Registered No: 03949597

Go South Coast Limited

Annual Report and Financial Statements

Year ended 3 July 2021

Registered No: 03949597

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Strategic report

The directors present their strategic report for the year ended 3 July 2021.

Go South Coast Limited (the "Company") is a wholly owned subsidiary of The Go-Ahead Group plc (the "Group").

Business Review

The principal activities of the Company are provision of the following services:

- commercial local bus services throughout Bournemouth/Christchurch/Poole, Dorset, Swindon, Wiltshire, Southampton, South West Hampshire and the Isle of Wight
- tendered bus services to local authorities, including school transport
- contracted bus and coach services to large organisations, including universities and supermarkets
- repair and refurbishment of public service and other vehicles, including re-paints and seat re-trimming
- private hire

The profit for the year after taxation amounted to £621,000 (2020: £1,302,000).

The Company continues to develop and evolve targeting growth through providing reliable, comfortable and friendly bus services that give customers good value for money.

Key Performance Indicators

The key performance indicators during the year were as follows:

	2021 £000	*2020* £000	Change %
Revenue	93,086	96,597	(3.6)
Operating profit	1,005	7,309	(86.2)
Profit after tax	621	1,302	(52.3)
Investment in Vehicles and Equipment	2,766	6,853	(59.7)
Operating Profit Margin	1.1%	7.6%	

	2021 No.	*2020* No.	Change %
Total Passenger Journeys	29,239,763	46,955,545	(37.7)
Average number of employees	1,774	1,883	(5.8)

Impact of COVID-19

The above KPIs have all been adversely affected due to the impact of COVID-19 in the period. Throughout the pandemic the Company has maintained the three key priorities to safeguard the health and wellbeing of our colleagues and customers; to play our role in society in challenging times; and to protect our business. During the ongoing impact of the pandemic, we utilised the coronavirus job retention scheme, PPN02/20 and Coronavirus Bus Services Support Grant to ensure the Company continued to provide essential services to the communities we serve, to ensure the safety of our customers and employees, and to allow the Company to break-even from a profit and loss perspective.

Future developments

We strongly believe that vibrant local bus services are an important means of tackling congestion and reducing air pollution. The networks across the Company's operating area will continue to evolve to meet the needs of the communities we serve and the needs of our diverse stakeholders.

COVID-19 will continue to have a significant impact on our existing markets and trends including working-from-home, and online retail will continue to affect customer demand.

Strategic report (continued)

Future developments (continued)

The Company plans to achieve a recovery in existing markets by offering enhanced products and services including: the development of tap on tap off technologies, improved mobile ticketing apps, next stop video and audio announcement, and improved reliability through investment in real time information systems as well as close partnership with local authorities in delivering further improvements to customers through National Bus Strategy Funding.

We have, over the last year worked closely with our Local Authority colleagues on maintaining service levels as recovery from the pandemic continues - agreeing service levels and identifying additional services for key workers. Since the spring we have worked closely with local authorities on developing Bus Service Improvement Plans (BSIPs) in advance of Enhanced Partnerships (EPs) later this year. We have been pro-active in identifying areas where pinch points exist across the network as well as working on the development of the BSIPs in partnership with our Highway Authority partners.

We have developed bids for the DfT Zero Emission Bus Regional Bus Area fund bid and have progressed to the second stage of the competition with both Swindon Borough Council and Southampton University/Southampton City Council for electric buses for each of these areas. A bid for Bournemouth, Christchurch & Poole did not progress to the second stage, however we are working with partners on alternative approaches in this area.

In advance of EP's we have continued to work with our local authority partners on live projects, delivering improvements in reliability, overall journey time improvements and air quality improvements. Major schemes underway include the Transforming Cities Bids to improve journey time reliability on several corridors in Bournemouth and Poole as well as Southampton and Hampshire as well as improvements to Ryde Interchange as part of the Portsmouth & IoW Transforming Cities Fund project. We also continue to participate in the Solent Future Mobility Zone programme which will include working with other transport providers for end-to-end transport solutions.

The Company will continue to compete for local authority and other contracts.

The Company continues to assess acquisition opportunities on a regular basis.

Risk management objectives and policies

The Company has procedures in place to assess, prioritise, monitor and mitigate business risks. The principal business risks monitored in this way include the economic, environmental, political and financial instrument risks.

➢ *Economic risks*

Although passenger income demonstrated sustainable growth pre-COVID-19, the Company remains heavily dependent on macro-economic trends in the Hampshire, Dorset, Isle of Wight and Wiltshire areas where the Company's customers are largely focused.

➢ *Environmental risks*

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.

➢ *Political risk*

The Bus Services Act became law in April 2017. The act gives local authorities the ability to form stronger partnerships with bus operators. We intend to utilise these powers, especially to tackle congestion and air quality issues. The act also gives combined authorities with a directly elected mayor powers to impose 'franchising' of bus services. None of the local authorities in our area form part of a combined authority. Although individual councils may apply to the Secretary of State to make a franchising scheme, we believe such arrangements would not be in the public interest. We work very closely with our public sector partners to help them achieve their policies and objectives, such as improving air quality and promoting economic growth, which makes a desire to change the current regulatory structure unlikely.

The Company receives reimbursement from a number of Travel Concessionary Authorities (TCA) in relation to concessionary journeys undertaken as a result of the Government's English National Concessionary Travel Scheme. The level of reimbursement is set by the TCA and can be varied each year. There is an appeal process in place which can be used to challenge the reimbursement, if necessary.

The Company frequently communicates with all colleagues, through colleague briefings, pizza nights and via written and electronic media. It also continues to engage fully with the trade unions, through consultation bodies on pay deals and working conditions.

Strategic report (continued)

Risk management objectives and policies (continued)

➢ *Financial risk management objectives and policies*

The Company's principal financial instruments comprise cash and intercompany loans. Other financial assets and liabilities, such as trade payables and trading balances with the Go-Ahead Group plc group of companies, arise directly from the Company's operating activities. 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
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. The Company closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate.

Commodity price risk
The core policy is to be fully hedged for the next financial year before the start of that year, with at least 50% of the following year fixed and 25% of the year thereafter. This hedging profile is then maintained on a month by month basis. Additional purchases can be made to lock in future costs, subject to Group Board approval. Risk component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased fuel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the risk component and there is a strong correlation between the movements in the price of the derivative and the fuel price purchased.

Variances in pricing between the derivative commodity and the purchased price relate to underlying costs such as duty and delivery and are excluded from the hedge relationship.

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
Liquidity risk is mitigated 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 COVID-19*

The Company reduced vehicle mileage in response to the COVID-19 situation and as a result, fuel usage reduced. Due to the timing of the reduction in volumes, hedging volumes were altered in advance of year end and in respect of the forthcoming year based upon revised assumptions as outlined in our going concern scenarios. The COVID-19 situation meant that there was greater estimation uncertainty in our forecasts for fuel consumption; however, the return of passengers and the Government's current desire to operate as close to 100% of existing services has reduced the commodity price risk and sensitivity.

Strategic report (continued)

Risk management objectives and policies (continued)

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

The Company is dependent on a strong and vibrant local economy for continued success and to support this the directors work closely with many business associations including our local Chambers of Commerce and Local Enterprise Partnerships. Through working in partnership with these groups the Company is able to support and help protect the local economy.

As a major employer the Company has many colleagues originating from countries within the European Union and the directors are committed to making the Company a positive and inclusive place to work for all colleagues.

The majority of the Company's major suppliers are based in the UK and both the revenue and cost base of the Company is therefore primarily denominated in sterling. However, the Company is exposed to some indirect currency risk from suppliers based in the European Union whose cost base is wholly or partly denominated in Euro, primarily in relation to engineering materials used to maintain vehicles. The Company manages this risk through regularly re-tendering contracts for the supply of these parts and ensuring these contracts are denominated in sterling.

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 2021 Annual Report and Financial Statements, pages 26 to 27 for further details on our climate change strategy.

Section 172 of the Companies Act 2006

This report sets out how the directors comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted the Board's decision making throughout the year ended 3 July 2021.

The role of the board and how it operates

The board is responsible for creating and delivering long-term sustainable value for the business. The board is accountable for balancing the varying interests of the business, including those of its ultimate parent, The Go-Ahead Group plc (the "Group"), colleagues, customers and the communities it serves.

The composition of the board and how it operates is set out under Principle Two (Board Composition) of our Corporate Governance Report on pages 9 to 13.

Board Governance

The Board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the year ended 3 July 2021. These principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to help to improve standards of corporate governance. They also support directors to meet the requirements of Section 172 of the Companies Act 2006 by providing guidance on the following areas:

- Purpose and leadership;
- Board composition;
- Director responsibilities;
- Opportunity and risk;
- Remuneration; and
- Stakeholders.

The Corporate Governance Report, which evidences how the Company applies the principles, is included on pages 9 to 13 and is also available on the Company's website.

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

The directors are mindful of their duty to promote the success of the Company for the benefit of its shareholder (and in turn the wider Group), whilst also having regard to the interests of a range of other stakeholders. In doing so, the Board's desire to act fairly for its shareholder, maintain a reputation for high standards of business conduct, and consider the long term consequences of the decisions they take, have underpinned the way it operates at the business. Further details are provided below:

Strategic report (continued)

Section 172 of the Companies Act 2006 (continued)

Section 172(1)(a) and (e) - the likely consequence of any decision in the long-term and the desirability of the company maintaining a reputation for high standards of business conduct

At the Company, actively listening to and engaging effectively with our wide variety of stakeholders is key to ensuring responsible decisions are made. We appreciate the need to ensure that the decisions we take create value for all our stakeholders and support creation of long-term sustainable value so that, ultimately, we can continue to be a vital part of the communities we serve. Please refer to Principle 6 in the Corporate Governance Report on pages 9 to 13 for further details on why and how we engage with our stakeholders and examples of how we responded.

The Group's devolved management operating model is a key feature of the board's decision-making process, with the Group executive directors acting as an intermediary and ensuring there is two-way feedback between the Group Board and Company board. In line with this approach, the viability of a number of principal decisions (for example, acquisitions, disposals major capital investments and bid submissions) will first be considered at our Company Board meetings. If approved, the Group executive directors will then submit a proposal to the Group Board. This process supports the board performing its duties in compliance with the matters set out in paragraphs a-f of section 172 of the Companies Act 2006. For example, in May 2021, agreement was reached between the Group Board and Company board to express interest in a Zero Emission Buses Regional Area bid for electric buses in Swindon.

The Company operates across a wide area of central southern England. This area includes dense urban and rural bus services, along with a large number of bus contracts, coach operations and a vehicle refurbishment business. This diversity means that the Company is not reliant on one particular market. The Company operates a devolved structure, allowing local managers to maintain a close and meaningful relationship with the clients and markets they serve.

The directors take the reputation of the Company seriously which is not limited to only operational and financial performance. The strong reputation and positive stakeholder relationships we have developed over many years have continued to be as important as ever. Particularly as our focus shifted to rebuilding after the impact of the national lockdown, and towards ensuring that we help our communities to grasp this opportunity to build back better, with public transport being crucial in helping to drive a greener and more inclusive economy than we saw immediately prior to the COVID-19 pandemic. During the year, the Company continued to work closely and collaboratively with key industry partners, such as the Department for Transport, local transport authorities and local universities to ensure that bus service provision remains at the right level, government policy is brought into effect, and transport operators receive funding to enable essential services to be delivered.

The directors seek to ensure high standards of ethical conduct, honesty and integrity in our business practices. The board seeks to have a workforce that more accurately reflects diversity of the communities we serve.

During the year, the board approved the Company's modern slavery statement (available on the Company's website). The board also considered the data, and narrative, relevant to the Company's Gender Pay Reporting in preparation for external publication, including proposed improvement plans to enhance performance.

Section 172(1)(b) – the interest of the company's employees

The directors understand the importance of the Company's employees to the long-term success of the business. Communicating with our colleagues was essential during the COVID-19 pandemic and we have gone to great lengths to ensure that colleagues are kept up to date and informed, and that they know we will support them in whatever way we can. For further details of how the Company regularly engages with its workforce, please refer to Principle 6 in the Corporate Governance Report on pages 9 to 13.

Safeguarding the health and wellbeing of the Company's employees (and other stakeholders) remains the main priority for the board. During the year, we have continued to build on the precautionary measures (disclosed in our 2020 annual report and financial statements) to meet the challenging demands brought by COVID-19.

We introduced a number of initiatives to provide greater protection for frontline workers including securing early COVID-19 vaccinations for a significant number of employees, social distancing in the workplace and protective screens on the cab door of buses providing a shielded space should the need arise. Customers have been encouraged to use non-cash methods of payment wherever possible and two colleague videos have been produced to show how to clean the cab of the bus with an anti-viral wipe and how social distancing is to be applied to buses.

Section 172 of the Companies Act 2006 (continued)

Being an employer of choice is important to maintaining a high level of employee retention. The Company endeavours to provide market competitive remuneration and comprehensive benefit packages as well as recognise and reward colleagues for their contribution and commitment. Please refer to Principle 5 in the Corporate Governance Report on pages 9 to 13 for further details on remuneration.

The Company places a premium on an inclusive and diverse workforce, enabling all colleagues to reach their full potential, to be empowered and engaged with a strong commitment to personal development. Key focus areas during the year have been the refresh of our driver training programme such that each driver is trained every year, in areas such as customer care and safe driving. We have also continued with our supervisor training programme. Colleagues from the Company continued to participate in Go-Ahead's Women in Bus programme during the year which is designed to support and empower female colleagues across the business. We are actively working to increase the number of women working for us in all parts of the Company. For example, around 12% of our drivers are women at present, and we plan to double this number by 2024.

Section 172(1)(c) – the need to foster the company's business relationships with suppliers, customers and others.
The board regularly reviews how the Company maintains positive relationships with all of its stakeholders, including suppliers, customers and others.

The directors understand the importance of the Company's supply chain in delivering the long-term plans of both the Company and the Group. Through our Sustainable Supply Charter, we demonstrate high standards of integrity, responsibility and professional conduct. We endeavour to support our suppliers to improve the sustainability of their business. We support the Group's compliance and endeavour to pay suppliers in line with the Prompt Payment Code and, when the reduction of supplier services has been necessary during the COVID-19 pandemic, we have applied a fair and structure process in line with the Company's Sustainable Supply Chain Charter where possible.

Customers are at the heart of the business and the board is dedicated to providing them with safe, convenient and reliable services. Customer satisfaction is a strong indicator of how well we are meeting customers' needs and the directors monitor this through annual surveys conducted by the independent watchdog, Transport Focus, although this year's survey was suspended due to the COVID-19 pandemic. We build relationships with our customers through our passenger-facing colleagues, customer ambassadors and social media channels. Our customers' needs are constantly evolving, and these interactions enable us to better understand the needs of our passengers and where to focus improvements.

We meet regularly with our corporate clients, and before COVID-19 restrictions, ran various activities to engage with passengers, such as Chatty Buses and new bus launch events which will start again as soon as circumstances allow. During the year, we attended a number of public transport user group virtual events such as, for instance, TravelWatch SouthWest.

Please refer to Principle 6 in the Corporate Governance Report on pages 9 to 13 for further details on how we engage with our customers and suppliers.

Section 172(1)(d) - the impact of the company's operations on the community and environment

As a public transport operator, the Company has far reaching impact on the Group (as its ultimate parent company) as well as its customers, employees, regulators and the communities it serves. The Company aims to align its business values, purpose and strategy with the social, economic and environmental needs of its stakeholders, embedding responsible and ethical business policies and practices in everything it does.

We have re-launched our Mix vehicles telematics system at Bluestar, which assists drivers to drive in a smoother, more fuel-efficient way. Following the success of our small Salisbury Electrics fleet, we are now working on a number of zero emission bus projects across the Company.

Bluestar was our first unit to launch free travel for guide dog training in 2019, and we have since adopted this approach across all our operations. During the COVID-19 pandemic, we have continued to help train local guide dog puppies by offering some vital travel experience across our network.

We have worked very closely with local authorities and education establishments during the year following social distancing to ensure sufficient capacity is available on our services such that all children could continue to travel to school. This has involved us operating around 30 additional school services each day.

Strategic report (continued)

Section 172 of the Companies Act 2006 (continued)

For further information on the impact of the Company's operations on the community and environment including engagement, please refer to Principle 6 in the Corporate Governance Report on pages 9 to 13 and our 2021 Sustainability Report, which is available for download from our website.

Section 172(1)(f) - the need to act fairly as between members of the company
The Company is owned 100% by Go-Ahead Holding Limited. However, the Company's ultimate parent company and controlling party is the Group.

The Group operates a devolved operating model. Whilst day-to-day management of the Group's activities, governance and oversight has been delegated to the Group executive directors, the directors of the Company both individually and collectively support them in this role and the Company is operated as an autonomous business unit. Board meetings are held on a monthly basis with the Group executive directors in attendance who scrutinise and challenge the local management's team execution of strategy. These more formal meetings are supported by several cross-business forums (such as health and safety, engineering, HR and diversity and inclusion) that serve to facilitate the sharing of knowledge, ideas and best practice. This approach encourages the right balance between local and Group initiatives and facilitates fair discussion and decision-making. It also ensures that we deliver more operating collectively than we would independently.

For details of how the Company engages with the Group, please refer to Principle 6 in the Corporate Governance Report on pages 9 to 13.

The strategic report was approved by the Board of directors on 3 May 2022 and signed on their behalf by:

Ben Murray
Director

Corporate Governance Report

The board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the year ended 3 July 2021. These principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to help to improve standards of corporate governance.

We have adopted the disclosure in our 2021 Annual Report and Financial Statements and set out below is how we have applied the Principles over the past year throughout our work.

Principle 1 – Purpose and Leadership
Whilst the Company does not have a defined purpose statement, it is the board's intention to address this in the year ahead, developing it in partnership with our colleagues and stakeholders. Our purpose will be aligned to our vision which is to be the company that people want to work for, travel with and use.

The following core values underpin our vision:

- Trusting people and taking personal responsibility
- Being down-to-earth, 'can-do' people
- Building relationships and working together
- Staying one step ahead and being adaptable

These values are brought to life and promoted throughout our Company via initial induction training, our employee handbook, promotional posters and through virtual and physical employee briefings. We also strive to reward those who proactively display our values through our Employee of the Month schemes.

The board measures its performance against these values using a number of indicators, including employee turnover, absenteeism, accident rates and the responses of our quarterly engagement surveys.

Our strategic objectives throughout the year ended 3 July 2021, which were amended in response to the challenges faced by the COVID-19 pandemic, were:

- To ensure the safety and protection of our employees, customers and the wider public.
- For the Company to continue to play its vital role in society and local communities. This included providing transport for key workers and those seeking medical care, and as restrictions were eased, contributing to economic recovery through providing transport to work, education, retail and leisure activities.
- Making sure that the Company remained viable and financially sustainable by retaining as many lines of business as possible. This allowed us to protect our employees' jobs and allow for future investment in our fleet and other assets.

Progress on achieving our strategic objectives is measured through accident data, daily reports of the number of employees infected with the virus, as well as the seriousness of this infection, and the results from our bus cleanliness checks. Furthermore, our stakeholder surveys have enabled stakeholders to share their opinions of how we handled service changes throughout the various lockdowns which has proven to be a useful metric of success in regard to our strategic objectives.

We continue to monitor overall financial performance at business unit level on a monthly basis, and passenger journeys and revenue on a daily and weekly basis, paying particular attention to comparisons with the pre-pandemic period.
The business generates its revenue from its operations within the south of England. Revenue comes from members of the public purchasing tickets to travel on its services and from contracts to operate services, both from corporate partners and from local authorities. Additionally, the business receives revenue from local authorities for carrying customers free of charge under the English National Concessionary Travel Scheme. Other sources of revenue include various commercial contracts, educational establishments, vehicle hire and refurbishments, as well as the conducting of MOT tests.

During 2020/21, the Company was also heavily supported by government funding to maintain service provision during the COVID-19 pandemic. In July 2021, we welcomed the Department for Transport's (DfT's) commitment to continue to provide funding for regional bus services in the coming months while passenger volumes remain suppressed. It is critical that a full timetable of services is available so people can continue to travel safely and conveniently on reliable bus services as restrictions begin to ease. Government support is also essential in preserving the bus network which will be vital in supporting societal and economic recovery in months and years to come.

Principle 2 – Board Composition
For the year ended 3 July 2021, the Board comprised the Group Chief Executive and the Group Chief Financial Officer (the Group executive directors), the Managing Director, Finance Director, Operations Director and Engineering Director. Following the year end, Elodie Brian resigned as Group Chief Financial Officer and a director of the Company with effect from 27 September 2021. She was replaced in these roles by Gordon Boyd who was appointed as Interim Group Chief Financial Officer and director of the Company with effect from and including 28 September 2021 up to and including 28 March 2022 when he resigned. David Brown retired as Group Chief Executive and director of the Company with effect from 5 November 2021 and was succeeded in these roles by Christian Schreyer with effect from the same date.

Corporate Governance Report (continued)

All directors on the Board during the year were full time employees of either the The Go-Ahead Group plc (the Group) or the Company. This size and composition of the Board are appropriate for our business and ensures that the Board has the appropriate balance of skills, knowledge and experience.

The Group Chief Executive chairs the board and promotes a culture of open and constructive debate. This role is separate to that of the Managing Director who is empowered to operate the business autonomously with the support of the local management team.

Board meetings are held on a monthly basis, excluding August, with the Group executive directors in attendance who scrutinise and provide independent challenge of the local management team's execution of strategy.

In addition, there are cross business forums that operate at Managing Director, Finance Director, Operations Director and Engineering Director levels. When circumstances permit, the Group Chairman and Group Non-Executive Directors visit regularly to challenge both our strategy and objectives.

The Managing Director reports to the Group executive directors directly on day to day management issues including risk and is responsible for ensuring compliance with the Group's policies and procedures.

The board is committed to developing a more diverse workforce, including at the most senior levels. The Company participates in a number of diversity initiatives including Women in Bus, and also has set targets to increase the number of women working for the company. For further details on the work we have undertaken on diversity and inclusion throughout the year, please see our Section 172 Statement on pages 5 to 8.

The board believes that continuous director training and development supports board effectiveness. With the ever-evolving regulatory landscape in which the Company operates, it is critical that the board maintains a good working knowledge of the transport sector and how the Company operates within its sector, as well as being aware of recent and upcoming developments in the wider legal and regulatory environment. To assist the board in undertaking its responsibilities, regular presentations are provided from senior management. Where required, support is also provided from Group Company Secretariat.

Whilst a formal board evaluation does not take place, the Group executive directors' individual effectiveness was assessed as part of the Group's wider annual review. The individual director effectiveness for the other directors was assessed by functional key performance indicators and formal appraisal interviews.

Principle 3 – Director Responsibilities
The board holds eleven scheduled meetings a year with all directors expected, wherever possible, to attend all board meetings. The board receives regular and timely information (at least monthly) on all key aspects of the business including health and safety, financial performance and KPIs, capital expenditure, contracts and tendering , operating and engineering performance, people and engagement, market and competition, customer surveys and stakeholder engagement, and environmental data.

The Group Board reviews governance processes, including policies and procedures, on at least an annual basis to ensure that these remain appropriate. The Company complies with the Group Policies and Procedures Manual and reports its compliance to the Group annually on a self-certification basis. A comprehensive Operating Company Board Procedures Manual is maintained which provides an overview of the governance and reporting framework within which the board should operate. It includes formal procedures for the working of the board, delegated authorities, the timely provision of appropriate information and the duties and responsibilities of directors, including standards of conduct and compliance. This Operating Company Board Procedures Manual is based on the Manual used by the Group.

The board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Companies Act 2006. All directors are required to make the board aware of any other commitments and actual/potential conflicts of interest that could interfere with their ability to act in the best interests of the company. Situations considered by the board and authorisations given are recorded in the board minutes and in a register of conflicts and are reviewed annually by the board. The authorisations are for an indefinite period, but the board retains the power to vary or terminate the authorisation at any time. The board believes that this system operates effectively.

The board believes in equal opportunities and apply fair and equitable employment practices. Our Code of Conduct states that all employees should be treated with respect and that their health, safety and basic human rights, should be protected. The Company has a zero-tolerance approach to bribery and corruption and all our colleagues are required to adhere to our Anti-bribery and Corruption policy.

Corporate Governance Report (continued)

Principle 4 – Opportunity and Risk
The board seeks out opportunity whilst mitigating risk. Potential opportunities and risks are identified as part of our bottom-up corporate planning process. These include an analysis of competitors, their activities, and their strengths and weakness. Local management also monitors opportunities throughout the year through a number of channels, including stakeholders, trade and political announcements and other local intelligence. These items are brought to the board's attention and discussed in board meetings as appropriate.

A summary of the Company's key principal risks and mitigations are as outlined in the Strategic Report.

Ultimate accountability of risk identification and management lies with the Managing Director, supported by all other directors on the board. Various key risks, particularly around safety, vehicle maintenance, operator licence compliance and financial processes are audited by external organisations. Any deficiencies identified are addressed by management, with all results and outcomes being reported back to the board.

The assessment of key principal and emerging risks is embedded within the day to day operations of the Company. Such assessments are consolidated and reviewed as part of monthly board reporting as well as being reported to the Group twice a year in accordance with full year and half year results reporting. As part of this reporting process, risk reports are completed which outline the key principal and emerging risks facing the company, provide an explanation of the procedures in place to mitigate and manage such risks and prioritise the most important risks from both an inherent and residual perspective. These reports are then discussed with the Group executive directors at bi-annual risk board meetings with discussion focused on the most important risk and control areas within the business. Following such meetings, the Group executive directors report to the Group audit committee with final approval being granted by the Group Board for key risks that could have a material impact on the Group performance, strategy or business model.

The level of risk the Company is willing to take to achieve its strategic objectives, together with the level of risk shock that it can withstand is aligned with that set out in the Group's risk appetite statement. The Company benchmarks its bi-annual risk reporting against the Group's risk appetite statement, with any key risks being identified and discussed with the Group executive directors at bi-annual risk board meetings.

Principle 5 -Remuneration
Remuneration arrangements are based on the principles that reward should be sufficient to attract and retain high calibre directors, senior management and the wider workforce.

For the Managing Director, remuneration is determined by the Group Board in line with the Group's Senior Management Remuneration Policy. Remuneration for the Finance Director, Operations Director and Engineering Director is agreed between the Group Chief Executive and Managing Director. Remuneration is structured to support both the financial objectives and the strategic priorities of the Group in a manner which is aligned with shareholders' and stakeholders' long-term interests. The directors' remuneration is disclosed on page 33 (note 7).

During the year, the Group executive directors were remunerated by the Group. For further details of the remuneration policy which applied to the Group executive directors together with details of the remuneration paid to them in the 2021 financial year, please see pages 108 to 142 of the Group's 2021 Annual Report and Accounts.

Remuneration for senior management and office/administrative roles is reviewed individually and determined by line managers/directors with all changes required to be approved by a director and the Managing Director. Remuneration for most bus drivers and engineers is driven by a collective bargaining process. This approach allows for the Company's local management team to set priorities and adjust remuneration to meet specific demands, taking into account the labour market, workforce aspirations, operating conditions and competitor activity.

During the year, the board considered the data, and narrative, relevant to the Company's Gender Pay Reporting in preparation for external publication, including proposed plans to enhance performance. The mean gender pay gap is 3.8% (or 47p) which is significantly lower than the 14.4% national average. The mean bonus pay gap shows a variance of 45.6% (or £2,532) in favour of men. The median bonus pay gap is 6.1% (or £212).

Principle 6 – Stakeholders
The board is clear on the importance of good governance and effective communication to protect the Company's brand, reputation and relationships with all our stakeholder community including the Group, workforce, customers, local authorities, suppliers, and the local communities in which we work. The board believes that listening and engaging effectively with our key stakeholders is critical to ensuring that the right decisions are made which consider their needs and priorities. In line with this, an established reporting process is in place, where the Company is required to report formally to the Group Board on what engagement has taken place with our key stakeholders and the outcome of such engagement.

When circumstances permit, we hold a bi-annual Stakeholder Conference, to which we invite our main stakeholders. These conferences have been well received over the years, and we have been able to attract high-profile speakers such as a Government minister. We also now provide written updates for all our stakeholders on a regular basis.

Corporate Governance Report (continued)

The Go-Ahead Group plc (the Group)
The Group is the Company's ultimate parent. The board believe that effective communication and proactive engagement with the Group is paramount in establishing a mutual understanding of both the Company's and the Group's wider objectives. The Group executive directors, who also sit on the Company's board, form the primary communication route between the Company's board and the Group Board. This facilitates effective open, transparent and two-way engagement, the feedback from which forms part of the board's strategic discussions.

Engagement with the Group takes the form of updates on key issues, participation in regular forums and, when circumstances permit, visits to the Company by Group personnel. During the year, examples of two-way engagement with Group included approval of the three-year corporate plan, training for mental health first aiders and collaboration on decarbonisation initiatives. During the COVID-19 pandemic, input from the Group has been highly valuable in ensuring that local management stay up to date with latest policy developments from government and are aware of examples of best practice implemented elsewhere in the wider Go-Ahead group.

Workforce
The Company regularly communicates to its employees in a variety of ways such as, for instance, internal media, updates and director forums (taking place virtually rather than physically during the COVID-19 pandemic). All these sessions, either in person or electronically, give plenty of time for discussion and questions. The Managing Director meets long serving employees to celebrate their loyalty, and all employees with five and multiples of five years' service meet their local manager to celebrate.

During the year, the Company introduced a new employee communication app 'Blink', which is designed for dispersed workforces. The app allows two-way communication and is now used by most employees. It always allows for confidential two-way chats. When circumstances allow, directors undertake informal visits to all Go South Coast company locations, which provide another opportunity to give updates and answer questions.

From March 2021, the frequency of our employee engagement surveys was increased from two to four times per year. Quarterly "pulse" surveys are now performed and allow colleagues to provide honest feedback about their experience working at Go South Coast, the results of which provide a measure of colleague engagement and help us identify areas of improvement. The board considers the results of all colleague engagement surveys a good barometer of the workforce's confidence in the Company's strategic direction, optimism in the future and career opportunities. We are delighted that employee turnover has reduced across the company, and the results of the most recent survey suggest that the level of engagement is improving.

The Company's workforce is represented by trade unions and employee representatives and the board strive to foster positive working relationships with them. This has never been more vital than in recent months. The Company has made great efforts through multiple channels to keep colleagues informed and up to date on all government changes and safe working practices during the COVID-19 pandemic.

The Company has a formal whistleblowing policy in place where employees can, in confidence, raise legitimate concerns about wrongdoing within their workplace. This policy is reviewed by the board on an annual basis, with this year's review confirming that the policy remains fit for purpose and enables a good level of communication with colleagues at all levels of the business. The Company makes use of intranet sites, notice boards, the employee app and induction processes to ensure that employees are fully aware of the process for raising concerns and providing a safe and secure environment for doing so. Employees also have access to a wide range of alternative and more informal channels through which to raise concerns. These include at 1:1 meetings with managers, depot forums, driver CPC question and answer sessions and through trade unions. Our employee app and the Managing Director's email and Twitter address are widely publicised to colleagues who can use this to raise concerns that they may be unwilling to raise at a more junior level. The Company also operates an 'open door' policy which gives a further opportunity to raise concerns.

Customers
We build our relationships with our customers through passenger-facing colleagues, customer events, public transport user groups and social medial channels. Our customers' needs are constantly evolving, and these interactions enable us to better understand the needs of our customers. Social media plays an increasing role in our communication and engagement with our customers, providing a platform for customers to engage with the Company and for the Company to understand the needs and demands of our customers. Customer events such as public new bus launches also give an opportunity for the company to interact directly with its customers.

Customer satisfaction is measured through on-bus surveys carried out by independent watchdog Transport Focus. Our most recent results (2019) are industry-leading, with 92.4% of our customers stating that they are satisfied or very satisfied. Customer satisfaction at our Salisbury Reds business was 96%.

Last year, as a result of government-instructed service reductions during the COVID-19 crisis, we asked our customers if they needed additional journeys. We received a number of responses to this request, an example of which was in Southampton, where key workers told us they couldn't get to their shift at Southampton General Hospital. We responded quickly by adding in an extra early morning trip from Weston towards the city centre and Southampton General Hospital, to ensure key workers were able to get to their place of work. This service pattern was reintroduced as the third national lockdown was imposed in January 2021.

Corporate Governance Report (continued)

In response to concerns from customers with social distancing, we also introduced a new online tool offering dynamic, colour coded bus timetables that show seat availability on our services. This gives customers the confidence to plan bus journeys avoiding busy times and allows them to add feedback to a live journey should they wish.

We also maintain and develop our relationships with our corporate customers through regular meetings and site visits, and by providing them with regular KPI reporting on our performance. It is important that we stay in touch with the changing needs of this group of customers and that we listen to them, and stay in touch with wider development that may affect them, so that we can stay one step ahead and act as a trusted advisor, allowing them to make informed decisions on their transport needs.

Suppliers

Our suppliers are fundamental contributors to the success of our business. Regular meetings and forums are held to manage relationships, understand challenges and to source, identify and implement new solutions and alternative ways of working. We work in partnership with suppliers. For example, we regularly hold meetings with our new main bus supplier, and have worked closely with them in improving designs, such as our inter-urban double deck bus layout, and the pioneering 'social seating' layout for buses in Swindon. We also favour smaller local suppliers where possible. These include building contractors, a local electrician, public relations consultancy and fire protection equipment.

Local authorities

Working closely with local authorities enables us to contribute our private sector experience and expertise to the public agenda and produce better policy outcomes and service delivery. We have a constructive and strong relationship with the local authorities in which we operate. Collaboration is built through regular discussion and meetings in order to discuss local short-term priorities as well as to understand the long-term strategic agenda. We are involved in the town planning process with all our councils, and as a matter of routine, comment on all councils' strategic land use plans, as well as major planning applications where these help or hinder bus services. We provide data on bus running times and passenger demand to local highway authorities in order to help them justify bus priority measures or other suitable investment. During the austerity period, we worked with all local councils to minimise the impact of users of public sector funding cuts and have altered and even introduced a new service at the request of the local authority. During the pandemic, we have worked very closely with all local transport authorities in our area, in particular to agree service levels to reflect demand during lockdowns, and also to provide around 30 additional school services to allow extra space for social distancing.

Local communities

Public transport is critical to the functioning of society and has been fundamental in supporting communities through the COVID-19 crisis and other emergencies.

We have sought meaningful ways to engage with and support our communities in many forms. Every year, each business unit within Go South Coast nominates a charity it wishes to support. For example, Salisbury Reds has long supported the Salisbury District General Hospital Stars Appeal and Bluestar's nominated charity this year was Abby's Heroes, a charity which supports children and their families when diagnosed with cancer and who come under the care of University Hospital Southampton. We also operate a Community Fund, where small organisations or individuals can apply for funding for other help-in-kind from us. Recently, this enabled eight year old Jenson, who suffers from a rare genetic disorder, to visit our Morebus depot in Bournemouth.

During the year, we ran a COVID-19 Heroes competition, where communities nominated local people who they felt deserved recognition for their work during the pandemic. This attracted a large response, with the winner's name appearing on a bus in the local area.

In making decisions, the board considers how the Company's activities may impact both current and future stakeholders, which, for example, could include impacts on the environment. For further information on the impact of the Company's operations on the community and environment, please see our 2021 Sustainability Report, available to download from our website.

The corporate governance report was approved by the Board of Directors on 3 May 2022 and signed on their behalf by:

Ben Murray
Director

Directors' report

The directors present their annual report together with the financial statements and auditor's report for the year ended 3 July 2021.

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; and
- Principal risks and uncertainties.

Directors of the Company

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

Steven Hamilton
Andrew Wickham
Ben Murray
David Lee-Kong
Elodie Brian – resigned 27 September 2021
Gordon Boyd – appointed 28 September 2021, resigned 28 March 2022
David Brown – resigned 5 November 2021
Christian Schreyer – appointed 5 November 2021

D Brown and E Brian were directors of the ultimate parent company, The Go-Ahead Group plc (the "Group"), for the year ended 3 July 2021. Following the year end, D Brown and E Brian resigned as directors and were replaced by C Schreyer and G A Boyd respectively with effect from 5 November 2021 and 28 September 2021 respectively. Gordon Boyd subsequently resigned as director on 28 March 2022.

Dividends

Total ordinary dividends paid and proposed in the year were £Nil (2020: £Nil). The directors do not recommend a final ordinary dividend for the year.

Financial instruments

The Company finances its activities with cash and short-term deposits, overdrafts are not used, along with intercompany loans. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Company's operating activities.

Financial instruments give rise to interest rate, credit, price and liquidity risk. Information on how these risks arise is set out in the Strategic Report, as are details on how management approach each risk.

Management and employees

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.

The Company also encourages employee involvement in the Company's performance through a number of share schemes including a Share Incentive Plan and 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.

Directors' report (continued)

The Company communicates with its employees both formally and informally on a variety of issues affecting them and the business.

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 8.

Streamlined Energy and Carbon Reporting

As a subsidiary of The Go-Ahead Group plc, the Company'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 2021 Annual Report and Financial Statements for further details, on pages 283 to 287.

Directors' indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. The Company has also granted indemnities to each of its directors and the Company secretary which represent "qualifying third party indemnity provisions" (as defined by section 234 of the Companies Act 2006), in relation to certain losses and liabilities which the directors (or secretary) may incur to third parties in the course of acting as directors (or secretary) or employees of the Company or of any associated company.

Research and development

The Company continues to seek innovative solutions to current business issues through research and development.

Events after the balance sheet date

There have been no material post balance sheet events identified since the year-end that would require disclosure within the financial statements.

Going Concern

The Company is a wholly owned subsidiary of The Go-Ahead Group plc (the Group). The Company is party to the cross-guarantee of the syndicated loan facility of the Group, the directors therefore consider that the going concern status of the Company is 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 3 July 2021 were prepared on a going concern basis and full details of the going concern assessment can be found on pages 66-68 of this report.

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

Background

A priority over the coming months is helping passengers return to the Group's services and welcoming new passengers who may be looking for a greener, value-for-money travel choice. Whilst the pace and nature of recovery from the pandemic remains uncertain, the Group considers that public transport will play a crucial role. Our business is key part of the communities it serves and has played a fundamental role in supporting them through the pandemic.

Both government and our clients recognised that it was critical to maintain essential services for key workers to get to their places of work and to provide appropriate funding to sustain services. This funding has been testament to the importance of our business and wider industry. In the UK support for Regional Bus took the form of CBSSG (COVID-19 Bus Service Support Grant) up to August 2021 and BRG (Bus Recovery Grant) thereafter, with a current end date for support of March 2022, a final package of support was subsequently announced shortly before this extending until October 2022.

Going concern assessment

The board used the financial forecasts prepared for business modelling and liquidity projection purposes as the basis for its assessment of the Group's ability to continue as a going concern for at least 12 months from the date of approval of the financial statements. As part of this assessment, the Group has also considered the FRC Company Guidance (updated 4 December 2020) (COVID-19), which has encouraged companies to assess current forecasts (corporate plans) with more vigour, consider the impact of different potential scenarios along with a likelihood assessment, and consider both the uncertainty and the likely success of any realistic mitigations. The board have recognised the challenge of reliably forecasting the pace and nature of the recovery from the pandemic.

Directors' report (continued)

Going Concern (continued)

Key areas of forecasting uncertainty include:

- Pace and nature of the recovery from the pandemic in the UK and across the world as vaccination coverage improves and the final restrictions are removed.
- Recovery rates in Regional Bus revenue, including airline and coach services, and the size of the network required to support passenger demand after BRG funding ceases.

The forecasts were modelled using the base case described below and based on the Group's three-year Corporate Plan updated, where relevant, with revised forecasts.

The base case

The assumptions relevant to the Regional Bus segment within the wider Group to which the Company belongs, are :

- Services are maintained at the level required to qualify for BRG (Bus Recovery Grant) funding until the end of March 2022 and, thereafter, at a level commensurate with passenger demand.
- With passenger levels now recovered to the level obtained prior to the impact of Omicron, and the associated changes to guidance and restrictions, they continue to recover through to 2023/24
- Government support for bus services, outside of the Bus Services Operators Grant (BSOG) and concessionary travel, from BRG (Bus Recovery Grant) funding through to March 2022. The forecast was prepared in advance of the announcement that BRG funding would be extended until October 2022 meaning this further funding has not been included in the base case scenario.

Reasonable worst case scenario

This assumes forecasts of severe but plausible downside scenarios related to our principal risks, notably the extent to which the recovery in passenger demand and levels of government support are less favourable than assumed in our base case forecasts.

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

In the Group going concern assessment, in addition to the base case and the reasonable worst case scenario, the Board has reviewed reverse stress tests, in which the Group has assessed the set of circumstances that would be necessary for the Group to breach the limits of its covenants.

Liquidity and covenant testing

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

Mitigating action

At Group level, the Board has considered all mitigations that would be within their control if faced with a short term material EBITDA reduction that would reduce covenant headroom. These include cost efficiencies, additional restructuring, reduction or postponement of capital expenditure, extended suspension of dividend payments, and sale of other assets. Other mitigations could be considered in more severe circumstances, including requests for amendments or waivers of covenants, raising further equity, sale and leaseback of vehicles, disposal of properties and disposal of investments or other assets.

Restructuring

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

Capital expenditure

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

Directors' report (continued)

Going Concern (continued)

Going concern statement

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

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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 8.

Directors' statement as to disclosure of information to auditors

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

The Directors report was approved by the Board and signed on its behalf by:

Ben Murray
Director
3 May 2022

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 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.

Independent auditor's report
to the members of Go South Coast Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Go South Coast Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 3 July 2021 and of its profit 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 statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 28.

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[1], 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.

Independent auditor's report

to the members of Go South Coast Limited

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 about their own identification and assessment of the risks of irregularities.

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, IT 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 identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

Revenue recognition

- obtaining an understanding of the relevant controls relating to contract revenue recognition;
- assessing contract variations with local councils and authorities to source documentation; and
- agreeing a sample of revenue recognised to underlying contractual evidence.

Accounting treatment for UK Government support packages

- obtaining an understanding of the relevant controls over the accounting for transactions within the COVID-19 Bus Services Support Grant (CBSSG) contractual arrangement within the bus business, focusing on the reconciliation process and the assessment of disallowable costs;
- performing a recalculation of the CBSSG claims and assessed the disallowable cost adjustments made by management in relation to the contractual terms to evaluate whether reconciliations were compliant with the scheme conditions;
- challenging the appropriateness of management's assessment of income that could not be recognised due to uncertainty of the outcome of the open reconciliations with the DfT;
- testing the accuracy of historical claims to subsequent approvals by the DfT;
- performing testing over the accuracy and completeness of the data inputs (being passenger numbers and mileage) into management's calculation; and
- assessing the disclosures made in the financial statements, particularly under IAS 1 where judgements or estimates are present.

Independent auditor's report
to the members of Go South Coast Limited

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.

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.

Scott Bayne FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
LeedsUK

3 May 2022

Income statement

for the year ended 3 July 2021

	Notes	2021 £000	2020 £000
Revenue	3	93,086	96,597
Operating costs	4	(92,081)	(89,288)
Operating profit pre-exceptional items	5	1,005	7,309
Exceptional items	8	806	(4,948)
Operating profit post-exceptional items	***5***	***1,811***	***2,361***
Interest receivable and similar income	9	17	4
Interest payable and similar expenses	10	(90)	(123)
Profit before taxation		1,738	2,242
Tax on profit	11	(1,117)	(940)
Profit for the year from continuing operations		621	1,302

Statement of comprehensive income

for the year ended 3 July 2021

	2021 £000	2020* £000
Profit for the year from continuing operations	621	1,302
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss		
Unrealised losses on cashflow hedges	184	(2,734)
Tax relating to items that may be reclassified (note 11)	(171)	379
Other comprehensive expense for the year, net of tax	14	(2,355)
Total comprehensive (expense)/ income for the year	635	(1,053)

*Restated – see note 2

Statement of changes in equity

for the year ended 3 July 2021

	Note	Share capital £000	Hedging reserve £000	Retained earnings £000	Total equity £000
At 29 June 2019		1,977	476	2,798	5,251
Profit for the year		-	-	1,302	1,302
Net movement on hedges, net of tax*		-	(2,355)	-	(2,355)
Profit and total comprehensive expense		-	(2,355)	1,302	(1,053)
Transfer of cash flow hedging losses and cost of hedging to the initial carrying amount of hedged items (net of tax)*		-	691	-	691
Share-based payment charge		-	-	45	45
Exercise of share options		-	-	(34)	(34)
Dividends paid	12	-	-	-	-
At 27 June 2020*		1,977	(1,188)	4,111	4,900
Profit for the year		-	-	621	621
Net movement on hedges, net of tax		-	14	-	14
Profit and total comprehensive expense		-	14	621	635
Transfer of cash flow hedging losses and cost of hedging to the initial carrying amount of hedged items (net of tax)*		-	1,211	-	1,211
Share-based payment charge		-	-	49	49
Exercise of share options		-	-	(46)	(46)
Dividends paid	12	-	-	-	-
At 3 July 2021		1,977	37	4,735	6,749

*Restated – see note 2

Balance sheet

As at 3 July 2021

Registered No: 03949597

	Notes	*2021* *£000*	*2020** *£000*
Assets			
Non-current assets			
Goodwill and Intangible assets	13	50,561	50,662
Tangible fixed assets	14	62,630	68,830
Right-of-use assets	15	2,223	1,470
Investments	16	-	-
Deferred tax assets	11	99	270
		115,513	121,232
Current assets			
Inventories	17	1,515	1,348
Trade and other receivables	18	10,603	8,723
Derivative financial assets*	27	8	-
Cash at bank		539	189
		12,665	10,260
Total assets		**128,178**	**131,492**
Liabilities			
Current liabilities			
Trade and other payables	19	(110,302)	(114,759)
Derivative financial liabilities	27	(72)	(996)
Lease liabilities	15	(658)	(464)
Current tax liabilities	11	(332)	(1,184)
		(111,364)	(117,403)
Net current liabilities		*(98,699)*	*(107,143)*
Total assets less current liabilities		*16,814*	*14,089*
Non-current liabilities			
Trade and other payables	20	(1,003)	(1,104)
Derivative liabilities		-	(462)
Lease liabilities	15	(1,116)	(606)
Deferred tax liabilities	11	(4,828)	(4,042)
Provisions	21	(3,118)	(2,975)
		(10,065)	(9,189)
Total liabilities		**(121,429)**	**(126,592)**
Net assets		**6,749**	**4,900**
Capital and reserves			
Share capital	24	1,977	1,977
Hedging reserve	24	37	(1,188)
Retained earnings		4,735	4,111
Total equity		**6,749**	**4,900**

*Restated – see note 2

The financial statements were approved for issue by the Board of Directors, authorised for issue and signed on their behalf by:

Ben Murray
Director

3 May 2022

Notes to the financial statements
for the year ended 3 July 2021

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

The financial statements of Go South Coast Limited (the "Company") for the year ended 3 July 2021 were authorised for issue by the board of directors on 3 May 2022 and the balance sheet was signed on the board's behalf by B Murray. 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 plc, includes the Company in its consolidated financial statements. The consolidated financial statements of The Go-Ahead Group plc 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 plc 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 plc and its subsidiary undertakings are included in the consolidated financial statements of that company for the year ended 3 July 2021.

The financial statements have been prepared on a historical cost convention, as modified by the 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 Company operates.

The Company has taken advantage of the exemption to prepare Group financial statements on the basis that it is a wholly owned subsidiary undertaking of The Go-Ahead Group plc and is included, together with subsidiary undertakings in the Group financial statements of that Company. These financial statements present information about the Company as an individual undertaking and not about its Group.

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

- the requirements of paragraphs 45(b) and 46–52 of IFRS 2 Share Based Payment
- the requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91–99 of IFRS 13 Fair Value Measurement
- the requirements in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1
  - Paragraph 73(e) of IAS 16 Property, Plant and Equipment
  - Paragraph 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 39(c), 40A, 40B, 40C, 40D, 111 and 134–136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cashflows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Notes to the financial statements
for the year ended 3 July 2021

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
- 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 3 July 2021:

- Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7
- Impact of the initial application of COVID-19 Related Rent Concessions amendment to IFRS 16
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material

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

Prior year restatements
During the year it was identified that the Company had recorded derivatives transactions for which no derivative contract existed. The correction to the 2020 financial statements has resulted in reductions to current derivative financial assets of £6,000, non-current derivative financial assets of £7,000, current derivative financial liabilities of £177,000 and non-current derivative financial liabilities of £222,000, and an increase to deferred tax liabilities of £81,000.

Further, in the statement of other comprehensive income there were reductions to unrealised losses on cashflow hedges of £388,000 and tax relating to items that may be reclassified of £81,000, and a corresponding impact on the hedging reserve in the statement of changes in equity.

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.

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

- **Exceptional operating items**
  In certain years 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. The determination of whether items merit treatment as exceptional in a particular year is therefore a matter of judgement.

  In the prior year, strategic reviews took place and resulted in material, one-off costs arising in relation to restructuring some operations and asset impairments. During the current year, some vehicles that had previously been impaired, were sold for a value that was greater than their carrying value. As a result, an impairment reversal has been recorded in the current year as an exceptional item, to ensure consistency of reporting with the prior year.

  Further details are given in note 8.

Notes to the financial statements
for the year ended 3 July 2021

2.2 *Critical accounting judgements and key sources of estimation uncertainty (continued)*

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

- **Impairment review**
  Management review for impairment if events or changes in circumstances indicate that carrying values may not be recoverable, as set out in note 12. In addition the measurement and impairment review of indefinite life intangible assets requires estimation of the net present value of future cashflows including:
  - Growth in profitability and EBITDA adjusted for risk factors appropriate
  - to each business
  - Future growth rates
  - Timing of future cash outflows such as capital items required
  - The selection of a suitable discount rate adjusted for risk factors appropriate to the Company.

- **COVID-19: Bus – Bus Services Support Grant (CBSSG)**

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

  CBSSG was a grant payable to bus operators in respect of commercial services in return for making available sufficient capacity to run an agreed level of commercial miles. In the prior year when the scheme was introduced, estimating the amount receivable involved significant estimation uncertainty however there is now more evidence available in relation to settled scheme periods and as such there is greater certainty over CBSSG income to be received.

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

Notes to the financial statements

for the year ended 3 July 2021

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 assets of £6,749,000 (2020: £4,900,000 restated) and net current liabilities of £98,699,000 (2020: £107,143,000 restated) including amounts owed to other Group undertakings of £101,653,000 (2020: £106,737,000). 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

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, as well as other miscellaneous revenue streams. Revenue is recognised on satisfaction of performance obligations which are generally clear. Revenue is measured based on the fair value of the consideration received or receivable (excluding discounts, rebates, VAT and other sales taxes or duty) to which the 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, consisting 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 assess 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

Contract revenue generated from services provided on behalf of local transport authorities 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, maintenance and cleaning. Other revenue is recognised in the period to which it relates, for the transaction price specified in the contract.

Revenue in relation to the COVID-19 Bus Services Support Grant (CBSSG) has been recognised within other revenue and is recognised in the period in which the operational revenue and costs it is supporting relate to. CBSSG requires that a minimum level of service is operated and revenue is variable and includes areas of estimation when determining the transaction price with the actual revenue not confirmed until the reconciliation process is complete. The Group has recognised revenue where the amount can be measured reliably and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Judgement is applied in determining whether some amounts are allowable in applying the terms of the scheme.

Notes to the financial statements

for the year ended 3 July 2021

2.3 *Significant accounting policies (continued)*

Interest receivable and similar income
Interest on deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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:

Leasehold property	-	Life of lease
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.

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).

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.

Notes to the financial statements

for the year ended 3 July 2021

2.3 *Significant accounting policies (continued)*

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.

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

Insurance
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 liability is made after taking appropriate professional advice and is based on an assessment of the expected settlement of 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). 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 is reasonable assurance that the grant will be received.

Notes to the financial statements
for the year ended 3 July 2021

2.3 *Significant accounting policies (continued)*

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.

Goodwill
Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate from the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion, are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised in accordance with IFRS 3 Business Combinations. This is a departure from the requirement of paragraph 22 of Schedule 1 to the Regulations for the overriding purpose of giving a true and fair view. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash-generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Customer contracts
Customer contracts relate to the value attributed to contracts and relationships purchased as part of the Company's acquisitions. The value is based on the unexpired term of the contracts at the date of acquisition. Customer contracts have a residual value of £nil and are amortised on a straight- line basis over the unexpired term. The amortisation expense is taken to the income statement as operating costs.

Software
Software, that is not integral to the related hardware, is capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three to five years.

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.

Notes to the financial statements
for the year ended 3 July 2021

2.3 *Significant accounting policies (continued)*

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.

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, interest-bearing loans and borrowings and derivative financial instruments. At initial recognition, the Company measures financial liabilities at fair value plus, in the case of a financial liability not at fair value through the income statement, transaction costs that are directly attributable to the issue of the financial liability.

With the exception of derivative financial instruments, all other financial liabilities are subsequently measured on an amortised 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.

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.

Notes to the financial statements

for the year ended 3 July 2021

2.3 *Significant accounting policies (continued)*

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.

Pensions
The Company is a member of The Go-Ahead Group Pension Scheme operated by The Go-Ahead Group plc 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 plc.

For the defined contribution scheme, 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.

Investments
Investments in subsidiary companies are held at cost.

Share based payment transactions
The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement 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 plc or the employee are not met. When the shares vest, they are purchased from the market by The Go-Ahead Group plc 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.

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.

Notes to the financial statements
for the year ended 3 July 2021

3. Revenue

Revenue recognised in the Income Statement is analysed by class of business as follows:

	2021 £000	2020 £000
Passenger revenue	52,508	65,539
Contract revenue	19,402	22,633
COVID-19 Bus Service Support Grant	17,371	3,173
Other revenue	3,805	5,252
	93,086	96,597

4. Operating costs

	2021 £000	2020 £000
Materials and external charges	27,502	25,766
Staff costs (note 6)	57,172	58,221
Depreciation and amortisation of fixed assets	9,182	9,284
Depreciation of right-of-use assets	384	868
Government grants - COVID-19	(2,159)	(4,851)
	92,081	89,288

Government grant income in relation to the COVID-19 pandemic of £2,159k (2020: £4,851k) relates to the Coronavirus Job Retention Scheme (CJRS). The amounts recognised reflect the grants receivable in respect of the year ended 3 July 2021 and relate to the costs reclaimable for furloughed employees to the extent that it is reasonably certain that the grant will be received.

5. Operating profit

This is stated after charging/(crediting):

		2021 £000	2020 £000
Auditor's remuneration	- audit fee for the audit of the financial statements	125	78
Depreciation of owned fixed assets		9,066	9,126
Depreciation of right-of-use assets		384	868
		9,450	9,994
Amortisation of software		16	18
Amortisation of customer contracts and leasehold benefit		100	140
Release of government grants - acquisition of assets		(321)	(249)
Profit on disposal of tangible assets		27	-

Government grant income of £321k (2020: £249k) is mainly attributable to the release of grants received to support the purchase of electric vehicles and service improvements including smart ticketing, deliverable over a period of up to 12 years.

Notes to the financial statements
for the year ended 3 July 2021

6. Staff costs

	2021 £000	2020 £000
Wages and salaries	51,052	51,953
Social security costs	4,433	4,522
Other pension costs – defined contribution	1,638	1,701
Share based payment charge	49	45
	57,172	58,221

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

	2021 No.	2020 No.
Administration and supervision	27	27
Maintenance and engineering	357	398
Operations	1,390	1,458
	1,774	1,883

7. Directors' emoluments

	2021 £000	2020 £000
Aggregate emoluments in respect of qualifying services	558	507
Aggregate Company contributions paid in respect of money purchase schemes	44	56

	2021 No.	2020 No.
Number of directors accruing benefits under defined benefit schemes	1	-
Number of directors accruing benefits under money purchase schemes	3	3

No directors exercised share options in the ultimate parent company (note 28) during the year (2020: nil)

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

	2021 £000	2020 £000
Emoluments	189	176
Contributions paid to defined contribution pension schemes	20	20

During the year, the highest paid director exercised 2,407 (2020: nil) share options in the ultimate parent company and 2,080 (2020: 1,388) share options were granted in respect of a deferred share bonus plan (note 25).

Certain directors are also directors of The Go-Ahead Group plc and are remunerated by The Go-Ahead Group plc. It is not practical to allocate their remuneration between their services as directors of The Go-Ahead Group plc and their services to the Group's subsidiaries. For details on the remuneration of the directors of The Go-Ahead Group plc please refer to the Go-Ahead Group plc's consolidated financial statements, available as described in note 28.

Notes to the financial statements
for the year ended 3 July 2021

8. Exceptional items

	2021 £000	2020 £000
Asset impairments and restructuring costs	(806)	4,948

Year ended 3 July 2021
In the prior year, strategic reviews took place and resulted in material, one-off costs arising in relation to restructuring some operations and asset impairments. During the current year, some vehicles that had previously been impaired, were sold for a value that was greater than their carrying value. As a result, an impairment reversal of £806k has been recorded in the current year as an exceptional item, to ensure consistency of reporting with the prior year.

Year ended 27 June 2020

Total exceptional operating items in the year comprised a charge of £4,948k to the income statement.
During the prior year, a strategic review was carried out following a decline in operational performance and the impact of COVID-19. As a result of these reviews, several restructuring programmes of varying degrees were initiated during 2020 and a number of specific contracts, services and routes were terminated. In addition, COVID-19 has had a significant impact on certain bus operations, in particular, coaching contracts, airline and other holiday routes. Related assets have also been impaired to reflect the changing environment. An exceptional item of £4,948k has been recognised and comprises £151k of intangible asset impairments, £113k of restructuring costs, £4,200 impairment of assets held for sale and £484k impairment of right of use assets.

9. Interest receivable and similar income

	2021 £000	*2020 £000*
Interest receivable	17	4

10. Interest payable and similar expenses

	2021 £000	*2020 £000*
Interest payable on lease liabilities	90	108
Unwinding of discounting on provisions	-	15
Interest payable and similar charges	90	123

Notes to the financial statements

for the year ended 3 July 2021

11. Tax on profit

(a) Tax recognised in the income statement

The tax charge is made up as follows:

	2021 £000	2020 £000
Current tax:		
UK corporation tax	484	1,243
Prior Year adjustment	(153)	(59)
Total current tax	331	1,184
Deferred tax:		
Origination and reversal of timing differences	(113)	(785)
Adjustments in respect of deferred tax of previous years	(227)	36
Effect of rate change on opening deferred tax balance	1,126	505
Total deferred tax (note 11(e))	786	(244)
Tax reported in the income statement (note 11(c))	1,117	940

(b) Income tax recognised in other comprehensive income

	2021 £000	2020 £000
Tax relating to items that may be reclassified	519	(460)
Total tax recognised in comprehensive income	519	(460)

(c) Reconciliation

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19% (2020: 19%)

The differences are reconciled below:

	2021 £000	2020 £000
Profit before tax	1,738	2.242
At United Kingdom tax rate of 19% (2019: 19%)	330	426
Expenses not deductible for tax purposes	-	-
Share scheme costs not allowable for tax purposes	20	19
Non qualifying depreciation	48	13
Difference between deferred and corporation tax rates	(27)	-
Adjustment in respect of deferred tax of previous periods	(227)	36
Adjustment in respect of current tax of previous years	(153)	(59)
Other timing differences	-	-
Effect of rate change on opening deferred tax balance	1,126	505
Tax reported in the income statement (note 11(a))	1,117	940

(d) Current tax liabilities

	2021 £000	2020 £000
Current tax liability at start of year	1,184	1,406
Corporation tax reported in income statement	331	1,184
Paid in the year	(1,184)	(1,406)
Current tax liability at end of year	331	1,184

Notes to the financial statements
for the year ended 3 July 2021

11. Taxation (continued)

(e) Deferred tax assets and liabilities
The deferred tax included in the balance sheet is as follows:

Deferred tax liability

	2021 £000	2020* £000
Accelerated capital allowances	4,657	3,871
Short term timing differences	171	171
Provision for deferred taxation	4,828	4,042

Deferred tax asset

	2021 £000	2020* £000
On cashflow hedges	99	270
Deferred tax asset	99	270

*Restated – see note 2

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

	29 June 2019 £000	Recognised in income £000	Recognised in equity* £000	27 June 2020* £000
Accelerated capital allowances	(4,133)	262	-	(3,871)
Short term timing differences	(153)	(18)	-	(171)
On cashflow hedges	(109)	-	379	270
	(4,395)	244	379	(3,772)

	27 June* 2020 £000	Recognised in income £000	Recognised in equity £000	3 July 2021 £000
Accelerated capital allowances	(3,871)	(786)	-	(4,657)
Short term timing differences	(171)	-	-	(171)
On cashflow hedges	270	-	(171)	99
	(3,772)	(786)	(171)	(4,729)

*Restated – see note 2

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

(f) Factors affecting future tax charges
The standard rate of UK corporation tax is 19% and therefore 19% applies to the current tax charge arising during the year ended 3 July 2021.

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

12. Dividends

	2021 £000	2020 £000
Paid during the year:		
Equity dividends on ordinary shares		
Final dividend for 2021: nil p per share (2020: nil p per share)	-	-

There were no dividends proposed as at 3 July 2021.

Notes to the financial statements
for the year ended 3 July 2021

13. Goodwill and Intangible assets

	Goodwill £000	Software £000	Customer contracts £000	Total £000
Cost:				
At 27 June 2020	49,887	578	1,464	51,929
Acquisitions	-	15	-	15
Disposals	-	(216)	-	(216)
At 3 July 2021	49,887	377	1,464	51,728
Amortisation:				
At 27 June 2020	-	551	716	1,267
Charge for the year	-	16	100	116
On disposals	-	(216)	-	(216)
Impairment	-	-	-	-
At 3 July 2021	-	351	816	1,167
Net book value:				
At 3 July 2021	49,887	26	648	50,561
At 27 June 2020	49,887	27	748	50,662

Amortisation is included within operating costs in the income statement.

Goodwill
The recoverable amount of goodwill has been determined based on a value in use calculation for each cash generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three-year period which have then been extended over an appropriate period. The directors feel that the extended period is justified because of the long term stability of the relevant income streams. The assumptions used are consistent with the historical performance of each unit and are expected to be realistically achievable in light of economic and industry measures and forecasts. The directors have also considered the implications of climate change, when assessing the medium to long term projections. The Company, as a public transport services provider, has a vital role to play in helping reduce carbon emissions, and they therefore feel there is no adverse impact on the assumptions used.

Growth has been extrapolated forward, using a growth rate of 2.0%, from the end of the three-year forecasts over a total period of five years plus a terminal value using a growth rate of 2.0% which reflects the directors' view of long term growth rates, and the long term recurrent nature of the businesses.

The discount rate has been calculated at 8.7% (2020: 6.7%).

The assessment of the value in use is dependent on judgements surrounding the return of passenger numbers to pre-COVID-19 levels. This is deemed to be a key assumption and is based on management's experience of the local markets and past trends.

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

The calculation of value in use for each CGU is most sensitive to the principal assumptions of discount rate, growth rates and margins achievable. Sensitivity analysis has been performed to understand what the percentage change in the principal assumptions would erode the headroom to zero and from the analysis performed, there was material head room and it would require a material change in assumptions, with an increase in the discount rate to 9.5% and a decrease in the terminal growth rate to 1.2%, for the headroom to erode to zero.

Software
Software is being amortised over its expected useful life of three to five years. Amortisation is included within operating costs in the income statement.

Customer contracts
Customer contracts were acquired as part of an acquisition in September 2016 and are amortised over 11 years.

During the year £nil (2020: £151k) of intangible assets have been impaired to a net book value of £nil.

Notes to the financial statements
for the year ended 3 July 2021

14. Tangible fixed assets

	Long Leasehold Property £000	*Plant & Equipment £000*	*Rolling Stock £000*	*Total £000*
Cost:				
At 27 June 2020	2,514	9,501	120,327	132,342
Additions	-	653	2,113	2,766
Transfer to/from Group undertakings	-	19	12	31
Transfer to/from ROU assets	-	-	1,118	1,118
Disposals	(2)	(1,109)	(6,890)	(8,001)
At 3 July 2021	2,512	9,064	116,680	128,256
Depreciation:				
At 27 June 2020	443	6,465	56,604	63,512
Provided during the year	106	904	8,064	9,074
Transfer from Group undertakings	-	11	(19)	(8)
Transfer to/from ROU assets	-	-	894	894
Disposals	-	(1,109)	(6,737)	(7,846)
At 3 July 2021	549	6,271	58,806	65,626
Net book value:				
At 3 July 2021	1,963	2,793	57,874	62,630
At 27 June 2020	2,071	3,036	63,723	68,830

Details on capital commitments are disclosed in note 26.

Notes to the financial statements

for the year ended 3 July 2021

15. Leases

Right-of-use assets

	Land & Buildings £000	Rolling Stock £000	Total £000
Cost:			
At 27 June 2020	-	3,513	3,513
Transfer to/from Tangible Fixed Assets	-	(1,118)	(1,118)
Additions	1,368	-	1,368
Disposals	-	(30)	(30)
At 3 July 2021	1,368	2,365	3,733
Depreciation:			
At 27 June 2020	-	2,043	2,043
Provided during the year	212	179	391
Transfer to/from Tangible Fixed Assets	-	(894)	(894)
Disposals	-	(30)	(30)
At 3 July 2021	212	1,298	1,510
Net book value:			
At 3 July 2021	1,156	1,067	2,223
At 27 June 2020	-	1,470	1,470

The average lease term is 6 years (2020: 2 years).

Lease liabilities

The balance sheet includes the following amounts:

	2021 £000	2020 £000
Current	658	464
Non-current	1,116	606
Lease liabilities	1,774	1,070

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

	2021 £000	2020 £000
Less than one year	698	500
One to two years	377	468
Two to three years	208	156
Three to four years	192	-
Four to five years	176	-
More than five years	228	-
Total undiscounted lease liabilities	1,879	1,124

Amounts recognised in the income statement

	2021 £000	2020 £000
Interest payable on lease liabilities	90	108
Right-of-use assets depreciation	391	868
	481	976

Notes to the financial statements
for the year ended 3 July 2021

16. Investments
The Company owns 100% of the issued share capital of the companies listed below:

Company	*Shares held*	*Shareholding*	*Principal Activity*	
The Southern Vectis Omnibus Company Limited	Ordinary	100%	Dormant	*
Solent Blue Line Limited	Ordinary	100%	Dormant	*
Marchwood Motorways (Southampton) Limited	Ordinary	100%	Dormant	
Marchwood Motorways (Services) Limited	Ordinary	100%	Dormant	
Wilts & Dorset Investments Limited	Ordinary	100%	Dormant	*
Wilts & Dorset (Holdings) Limited	Ordinary	100%	Dormant	
Wilts & Dorset Bus Company Limited	Ordinary	100%	Dormant	*
Hants & Dorset Trim Limited	Ordinary	100%	Dormant	*
Tourist Coaches Limited	Ordinary	100%	Dormant	*
Hants & Dorset Motor Services Limited	Ordinary	100%	Dormant	*
Southern Vectis Commercials Limited	Ordinary	100%	Dormant	*
Southern Vectis Coaches Limited	Ordinary	100%	Dormant	*
Excelsior Coaches Limited	Ordinary	100%	Dormant	*
Excelsior Transport Limited	Ordinary	100%	Dormant	*
Excelsior Travel Limited	Ordinary	100%	Dormant	*
Thamesdown transport Limited	Ordinary	100%	Dormant	*

* Held directly by Go South Coast Limited.
All subsidiaries are incorporated in the United Kingdom. The registered office for all subsidiaries is 3rd Floor, 41-51 Grey Street, Newcastle-upon-Tyne, NE1 6EE. All dormant companies listed above have taken advantage of the UK Companies Act 2006, S480 exemption from audit.

17. Inventories

	2021 *£000*	*2020* *£000*
Raw materials and consumables	1,515	1,348

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

18. Trade and other receivables

	2021 *£000*	*2020** *£000*
Amounts due within one year		
Trade receivables	3,311	3,477
Other receivables	1,222	528
Prepayments	782	884
Accrued income	5,288	3,834
	10,603	8,723

*Restated – see note 2

Amounts due from Group undertakings are repayable on demand and non-interest bearing. Accrued income and amounts receivable from central government principally comprises amounts relating to contracts with customers.

Notes to the financial statements
for the year ended 3 July 2021

18. Trade and other receivables (continued)

The credit risk associated with the Company's trade and other receivables is explained in the Strategic Report. During the financial year £nil (2020: £nil) was recognised in respect of impairment losses arising from contracts with customers.

	2021 £000	2020 £000	2019 £000
Contract assets	5,288	3,834	3,813

Accrued income and amounts receivable from central government principally comprises amounts relating to contracts with customers.

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.

19. Trade and other payables: amounts falling due within one year

	2021 *£000*	*2020** *£000*
Trade payables	2,693	1,593
Accruals	1,898	1,693
Deferred income	892	2,161
Amounts owed to Group undertakings	101,653	106,737
Other taxation and social security	1,372	981
Other payables	1,794	1,594
	110,302	114,759

*Restated – see note 2

Amounts owed to Group undertakings are repayable on demand, non-interest bearing and unsecured. Deferred season ticket income and deferred income principally comprise amounts relating to contracts with customers.

	2021 £000	2020 £000	2019 £000
Contract liabilities	892	2,161	1,095

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

Contract liabilities at each balance sheet date are expected to be recognised as revenue within the next financial year.

20. Trade and other payables: amounts falling due after more than one year

	2021 *£000*	*2020** *£000*
Deferred government grants	1,003	1,104
	1,003	1,789

*Restated – see note 2

Amounts which fall due for payment > 5 years after 3 July 2021 was £nil (2020: £nil).

Notes to the financial statements
for the year ended 3 July 2021

21. Provisions

	Uninsured claim	*Dilapidation Provision*	*Total*
	£000	*£000*	*£000*
At 27 June 2020	2,802	173	2,975
Provided in the year	1,709	282	1,991
Utilised in year	(1,204)	-	(1,204)
Released in the year	(621)	-	(621)
Effect of discounting	(23)	-	(23)
At 3 July 2021	**2,663**	**455**	**3,118**

Uninsured claims
Uninsured claims represent the cost to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported 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 can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Uninsured claims are provided on a gross basis and a separate reimbursement asset, for amounts due back from the insurance providers, of £182k is included within other receivables.

Dilapidation provisions
Provisions for dilapidation comprise dilapidation costs on leased offices and bus depots and are expected to be settled within the next eleven years.

22. Pension commitment
The Company participates in both a defined contribution scheme and a defined benefit scheme:

Defined contribution:
During the year 3 July 2021, the Company participated in a scheme which is part of The Go-Ahead Group Pension Plan. The defined contribution sections of the Go-Ahead Plan are not contracted-out of the State Second Pension Scheme. The Money Purchase Section is now closed to new entrants, except by invitation from the Company, and has been replaced by the Workplace Saving Section, which is also defined contribution.

The expense recognised for the Money Purchase Sections of the Go-Ahead Plan is £764,000 (2020: £843,000), being the contributions paid and payable. At the balance sheet date, contributions of £nil were outstanding to the scheme (2020: £nil).

The expense recognised for the Workplace Saving Scheme is £874,000 (2020: £858,000), being the contributions paid and payable. At the balance sheet date, contributions of £nil were outstanding to the scheme (2020: £nil).

Defined benefit:
During the year 3 July 2021, the Company participated in a scheme which is part of The Go-Ahead Group Pension 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).

Notes to the financial statements

for the year ended 3 July 2021

22. Pension commitment (continued)

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 2018, and the next will have an effective date of 31 March 2021.

The investment strategy of the Go-Ahead Plan, which aims to meet liabilities as they fall due, is to invest plan assets in a mix of equities, other return seeking assets and liability driven investments to maximise the return on plan assets and minimise risks associated with lower than expected returns on plan assets. Trustees are required to regularly review investment strategy.

As the scheme is closed for future accrual, no contributions have been made by the Company (2020: £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 plc. 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 28 below.

23. Related party transactions

The Company is a 100% subsidiary of The Go-Ahead Group plc. Advantage has been taken of the exemption 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 a party to the transaction is wholly owned by such a member, have not been disclosed.

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

	2021	*2020*
	Group subsidiaries	*Group subsidiaries*
	£000	*£000*
Amounts due to related parties	101,653	106,737
Amounts due from related parties	-	-

24. Share capital

(a) Share capital

			Allotted, called up and fully paid	
		2021		*2020*
	No.	*£000*	*No.*	*£000*
Ordinary shares of £0.10 each	19,770,020	1,977	19,770,020	1,977

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

(b) Hedging reserve

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

Notes to the financial statements

for the year ended 3 July 2021

25. Share-based payments

(a) Share Incentive Plan:

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

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

(b) ***Sharesave scheme:***

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

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

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

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

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

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

	2021 No.	*2021 WAEP £*	*2020 No.*	*2020 WAEP £*
Outstanding at the beginning of the year	-	-	7,143	19.11
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(5,583)	19.11
Exercised during the year	-	-	(1,560)	19.11
Outstanding at the end of the year	-	-	-	-

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

These options are exercisable at a weighted average exercise price of £nil (2020: £nil). This represents an exercise price of £nil (2020: £nil).

(c) 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 3 July 2021 was £48,828 (2020: £44,859).

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 (2020: £21.12).

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25. Share-based payments (continued)

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

	2021 No.	2020 No.
Outstanding at the beginning of the year	9,891	8,267
Granted during the year	6,101	2,366
Forfeited during the year	-	-
Exercised during the year	(2,839)	(742)
Transferred during the year	-	-
Outstanding at the end of the year	13,153	9,891

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

These options are exercisable at a weighted average exercise price of £8.35 (2020: £22.33). This represents a range exercise prices between £8.20 and £9.18 (2020: £22.11 and £22.71).

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.

At the year-end, 1,732 options related to DSBP awards which vested before the year-end but which have not yet been exercised by participants. Of these, 409 related to the award granted in November 2018, 269 options related to the award granted in November 2017, 473 options related to the grant awarded in November 2016 and 581 options related to the grant awarded in November 2015.

2,954 options, relating to the DSBP award granted in November 2018, will be eligible to vest from November 2021 following the end of a three year deferral period.

The year-end weighted average share price of the options was £11.40 (2020: £9.06).

The weighted average remaining contractual life of the options was 1.54 years (2020: 0.78 years).

26. Capital commitments

	2021 £000	2020 £000
Intangible fixed assets		
Contracted but not provided	-	-
Tangible fixed assets		
Contracted but not provided	-	1,974

27. Derivatives and financial instruments

A derivative is a security whose price is dependent upon or derived from an underlying asset. The Company uses energy derivatives to hedge its risks associated with fuel price fluctuations.

(a) Fair values

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

	2021 £000	2020* £000
Current assets	8	-
Non-current assets	-	-
Current liabilities	(72)	(996)
Non-current liabilities	(-)	(462)
Total asset/(liabilities)	(64)	(1,458)

*Restated – see note 2

Notes to the financial statements
for the year ended 3 July 2021

27. Derivatives and financial instruments (continued)

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
As at 3 July 2021, the Company has used a level 2 valuation technique to determine the fair value of all financial instruments. During the year ended 3 July 2021, 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 hedge its exposure to increases in fuel prices, when it deems this to be appropriate.

As at 3 July 2021 the Company had derivatives against bus fuel for the three years ending June 2023. 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.

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

	2021 £000	2020* £000
Changes in fair value of hedged item	1,394	(2,043)
Changes in fair value of hedging instrument	(1,394)	2,043
Changes in fair value through the hedging reserves (net of tax)	14	(2,355)

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

	2021 £000	2020 £000
Balance in the cashflow hedging reserve for continuing hedges	37	(1,188)
Balance in the cashflow hedging reserve arising from hedging relationships for which hedge accounting is no longer applied	-	-

*Restated – see note 2

28. Ultimate parent company and controlling party

The Company's immediate parent undertaking is Go-Ahead Holding Limited, a company incorporated in the United Kingdom and registered in England and Wales whose registered office is 3rd Floor, 41 - 51 Grey Street, Newcastle upon Tyne, NE1 6EE. In the directors' opinion the Company's ultimate parent company and controlling party is The Go-Ahead Group plc, a company incorporated in the United Kingdom and registered in England and Wales whose registered office is 3rd Floor, 41 - 51 Grey Street, Newcastle upon Tyne, NE1 6EE.

The Go-Ahead Group plc is also the parent undertaking of the Group of undertakings for which Group financial statements are drawn up, and it is also the largest and smallest parent company preparing group financial statements. The Go-Ahead Group plc is registered in England and Wales and copies of its financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.