based on the initial results of the funding valuation as at 31 December 2019, which has not yet been finalised, and 27 June 2020 are based on the results of the funding valuation as at 31 December 2016.

Sensitivity analysis

Due to the nature of the franchise adjustment, the balance sheet position in respect of the RPS is not sensitive to small movements in any of the assumptions and therefore we have not included any quantitative sensitivity analysis.

Category of assets at the year end

	2021		2020	
	£m	%	£m	%
Equities	2,557.1	99.3	2,138.8	98.4
Property	8.9	0.3	22.4	1.0
Cash	10.3	0.4	13.5	0.6
	2,576.3	100.0	2,174.7	100.0

All of the asset categories above are held within pooled funds and therefore unquoted in active markets.

Funding position of the Group's pension arrangements

	2021 £m	2020 £m
Employer's 60% share of pension scheme:		
Liabilities at the end of the year	(3,602.2)	(3,231.0)
Assets at fair value	2,576.3	2,174.7
Gross deficit	(1,025.9)	(1,056.3)
Franchise adjustment	1,025.9	1,056.3
Pension scheme liability	—	—

Pension cost for the financial year

	2021 £m	2020 £m
Service cost	135.6	103.1
Administration costs	6.7	3.9
Franchise adjustment to current period costs	(103.3)	(71.4)
Interest cost on net liabilities	17.2	18.2
Interest on franchise adjustments	(17.2)	(18.2)
Pension cost	39.0	35.6

Analysis of the change in the employer's 60% share of pension scheme liabilities over the financial year

	2021 £m	2020 £m
Pension scheme liabilities less members' share (40%) of the deficit – at start of year	3,231.0	2,790.0
Franchise adjustment (100%)	(1,056.3)	(738.3)
	2,174.7	2,051.7
Liability movement for members' share of assets (40%)	187.9	73.0
Service cost (60%)	135.5	102.9
Interest cost (60%)	37.3	47.9
Interest on franchise adjustment (100%)	(17.2)	(18.2)
Franchise adjustment to current period costs (100%)	(103.3)	(71.4)
Remeasurement losses/(gains) due to:		
– Experience on benefit obligations (60%)	43.2	(42.8)
– Changes in demographic assumptions (60%)	(92.9)	—
– Changes in financial assumptions (60%)	129.1	319.6
Benefits paid (100%)	(69.0)	(59.6)
Franchise adjustment movement (100%)	151.0	(228.4)
	2,576.3	2,174.7
Franchise adjustment (100%)	1,025.9	1,056.3
Pension scheme liabilities less members' share (40%) of the deficit – at end of year	3,602.2	3,231.0

Analysis of the change in the pension scheme assets over the financial year

	2021 £m	2020 £m
Fair value of assets – at start of year (100%)	2,174.7	2,051.7
Interest income of plan assets (60%)	20.2	29.8
Remeasurement gains due to return on assets greater than discount rate (60%)	230.3	48.4
Administration costs (100%)	(11.1)	(6.4)
Group contributions (100%)	38.7	35.3
Benefits paid (100%)	(69.0)	(59.6)
Members' share of movement of assets (40%)	192.5	75.5
Fair value of plan assets – at end of year (100%)	2,576.3	2,174.7

Estimated contributions for future

	£m
Estimated Group contributions in financial year 2022	23.3
Estimated employee contributions in financial year 2022	15.4
Estimated total contributions in financial year 2022	38.7

Franchise adjustment

The effect of removing the franchise adjustment on the financial statements is provided below:

	2021 £m	2020 £m
Balance sheet		
Defined benefit pension plan	(1,025.9)	(1,056.3)
Deferred tax asset	194.9	200.7
	(831.0)	(855.6)
Other comprehensive income		
Remeasurement losses	(151.0)	228.4
Tax on remeasurement losses	28.7	(43.4)
	(122.3)	185.0
Income statement		
Franchise adjustment to current period costs	(103.3)	(71.4)
Interest on franchise adjustments	(17.2)	(18.2)
Deferred tax charge	22.9	17.0
	(97.6)	(72.6)

Risks associated with defined benefit plans

UK Rail schemes

Despite remaining open to new entrants and future accrual, the risks posed by the RPS are limited as, under the franchise arrangements, the train operating companies are not responsible for any residual deficit at the end of a franchise. As such, there is limited short term cashflow risk within this business and, if agreed, it would also be proportionately borne by the employees as well as the Group. Following the conclusion of The Pensions Regulator's ongoing investigation into rail pensions, the risks associated with the Group's rail schemes will be reviewed.

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 UK Government has legislated to end contracting out in 2016. On 26 October 2018 the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women. The judgement has had an impact on the Plan's defined benefit pension liabilities.

The Group takes professional advice to keep abreast of legislative changes.

29. Related party disclosures and Group undertakings

Our subsidiaries listed below each contribute to the profits, assets and cashflow of the Group. The Group has a number of related parties including joint ventures, pension schemes and directors.

The consolidated financial statements include the financial statements of The Go-Ahead Group plc and the following Group undertakings:

Name	Country of incorporation and principal place of business	% equity interest	
		2021	2020
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
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Germany	100	100
Go-Ahead Baden-Württemberg GmbH	Germany	100	100
Go-Ahead Facility GmbH	Germany	100	100
Go-Ahead Bayern GmbH	Germany	100	100
Go Ahead Singapore PTE Ltd	Singapore	100	100
Go-Ahead Sverige AB	Sweden	100	100
Go-Ahead Norge AS	Norway	100	100
Go-Ahead Transport Services (Dublin) Limited	Ireland	100	100
Go North West Limited	United Kingdom	100	100
GA Retail Services Limited	United Kingdom	100	100
Go-Ahead Australia Pty. Limited	Australia	100	100
Jointly controlled entities			
On Track Retail Limited	United Kingdom ³	50	50
Investments			
Mobileeeee GmbH	Germany ⁴	7	7

1. Held by The Go-Ahead Group plc. All other companies are held through subsidiary undertakings.

2. The rail companies are 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited and held through Govia Limited.

3. On Track Retail Limited is a joint venture with Assertis Limited.

4. Mobileeeee 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.

The registered offices of trading subsidiaries incorporated outside of the United Kingdom are as follows:

Subsidiary	Registered office
Go-Ahead Verkehrsgesellschaft Deutschland GmbH	Zehdenicker Straße 1, D-10119, Berlin, Germany
Go-Ahead Baden-Württemberg GmbH	Büchsenstraße 20, D-70174, Stuttgart, Germany
Go-Ahead Facility GmbH	Bahnhof 2, D-73457, Essingen, Germany
Go-Ahead Bayern GmbH	Logwidstr 1, D-86150, Augsburg, Germany
Go-Ahead Sverige AB	Hamngatan 4, 211 22 Malmö, Sweden

Go-Ahead Norge AS	Jernbanetorget 1, 0154 Oslo, Norway
Go Ahead Singapore PTE Ltd	2 Loyang Way, Singapore 508776
Go-Ahead Dublin Services (Transport) Limited	Ballymount Road Lower, Dublin 12, D12 X201, Ireland
Go-Ahead Australia Pty. Limited	DW Accounting & Advisory Pty Ltd, Level 4, 91-97 William Street, Melbourne, Vic 3000, Australia
U-Go Mobility PTY Ltd *	40 Miller Street, North Sydney, NSW, 2060, Australia

* U-Go Mobility PTY Ltd is a 50:50 joint venture between Go-Ahead Australia Pty. Limited and UGL Rail Services PTY Limited.

Name	Company number	Country of incorporation	% equity interest	
			2021	2020
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 Limited	2813292	United Kingdom	100	100
GH Manchester Limited	1883900	United Kingdom	100	100
GH Stansted Limited	1983429	United Kingdom	100	100
Go-Ahead Finance Company	4699524	United Kingdom	100	100
Go-Ahead Finland Oy	2958257-7	Finland	100	100
Go Ahead Seletar PTE Ltd	201541899Z	Singapore	100	100
Go North West (2021) Limited	13275587	United Kingdom	100	100
Hants & Dorset Motor Services Limited	2752603	United Kingdom	100	100
Hants & Dorset Trim Limited	2017829	United Kingdom	100	100
Solent Blue Line Limited	2103030	United Kingdom	100	100
Marchwood Motorways (Southampton) Limited	1622531	United Kingdom	100	100
The Southern Vectis Omnibus Company Limited	0241973	United Kingdom	100	100
Tourist Coaches Limited	3006529	United Kingdom	100	100
Wilts and Dorset Bus Company Limited	1671355	United Kingdom	100	100
Wilts & Dorset Investments Limited	4613075	United Kingdom	100	100
Wilts & Dorset Holdings Limited	2091878	United Kingdom	100	100
Dockland Buses Limited	3420004	United Kingdom	100	100
Blue Triangle Buses Limited	3770568	United Kingdom	100	100
Go-Ahead Leasing Limited	5262810	United Kingdom	100	100
Go Northern Limited	0132492	United Kingdom	100	100
London Central Bus Company Limited	2328565	United Kingdom	100	100
Metrobus Limited	1742404	United Kingdom	100	100
Hants & Dorset Transport Support Services Limited	8669065	United Kingdom	100	100
Thamesdown Transport Limited	1997617	United Kingdom	100	100
Excelsior Coaches Limited	4329621	United Kingdom	100	100
Excelsior Transport Limited	4329645	United Kingdom	100	100
Excelsior Travel Limited	4342549	United Kingdom	100	100
East Yorkshire Concert Tours Limited	2142740	United Kingdom	100	100
East Yorkshire Coach Holidays Limited	0243051	United Kingdom	100	100
Bus UK Limited	2232813	United Kingdom	100	100
Buscall Limited	3887602	United Kingdom	100	100
Connor and Graham Limited	0546796	United Kingdom	100	100
East Yorkshire Buses Limited	0254844	United Kingdom	100	100
East Yorkshire Coaches Limited	0331077	United Kingdom	100	100
East Yorkshire Properties Limited	2256485	United Kingdom	100	100
East Yorkshire Tours Limited	0172326	United Kingdom	100	100
East Yorkshire Travel Limited	3225828	United Kingdom	100	100
East Yorkshire Holiday Tours Limited	2140988	United Kingdom	100	100
Frodingham Coaches Limited	2135501	United Kingdom	100	100
Hull and District Motor Services Limited	2183936	United Kingdom	100	100
Hull Park and Ride Limited	3886603	United Kingdom	100	100
Kingstonian Travel Services Limited	3561955	United Kingdom	100	100
EYMS Bus & Coach Training Limited	2123369	United Kingdom	100	100
Scarborough and District Motor Services Limited	2133854	United Kingdom	100	100

Hedingham & District Omnibuses Ltd.	0863658	United Kingdom	100	100
Anglian Bus Limited	1260689	United Kingdom	100	100
H.C.Chambers & Son Limited	0327497	United Kingdom	100	100
Aviance UK Limited	1036291	United Kingdom	100	100

Name	Company number	Country of incorporation	% equity interest	
			2021	2020
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 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 (2020: £0.2m).

Joint ventures

The Group's joint venture, On Track Retail Limited (OTR), has its principal place of business in the United Kingdom. The principal activity of OTR is the development and provision of web ticketing applications for the rail industry. The activities of the joint venture are strategically important to the business activities of the Group. The Group owns 50% of the ordinary share capital of OTR and the Group's share of OTR's result for the year is disclosed on the face of the income statement.

Investments

The Group's subsidiary Go-Ahead Verkehrsgesellschaft Deutschland GmbH holds a 7.4% shareholding in 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 (2020: £nil).

Compensation of key management personnel of the Group

The key management are considered to be the directors of the parent company.

	2021 £m	2020 £m
Short term employee benefits	1.4	1.5
Long term employee benefits*	—	—
Post-employment benefits	—	—
	1.4	1.5

* The long term employee benefits relate to the LTIP and DSBP.

Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2021	2020
Govia Limited	United Kingdom	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	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Accumulated balances of material non-controlling interest:				
Govia Limited	22.3	35.2	(14.5)	20.7
Total comprehensive income allocated to material non-controlling interest:				

Govia Limited	5.3	16.5	(1.5)	15.0
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The summarised financial information of these subsidiaries is provided below. The information is based on amounts before intercompany eliminations.

Summarised income statement of Govia Limited and its subsidiary companies for the years ended 3 July 2021 and 27 June 2020

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Revenue	2,865.3	2,814.7	(0.9)	2,813.8
Operating costs	(2,798.3)	(2,744.8)	(2.9)	(2,747.7)
Exceptional items	(31.8)	—	—	—
Finance income	0.8	3.7	(0.1)	3.6
Finance costs	(9.2)	(14.1)	(1.3)	(15.4)
Profit before taxation	26.8	59.5	(5.2)	54.3
Tax expense	(11.4)	(12.1)	0.9	(11.2)
Profit for the year from controlling operations	15.4	47.4	(4.3)	43.1
Total comprehensive income	15.4	47.4	(4.3)	43.1
Attributable to non-controlling interests	5.3	16.5	(1.5)	15.0
Dividends paid to non-controlling interests	3.7	14.6	(0.6)	14.0

Summarised balance sheet of Govia Limited and its subsidiary companies as at 3 July 2021 and 27 June 2020

	2021 £m	2020 (as previously reported) £m	Restatements* £m	2020 (as restated) £m
Current assets – inventories, trade and other receivables, and cash	847.9	705.1	22.1	727.2
Non-current assets – property, plant and equipment, intangible assets, and deferred tax	287.9	598.5	—	598.5
Current liabilities – trade and other payables, and provisions	(1,069.6)	(1,075.8)	(64.8)	(1,140.6)
Non-current liabilities – provisions	(2.3)	(127.3)	—	(127.3)
Total equity	63.9	100.5	(42.7)	57.8
Attributable to:				
Equity holders of the parent	41.6	65.3	(28.2)	37.1
Non-controlling interest	22.3	35.2	(14.5)	20.7

* Restated – see note 31.

These balance sheet amounts are shown before intercompany eliminations.

Summarised cashflow information of Govia Limited and its subsidiary companies for the years ended 3 July 2021 and 27 June 2020

	2021 £m	2020 £m
Operating	571.6	320.8
Investing	(2.0)	(3.1)
Financing	(515.7)	(408.3)
Net increase/(decrease) in cash and cash equivalents	53.9	(90.6)

The non-controlling interests have no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

There are no terms or conditions relating to any related party transactions which need to be separately disclosed.

30. Post balance sheet events

German rail

On 12 August 2021, agreement in relation to liquidated and consequential damage claims in Germany was reached with the rolling stock provider with a post-year end settlement of €10m, with €5m payable in the 2022 financial year and the remainder over the next three years. This was disclosed as a contingent asset as at the year ended 3 July 2021; see note 27.

Norwegian rail

Since early in the COVID-19 crisis, the Norwegian Government has supported the rail industry with a funding package initially covering 100% of losses. As the pandemic continued, loss coverage was reduced from this level down to 85%. This allowed for a broadly breakeven operating performance during the financial year ended 3 July 2021. As a non-adjusting post balance sheet event in accordance with IAS 10, in December 2021 government support was subsequently prolonged to include November and December. Whilst temporary support at an equivalent level is in place until March 2022, after this period the government has indicated further support at an unconfirmed level may be in place until at least August 2022. The inclusion of government support at 85% loss coverage from November 2021 to the end of March 2022 in the calculation of the onerous contract provision would reduce its size by £6.8m and there is ongoing dialogue with the Government in relation to a possible renegotiation of the contract.

UK Rail

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

In August 2021, an Independent Committee comprising the respective chairs of Go-Ahead and Keolis UK, Clare Hollingsworth and Sir Derek Jones, commissioned an Independent Review, supported by external legal and accounting advisers, into LSER's performance of its contractual obligations under its franchise agreements. Following the conclusion of the Independent Review, the findings were shared with the DfT and the Group's auditor, Deloitte. Throughout the process, the Independent Committee has been focused on open, collaborative and constructive engagement with the DfT with a view to reaching a full and satisfactory settlement. The Independent Committee concluded that, notwithstanding the complexity of LSER's franchise agreements, serious errors had been made in relation to the LSER franchise with respect to engagement with the DfT over several years. In particular, by failing to notify the DfT of certain overpayments or monies due to the DfT, LSER breached contractual obligations of good faith contained in the franchise agreements. Accordingly, the Group has apologised to the DfT.

The Independent Committee has determined that it is estimated that overpayments and associated interest of £23.0m made by DfT in connection with LSER were incorrectly accounted for in the financial statements over this period. See note 31 for further details in relation to these matters and the resulting prior year adjustments.

Regional Bus

CBSSG funding ended on 31 August 2021 and from 1 September 2021 was replaced by the Bus Recovery Grant (BRG), with £255.0m of funding available for UK bus services until March 2022. We welcome the continuation of support for essential bus services in our communities. We have worked with the DfT to establish a framework to transition back to a commercial operating model and in March 2021, we welcomed the UK Government's announcement of its first national bus strategy. We have strong partnerships with local stakeholders and our local management teams are working in close collaboration with their local authorities to produce Bus Service Improvement Plans focused on providing high quality, reliable and value-for-money bus services which support climate change targets in our towns and cities. These plans will form the basis of Enhanced Partnerships in the majority of our bus markets.

Board Changes

Refer to the Chair's letter section above for details of board changes which occurred after the year end.

31. Prior year restatements

A number of restatements and adjustments were identified during the year. This note summarises the impact of the adjustments to each financial year and to each of the primary financial statements. A third balance sheet is required under IAS 1.40A as some of these adjustments affect the opening reserves of the comparative balance sheet year given the historical period to which they relate.

For the purposes of this report, the adjustments have been aggregated where the nature and cause of the misstatement is similar. These groupings are as follows:

- Matters of concern relating to LSER, other historic franchises and affiliate trading;
- Germany onerous contract provision;
- Correction of errors; and
- Presentational adjustments and reclassifications.

This note sets out the impact of the restatements on the primary statements and explains each of the restatements identified.

31a. Consolidated income statement for the year ended 27 June 2020

	As previously reported exceptional 2020 £m	Matters of concern relating to LSER and other historic Pre-franchises and affiliate trading (a) £m	Correction of errors (c) £m	As restated Pre-exceptional 2020 £m	As previously reported Exceptional items 2020 £m	Germany onerous contract provision (b) 2020 £m	As restated Exceptional items 2020 £m	As previously reported Post-exceptional 2020 £m	As restated Post-exceptional 2020 £m
Group revenue	3,898.4	(1.2)	—	3,897.2	—	—	—	3,898.4	3,897.2
Operating costs	(3,818.1)	(2.7)	2.4	(3,818.4)	(57.1)	(36.6)	(93.7)	(3,875.2)	(3,912.1)
Impairment (losses)/gains (including reversals) on financial assets and contract assets*	(2.4)	—	—	(2.4)	—	—	—	(2.4)	(2.4)
Group operating profit/(loss)	77.9	(3.9)	2.4	76.4	(57.1)	(36.6)	(93.7)	20.8	(17.3)
Results of equity accounted investments	(0.6)	—	—	(0.6)	—	—	—	(0.6)	(0.6)
Finance income	5.4	—	—	5.4	—	—	—	5.4	5.4
Finance costs	(25.8)	(1.2)	—	(27.0)	—	—	—	(25.8)	(27.0)
Profit/(loss) before taxation	56.9	(5.1)	2.4	54.2	(57.1)	(36.6)	(93.7)	(0.2)	(39.5)
Tax expense	(18.2)	0.9	(0.4)	(17.7)	6.3	—	6.3	(11.9)	(11.4)
Profit/(loss) for the year from continuing operations	38.7	(4.2)	2.0	36.5	(50.8)	(36.6)	(87.4)	(12.1)	(50.9)
Attributable to:									
Equity holders of the parent	22.2	(2.7)	2.0	21.5	(50.8)	(36.6)	(87.4)	(28.6)	(65.9)

Non-controlling interests	16.5	(1.5)	—	15.0	—	—	—	16.5	15.0
	38.7			36.5	(50.8)		(87.4)	(12.1)	(50.9)

* Impairment (losses)/gains on financial assets and contract assets has been presented on the face of the consolidated income statement in the current year and 2020 has been split out for comparability.

31b. Consolidated statement of other comprehensive income for the year ended 27 June 2020

	As previously reported 2020 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) 2020 £m	Germany onerous contract provision (b) 2020 £m	Correction of errors (c) 2020 £m	Presentational corrections and reclassifications (d) 2020 £m	As restated 2020 £m
Loss for the year	(12.1)	(4.2)	(36.6)	2.0	—	(50.9)
Other comprehensive income						
Items that will not be reclassified to profit or loss:						
Remeasurement losses on defined benefit pension plans	(3.1)	—	—	—	—	(3.1)
Tax relating to items that will not be reclassified	0.4	—	—	—	—	0.4
	(2.7)	—	—	—	—	(2.7)
Items that may subsequently be reclassified to profit or loss:						
Unrealised losses/(gains) on cashflow hedges	(25.3)	—	—	—	—	(25.3)
Losses on cashflow hedges taken to income statement	5.7	—	—	—	(5.7)	—
Tax relating to items that may be reclassified	3.8	—	—	—	1.0	4.8
Foreign exchange differences on translation of foreign operations	(1.8)	—	(0.5)	—	—	(2.3)
	(17.6)	—	(0.5)	—	(4.7)	(22.8)
Other comprehensive expense for the year, net of tax	(20.3)	—	(0.5)	—	(4.7)	(25.5)
Total comprehensive expense for the year	(32.4)	(4.2)	(37.1)	2.0	(4.7)	(76.4)
Attributable to:						
Equity holders of the parent	(48.9)	(2.7)	(37.1)	2.0	(4.7)	(91.4)
Non-controlling interests	16.5	(1.5)	—	—	—	15.0
	(32.4)	(4.2)	(37.1)	2.0	(4.7)	(76.4)

31c. Consolidated balance sheets as at 27 June 2020 and 29 June 2019

	As previously reported 2020 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) 2020 £m	Germany onerous contract provision (b) 2020 £m	Correction of errors (c) 2020 £m	Presentational adjustments and reclassifications (d) 2020 £m	As restated 2020 £m
Assets						
Non-current assets						
Deferred tax assets	2.9	—	—	0.4	—	3.3
Other non-current assets	1,397.4	—	—	—	—	1,397.4
	1,400.3	—	—	0.4	—	1,400.7
Current assets						
Trade and other receivables	268.5	—	—	—	22.0	290.5
Other current assets	601.7	—	—	—	—	601.7
	870.2	—	—	—	22.0	892.2
Total assets	2,270.5	—	—	0.4	22.0	2,292.9
Liabilities						
Current liabilities						
Trade and other payables	(718.0)	(40.3)	—	7.7	(14.7)	(765.3)
Derivative financial liabilities	(9.9)	—	—	—	(1.1)	(11.0)
Interest-bearing loans and borrowings	(6.1)	—	—	—	(6.2)	(12.3)
Current tax liabilities	(0.9)	0.9	—	(0.9)	—	(0.9)
Provisions	(46.1)	—	0.6	(5.7)	—	(51.2)
Other current liabilities	(517.3)	—	—	—	—	(517.3)
	(1,298.3)	(39.4)	0.6	1.1	(22.0)	(1,358.0)
Non-current liabilities						
Provisions	(87.9)	—	(37.7)	(2.3)	—	(127.9)
Other non-current liabilities	(615.7)	—	—	0.1	—	(615.6)
	(703.6)	—	(37.7)	(2.2)	—	(743.5)
Total liabilities	(2,001.9)	(39.4)	(37.1)	(1.1)	(22.0)	(2,101.5)
Net assets	268.6	(39.4)	(37.1)	(0.7)	—	191.4
Capital and reserves						
Retained earnings	239.6	(26.1)	(36.6)	2.2	—	179.1
Translation reserve	(1.8)	—	(0.5)	—	—	(2.3)
Other capital and reserves	(6.1)	—	—	—	—	(6.1)
Total shareholders' equity	231.7	(26.1)	(37.1)	2.2	—	170.7
Non-controlling interests	36.9	(13.3)	—	(2.9)	—	20.7
Total equity	268.6	(39.4)	(37.1)	(0.7)	—	191.4

31c. Consolidated balance sheets as at 27 June 2020 and 29 June 2019 continued

	As previously reported 2019 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) 2019 £m	Correction of errors (c) 2019 £m	Presentational adjustments and reclassifications (d) 2019 £m	As restated 2019 £m
Assets					
Non-current assets					
Deferred tax assets	0.2	—	0.3	—	0.5
Other non-current assets	796.0	—	—	—	796.0
	796.2	—	0.3	—	796.5
Current assets					
Trade and other receivables	350.3	—	—	2.4	352.7
Other current assets	654.7	—	—	—	654.7
	1,005.0	—	—	2.4	1,007.4
Total assets	1,801.2	—	0.3	2.4	1,803.9
Liabilities					
Current liabilities					
Trade and other payables	(847.7)	(35.8)	4.7	3.8	(875.0)
Interest-bearing loans and borrowings	(5.5)	—	—	(6.2)	(11.7)
Current tax liabilities	(13.1)	—	(0.4)	—	(13.5)
Provisions	(34.8)	—	(5.7)	—	(40.5)
Other current liabilities	(2.6)	—	—	—	(2.6)
	(903.7)	(35.8)	(1.4)	(2.4)	(943.3)
Non-current liabilities					
Provisions	(82.0)	—	(1.7)	—	(83.7)
Other non-current liabilities	(470.3)	—	—	—	(470.3)
	(552.3)	—	(1.7)	—	(554.0)
Total liabilities	(1,456.0)	(35.8)	(3.1)	(2.4)	(1,497.3)
Net assets	345.2	(35.8)	(2.8)	—	306.6
Capital and reserves					
Retained earnings	300.9	(23.3)	0.1	—	277.7
Other capital and reserves	9.2	—	—	—	9.2
Total shareholders' equity	310.1	(23.3)	0.1	—	286.9
Non-controlling interests	35.1	(12.5)	(2.9)	—	19.7
Total equity	345.2	(35.8)	(2.8)	—	306.6

31d. Consolidated cashflow statement for the year ended 27 June 2020

	As previously reported 2020 £m	Matters of concern relating to LSER and other historic franchises and affiliate trading (a) £m	Germany onerous contract provision (b) £m	Correction of errors (c) £m	Presentational adjustments and reclassifications (d) £m	As restated 2020 £m
Loss after tax for the year	(12.1)	(4.2)	(36.6)	2.0	—	(50.9)
Net finance costs	20.4	1.2	—	—	—	21.6
Tax expense	11.9	(0.9)	—	0.4	—	11.4
Depreciation of property, plant and equipment	84.1	—	—	—	—	84.1
Depreciation of right of use assets	375.5	—	—	—	—	375.5
Amortisation of intangible assets	9.4	—	—	—	—	9.4
Asset impairment, excluding exceptional items	0.9	—	—	—	—	0.9
Exceptional items	57.1	—	36.6	—	—	93.7
Share of result of joint venture	0.6	—	—	—	—	0.6
Profit on sale of property, plant and equipment	(0.9)	—	—	—	—	(0.9)
Share based payment charges	1.6	—	—	—	—	1.6
Difference between pension contributions paid and amounts recognised in the income statement	(7.3)	—	—	—	—	(7.3)
Decrease/(increase) in inventories	(2.9)	—	—	—	—	(2.9)
(Increase)/decrease in trade and other receivables	78.4	—	—	—	(19.6)	58.8
Increase/(decrease) in trade and other payables	(128.1)	3.2	—	(3.1)	14.8	(113.2)
Movement in provisions, excluding exceptional items	9.9	—	—	0.7	—	10.6
Cashflows generated from operations	498.5	(0.7)	—	—	(4.8)	493.0
Taxation paid	(28.2)	—	—	—	—	(28.2)
Net cashflows from operating activities	470.3	(0.7)	—	—	(4.8)	464.8
Cashflows from investing activities						
Interest received	5.5	—	—	—	—	5.5
Proceeds from sale of property, plant and equipment	0.7	—	—	—	—	0.7
Proceeds from sale of property, plant and equipment held for sale	2.0	—	—	—	—	2.0
Movement in finance lease receivables	8.4	—	—	—	—	8.4
Purchase of property, plant and equipment	(72.6)	—	—	—	—	(72.6)
Purchase of property, plant and equipment held for sale	(4.8)	—	—	—	4.8	—
Purchase of intangible assets	(18.4)	—	—	—	—	(18.4)
Net cashflows used in investing activities	(79.2)	—	—	—	4.8	(74.4)
Cashflows from financing activities						
Interest paid on lease liabilities	(13.9)	—	—	—	—	(13.9)
Other interest paid	(11.5)	—	—	—	—	(11.5)
Dividends paid to members of the parent	(30.9)	—	—	—	—	(30.9)
Dividends paid to non-controlling interests	(14.6)	0.7	—	—	—	(13.9)
Proceeds from issue of shares	0.5	—	—	—	—	0.5
Payment to acquire own shares	(0.7)	—	—	—	—	(0.7)
Repayments of borrowings	(0.8)	—	—	—	(361.1)	(361.9)
Proceeds from borrowings	2.5	—	—	—	361.1	363.6
Payment of lease liabilities	(374.3)	—	—	—	—	(374.3)
Net cashflows used in financing activities	(443.7)	0.7	—	—	—	(443.0)
Net increase/(decrease) in cash and cash equivalents	(61.0)	—	—	—	—	(61.0)
Cash and cash equivalents at 29 June 2019	630.8	—	—	—	—	630.8
Effect of foreign exchange rate changes	—	—	—	—	—	—
Cash and cash equivalents at 27 June 2020	569.8	—	—	—	—	569.8

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

1. Discussions with Department for Transport (DfT) regarding London & South Eastern Railway Limited ("LSER")

As a consequence of ongoing discussions with the DfT regarding historical matters relating to the Southeastern franchise, there have been changes to the recognition of certain items. These changes have resulted in prior year restatements as set out below.

The Independent Review determined that LSER owed the DfT £27.0m in respect of overpayments made by the DfT to LSER during the period 12 October 2014 to 29 February 2020. The sum had been correctly accounted for in the financial statements at the appropriate time and has now been repaid to the DfT and the associated accrual reduced.

Discussions continue in respect of interest payable in relation to the overpayments. An estimated interest provision of £2.7m has been recognised, with £2.2m of this treated as a prior year adjustment affecting the financial statements for multiple years resulting in a restatement of the comparative balance sheet figures. An adjustment of £1.5m has been made to reduce opening reserves in the 2019 consolidated balance sheet, with a corresponding increase in non-current trade and other payables. Current trade and other payables in the 2020 consolidated balance sheet have been increased by a further £0.7m with finance costs in the 2020 consolidated income statement increasing by the same amount.

2. Overpayments in relation to the Integrated Kent Franchise (IKF) and Direct Award Contract (DAC)

In relation to the IKF operated by LSER between 1 April 2006 and 11 October 2014, the Independent Committee found that LSER owed the DfT £14.7m in respect of overpayments received during that period. This has been recognised as a prior year adjustment in the financial statements. A further £4.4m was identified in relation to overpayment of subsidy between 12 October 2014 and 29 February 2020. The DfT recovered £1.8m of this through the profit share arrangements in place in connection with the franchise

arrangement. As such, the net amount owing to the DfT in relation to this subsidy is £2.6m which has been recognised as a prior year adjustment in the financial statements. Both these amounts result in a restatement of £17.3m to the prior year in the comparative balance sheet.

Of the £17.3m, an adjustment of £16.1m has been made to reduce opening reserves in the 2019 consolidated balance sheet with a corresponding increase to non-current trade and other payables. Non-current trade and other payables in the 2020 consolidated balance sheet have been increased by a further £1.2m with revenue in the 2020 consolidated income statement decreasing by the same amount.

Interest payable on these amounts has been estimated at £4.3m and has been recognised in the financial statements. These items result in a restatement of £3.9m relating to the prior year in the comparative balance sheet figures. An adjustment of £3.5m has been made to reduce opening reserves in the 2019 consolidated balance sheet with a corresponding increase in non-current trade and other payables on the consolidated balance sheet. Non-current trade and other payables in the 2020 consolidated balance sheet have been increased by a further £0.4m with finance costs in the 2020 consolidated income statement increasing by the same amount.

3. Affiliate trading

LSER and DfT are in commercial discussions regarding levels of affiliate trading during the period 12 October 2014 to 29 February 2020, the outcome of which affects the assessment of Profit Share payable to the DfT. There is a total of £23.4m in dispute, of this £14.1m has been recognised as a liability. The adjustment of £14.1m has been made to reduce opening reserves in the 2019 consolidated balance sheet, with a corresponding £14.1m increase to non-current trade and other payables. LSER and the DfT continue to discuss the balance.

4. Other historic franchises

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

(b) Germany onerous contract provision

The directors have performed a detailed review of all material contracts across the Group to consider the completeness of the onerous contract provisions. This involved a detailed review and challenge of the assumptions within each contract, including those relating to FY20 and the Group's FY21 interim results. A number of errors have been identified in respect of the assumptions used when calculating the onerous provision in the Bavarian rail franchise in the prior year and the Group's FY21 interim results.

The prior year provision was determined to be understated by £37.1m which has been restated in these financial statements. The impact of this restatement to the 2020 consolidated income statement is an increase in exceptional items of £36.6m and an increase of £0.5m to the translation reserve. Correspondingly there was a reduction of £25.9m charged to the consolidated income statement in the Group's FY21 interim results. The calculation of the understatement was determined following a review of historical information and consideration given to what information then available could reasonable have been included in the previous cash flow assumptions underpinning the provision.

(c) Correction of errors

During the year, it was identified that certain provisions and accruals balances were not appropriate, impacting the 2020 consolidated income statement and 2020 consolidated balance sheet, and also the 2019 consolidated balance sheet. These consist of the following adjustments:

- a. Employee bonus accruals made for the years ended 2019 and 2020 were not fully utilised and have therefore been recorded as prior year adjustments. This increases profit before tax by £3.1m in the 2020 consolidated income statement with a corresponding decrease in current trade and other payables in the 2020 consolidated balance sheet. There is also a 2019 impact which decreases current trade and other payables by £2.3m in the 2019 consolidated balance sheet.
- b. There is a contract held with the Land Transport Authority (LTA) in Singapore where there is an obligation to maintain the vehicles to a specified standard. It was noted that the future costs in relation to this current obligation had been underprovided for in both 2019 and 2020 and therefore these have been recorded as prior year adjustments. These adjustments decrease profit before tax in the 2020 consolidated income statement by £0.6m, with a corresponding increase in non-current provisions. The impact on the 2019 consolidated balance sheet is an increase in non-current provisions of £1.7m.
- c. It was noted that underprovisions had been made in costs in line with the Southeastern franchise agreement. This has resulted in a £0.1m decrease of profit before tax in the 2020 consolidated income statement, with a corresponding increase in current provisions in the 2020 consolidated balance sheet. There has also been an increase in current provisions in the 2019 consolidated balance sheet of £5.7m, a decrease in current trade and other payables of £3.4m and a £2.3m decrease to equity.

Overall, there is a net nil impact on the tax charge in the 2020 consolidated income statement in relation to the above adjustments. The tax impact of the above adjustments on the 2020 consolidated balance sheet is an increase in the deferred tax asset of £0.4m and an increase in the deferred tax liability of £0.1m. The impact on the 2019 balance sheet is an increase in the deferred tax asset of £0.3m and an increase in the current tax liability of £0.4m.

(d) Presentational corrections and reclassification errors

1. IAS 32 Balance Sheet Classifications

During the year, it was identified that some items had been presented as net within the balance sheet and associated notes rather than presenting as gross receivables and payables in accordance with IAS 32. As a result, the 2020 and 2019 consolidated balance sheets have been restated. These items relate to the presentation of balances with the DfT and Network Rail. The impact of these reclassifications is to increase both current trade and other receivables and current trade and other payables by £22.0m in the 2020 consolidated balance sheet and by £2.4m in the 2019 consolidated balance sheet.

2. Gross presentation of repayments of and proceeds from borrowings

For the year ended 27 June 2020, in the consolidated cashflow statement, the repayment of borrowings and proceeds from borrowings lines have been restated in order to present these lines gross and on the same basis as shown above for the year ended 3 July 2021 figures. This has resulted in an increase to repayment of borrowings of £361.1m and an increase to proceeds from borrowings of the same amount. There is no effect on the cash and cash equivalent balances at the end of either year shown.

3. Interest reclassification

Interest on the Group's loans and borrowings has been reclassified from other payables to interest bearing loans and borrowings to reflect the fact that these loans and borrowings are held at amortised cost. This has been restated in the 2019 and 2020 consolidated balance sheets. The impact is a decrease in current other payables of £6.2m and an increase in current interest bearing loans and borrowings of the same amount for both years.

4. Correction of assets held for sale cashflow

For the year ended 27 June 2020, in the consolidated cashflow statement, a reclassification of £4.8m between the purchase of property, plant and equipment held for sale and creditors lines has been made to correct for the fact that the property, plant and equipment held for sale in question has not been paid for as at 27 June 2020.

5. IFRS 9 cashflow hedge reclassification

During the year, it was identified that when cash flow hedging purchases of fuel, the amount accumulated in hedging reserve was incorrectly reclassified, once the forecast transaction happened, to the consolidated statement of other comprehensive income instead of being removed directly from equity and included in cost of fuel (i.e. basis adjustment was not applied). As a result, £4.7m, net of tax, in relation to this has been reclassified for the year ended 27 June 2020.

6. Derivative financial liability reclassification

A reclassification between trade and other payables and derivative financial liabilities of £1.1m has been made in the 2020 consolidated balance sheet. This restatement has been made to adjust the value of the derivative financial liability for the amount of the June hedge settlements.

Disclosure guidance and transparency rule (DTR) 6.3.5

In accordance with the Financial Conduct Authority's DTR 6.3.5, this announcement contains the condensed set of the Group's financial statements, information on important events that have occurred during the year ended 3 July 2021 and their impact on the financial statements, the Group's principal risks, uncertainties and mitigating actions, and related party disclosures and Group undertakings. Together with the directors' responsibility statement below, these constitute the requirements of DTR 6.3.5 which is required to be communicated to the media in full unedited text through a Regulatory Information Service.

This announcement is not a substitute for reading the full 2021 Annual Report and Accounts, which will be available on our website from midday on 24 February 2021. Page references refer to page numbers in the 2021 Annual Report and Accounts.

Directors' responsibilities in respect of the preparation of the financial statements

This statement is repeated here solely for the purpose of complying with DTR 6.3.5. It relates to and is extracted from page 146 of the 2021 Annual Report and Accounts, included therein in compliance with DTR 4.1.12. Responsibility is for the full 2021 Annual Report and Accounts and not for the condensed statements required to be set out in this full year results announcement.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements also comply with International Financial Reporting Standards as issued by the IASB. The directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Each of the directors, whose names and functions are listed on pages 74 and 75 of the Annual Report and Accounts, confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair view of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and Accounts, taken as whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy

Corporate information

www.go-ahead.com

Secretary and registered office

Carolyn Ferguson

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Head office

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Tel switchboard: 0191 232 3123

Registrar

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BN99 6DA

Tel: 0371 384 2193*

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Investec Bank plc

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