

Registered No: 00091106

The City of Oxford Motor Services Limited

Annual Report and Financial Statements

Year ended 2 July 2022

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C Ferguson

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Strategic report

The directors present their strategic report for the year ended 2 July 2022.

The City of Oxford Motor Services Limited (the “Company”) is a wholly owned subsidiary of The Go-Ahead Group Limited (formerly The Go-Ahead Group).

Business Review

The loss for the year, after taxation, amounted to £567,000 (2021: £479,000 loss). £nil dividends were paid and proposed in the year (2021: £nil). The directors do not recommend a final ordinary dividend for the year.

Key Performance Indicators

The Company’s key financial and other performance indicators during the year were as follows:

	2022 £000	2021 £000	Change %
Revenue	32,009	27,198	17.7
Operating loss before exceptional items	(262)	(2)	13,000.0
Loss for the Financial Year	(567)	(479)	18.4
Shareholders’ equity	(1,658)	(1,130)	46.7
Passenger journeys (‘000)	12,148	6,045	101.0
Miles operated (‘000)	6,327	4,955	27.7
Average number of employees	435	513	(15.2)

Principal activities and review of the business

City of Oxford Motor Services Limited

The principal activity of the Company during the year was the provision of bus and coach transport services within Oxfordshire and the surrounding counties.

The Company operates a network of high frequency local bus services in central Oxfordshire. It provides Park & Ride services into Oxford city, and high frequency coach services to Heathrow and Gatwick airports. It also has a high-profile partnership with Oxford Brookes University in delivering the BROOKESbus service network, and operates contracted services on behalf of National Express, and for other local businesses.

The year saw a continuation of the trends seen in the prior year, with patronage steadily recovering from the damaging effects of the COVID-19 pandemic and the associated central government guidance to avoid public transport. The year began with patronage running at approximately 50% of pre-COVID levels, and by the year end had reached approximately 75% of pre-pandemic volumes. A total of 12,148,000 passenger journeys were recorded for the year, representing growth of 101.0% against the previous year but representing 65.3% of the volumes recorded in 2018/19.

Service mileage grew by 27.7% to 6,327,000 miles, this representing 64.5% of 2018/19 levels. Mileage is expected to remain below pre-pandemic levels for the foreseeable future, with a significant impact from the decisions made to withdraw the X90 coach service in January 2020, along with the cessation of the “PickMeUp” demand responsive service in June 2020, following its two-year pilot period. Unfortunately, with declining passenger numbers and a lack of supporting funding available at the time, these services were no longer viable. Mileage for airport services, both for our own “the airline” express coach routes, and for the contracted services operated on behalf of National Express, was substantially depressed in the first half of the year, as continued travel restrictions related to the pandemic restricted demand for air travel. In the final quarter of the year, these restrictions were removed, following which mileage was increased to meet anticipated uplifts in passenger demand for these services.

Strategic report (continued)

The company was very grateful to central government for the financial support provided through the Coronavirus Bus Services Support Grant ("CBSSG") and successor Bus Recovery Grant ("BRG") schemes. These enabled service frequencies to be maintained at higher levels than justified by passenger demand in order to support the recovery of bus networks, and the wider economy following the pandemic. A total of £1,520,831 in revenue was received from the CBSSG scheme (2021: £14,135,000), along with a further £4,171,092 from the BRG scheme (2021: £nil) during the year. The provision of the grant funding allowed the company to operate at a broadly break-even level during the year, excluding the impact of taxation and exceptional items. This funding contributed to the overall revenue that increased by 17.7% from £27,198,000 in 2021 to £32,009,000 in 2022 reflecting the continuation of passenger recovery through the course of the financial year.

The company continued to maintain a prudent approach to capital investment during the year due to the continued uncertainties regarding the pandemic, in particular the lack of clarity over future central government funding and likely patronage recovery. Towards the end of the financial year, the company was successful in winning a new contract with Belmond Hotels to operate services to Le Manoir aux Quat'Saisons in Great Milton. Two new single deck vehicles were ordered to support this contract, with the first of these being delivered and entering service prior to the year end for the start of the new contract.

The directors see customer satisfaction as a key indicator. Unfortunately, once again this year it was not possible for Transport Focus to complete their National Bus Passenger Satisfaction Survey, due to the impacts of the pandemic. However the directors were pleased to see that the survey was able to re-start in January 2023 and look forward to reviewing the results of the survey once these are released.

Employee numbers stabilised, following the large reduction seen in the prior year associated with the pandemic, the number of staff employed at the end of the year of 471, being a reduction of 1 in headcount from 472 at the end of the prior year. However, average staff numbers showed a reduction of 15.2% in the year due to the large reductions in staff numbers seen in the first half of 2020/21 caused by the pandemic. The company experienced challenging conditions for driver recruitment, particularly in the second half of the year as economic activity increased following the pandemic against the backdrop of a tight labour market and high levels of consumer price inflation. A number of proactive initiatives were introduced to improve staff recruitment and retention, and these had begun to show encouraging results by the year end.

The net liability position of the Company increased by £0.5m by the end of the financial year (from £1.130m to £1.658m) whilst total assets less current liabilities dropped from c.£3m in the prior year to c.£2m by the year end. This was primarily due to the historic investment strategy to invest in new vehicles being delayed as the Company navigated through the pandemic period and subsequent recovery. This was also reflected in the overall trading results of the business with challenging trading conditions resulting in a reported loss of £567,000 reducing down to a loss of £262,000 after exceptional items. With passenger recovery expected to continue, the Directors are confident that a net asset position will be returned to in the coming years particularly with a planned upgrade of the vehicle fleet over the next two years after winning funding for Zero Emission Buses from both the Department for Transport and Oxfordshire County Council.

Future Developments

At the date of signing the accounts there is a high level of uncertainty around the continuing impact of the COVID-19 pandemic on the company's operations. Please see the Going Concern assessment in the Directors' Report for a full consideration of the impact of pandemic on the company's future outlook.

Principal Risks and Uncertainties

Political Risk

National policy and strategy change for buses continues to be a potential source of risk, in terms of governance, funding priorities, planning, concessionary travel reimbursement and fuel duty. This is managed through regular and constructive engagement with local authorities and the Department for Transport at a Company and Group level.

Economic Risk

Strong economies mean high traffic volumes presenting further challenges to operational performance. Major infrastructure projects throughout the areas we serve continue to exacerbate this. We will continue our partnership work with the highways authorities that have largely been successful in mitigating the worst effects of this, whilst also continuing to improve our own planned and day-to-day responses to the changing highways' conditions. Short term increases are anticipated to dissipate as pro-active and sustainable travel strategies begin to impact.

There is a risk that the conflict in Ukraine and other economic factors continue to lead to high levels of inflation and pressure on supply chains affecting the Company. This would result in increased cost of living and higher fuel and energy prices causing increased operational costs, slowing the economic recovery from the COVID-19 pandemic. If required, this could be mitigated through contract renegotiations, bus fare reviews and review of less profitable routes.

Environmental Risk

Mitigating the Environmental impact remains high on the Company agenda. Substantial investments in fleet are planned in future years which will improve air quality and the efficiency of the fleet whilst reducing carbon emissions. The Company continues to participate in funding initiatives for electric vehicles. Climate change is an identified risk and mitigations are in place to safeguard against climate related disruptions. These mitigations and safeguards include rigorous health and safety programmes, regular training of colleagues, collaborative working with industry partners and adaptation of workstreams as part of the Group's Climate Change Task Force.

Financial risk management objectives and policies

The main risks associated with the Company's financial assets and liabilities are set out below. Given that the majority of the risks below derive from transactions with other Group companies, the Company does not undertake any hedging activity locally. Significant financial risks from a Group perspective are addressed on a case-by-case basis at Group level.

Interest rate risk

All surplus cash is swept to The Go-Ahead Group Limited, which is invested at a Group level. Interest is charged at a variable rate on Group loans. Therefore, financial assets, liabilities, interest income, interest charges and cash flow can be affected by movements in interest rates but the risk is managed at a Group level.

Commodity price risk

There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates. The Company is exposed to commodity price risk as a result of fuel usage. During the year ended 2 July 2022, the Company ceased to use energy derivatives to hedge its risks associated with fuel price fluctuations and this is instead now considered at a Group level.

Credit risk

The Company's credit risk is primarily attributable to its financial assets, comprising trade and other receivables, cash and cash equivalents and fuel hedge derivatives. The maximum credit risk exposure comprises amounts from a number of unconnected parties.

The considerable majority of the Company's receivables are with public (or quasi-public) bodies or sales are paid as they arise and historically the annual cost of bad debts 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.

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generated by its operations in line with Group policies. A cash sweeping facility exists with the ultimate parent company and therefore further information regarding the liquidity risk can be found in the Group financial statements. Capital expenditure is approved at Group level.

Foreign currency risk

The Company has no foreign currency risk, all of the transactions, assets and liabilities are in sterling.

Risks associated with the UK's exit from the European Union

Brexit impacts continue to be monitored by the business following the UK's exit from the EU. Whilst there could be an impact from lower tourism into the area the principal affect is likely to be on availability of driving staff, however this is not considered to be a risk that could materially impact The City of Oxford Motor Services Limited. Brexit contingency measures are in place across the wider Group, including increased stock levels of spare parts and apprenticeships and colleague engagement plans to support recruitment and retention.

Risks associated with COVID-19

There is a risk that passenger levels fail to continue to recover from the COVID-19 pandemic meaning that routes become unprofitable and forecasts prove to be inaccurate. The Company continues to monitor and respond to changes in demand for its services resulting from the recovery from the COVID-19 pandemic.

Climate change policy

Around the globe, we all have a responsibility to take action against climate change. As a responsible business, we understand the part we have to play in reducing our emissions and adapting to the impacts of our changing world. In response to this, the Group has set a target of becoming a net zero business by 2045 and published our climate change strategy. Please refer to the Group's 2022 Annual Report and Financial Statements, pages 26 to 27 for further details on our climate change strategy.

Section 172 statement

In their discussions and decisions during the year, the directors of the Company acted in a way that they considered, in good faith, was most likely to promote the success of the Company for the benefit of its sole member. In doing so, they had regard to the Company's key stakeholders and the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 as explained below.

The likely consequences of any decision in the long term:

The directors recognise that their decisions will have an impact on the Company's long-term success. Board discussions take account of all stakeholder interests, and the decision-making process includes balancing competing interests, whether short or long term. Decisions may benefit some stakeholders more than others, and the impact on each stakeholder group forms an integral part of board debate. In particular, board decisions take into account and seek to align with, the purpose and strategy set by the Company's parent, The Go-Ahead Group Limited (the "Group"), for the Go-Ahead Group as a whole. Further information on stakeholder engagement and its impact on principal decisions made during the year is set out in the respective sections below.

The interests of the Company's employees:

The Company's employees are fundamental to its success, both in the short and long term, and their health, safety and wellbeing is a top priority for the directors. "Health and safety", "People and engagement" and "Industrial relations" have been mandated by the Group as items to be considered at each scheduled board meeting of every operating company within the Group, supported by detailed briefing papers circulated in advance of each meeting. The Company's employees are a key stakeholder group, and further information on workforce engagement, outcomes from that engagement and any impact on principal decisions is set out in the stakeholder engagement and principal decisions sections below.

The need to foster the Company's business relationships with suppliers, customers and others:

Positive business relationships with suppliers, customers, government and other key stakeholders underpin the Company's delivery of services. Relations with suppliers are guided by the Group's Sustainable Procurement Supply Chain Charter, particularly in relation to dealings with smaller suppliers, which can be found, together with other-related policies, on the Group website www.go-ahead.com/sustainability/policies.

The impact of the Company's operations on the community and the environment:

As an operator of public transport, the Company aims to enhance the lives and wellbeing of every community where it operates by providing them with vital transport services. Communities are a key stakeholder group and further information on community engagement and outcomes is set out in the stakeholder engagement section on this page. Environmental considerations are central to the strategy of the Group, and therefore to the Company. The Group has committed to reduce carbon emissions by 75% by 2035 and consolidating zero emissions capabilities is one of five key enablers underpinning the Group's strategic priorities. Further information on the Group's approach to environmental considerations can be found in the Group's Annual Report & Accounts 2022 published on www.go-ahead.com.

The desirability of the Company maintaining a reputation for high standards of business conduct:

The directors acknowledge their responsibility for setting and monitoring the Company's culture, values and reputation. This is undertaken in line with the Group's purpose and values and the Group Code of Conduct which can be found at www.go-ahead.com/sustainability/policies.

The need to act fairly as between members of the Company:

The Company has a single shareholder, Go-Ahead Holding Limited, and forms part of the group of companies owned by the Group. The Group is structured around a devolved operating model and the Company is managed by its board of directors as a standalone business unit. Further details are set out in the corporate governance arrangements section of the Directors' Report.

Stakeholder Engagement

The latest Go-Ahead Group Limited stakeholder engagement table is on pages 25-27 of the 2022 GAGL ARA - at the time of drafting the template disclosure in July 2022, only the 2021 GAGL ARA was available. The Company's employees are kept informed of Company news and activities through a bi-weekly newsletter and monthly meetings are held with the Negotiating Committee that represent employee interests generally.

The Company's relationships with local authorities have been critical in navigating the Company through challenging market conditions. The Company have consulted with these stakeholders and the Department for Transport regularly throughout the financial year and continue to do so to make sure that services are operated where our communities need them most and that funding conditions are complied with.

Directors of the Company have been regular contributors to industry-wide consultations and meetings with the Department for Transport either as representatives of the Company or assisting the industry's trade body, the Confederation for Passenger Transport. This has ensured that the Company's views are represented and heard as the industry evolves its post pandemic service offering.

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Strategic report (continued)
Section 172 statement (continued)

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Principal Decisions

Examples of key decisions taken by the Board during the year ended 2 July 2022 in accordance with Section 172 are set out below:

- Entry into new contract with Belmond Hotels for service 46 from June 2022
- Decision to implement a phased increase in the airline service in response to easing of COVID-19 travel restrictions by the UK government
- Decision to carry out a network review in Oxfordshire in January 2022, in partnership with Oxfordshire County Council and other bus operators.

Approved by the Board of Directors and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'L C Marion', is written over a horizontal line.

L C Marion
Director
28 April 2023

Directors' report

The directors present their annual report, together with the financial statements and auditors report for the year ended 2 July 2022.

At 2 July 2022 The City of Oxford Motor Services Limited (the "Company") was a member of The Go-Ahead Group plc which was re-registered as The Go-Ahead Group Limited on 13 October 2022 (the "Group").

On 22 February 2023 the Board approved a change in the Company's financial year end from 1 July to 31 December. As a result, the 2023 financial year will run from 3 July 2022 to 31 December 2023.

The Company has chosen in accordance with section 414C (11) of the Companies Act 2006 to set out in the Company's strategic report the following which the directors believe to be of strategic importance:

- Review of business
- Future developments
- Financial risk management objectives and policies.

Directors

The directors who served the Company during the year, and up to the date of approval of the financial statements, were as follows:

C Schreyer (appointed 5 November 2021 and resigned 10th June 2022)
P R Southall (resigned 16th November 2022)
M R Dean (appointed 10th June 2022)
L C Marion
P Hennigan
D Brown (resigned 5th November 2021)
G Boyd (appointed 28th September 2021 and resigned 28th March 2022)

C Schreyer was a director of the ultimate parent company, The Go-Ahead Group Limited (the "Group"), during the year ended 2 July 2022.

Results and Dividends

Loss for the year after taxation amounted to £567,000 (2021: loss £479,000). Dividends of £nil were paid during the year (2021: £nil). The directors do not recommend a final ordinary dividend for the year.

Financial risk management objectives and policies and future developments

Financial risk management objectives and policies and future developments are included within the strategic report.

Corporate governance arrangements

During the year, the Company applied the Wates Corporate Governance Principles for large private companies (the "Wates Principles"). The Wates Principles are published by the Financial Reporting Council (the "FRC") and are available on its website. The way in which the Company applied these principles is set out below.

Principle 1 - Purpose and leadership

Purpose

The Company is a subsidiary of The Go-Ahead Group Limited (the "Group") and therefore is aligned to the Group's purpose which is "Moving you and the next generation towards a smarter and healthier planet." Within that context, the Company's mission statement is "One Team, delivering an ever-improving customer experience" and it has been promoted to the workforce and wider stakeholders through our regular two-weekly employee newsletter "OnBoard", through our quarterly Stakeholder newsletter, and through information displayed on our website and physically around our depots and office premises. Further details regarding engagement with key stakeholders and its impact on certain key decisions are set out in the stakeholder engagement and principal decisions sections on page 7 respectively of the strategic report.

Values and Culture

The Company is also aligned to the Group's values which are to be collaborative, transparent, accountable, open-minded and agile. These have been integrated into the Company's functions and business operations through our five core values "Working as a Team", "Customer Focused", "Continued Success", "Embracing Diversity" and "Socially Responsible". The Company's values and behaviours contribute to its culture, which is monitored through regular employee surveys, regular meetings with Trade Union representatives, and through our Colleague Relations Forum. The Company benefits from the Group's Code of Conduct and its policy and framework for the workforce to raise concerns about misconduct and unethical practices. These policies can be found on the Group's website www.go-ahead.com/sustainability/policies.

Strategy

The Group's strategy, "The Next Billion Journeys", is supported by three strategic priorities: performance improvement; organic and external growth; and the leverage of existing capabilities and resources to progress new opportunities. These have been clearly articulated and implemented throughout the Company through quarterly Leadership Team meetings and monthly depot review meetings. In pursuing these objectives, the Company's board of directors is responsible for balancing short-term imperatives with long term strategic intentions.

Principle 2 – Board Composition

Chair

For part of the year, meetings of the Company's board of directors were chaired by the Group's Chief Executive Officer, who was also a member of the Company's board of directors. However, the Group's devolved operating model was further enhanced during the year and the Group's previous executive directors, who left the Group during the year, ceased to be members of the Company's board of directors. Meetings of the Company's board of directors were chaired instead by the Company's Managing Director. The Group's more recently appointed executive directors attend the Company's quarterly board meetings to provide support and challenge from a Group perspective.

Balance and diversity

The board comprises members with a range of skills and knowledge, and includes key operational roles – the Managing Director, Finance Director and Service Delivery Director. Appointments to these roles are based on merit, and each individual appointed is experienced both in their field of expertise and in the wider transport industry in which the Company operates. As a subsidiary within the Group, the Company applies the Group Equal Opportunities, Diversity & Inclusion policy, further details of which can be found on the Group's website www.go-ahead.com/sustainability/policies. The Directors seek to ensure high standards of ethical conduct, honesty and integrity in our business practices. The Oxford Bus Group Board seeks to have a workforce that reflects the diversity of the communities we serve, for example, the 'Women in Bus' initiative, aiming to increase the percentage of female employees in bus from the current 11% to 20% in the next few years through a focused campaign promoting equal opportunities and inclusivity. One of the Company's five mission statements is "Embracing Diversity" where the Directors strive to improve the diversity of our workforce. The Directors bring our mission statement and values to life through the colleague induction process and continue to reinforce this via our fortnightly colleague newsletter.

Size and structure

The number of directors appointed to the Company's board is calibrated to the size and complexity of the Company's operations. As the board benefits from the support of the Group's executive directors, it considers the appointment of independent non-executive directors to be unnecessary.

Effectiveness

The Company's board held 7 meetings during the year. In accordance with the Group's operating company board procedures manual (the "Board Manual"), board meetings addressed standing agenda items, and meeting papers were circulated to all directors in the week prior to each meeting to allow sufficient time for preparation. All directors are expected to attend all meetings of the Company's board. Attendance and contribution to board discussions is a key element of the Company's senior leadership roles. Explanation and guidance on the role and statutory duties of a director are provided to the board in the Board Manual, and further support is available to the directors from both the Group's Company Secretary and its Legal Director.

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Directors' report (continued)

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Principle 3 – Director Responsibilities

Accountability

The Company's corporate governance practices are set out in the Board Manual which addresses matters such as board procedures, directors' duties and risk management. The Board Manual is reviewed and, if necessary, updated annually by the Group. Revisions are communicated to the Company's Managing Director, who is responsible for implementing any changes. Under the Group's devolved operating model, the board is responsible for the day-to-day running of the Company's business but remains accountable to the Group for business performance and compliance with key Group policies. The Group's executive directors attend some Company board meetings to provide appropriate support and challenge from the shareholder perspective. Conflicts of interest, including interests in a proposed transaction or other arrangement, are a standing board agenda item that requires directors to declare any actual or potential conflicts or interests they might have. A register of conflicts is maintained, and a conflicted director is expected to recuse themselves from the relevant board discussion. Governance processes are kept under regular review and the Board Manual is updated annually by the Group. The board certifies annually to the Group that it has complied with all applicable Group policies and procedures (including the Board Manual).

Integrity of information

In accordance with the Board Manual, every board meeting agenda includes a report from the Managing Director covering financial performance and KPIs, capital expenditure, contracts and franchise bidding, health and safety, operating and engineering performance, people and engagement, market and competition, and industrial relations.

Principle 4 – Opportunity and Risk

Opportunity

As the Company forms part of the Group, the Company's board of directors makes a business plan proposal to the Group as part of the Group's annual corporate plan. The proposal includes any growth opportunities that have been identified, and these are considered by the Group's board of directors as part of the Group board's strategic discussions and corporate plan approval process. With support from the Group, the Company's board is responsible for implementing the proposal. Information on stakeholders, and the impact on them of board decisions, is set out on page 6 of the strategic report.

Risk

Assessment of principal and emerging risks is considered at each board meeting and forms part of the board's twice-yearly risk reporting to the Group's executive directors. Reporting summarises the Company's principal and emerging risks together with their mitigations. Risks that could have a material implication for the Group are escalated to the Group board for consideration.

Responsibilities

The Company benefits from the Group's risk management and internal control framework, and aligns with the Group's stated risk appetite, but remains responsible for identifying emerging and established risks facing the Company. The Company's principal risks are set out on pages 3 to 5.

Principle 5 – Remuneration

There is a common approach to remuneration principles across all the Group's businesses, including the Company. Reward should be sufficient to attract and retain appropriate talent and it should support the delivery of business strategy. For the Group's executive directors who were appointed to the Company's board for part of the year, remuneration was determined by the Group's remuneration committee in line with Group remuneration policy. Further details of the policy and its implementation are set out in the Group annual report and accounts 2022 which can be found on the Group's website www.go-ahead.com/investors/results-reports-and-presentations. Remuneration of the remainder of the Company's board of directors is set out on page X and is determined at Group level in accordance with a common approach to remuneration of senior managers across all Group operating companies.

Principle 6 – Stakeholder Relationships and Engagement

A description of the Company's key stakeholders, how the Company's board has engaged with them and the outcomes of that engagement is set out in the strategic report.

Management and staff

The Company is committed to involve all employees in its performance and development. Employees are encouraged to discuss with management matters of interest to the employees and subjects affecting day-to-day operations of the Company. Discussions take place regularly with trade unions representing the employees on a wide range of issues.

During the year, the Company encouraged employee involvement in the Company's performance through a number of Group share schemes including a Share Incentive Plan and "ShareSave" Save As You Earn Scheme. Details of these schemes can be found in the notes to the financial statements.

It is the Company's policy to give full consideration to suitable applications for employment by disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees who become disabled to continue in their employment or to be trained for other positions in the Company.

For details on how the directors have engaged with employees, had regard to their interests and the effect of that regard including on principal decisions made by the directors, please see our section 172(1) statement on pages 5 to 9.

Employee engagement

Details of how the directors have engaged with employees, had regard to their interests and the effect of that regard, including on principal decisions, are set out in the Section 172 statement on pages 5 to 7, and in the stakeholder engagement and principal decisions disclosures that follow it.

Streamlined Energy and Carbon Reporting

As a subsidiary of The Go-Ahead Group Limited, The City of Oxford Motor Services Limited's energy and carbon results have been included in the Group's consolidated report. As a result, the Company has chosen not to present an individual energy and carbon report within these financial statements. Please refer to the Group's 2022 Annual Report and Financial Statements for further details, on pages 283 to 287.

Going Concern

The Company is a wholly owned subsidiary of The Go-Ahead Group Limited (the Group). The going concern status of the Company is therefore intrinsically linked with the operational existence of the Group and on the continued provision of Group support. The Group's Annual Report and Financial statements for the year ended 2 July 2022 were prepared on a going concern basis and full details of the going concern assessment can be found on pages 49-50 of this report.

The Group provides a letter of Group support to the Company, assuring financial support for a period of at least 12 months from the date of approval of the financial statements.

Details of the Group's going concern assessment are as follows:

Background

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

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Directors' report (continued)
Going Concern (continued)

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Going concern assessment

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

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

Key areas of forecasting uncertainty include:

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

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

The base case

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

In the Group's London & International Bus segment, passenger demand risk is borne by our transport authority clients. While cost pressures will impact the business, there are price mechanisms within the contracts that allow these to be recovered.

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

In the International Rail segment, our German operations' contractual payments are protected and passenger revenue risk is borne by the transport authority client, while in Norway an improved agreement was reached with the Norwegian Railway Directorate.

Reasonable worst-case scenario

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

- Slower recovery of passenger demand in Regional Bus, with passenger demand lower and the impact of inflationary pressures
- Impact of inflationary pressures on electricity and driver pay and the impact of driver shortages and absences in London & International Bus
- Lower level of performance fees in UK Rail than planned

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Directors' report (continued)
Going Concern (continued)

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

Liquidity and covenant testing

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

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

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

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

Mitigating action

At Group level, the Board has considered all mitigations that would be within its control if faced with a short term material EBITDA reduction that would reduce covenant headroom or a reduction in the level of funding available. These include cost efficiencies, adjustments in service to align to passenger demand, reduction or postponement of capital expenditure and sale of other assets. Other mitigations could be considered in more severe circumstances, including requests for amendments or waivers of covenants, sale and leaseback of vehicles, disposal of properties and disposal of investments or other assets.

Going concern statement

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

The Company directors have obtained confirmation from The Go-Ahead Group Limited that they will continue to provide financial support for a period of at least twelve months from the date of approval of the balance sheet.

Events since the balance sheet date

See note 26 on page 48 for information on significant events requiring disclosure occurring after the balance sheet date, up to the date of approval of these financial statements.

Directors' indemnities

The Go-Ahead Group Limited ("Group") maintains directors' and officers' liability insurance, for both the plc and its subsidiaries, which gives appropriate cover for any legal action brought against its directors. The Group has also granted indemnities to each of its, and its subsidiaries, directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 2 July 2022 and remain in force, in relation to certain losses and liabilities that the directors may incur to third parties in the course of acting as directors or employees of the Group or of any associated company. Neither the Group's indemnity nor its insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

Auditor

The Group has commenced a retender process for its external audit for the 2023 financial year but Deloitte LLP has confirmed that it will not participate in the tender process.

Stakeholder interests

For details on how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and other, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, please see our section 172(1) statement on pages 5 to 9.

Directors' responsibilities for audit information

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

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

This statement is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Registered office:
3rd Floor
41 - 51 Grey Street
Newcastle upon Tyne
NE1 6EE

Approved by the Board of Directors and signed on
their behalf by



L C Marion
Director
28 April 2023

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of The City of Oxford Motor Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 3 July 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

The City of Oxford Motor Services Limited

Independent auditor's report

to the members of The City of Oxford Motor Services Limited

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Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, forensic and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in relation to the accuracy of contract revenue being recognised. Our procedures to respond to this risk included

- assessing contract variations with local councils and authorities to source documentation; and
- agreeing a sample of revenue recognised to underlying contractual evidence.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent auditor's report

to the members of The City of Oxford Motor Services Limited

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports and reviewing correspondence with the relevant regulatory authority.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

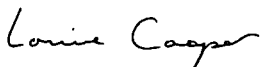
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Louise Cooper, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK
28 April 2023

Income statement

for the year ended 2 July 2022

		2022 £000	2021 £000
	<i>Notes</i>		
Revenue	3	32,009	27,198
Operating costs	4	(32,271)	(27,200)
Operating loss before exceptional items		(262)	(2)
Exceptional items	8	-	230
Operating (loss)/profit after exceptional items		(262)	228
Interest payable and similar expenses	9	(68)	(82)
(Loss)/profit before taxation		(330)	146
Taxation	10	(237)	(625)
Loss for the year from continuing operations		(567)	(479)

Statement of comprehensive income

for the year ended 2 July 2022

	2022 £000	2021 £000
Loss for the year from continuing operations	(567)	(479)
Other comprehensive income		
<i>Items that may subsequently be reclassified to profit or loss</i>		
Unrealised gains on cashflow hedges	33	226
Tax relating to items that may be reclassified (note 10)	(11)	(88)
Other comprehensive income for the year, net of tax	22	139
Total comprehensive expense for the year	(545)	(340)

Statement of changes in equity

for the year ended 2 July 2022

	<i>Note</i>	<i>Share capital</i> £000	<i>Hedging reserve</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £000
At 27 June 2020		1,029	(449)	(1,658)	(1,078)
Loss for the year		-	-	(479)	(479)
Net movement on hedges, net of tax		-	139	-	139
Profit/(loss) and total comprehensive income		-	139	(479)	(340)
Transfer of cash flow hedging losses and cost of hedging to the initial carrying amount of hedged items (net of tax)		-	288	-	288
At 3 July 2021		1,029	(22)	(2,137)	(1,130)
Loss for the year		-	-	(567)	(567)
Net movement on hedges, net of tax		-	22	-	22
Profit/(loss) and total comprehensive income		-	22	(567)	(545)

Share Based Payment charge				17	17
Transfer of cash flow hedging losses and cost of hedging to the initial carrying amount of hedged items (net of tax)		-	-	-	-
At 2 July 2022		1,029	-	(2,687)	(1,658)

Registered No: 00091106

Balance sheet

as at 2 July 2022

	Notes	2022 £000	2021 £000
Assets			
Non-current assets			
Plant, property and equipment	12	13,281	15,275
Right-of-use assets	13	2,450	3,011
Investments	14	3,750	3,750
		<u>19,481</u>	<u>22,036</u>
Current assets			
Inventories	15	245	251
Trade and other receivables	16	6,662	7,882
Deferred tax asset	10	-	11
Derivative financial assets	24	-	4
Cash at bank		130	72
		<u>7,037</u>	<u>8,220</u>
Total assets		<u>26,518</u>	<u>30,256</u>
Liabilities			
Current liabilities			
Trade and other payables	17	(23,813)	(25,335)
Derivative financial liabilities	24	-	(39)
Lease liabilities	13	(639)	(916)
Current tax liabilities	10	(58)	(928)
		<u>(24,510)</u>	<u>(27,218)</u>
Net current liabilities		<u>(17,473)</u>	<u>(18,998)</u>
Total assets less current liabilities		<u>2,008</u>	<u>3,038</u>
Non-current liabilities			
Lease liabilities	13	(1,888)	(2,442)
Deferred tax liabilities	10	(1,361)	(1,182)
Provisions	18	(417)	(544)
		<u>(3,666)</u>	<u>(4,168)</u>
Total liabilities		<u>(28,176)</u>	<u>(31,386)</u>
Net liabilities		<u>(1,658)</u>	<u>(1,130)</u>
Capital and reserves			
Share capital	22	1,029	1,029
Hedging reserve	24	-	(22)
Retained earnings		(2,687)	(2,137)
Total deficit		<u>(1,658)</u>	<u>(1,130)</u>

Balance sheet
as at 2 July 2022

The financial statements were approved for issue by the board of directors and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'L C Marion', written in a cursive style.

L C Marion
Director
28 April 2023

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of The City of Oxford Motor Services Limited (the "Company") for the year ended 2 July 2022 were authorised for issue by the board of directors on 28 April 2023 and the balance sheet was signed on the board's behalf by L C Marion. The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, The Go-Ahead Group Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of The Go-Ahead Group Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Cardiff and The Go-Ahead Group Limited website.

The Company has taken advantage of the exemption provided under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is a wholly owned subsidiary of The Go-Ahead Group Limited and its subsidiary undertakings are included in the consolidated financial statements of that company for the year ended 2 July 2022.

The financial statements have been prepared under historical cost convention, as modified by their fair value of financial instruments. The presentation and functional currency used is sterling and amounts have been presented in round thousands ("£'000") because that is the currency of the primary economic environment in which the entity operates.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures and standards not yet effective:

- the requirements of IFRS 7 *Financial Instruments: Disclosures*
- the requirements in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - a) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - b) paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 111 and 134 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirement of paragraph 17 of IAS 24 *Related Party Transactions*;
- the requirements of IAS 24 *Related Party Transactions* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based payments*;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j)-(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66, B67 of IFRS 3 *Business Combinations*;
- the requirements of paragraphs 134 (d)-(f) and 135(c)-(e) of IAS 36 *Impairment of Assets*;

Notes to the financial statements

for the year ended 2 July 2022

2.1 Basis of preparation (continued)

- the requirements of paragraphs 110 (2nd sentence), 113(a), 114, 115, 118, 119(a)-119(c), 120-127 and 129 of IFRS 15 *Revenue from Contracts with Customers*; and
- the requirements of paragraph 52, 89 (2nd sentence), 90, 91 and 93 of IFRS 16 Leases and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

New standards

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

- Impact of the initial application of Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Impact of the initial application of COVID-19 Related Rent Concessions beyond 30 June 2021 - amendment to IFRS 16 Adoption of the standards and interpretations had no material impact on the Group's financial position or related performance.

• Adoption of the standards and interpretations had no material impact on the Company's financial position or related performance.

2.2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of the directors, there are not considered to be any critical accounting judgements or key sources of estimation uncertainty for the Company for the year ended 2 July 2022.

The City of Oxford Motor Services Limited
Notes to the financial statements
for the year ended 2 July 2022

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2.3 Significant accounting policies

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for at least twelve months from the date of approval of these financial statements and meet its liabilities as they fall due.

The Company has net liabilities of £1,658,000 (2021: £1,130,000) and net current liabilities of £17,473,000 (2021: £18,998,000) including amounts owed to other Group undertakings of £19,046,000 (2021: £20,837,000). The Company is dependent on continuing financial support from its ultimate parent undertaking.

The directors have received confirmation from the Company's ultimate parent undertaking that the necessary financial support will continue to be available to the Company for the foreseeable future and, in particular, for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the directors of the Company believe that it is appropriate to prepare the financial statements on a going concern basis.

Further detailed information is provided in the going concern statement in the directors' report and is therefore not replicated here.

Revenue recognition

The revenue of the Company, arising from its contracts with customers, mainly comprises income from road passenger transport.

The Company has a number of revenue streams which consist of revenue from passengers, contracts, and other miscellaneous revenue streams. Revenue is recognised on satisfaction of performance obligations which are generally clear. Revenue is measured based on the fair value of the consideration received or receivable (net of rebates, VAT and other sales taxes or duty) to which the Company expects to be entitled to and excludes amounts collected on behalf of third parties.

An explanation of the main revenue streams is set out below:

Passenger revenue

Passenger revenue mainly relates to revenue from ticket sales.

Passenger revenue mainly consists of commercial and concessionary revenue. Commercial passenger revenue relates to ticket sales for travel on the Company's transport services and is recognised in the period in which the travel occurs. Season tickets and travel cards enable passengers to use travel services over a period of time. Management assesses the revenue recognised in the period and future revenue is deferred, within liabilities, and subsequently recognised in the income statement within the applicable accounting period.

Concessionary revenue is received from public bodies, such as local authorities, with a performance obligation to transport certain eligible passengers free of charge. Revenue is recognised in the period of travel and the transaction price varies between agreements and can include areas of estimation. Revenue is only recognised when the amount can be measured reliably and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur.

Contract revenue

Revenue generated from services provided on behalf of local transport authorities, or other corporate customers is also recognised as income in the period to which it relates.

Other revenue

Other revenue mainly relates to revenue for ancillary services, such as rail replacement, private hire and advertising.

Revenue in relation to the COVID-19 Bus Service Support Grant (CBSSG) and Bus Recovery Grant (BRG) has been recognised within other revenue and is recognised in the period in which the operational revenue and costs it is supporting relate to. CBSSG requires that a minimum level of service is operated and revenue is variable and includes areas of estimation when determining the transaction price with the actual revenue not confirmed until the reconciliation process is complete. BRG is based upon mileage operated and a portion of the overall funding

based on the operating company. The Group has recognised revenue where the amount can be measured reliably, and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Judgement is applied in determining whether some amounts are allowable in applying the terms of the scheme.

Effective from 1 September 2021, CBSSG was replaced by BRG. The BRG is intended to compensate operators for continuing to provide bus services during the COVID-19 recovery period and is allocated to operators across the industry based on revenue and mileage operated. Revenue is recognised when the bus services have been provided. There is no judgement applied in determining the amount of revenue to be recognised.

The City of Oxford Motor Services Limited
Notes to the financial statements
for the year ended 2 July 2022

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2.3 Significant accounting policies (continued)

Other Operating Income

Other operating income comprises commissions earned on sales of tickets for third party services made at Company outlets. Amounts are shown excluding value added tax. Income is recognised as sales are made.

Fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant and equipment	- 3 to 10 years
Rolling stock	- 8 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments are stated at cost, less any provision for impairment.

Intangible assets

Intangible assets are capitalised at cost and amortised on a straight-line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of assets

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

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

Impairment losses (including goodwill impairment) of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Goodwill impairment losses are not reversed. The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, on a systematic basis less any residual value, over its remaining useful life.

Inventories

Inventories of fuel and engineering spares are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Cost comprises direct materials and costs incurred in bringing the items to their present location and condition. Net realisable value represents the estimated selling price less costs of sale. Inventory is calculated using the first in first out method (FIFO).

2.3 Significant accounting policies (continued)

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the Income Statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the Income Statement.

Leases

Lease identification

At inception of a contract, the Company shall assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use asset

Right-of-use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease.

The right-of-use asset are subsequently depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written-off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

In addition, the right of use asset is periodically reduced by impairment losses, if applicable, and adjusted for certain remeasurements of the lease liability.

Lease liability

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term with payments discounted at the rate implicit in the lease or, where that cannot be measured, at the Company's incremental borrowing rate.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid by the Company under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Company is reasonably certain to exercise that option. Payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate the lease, are also included.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The carrying value is re-measured when there is a change in future lease payments arising from the effective date of a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Short term and low value asset leases

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of less than 12 months and leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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2.3 Significant accounting policies (continued)

Provisions

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

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Uninsured liabilities

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

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

Provisions are accounted for on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

Government grants

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

Government grants have also been recognised in relation to the ongoing COVID-19 pandemic. These comprise amounts receivable under the Coronavirus Job Retention Scheme (CJRS) and for Retail, Hospitality and Leisure Grants receivable for the company's travel shop premises. CJRS comprises grants receivable in relation to the costs incurred by the Company for furloughed employees and is recognised in the income statement, within operating costs, in the same period as the related costs and when there it is reliable and highly probable that the grant will be received.

Exceptional operating items

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

2.3 Significant accounting policies (continued)

Financial instruments

Financial assets

The Company's financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss in the income statement, directly attributable transaction costs. Financial assets are subsequently classified as being measured at amortised cost, fair value through other comprehensive income, or fair value through the income statement.

The Company's financial assets at amortised cost are non-derivative financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Company does not have any financial assets held at fair value through the income statement.

The Company does not have any financial assets held at fair value through other comprehensive income.

The Company uses an impairment model with impairment provisions based on expected credit losses rather than incurred credit losses. The Company applies the IFRS 15 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date.

Financial liabilities

The Company's financial liabilities include trade payables, accruals and derivative financial instruments. At initial recognition, the Company measures financial liabilities at fair value plus, in the case of a financial liability not at fair value through the income statement, transaction costs that are directly attributable to the issue of the financial liability.

With the exception of derivative financial instruments, all other financial liabilities are subsequently measured on an amortised costs basis. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement. When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Financial instruments

Derivative financial instruments

The Company uses derivatives to hedge its risks associated with fuel price fluctuations. Such derivatives are initially recognised at fair value by reference to market values for similar instruments, and subsequently remeasured at fair value at each balance sheet date.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cashflows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Share-based payment transactions

The Company participates in equity-settled share option schemes operated by the ultimate parent undertaking (The Go-Ahead Group Limited), under which options are granted to employees (including directors). The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group Limited (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement of the Company over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of The Go-Ahead Group Limited or the employee are not met. When the shares vest, they are purchased from the market by The Go-Ahead Group Limited and recharged to the Company through an inter-company account.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Pensions

The Company is a member of the Go-Ahead Group Pension Scheme operated by The Go-Ahead Group Limited for the majority of its employees. The scheme is split into two sections, a defined benefit and a defined contributions section. The defined benefit section is closed to future accrual and therefore no contributions are paid by the Company. The assets and liabilities for the defined benefit section are all held by The Go-Ahead Group Limited.

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2.3 Significant accounting policies (continued)

For the defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

3. Revenue

The revenue and profit/ (loss) before tax are attributable to the one principal activity of the Company.

An analysis of revenue by class of business is given below:

	2022 £000	2021 £000
Passenger revenue	21,820	10,658
Contract revenue	4,169	2,079
CBSSG	1,521	14,135
BRG	4,171	-
Other revenue	328	326
	<u>32,009</u>	<u>27,198</u>

An analysis of revenue by geographical market is given below:

	2022 £000	2021 £000
United Kingdom	<u>32,009</u>	<u>27,198</u>

4. Operating costs

	2022 £000	2021 £000
Materials and external charges	9,894	6,115
Staff costs (note 6)	20,358	19,825
Depreciation of owned property, plant and equipment	2,147	2,277
Depreciation of right-of-use assets	651	567
Government grants – COVID-19	-	(1,526)
Other operating income	(779)	(58)
	<u>32,271</u>	<u>27,200</u>

Government grant income in relation to the COVID-19 pandemic of £nil (2021: £1,526,000) relates to the Coronavirus Job Retention Scheme (CJRS). The amounts recognised reflect the grants receivable in respect of the year ended 2 July 2022 and relate to the costs reclaimable for furloughed employees to the extent that it is reasonably certain that the grant will be received.

5. Operating loss

This is stated after charging/ (crediting):

	2022 £000	2021 £000
Auditor's remuneration- audit fee for the audit of the financial statements	67	44
(Profit)/loss on disposal of tangible assets	(17)	50
	<u></u>	<u></u>

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6. Staff costs

	2022 £000	2021 £000
Wages and salaries	17,705	17,324
Social security costs	1,921	1,777
Other pension costs – defined contribution	732	724
	<u>20,358</u>	<u>19,825</u>

The monthly average number of employees during the year was as follows:

	2022 No.	2021 No.
Administration and supervision	59	63
Maintenance and engineering	44	45
Operations	332	404
	<u>435</u>	<u>513</u>

7. Directors' emoluments

	2022 £000	2021 £000
Aggregate emoluments in respect of qualifying services	<u>468</u>	<u>288</u>
Aggregate of Company contributions paid in respect of money purchase schemes	<u>41</u>	<u>39</u>

	2022 No.	2021 No.
Number of directors accruing benefits under money purchase schemes	<u>3</u>	<u>3</u>
Number of directors exercising share options during the year	<u>1</u>	<u>2</u>

The amounts in respect of the highest paid director are as follows:

	2022 £000	2021 £000
Emoluments	<u>190</u>	<u>109</u>
Company contributions paid in respect of money purchase schemes	<u>16</u>	<u>16</u>

During the year, the highest paid director exercised nil share options (2021: 2,394) and nil share options (2021: 1,443 share options) were granted in respect of a deferred share bonus plan (DSBP). See note 23.

Certain directors are also directors of The Go-Ahead Group Limited and are remunerated by The Go-Ahead Group Limited. It is not practical to allocate their remuneration between their services as directors of The Go-Ahead Group Limited and their services to the Group's subsidiaries. For details on the remuneration of the directors of The Go-Ahead Group Limited please refer to the Go-Ahead Group Limited's consolidated financial statements, available as described in note 25.

8. Exceptional items

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

The exceptional items are made up as follows:

	2022 £000	2021 £000
Impairment of tangible fixed assets – owned	-	(230)
	<u>-</u>	<u>(230)</u>
	<u>-</u>	<u>(230)</u>

Year ended 2 July 2022

Total exceptional operating items in the year comprised £nil (2021: £230,000) to the income statement.

9. Interest payable/ (receivable) and similar expenses

	2022 £000	2021 £000
Unwinding of discount factor applied to insurance provisions	1	(2)
Interest payable on lease liabilities	67	84
	<u>68</u>	<u>82</u>
	<u>68</u>	<u>82</u>

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10. Tax on (loss)/profit

(a) Tax recognised in the income statement

The tax charge / (credit) is made up as follows:

	2022 £000	2021 £000
<i>Current tax:</i>		
UK corporation tax in respect of current year	46	12
UK corporation tax in respect of prior year	12	599
Total current tax	<u>58</u>	<u>611</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(119)	(45)
Adjustment in respect of deferred tax of previous years	35	(40)
Effect of rate change on opening deferred tax balance	263	99
Total deferred tax	<u>179</u>	<u>14</u>
Tax reported in the income statement	<u><u>237</u></u>	<u><u>625</u></u>

(b) Income tax recognised in other comprehensive income

	2022 £000	2021 £000
Tax relating to items that may be reclassified	(11)	(88)
Total tax recognised in comprehensive income	<u><u>(11)</u></u>	<u><u>(88)</u></u>

(c) Reconciliation

The tax assessed on the (loss)/profit for the year is higher than the standard rate of corporation tax in the UK. The standard rate of corporation tax for the year ended 2 July 2022 was 19% (2021: 19%).

A reconciliation of income tax applicable to accounting profit/ (loss) before tax at the statutory tax rates for the years ended 2 July 2022 and 3 July 2021 is as follows:

	2022 £000	2021 £000
Profit/(loss) before tax	<u>(330)</u>	<u>146</u>
At United Kingdom tax rate of 19% (2021:19%)	(63)	28
Adjustment in respect of deferred tax in prior periods	35	(40)
Adjustment in respect of current tax of previous periods	12	599
Expenses not deductible for tax purposes	12	-
Effect of rate change on opening deferred tax balance	262	99
Other timing differences	(22)	(61)
Total reported in the income statement (note 10(a))	<u><u>237</u></u>	<u><u>625</u></u>

10. Tax on (loss)/profit (continued)

(d) Current tax (assets)/liabilities

	2022 £000	2021 £000
Current tax liability/(asset) at start of year	928	(1,041)
Corporation tax reported in income statement (note 10(a))	58	611
Paid in the year	(928)	1,358
Current tax liability at end of year	<u>58</u>	<u>928</u>

(e) Deferred tax

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

	2022 £000	2021 £000
<i>Deferred tax liability</i>		
Accelerated capital allowances	(1,361)	(1,182)
Deferred tax liability	<u>(1,361)</u>	<u>(1,182)</u>
<i>Deferred tax asset</i>		
On cashflow hedges	-	11
Deferred tax asset	<u>-</u>	<u>11</u>

The movements in deferred tax in the income statement and in equity are as follows:

	27 June 2020 £000	Recognised in income £000	Recognised in equity £000	3 July 2021 £000
Accelerated capital allowances	(1,168)	(14)	-	(1,182)
On cashflow hedges	99		(88)	11
	<u>(1,069)</u>	<u>(14)</u>	<u>(88)</u>	<u>(1,171)</u>
	3 July 2021 £000	Recognised in income £000	Recognised in equity £000	2 July 2022 £000
Accelerated capital allowances	(1,182)	(179)	-	(1,361)
On cashflow hedges	11		(11)	-
	<u>(1,171)</u>	<u>(179)</u>	<u>(11)</u>	<u>(1,361)</u>

(f) Factors that may affect future tax charge

The standard rate of UK corporation tax is 19% and therefore 19% applies to the current tax charge arising during the year ended 2 July 2022. Legislation within the Finance Bill 2021 amended this rate to 25.0% with effect from April 2023 and therefore 25.0% has been applied, where applicable, to the Company's deferred tax balance as at the balance sheet date for amounts which are expected to reverse after this date.

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11. Dividends

	2022 £000	2021 £000
Paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2022 nil p per share (2021: nil p per share)	-	-

There were no dividends proposed as at 2 July 2022.

12. Property, plant and equipment

	<i>Plant & Equipment</i> £000	<i>Rolling Stock</i> £000	<i>Total</i> £000
Cost:			
At 3 July 2021	5,008	31,733	36,741
Additions	13	591	604
Disposals	(5)	(1,482)	(1,487)
Intercompany transfers	202	(1,864)	(1,662)
At 2 July 2022	5,218	28,978	34,196
Depreciation:			
At 3 July 2021	4,321	17,145	21,466
Provided during the year	288	1,859	2,147
Disposals	(5)	(1,366)	(1,371)
Intercompany transfers	254	(1,581)	(1,327)
At 2 July 2022	4,858	16,057	20,915
Net book value:			
At 2 July 2022	360	12,921	13,281
At 3 July 2021	687	14,588	15,275

The impairment gain in the year includes £nil (2021: gain £230,000) which arose following a strategic review and is included within exceptional items in the income statement. Please refer to note 8 for further details.

Capital commitments

	2022 £000	2021 £000
Contracted but not provided for in the financial statements	-	-

13. Leases

Right-of-use assets

	<i>Land & Buildings £000</i>	<i>Rolling Stock £000</i>	<i>Total £000</i>
Cost:			
At 3 July 2021	846	3,320	4,166
Additions	-	90	90
Disposals	-	(231)	(231)
	<hr/>	<hr/>	<hr/>
At 2 July 2022	846	3,179	4,025
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 3 July 2021	252	903	1,155
Provided during the year	126	525	651
Disposals	-	(231)	(231)
	<hr/>	<hr/>	<hr/>
At 2 July 2022	378	1,197	1,575
	<hr/>	<hr/>	<hr/>
Net book value:			
At 2 July 2022	468	1,982	2,450
	<hr/>	<hr/>	<hr/>
At 3 July 2021	594	2,417	3,011
	<hr/>	<hr/>	<hr/>

The average lease term of the right of use assets as at the balance sheet date was 4.7 years.

Lease liabilities

The balance sheet includes the following amounts:

	<i>2022 £000</i>	<i>2021 £000</i>
Current	639	916
Non-current	1,888	2,442
	<hr/>	<hr/>
Lease liabilities	2,527	3,358
	<hr/>	<hr/>

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

	<i>2022 £000</i>	<i>2021 £000</i>
Less than one year	689	954
One to two years	668	649
Two to three years	581	638
Three to four years	575	568
Over four years	135	735
	<hr/>	<hr/>
Total undiscounted lease liabilities	2,648	3,545
	<hr/>	<hr/>

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Amounts recognised in the income statement

	2022 £000	2021 £000
Interest payable on lease liabilities	67	84
	<u>67</u>	<u>84</u>

14. Investments

	Total £000
<i>Cost:</i>	
At 3 July 2021 and 2 July 2022	5,375
<i>Depreciation:</i>	
At 3 July 2021 and 2 July 2022	(1,625)
<i>Net book value:</i>	
At 2 July 2022	3,750
At 3 July 2021	<u>3,750</u>

Details of the investments are listed below:

Company	Shares held	Shareholding	Principal activity
Go-Ahead Finance Company - 04699524	"H" Ordinary	10%	Dormant
Tom Tappin, Limited - 00350802	Ordinary	100%	Bus sightseeing tours

The Company directly holds 10 £1 "H" ordinary shares in Go-Ahead Finance Company. This represents 10% of the company's issued ordinary share capital. The company is registered in the United Kingdom as an unlimited liability company.

All subsidiaries are incorporated in the United Kingdom. The registered office of all subsidiaries is 3rd Floor, 41-51 Grey Street, Newcastle-upon-Tyne, NE1 6EE. The dormant company listed above has taken advantage of the UK Companies Act 2006, S480 exemption from audit.

15. Inventories

	2022 £000	2021 £000
Raw materials and consumables	<u>245</u>	<u>251</u>

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

16. Trade and other receivables

	2022 £000	2021 £000
<i>Amounts due within one year</i>		
Trade receivables	1,082	1,132
Prepayments	457	533
Accrued income	1,192	460
VAT	806	338
Government debtors	3,125	5,419
	<u>6,662</u>	<u>7,882</u>
	2022 £000	2021 £000
Contract assets (included in Accrued income above)	<u>1,192</u>	<u>55</u>

Amounts receivable from central government principally comprises amounts relating to the CBSSG grant scheme associated with the COVID-19 pandemic.

Accrued income primarily comprises contract income which is billed on a regular basis and which is reclassified to trade receivables at the point at which it is billed.

Contract assets have increased during the year as a result of the network review increasing contracts held with the County Council.

During the financial year, £nil was recognised in respect of recovery of impairment losses arising from contracts with customers. (2021: £nil).

The credit risk associated with the Company's trade and other receivables is explained in the Strategic Report.

17. Trade and other payables

	2022 £000	2021 £000
Trade payables	1,765	809
Other taxation and social security	590	470
Amounts due to Group undertakings	19,046	20,837
Other payables	237	220
Accruals	824	1,007
Deferred income	1,351	1,992
	<u>23,813</u>	<u>25,335</u>

	2022 £000	2021 £000	2020 £000
Contract liabilities (included in deferred income)	1,351	81	9
	<u>1,351</u>	<u>81</u>	<u>9</u>

Deferred income principally comprises amounts relating to season tickets purchased by customers.

Amounts owed to Group undertakings are repayable on demand, non-interest bearing and not secured. Amounts due to Group undertakings referred to owed subsidiaries of the Group.

Contract liabilities are made up of funds received under contract terms for services not yet carried out. This has decreased in the year due to a large contract ending in the year.

18. Provisions

	Uninsured claims £000
At 3 July 2021	544
Provided in year	451
Utilised	(437)
Released	(140)
Unwinding of discounting	(1)
At 2 July 2022	<u>417</u>

Uninsured claims represent the cost to the Company to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not been reported to the Company by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within 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 historic trends which 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 twelve months.

19. Pension commitments

The Company participates in both a defined contribution scheme and a defined benefit scheme:

Defined contribution:

During the year ended 2 July 2022, the Company participated in The Go-Ahead Group Pension Plan (Go-Ahead Plan). The defined contribution section of the Go-Ahead Plan is 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 Saving Section, which is also defined contribution.

The expense recognised for the Money Purchase Sections of the Go-Ahead Plan is £464,000 (2021: £460,000), being the contributions paid and payable. At the balance sheet date contributions of £nil were outstanding to the scheme (2021: £Nil).

The expense recognised for the Workplace Saving Scheme is £268,000 (2021: £272,000), being the contributions paid and payable. At the balance sheet date contributions of £nil were outstanding to the scheme (2021: £Nil).

Defined benefit:

During the year to 2 July 2022, the Company participated in a scheme which is part of The Go-Ahead Group Pension Plan (Go-Ahead Plan).

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 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 accounts on the basis of contributions paid by that company. The Group accounts for the difference between the aggregate IAS 19 (revised) cost of the scheme and the aggregate contributions paid.

The Go-Ahead Plan is governed by a Trustee Company in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2021.

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.

As the scheme is closed for future accrual, no contributions have been made by the Company (2021: £nil). As it is not possible to identify the Company's share of the net assets and liabilities of the scheme on a consistent and reasonable basis due to the high volume of members/pensioners and the historic interaction between Group companies, and there is no contractual agreement or stated policy for charging to individual Group entities, the assets and liabilities are fully accounted for within the financial statements of The Go-Ahead Group Limited. Further details of the Group defined benefit scheme are disclosed in the consolidated financial statements of the ultimate parent company, which are available as disclosed in note 25 below.

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20. Bus operating charges

Future minimum rentals payable under non-cancellable operating leases as at 2 July 2022 and 3 July 2021 were as follows:

	2022		2021	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Within one year	-	-	10	-
In two to five years	-	-	-	-
Over five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>

The Company previously categorised the majority of bus leases (vehicles and property) as operating leases, under IAS 17.

The majority of bus leases and rail rolling stock leases are now deemed to be right of use assets, following the implementation of IFRS 16, and are now recognised on the balance sheet, with a corresponding lease liability. The exception is for short term and low value assets.

21. Related party transactions

The Company is a 100% subsidiary of The Go-Ahead Group Limited. Advantage has been taken of the exemptions in paragraph 8 (k) of Financial Reporting Standard 101 and transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly-owned by such a member, have not been disclosed. In line with the wider Go-Ahead Group Limited policy, receivable and payables balances held with each related party are settled monthly on a net basis, therefore the balances are presented net in the financial statements.

Amounts due to Group subsidiaries below referred to owed subsidiaries of the Group.

The following shows the amounts due to/from related parties as at the year-end:

	2022	2021
	<i>Group subsidiaries £000</i>	<i>Group subsidiaries £000</i>
Amounts due to related parties	<u>19,046</u>	<u>20,837</u>

L C Marion is a non-executive director of The Low Carbon Hub IPS Limited, a local Industrial and Provident Society. The society owns a solar PV array which has been installed on the roof of the Company's depot premises in Cowley, as part of an innovative community-financed partnership model.

The Company purchases the electricity generated by the solar PV array and during the year payments of £6,477 (2021: £3,111) were made to the Low Carbon Hub IPS Limited in respect of this arrangement. The directors consider this to be a fully arms' length agreement.

22. Share capital and reserves

Share capital:

	<i>No.</i>	<i>Allotted, called up and fully paid</i>	
		<i>2022</i>	<i>2021</i>
		<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	1,028,850	1,029	1,028,850
		<u>1,029</u>	<u>1,029</u>

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

Hedging reserve:

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

23. Share-Based Payments

Share Incentive Plan

The Company participates in an HMRC approved share incentive plan, operated by the ultimate parent undertaking, known as The Go-Ahead Group Limited Share Incentive Plan (the "SIP"). The SIP is open to all Group employees (including executive directors) who have completed at least six month's service with a Group company at the date they are invited to participate in the plan.

The SIP permits The Go-Ahead Group Limited 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.

On 10 October 2022, the Group was acquired by Gerrard Investment Bidco Limited and the SIP ceased to operate.

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for directors and certain other 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.

The expense recognised for the DSBP during the year to 2 July 2022 was £17,000 (2021: £20,000).

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 weighted average fair value of options granted during the year was £8.32 (2021: £8.32).

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

	<i>2022</i>	<i>2021</i>
	<i>No.</i>	<i>No.</i>
Outstanding at the beginning of the year	5,359	4,836
Granted during the year	-	3,546
Forfeited during the year	-	-
Exercised during the year	(332)	(3,023)
Outstanding at the end of the year	<u>5,027</u>	<u>5,359</u>

The weighted average exercise price of options exercised during the year was £5.20 (2021: £8.12).

23. Share-Based Payments (continued)

At the year-end, nil (2020 2,320) options related to DSBP awards which vested before the year end but which have not yet been exercised by participants. Of these, 700 options, relating to the DSBP award granted in November 2019, will be eligible to vest from November 2022 following the end of a three-year deferral period.

The year-end weighted average exercise price of the options was £15.80 (2021: £11.40).

The weighted average remaining contractual life of the options was 1.13 years (2021: 1.97 years).

Following the year-end, Go-Ahead announced they had reached agreement on the terms of a recommended cash offer for the Group, pursuant to which Bidco would acquire the entire issued and to be issued share capital of Go-Ahead (the Scheme of Arrangement becoming effective 10 October 2022). All DSBP awards were paid out in cash in line with the terms in the Scheme of Arrangement.

24. Derivatives and Financial Instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. During the year ended 2 July 2022, the Company ceased to use energy derivatives to hedge its risks associated with fuel price fluctuations and this is now instead considered at a Group level.

(a) Fair values

The fair value of the Company's financial instruments carried in the financial statements have been reviewed as at 2 July 2022 and 3 July 2021 and are as follows:

	2022 £000	2021 £000
Current assets	-	4
Current liabilities	-	(39)
Non-current liabilities	-	-
Total liability	-	(35)

The fair values shown above have been calculated by discounting cashflows at prevailing interest rates.

The Company 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

During the year ended 2 July 2022, there were no transfers between valuation levels.

(b) Hedging activities

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

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.

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24. Derivatives and Financial Instruments (continued)

The changes in the fair values of the fuel derivatives during the year are as follows:

	2022 £000	2021 £000
Changes in fair value of hedged item	(35)	513
Changes in fair value of hedging instrument	35	(513)
Changes in fair value through the hedging reserves (net of tax)	22	139

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

	2022 £000	2021 £000
Balance in the cashflow hedging reserve for continuing hedges	-	(22)
Balance in the cashflow hedging reserve arising from hedging relationships for which hedge accounting is no longer applied	-	-

25. Ultimate parent company and controlling party

The immediate parent company and immediate controlling party of City of Oxford Motor Services Limited is Go-Ahead Holding Limited, a Company incorporated in United Kingdom and whose registered office is 3rd Floor, 41 - 51 Grey Street, Newcastle upon Tyne NE1 6EE, United Kingdom. Go-Ahead Holding Limited is owned by The Go-Ahead Group Limited (which was reregistered as The Go-Ahead Group Limited on 13 October 2022 (the "Group")).

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party as at 2 July 2022 was The Go-Ahead Group plc (which was reregistered as The Go-Ahead Group Limited on 13 October 2022) (the "Group"), a company incorporated in United Kingdom whose registered office is 3rd Floor, 41 - 51 Grey Street, Newcastle upon Tyne NE1 6EE, United Kingdom.

The Group was also the parent undertaking of the Group of undertakings for which Group financial statements were drawn up, and it was also the largest and smallest parent company preparing Group financial statements. Copies of the Group's financial statements can be obtained from Companies House.

On 10 October 2022, the Group was acquired by Gerrard Investment Bidco Limited ("Bidco"). Bidco is a newly formed company whose ultimate parent company is Gerrard Investment Topco Limited which is indirectly owned by Kinetic TCo Pty Limited and Global Via Infraestructuras SA.

As such from 10 October 2022, in the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Gerrard Investment Topco Limited, a Company incorporated in United Kingdom whose registered office is C/O Hackwood Secretaries Limited, One Silk Street, London, EC2Y 8HQ, United Kingdom.

26. Post balance sheet events

On 10 October 2022, The Go-Ahead Group plc was acquired by Gerrard Investment Bidco Limited ("Bidco"). Bidco is a newly formed company indirectly owned by Kinetic TCo Pty Limited ("Kinetic") and Global Via Infraestructuras SA. ("Globalvia").

On 19 August 2022, the DfT announced that the Bus Recovery Grant (BRG) will be extended for a further 6 months to the end of March 2023, with £130.0m of funding available for UK bus services. Following this, on 17 February 2023 a further extension of BRG funding to 30 June 2023 was announced, with an additional £80.0m of funding available.

On 5 September 2022, the Company's ultimate parent company at this date, The Go-Ahead Group plc (since reregistered as The Go-Ahead Group Limited on 13 October 2022), was subject to a cyber incident where unauthorised access was gained to Go-Ahead's IT systems. Refer to page 73 of the Group's 2022 Annual Report and Accounts for further information. The Company's finance IT infrastructure, including its accounting system are integrated into the Group's IT infrastructure. This caused disruption to our operations for the period of time until the systems were fully restored, however contingency measures were quickly put into place to minimise the impact.

On 19 December 2022, the DfT announced the introduction of a scheme to cap most single bus fares in England (outside London) to £2 from 1st January 2023 until 31st March 2023, with funding available for UK bus services of £60.0m. Following this on 17 February 2023 an extension to the scheme was announced to 30 June 2023, with £75.0m of additional funding available.