

Registered No: 00091106

# **The City of Oxford Motor Services Limited**

## **Annual Report and Financial Statements**

Year ended 3 July 2021

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L C Marion  
P R Southall  
P Hennigan

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C Ferguson

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# The City of Oxford Motor Services Limited

## Strategic report

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

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

### Business Review

The loss for the year, after taxation, amounted to £479,000 (2020: £4,752,000 loss). £nil dividends were paid and proposed in the year (2020: £nil). The directors do not recommend a final ordinary dividend for the year.

#### Key Performance Indicators

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

|  | 2021<br>£000 | 2020<br>£000 | Change<br>% |
|--|--------------|--------------|-------------|
| Revenue  | 27,198       | 34,069       | (20.2)      |
| Operating (loss) before exceptional items  | (2)          | (922)        | (99.8)      |
| (Loss) for the Financial Year  | (479)        | (4,752)      | (89.9)      |
| Shareholders’ equity   | (1,130)      | (1,078)      | (4.8)       |
| Passenger journeys (‘000)  | 6,045        | 13,593       | (55.5)      |
| Miles operated (‘000)  | 4,955        | 7,383        | (32.9)      |
| Customer satisfaction (City - survey not completed in 2020/21 due to COVID-19 pandemic)        | -            | 91%          | -           |
| Customer satisfaction (Park & Ride - survey not completed in 2020/21 due to COVID-19 pandemic) | -            | 97%          | -           |
| Average number of employees  | 472          | 572          | (17.5)      |

### Principal activities and review of the business

#### City of Oxford Motor Services Limited

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

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

As in the previous year, key performance indicators were significantly impacted by the effects of the COVID-19 pandemic, and the associated restrictions introduced by central government as measures to control the spread of the virus.

The year began with local service mileage operating at approximately 80% of pre-pandemic levels, with passenger journeys at approximately 20% of pre-pandemic volumes – these having dipped as low as 6% of pre-pandemic volumes in the first national lockdown in spring 2020.

The financial year saw a slow and bumpy recovery in passenger numbers, with patronage growing in periods of limited restrictions, but falling again during the second and third national lockdowns, in November 2020 and January to April 2021 respectively. Patronage had recovered to approximately 50% of pre-pandemic volumes by year end, and a total of 6,045,000 passenger journeys were recorded for the year as a whole, this being 32.5% of the volumes recorded in 2018/19.

Miles operated were impacted by the withdrawal of the X90 coach service mid-way through the prior year, the withdrawal of the "PickMeUp" demand responsive service at the end of the prior year, and the operation of a significantly reduced "airline" service to Heathrow and Gatwick airports for the entirety of the year, reflecting the reduced demand for air travel due to pandemic-related restrictions on overseas movement which were in place for the majority of the year. In addition, the timetables for many local services, in particular Park & Ride and University services, were reduced during periods of lockdown restrictions, in line with the terms of government support funding schemes. A total of 4,955,000 miles were operated, equating to 50.5% of 2018/19 levels.

The company was very grateful to central government for the financial support provided through the Coronavirus Bus Services Support Grant ("CBSSG") and Coronavirus Job Retention ("CJRS") schemes and these enabled services to continue to be provided for those who needed to use them throughout the peak of the crisis period. A total of £14,135,000 in revenue was received from the CBSSG scheme (2020: £3,689,000), despite which revenue fell 20% reflecting the drop in consumer patronage. The provision of the grant funding allowed the company to operate at a broadly break-even level during the year, excluding the impact of taxation and exceptional items.

The company paused investment in its fleet during the year due to the uncertainty associated with the pandemic, with just a solitary single deck vehicle being introduced to the fleet during the year for use on the Bicester Village contract with Value Retail plc.

The directors see customer satisfaction as a key indicator. Unfortunately this year it was not possible for Transport Focus to complete their National Bus Passenger Satisfaction Survey, due to the impacts of the pandemic.

Employee numbers decreased by 17.5% in the year. A recruitment freeze was in place for the majority of the year due to uncertainty regarding future staff requirements, and higher than normal levels of staff turnover were observed. Each of these was associated with the pandemic.

## **Future Developments**

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

## **Principal Risks and Uncertainties**

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

### *Interest rate risk*

All surplus cash is transferred to the ultimate parent company, which is invested at a Group level. Interest is charged at a variable rate on Group loans. Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates. However, the exposure is reduced because of the Group control. There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates.

### *Commodity Price risk*

There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates. The Company is exposed to commodity price risk as a result of fuel usage. 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.

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 (such as local authorities, Universities and the DfT) or sales are paid as they arise and historically the annual cost of bad debts has been immaterial, so limited disclosures are therefore provided. The trade receivables from such public bodies are not considered to present a significant credit risk, which is supported by cash payment performance.

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

### *Liquidity risk*

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

### *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 such as the CBI, Thames Valley Chamber 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.

***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 means that there is greater estimation uncertainty in our forecast fuel consumption; however, the Government's support via CBSSG & BRG and its desire to operate as close to 100% of existing services during this period of support, mitigates and reduces the commodity price risk and sensitivity.

**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, stakeholder interests and employee engagement statements**

**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 ("Section 172 Statement").

This Section 172 Statement applies individually and collectively to The City of Oxford Motor Services Limited ("Oxford Bus Company"), Thames Travel (Wallingford) Limited ("Thames Travel"), Carousel Buses Limited ("Carousel") and Tom Tappin, Limited ("Tom Tappin") (together the "Oxford Bus Group") and, for ease of reference, has been replicated in the annual financial statements for each of these companies unless otherwise explained with the exception of Tom Tappin which, under the Companies Act 2006, is entitled to prepare accounts for the year in accordance with the small companies regime.

**The role of the board and how it operates**

The composition of the board is the same for each company in the Oxford Bus Group and hereinafter is referred to individually and collectively as the "Oxford Bus Group Board". The Oxford Bus Group Board is responsible for creating and delivering long-term sustainable value for the business and 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.

Further details of the Oxford Bus Group Board composition and how it operates is set out under Principle Two (Board Composition) of our Corporate Governance Report on pages 10 to 16.

**Board Governance**

The Oxford Bus Group 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 Oxford Bus Group applies the principles, is included on pages 10 to 16 and is also available on each company's website ([oxfordbus.co.uk](http://oxfordbus.co.uk), [thames-travel.co.uk](http://thames-travel.co.uk), [carouselbuses.co.uk](http://carouselbuses.co.uk), and [citysightseeingoxford.com](http://citysightseeingoxford.com)).

**Strategic report (continued)****Compliance with section 172(1) of the Companies Act 2006**

The directors are mindful of their duty to promote the success of the Oxford Bus Group for the benefit of all stakeholders as a whole, while having regard to the interests of a range of other stakeholders. In doing so, the Oxford Bus Group 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 the business. Further details are set out below:

***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 Oxford Bus Group, actively listening to and engaging effectively with our wide variety of stakeholders is key to ensuring responsible decisions are made. Please refer to Principle 6 in the Corporate Governance Report on pages 10 to 16 for further details on why and how we engage with our stakeholders and examples of how we responded.

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.

The Group's devolved management operating model is a key feature of the Oxford Bus Group 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 the Oxford Bus Group Board. In line with this approach, the viability of a number of principal decisions (for example, acquisitions, disposals, restructuring, entry into major new contracts, for example the new contracts with MEPC plc and with Oxfordshire County Council entered into during the financial year, major new route launches or material route withdrawals, and major capital investments) will first be considered at each operating company's 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.

Oxford Bus Group operates across Oxford, South Oxfordshire and Buckinghamshire, with services extending into Hertfordshire, Reading, Greater London and Slough. It also provides services between Oxford and High Wycombe to Heathrow and Gatwick airports. This operating area includes dense urban, inter-urban and rural bus services, along with a large number of bus contracts, coach operations and a tourist-focused bus and walking tours business. This diversity means that the Oxford Bus Group is not reliant on one particular market. Oxford Bus Group 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 Oxford Bus Group 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 partners, such as Oxfordshire County Council, Oxford City Council, Oxford Brookes University, Oxford University, the Department for Transport, and with other major local operators such as Arriva and Stagecoach in Oxfordshire to ensure that bus service provision remains at the right level, government policy is brought into effect, and that suitable funding is received to enable essential services to continue to be delivered.

Our Managing Director, Phil Southall, plays a key role in the economic development of the region that we serve. Phil is the chairman of the Oxfordshire Branch of the Thames Valley Chamber of Commerce and is also a board director of the Oxfordshire Local Enterprise Partnership and the chair of the Oxford Strategic Transport Forum. Phil also helps to represent the wider passenger transport industry through his role as Chairman of the Confederation of Passenger Transport for London and the South East.

The directors seek to ensure high standards of ethical conduct, honesty and integrity in our business practices. The Oxford Bus Group Board seeks to have a workforce that reflects the diversity of the communities we serve. We are committed to The Go-Ahead Group plc's 'Women in Bus' initiative, aiming to increase the percentage of female employees in bus from the current 11% to 20% in the next few years through a focused campaign promoting equal opportunities and inclusivity.

This network aims to provide visible role models to colleagues and to create a forum for women to raise issues, share experiences and support each other. This year, we made some positive progress against this objective with the introduction in May 2021 of an all-female tourism management team. We also restructured our leadership team, and at the end of the year were proud to see 7 female colleagues in leadership roles, from a total leadership team of 25.

During the year, the Oxford Bus Group Board approved the modern slavery statement for the Oxford Bus Company and endorsed it for Thames Travel, Carousel and Tom Tappin (available on each company's website with the exception of Tom Tappin). The Oxford Bus Group Board also considered the data, and narrative, relevant to 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 Oxford Bus Group's employees to the long-term success of the business. We listen to our colleagues and engage in regular and constructive dialogue with trade unions to ensure our colleagues' voices are heard.

Oxford Bus Company has been accredited by Investors in People since 2016. We're committed to sustainability, continuous improvement and in creating an outstanding place to work. Oxford Bus Company achieved silver accreditation from Investors in People in April 2019, and we're part of the Group who have achieved a gold standard accreditation. The standard defines what it takes to lead, support and manage people well for sustainable results.

Safeguarding the health and wellbeing of the Oxford Bus Group's employees and customers remains the main priority for the Oxford Bus Group Board, and we were extremely proud to earn ISO45001 accreditation for our Health & Safety management processes during the year. This year, we have continued to build on the precautionary measures to meet the challenging demands brought about by COVID-19. We introduced new cleaning contractors to further improve the enhanced cleaning procedures that we implemented for our vehicles and depots at the start of the pandemic. New contactless technology has been added to provide customers with a convenient touch free options to pay for travel. From June 2020, passengers have been able to 'tap on' via the driver's ticket machine at the start of each journey and 'tap off' on a special reader before disembarking, using bank cards and digital devices. This touch free payment system ("Freeflow") removes the need for an exchange of cash and paper tickets and hence reduces the number of touch-points on-board vehicles. Additionally, our "When2Travel" tool, launched in June 2020, has proved very effective at helping customers to choose quieter services and proactive monitoring of service loadings to ensure sufficient capacity is available for those needing to travel. In early 2021, we became one of the first bus operators to share live vehicle occupancy data with the Department for Transport's Bus Open Data service, and from May 2021 have also included this data in our own customer smartphone app.

For details of how Oxford Bus Group regularly engages with its workforce, please refer to Principle 6 in the Corporate Governance Report on pages 10 to 16.

Being an employer of choice is important to maintaining a high level of employee retention. We are one of Oxfordshire's largest employers, with all colleagues paid in excess of the Oxford Living Wage with the exception of Carousel and Tom Tappin. The Oxford Bus Group endeavours to provide market competitive remuneration and comprehensive benefit packages as well as recognise and reward colleagues for their contribution and commitment through our "Star of the Month" scheme. Colleagues who achieve milestones in long service, or who go above and beyond the call of duty are recognised at our "Really Amazing Awards" event each year. Please refer to Principle 5 in the Corporate Governance Report on pages 10 to 16 for further details on remuneration.

Oxford Bus Group 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. Oxford Bus Company offers an Engineering apprenticeship scheme and Graduate management trainee scheme, and offer level 3 and level 5 apprenticeship courses to our middle managers to assist in their career development. As part of the Group, we are proud to have been nationally recognised by the Education and Skills Funding Agency (ESFA) for the quality of apprenticeships across our business. During the year we trained eleven "mental health first aiders" across our business to provide help, support and guidance to colleagues with mental health problems as part of our Mental Health Wellbeing Team.



***Section 172(1)(c)- the need to foster the company's business relationships with suppliers, customers and others***

The Oxford Bus Group Board regularly reviews how the Oxford Bus Group maintains positive relationships with all of its stakeholders, including suppliers, customers and others.

The directors understand the importance of the Oxford Bus Group's supply chain in delivering the long-term plans of both the Oxford Bus Group 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 structured process in line with the Oxford Bus Group's Sustainable Supply Chain Charter.

Customers are at the heart of the business and the Oxford Bus Group 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.

The directors have been working to improve relations with wider stakeholders and to keep them more up to date with everything the business is doing. This year, we became members of the Oxford High Street Association to ensure we are able to work more closely with retail and hospitality businesses in the city and to ensure we add our voice to theirs when lobbying to help ensure the continued vibrancy of our city centre. We built on the progress made in the previous year through the introduction of a new "Stakeholder Blog," and we also produced a bespoke Stakeholder pack to support our "Welcome Back to Bus" campaign in spring 2021, as the COVID-19 lockdown measures began to be relaxed.

We conduct an annual survey of our key stakeholders to understand what they think about the business, what we do well and where we can improve further.

Please refer to Principle 6 in the Corporate Governance Report on pages 10 to 16 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, Oxford Bus Group has a far-reaching impact on the Group (as its ultimate parent company) as well as its customers, employees, regulators and the communities it serves. Oxford Bus Group 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.

Our Finance and Commercial Director, Luke Marion, is committed to ensuring the Oxford Bus Group operates as sustainably as possible and that new technologies, funding streams or business models which can help the Oxford Bus Group reduce its environmental footprint are understood and, if possible, harnessed.

Luke is a board director of the Low Carbon Hub, a local social enterprise which has developed 47 renewable energy installations in Oxfordshire and Buckinghamshire, collectively generating more than 4.5Gwh of electricity each year. These include solar PV installations on both the Oxford Bus Company and Thames Travel depot sites, and collectively our solar panel installations have now generated more than 900,000kwh of clean, green electricity since they were installed.

During the year Oxford Bus Group made more positive progress in this area, with 12 further vehicles at Carousel Buses upgraded to ultra-low emission Euro VI standard and a further two vehicles in our City Sightseeing fleet upgraded to electric power. In addition, we invested in eight new Euro VI rated buses for our Oxford Bus Company and Thames Travel businesses. Together these initiatives meant that over 70% of our fleet is now at zero- or ultra-low emission standard.

The Oxford Bus Group supported a bid in the year by Oxfordshire County Council (“OCC”) to the Department for Transport’s “All-Electric Bus Town” aimed at winning funding for large numbers of Zero-Emission buses for Oxford city, and this was extremely useful in helping to inform the Group’s strategy for decarbonising its wider fleet. We were delighted to see Oxford being shortlisted as one of the two finalists in the competition in January 2021. Unfortunately, OCC was not able to take up the offer of investment from government, due to a lack of required flexibility in the “All-Electric Bus Town” scheme rules. OCC has used the learnings gained from this process to make a new bid to the Department for Transport’s “Zero Emission Bus Regional Areas” scheme, and we hope to secure a material investment from government to help us make the next stage of our decarbonisation journey during the 2021/22 financial year.

An Oxford City Council air quality report revealed that our investment in ultra-low emission vehicles and technologies is working, with roadside NOx emissions from buses decreasing by half since 2013. Buses now contribute less harmful emissions than cars in Oxford city centre.

Further details of our sustainability initiatives can be found in our 2021 Sustainability Report, which is available for download from each of our company websites with the exception of Tom Tappin.

#### **Section 172(1)(f) - the need to act fairly as between members of the company**

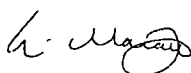
Oxford Bus Company, Thames Travel and Carousel are owned 100% by Go-Ahead Holding Limited. Tom Tappin is owned 100% by the Oxford Bus Company. However, the ultimate parent company and controlling party of each company in the Oxford Bus Group is the Group.

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 Oxford Bus Group both individually and collectively support them in this role and the Oxford Bus Group 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 Oxford Bus Group engages with the Group, please refer to Principle 6 in the Corporate Governance Report on pages 10 to 16.

The Strategic Report was approved by the board of directors and signed on their behalf by:



L Marion  
Director  
29 April 2022

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. This Corporate Governance Report applies individually and collectively to The City of Oxford Motor Services Limited ("Oxford Bus Company"), Thames Travel (Wallingford) Limited ("Thames Travel"), Carousel Buses Limited ("Carousel") and Tom Tappin, Limited ("Tom Tappin") (together the "Oxford Bus Group") and, for ease of reference, has been replicated in the annual report and accounts for each of these companies unless otherwise explained with the exception of Tom Tappin which, under the Companies Act 2006, is entitled to prepare accounts for the year in accordance with the small companies regime.

#### **Principle 1 – Purpose and Leadership**

Oxford Bus Group's mission statement is "One Team, Delivering an Ever-Improving Customer Experience." This underlines the fact that, while we operate four separate businesses, we have a common aim to deliver the best service we can for the customer, and to continuously seek to improve what we do in order to delight and retain our existing customers, and to seek to attract new ones. This drives all decision-making by the Oxford Bus Group Board along with the consideration of all our internal and external shareholder interests, further information of which is provided in Principle 6 (Stakeholders).

Our mission statement is underpinned by our five core values which are:

- "Customer Focused" – this reflects the fact that our business is to serve customers and to provide services that are relevant to them and which make their lives easier. Everything we do must be for the benefit of our many and varied customers.
- "Working as a Team" – emphasising that for our business to be successful, each member of the team must play their part and that we all need to support each other to deliver the best possible service to the customer.
- "Socially Responsible" – we want our business to be a force for good in the communities we serve and to support those who need our help wherever we can.
- "Embracing Diversity" – we want our business to be reflecting of the diverse communities we serve, and seek to continue to improve the diversity of our workforce.
- "Continued Success" – our business has been trading for more than 130 years and we seek to be a constant that our customers and colleagues can rely on.

We bring our mission statement and values to life through the colleague induction process and continue to reinforce this via our fortnightly colleague newsletter, our colleague recognition and reward schemes and through the appraisal process. We also employ branding through our depot sites to reinforce the values and mission statement.

The effectiveness of our mission statement and values is measured through customer satisfaction surveys, colleague engagement surveys, public correspondence, stakeholder surveys, absenteeism, and employee turnover key performance indicators.

The above has helped us to achieve "Investors in People" certification in 2016, and to progress to Investors in People Silver accreditation in 2019. We also won a silver award from the UK Bus Awards 2019 for the work we had done on our Cultural Change journey.

During 2021/22 we are planning to refresh our mission statement and values to reflect the progress we have made so far and to seek to support the business' recovery from the effects of the COVID-19 pandemic.

The strategic objectives of the Oxford Bus Group are to increase the numbers of people using public transport regularly in the areas where we operate through providing attractive, efficient, good value and reliable services which take people where they want to go safely; and to ensure that we are both the operator of choice for both public transport users in the communities we serve; and the partner of choice for our local business community.

We monitor our progress against these objectives through monitoring key performance indicators such as passenger volumes; customer complaints and commendations; customer and stakeholder satisfaction survey results; and metrics on service reliability, punctuality and safety.

The business generates its revenue 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.

During 2020/21, Oxford Bus Company, Thames Travel and Carousel also received material government grant revenue to maintain service provision during the COVID-19 pandemic, when customer volumes were depressed as a result of lockdown measures introduced by central government to help reduce the spread of the virus.

### **Principle 2 – Board Composition**

The composition of the board is the same for each company in the Oxford Bus Group and hereinafter is referred to individually and collectively as the “Oxford Bus Group Board”.

For the year ended 3 July 2021, The Oxford Bus Group Board comprised the Group Chief Executive and the Group Chief Financial Officer (the Group executive directors) and the local management team (Managing Director, Finance and Commercial Director and Service Delivery 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.

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

The Group Chief Executive chairs the Oxford Bus Group 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 rest of the local management team.

Board meetings are held on a monthly basis with the Group executive directors in attendance who scrutinise and provide independent challenge the Oxford Bus Group Board’s execution of strategy. In addition, there are cross business forums that operate at Managing Director, Finance and Commercial Director and Service Delivery Director levels to help ensure best practice and learnings are shared across the group. 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 Oxford Bus Group Board is committed to developing a more diverse workforce, including at the most senior levels. 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 9.

The Oxford Bus Group Board believes that continuous director training and development supports board effectiveness. With the ever-evolving regulatory landscape in which the Oxford Bus Group operates, it is critical that the board maintains a good working knowledge of the transport sector and how the Oxford Bus Group operates within its sector, as well as being aware of recent and upcoming developments in the wider legal and regulatory environment. To assist the Oxford Bus Group 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 is assessed as part of the Group Board’s wider annual review. The individual effectiveness of the local management team is assessed by formal annual performance reviews and appraisals.

### **Principle 3 – Director Responsibilities**

The Oxford Bus Group Board holds eleven scheduled meetings a year with all directors expected, wherever possible, to attend all board meetings. The Oxford Bus Group Board receives regular and timely information (at least monthly) on all key aspects of the business including but not limited to financial performance and KPIs, capital expenditure, contracts and tendering/franchise bidding, health and safety, operating and engineering performance, people and engagement, market and competition and industrial relations.

The Group Board reviews governance processes, including policies and procedures, on at least an annual basis to ensure that these remain appropriate and strengthen the governance of the Oxford Bus Group. The Oxford Bus Group 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 Oxford Bus Group 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 Oxford Bus Group Board and authorisations given are recorded in the board minutes and in a register of conflicts and are reviewed annually by the Oxford Bus Group Board. The authorisations are for an indefinite period, but the Oxford Bus Group Board retains the power to vary or terminate the authorisation at any time. The Oxford Bus Group Board believes that this system operates effectively.

The Oxford Bus Group 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.

#### **Principle 4 – Opportunity and Risk**

The Oxford Bus Group Board seeks out opportunity whilst mitigating risk. Our locally based directors are encouraged to immerse themselves in their local communities, building connections and managing relationships across the private and public sector and, working in partnership with these stakeholders, to develop and improve our network of services. We use our local knowledge and experience to identify opportunities for service development and to ensure these are realised.

For example, during 2020/21 we established a new partnership with MEPC plc which saw us working together to deliver significant improvements to public transport services to the Milton Park Science and Technology Park in Didcot. These improvements were supported by several new section 106 funded contracts which we won from Oxfordshire County Council and collectively meant that each partner was able to realise more value than would have been possible if working alone.

We carry out an annual corporate planning process which seeks to identify and prioritise areas for investment and focus.

Ultimate accountability of risk identification and management lies with the Managing Director, supported by all other directors on the Oxford Bus Group Board.

The assessment of key principal and emerging risks is embedded within the day to day operations of the Oxford Bus Group. Such assessments are consolidated and reviewed as part of monthly board reporting as well as being reported formally 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 Oxford Bus Group, 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 that Oxford Bus Group 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. Oxford Bus Group 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.

A summary of the Oxford Bus Group's key principal risks and mitigations are as outlined in the respective strategic reports for each company.

#### **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 local management team (Managing Director, Finance and Commercial Director and Service Delivery Director), remuneration is determined by the Group Board in line with the Group's Senior Management Remuneration Policy. 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 37 (note 7).

During the year, the Group executive directors were remunerated by the Group. For further details of the remuneration policy which applied applies 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 is led by the local management team and is generally linked to the headline company pay award, except for special cases of role progression/changes or other circumstances of note. Remuneration for bus drivers, engineers and the remaining workforce, such as administrative roles, is negotiated with the local Unite Pay Committee at Oxford Bus Company, and reviewed via an annual business review for Thames Travel, Carousel Buses and Tom Tappin, and voted on by Union members. This approach allows for the Oxford Bus Group'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 Oxford Bus Group Board considered the data, and narrative, relevant to the Oxford Bus Company's Gender Pay Reporting in preparation for external publication, including proposed plans to enhance performance. In Oxford Bus Company, the mean pay gap is 3.0% (or 48p) which is substantially lower than the 14.4% national average. The mean bonus pay gap shows a variance of 45.3% for (£151.17) and this is largely driven by a bonus plan in operation which is linked to the length of service and which is payable to all employees whose length of service qualifies. A higher number of those who do qualify are men.

#### **Principle 6 – Stakeholders**

The Oxford Bus Group Board is clear on the importance of good governance and effective communication to deliver our mission statement and to protect the Oxford Bus Group'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 Oxford Bus Group board believes that listening to, and engaging effectively with our key stakeholders is critical to ensuring that the right decisions are made which consider their needs and priorities. An established reporting process is in place, where the Oxford Bus Group 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.

In our 2020/21 stakeholder survey, we received responses from 15 separate organisations. In general, stakeholders thought positively about the company, with 87% stating they would speak highly of the business without being prompted, and 100% either agreeing, or strongly agreeing that the relationship between our organisations is mutually beneficial.

Our stakeholders also give us insight into areas where we can improve what we do, and this is highly valuable. In response to the feedback from this year's survey, we identified that we need to do more to publicise the achievements of our employees, particularly those colleagues winning our "star of the month" awards. We also identified that our stakeholders want to work together with us to ensure that people return to bus travel after the pandemic, rather than seeing an increase in private car traffic. In response to this, we have produced a stakeholder pack highlighting all of the positive changes and safety measures that have been introduced during the pandemic, and also ran a partnership promotion through our business to business sales channels, allowing employers to offer incentives to their employees to return to offices by bus.

#### **The Go-Ahead Group plc (the Group)**

The Group is Oxford Bus Group's ultimate parent. The Oxford Bus Group Board believe that effective communication and proactive engagement with the Group is paramount in establishing a mutual understanding of both the Oxford Bus Group's and the Group's wider objectives. The Group executive directors, who also sit on the Oxford Bus Group Board, form the primary communication route between the Oxford Bus Group 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.

During 2020/21, this two way engagement was very useful in helping to inform the Group's thinking on decarbonisation initiatives, through the work we had done locally to support the All-Electric Bus Town and Zero-Emission Bus Regional Areas bids; and to help inform wider group thinking on medium-term COVID-19 recovery funding from government. Similarly, from a local level the input from the Group is 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**

Oxford Bus Group regularly communicates to its employees through our colleague newsletter "OnBoard", which is issued every two weeks. During the COVID-19 pandemic we increased the level of communications with more regular Coronavirus briefing documents being issued at least twice each week, and a new online colleague forum established using Facebook. We hold a Colleague Relations Forum every quarter, giving colleagues the ability to air their views to management, and also hold management "drop in sessions" with front line colleagues.

Quarterly employee engagement surveys are performed to highlight areas of improvement. The Oxford Bus Group considers the results of employee engagement surveys a good barometer of the workforce's confidence in the Oxford Bus Group's strategic direction, optimism in the future and career opportunities.

In 2020/21, our employees told us that support for mental health was a particular priority, with this having been an area where many colleagues had experienced difficulties during the COVID-19 pandemic. We responded to this by establishing a Mental Health Wellbeing Team, with an initial 11 trained Mental Health First Aiders from across the business.

The Oxford Bus Company is certified to 'Silver' standard by Investors in People – an important external validation of the Company's policies and performance in leading, supporting and managing employees well for sustainable results.

The Oxford Bus Group 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 Oxford Bus Group 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 Oxford Bus Group makes use of our "Hapibenefits" intranet site, notice boards, and the 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 'open-door' policies, performance development reviews and trade unions. An Employee Communication Report (ECR) process is also in place for colleagues to report issues and receive a response within two weeks.

### **Customers**

We build our relationships with our consumer customers through passenger-facing colleagues, customer events 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.

This year, we launched a new generation mobile app and an updated website to allow our customers to obtain information about our services and to plan their journeys more quickly and easily. Recognising our growing network of services in the Didcot "Garden Town", a new Didcot Zone ticket was introduced allowing customers to make as many journeys within the town as they liked in a given day or week for a fixed price. We also completed a successful trial with Zipabout, Oxfordshire County Council and Pret à Manger which saw us delivering targeted free coffee vouchers to customers using specific services.

We also maintain and develop our relationships with our corporate customers through regular meetings and site visits, and by providing them 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.

In 2020/21, as part of our new partnership with MEPC plc focused on Milton Park, we designed and implemented a new and improved bus network for the business park, including working with Oxfordshire County Council to gain additional funding from nearby housing developments to support the service developments delivered. We also assisted Milton Park with their rebranding campaign, designing and delivering three branded buses, a branded bus shelter, bespoke publicity and videos which the customer could use to help in their own marketing to tenants, their employees and potential new customers.

### ***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. Many of our suppliers are long-term partners and we work collaboratively with them to help them use the benefit of our industry knowledge and experience to develop their own products and services to better meet wider industry needs.

During 2020/21 we continued to work closely with our long term ticketing partner, Ticketer, and held several engagement sessions with their new CEO and consultants to help inform their future strategic development priorities.

We also continued our strategic partnership with Omnibus, our scheduling and planning partner. As part of our work on decarbonisation, we worked together with Omnibus to help them to develop their bus scheduling tools to take account of the recharging needs and range limitations of zero-emission buses. This work was also very useful for us in helping us to understand the likely impact on the efficiency of our operations from introducing zero-emission buses, and to accurately determine the number of vehicles required when bidding for funding to convert specific routes to zero-emission operation.

The Group supports innovation and entrepreneurialism in the transport industry through its “Billion Journey Project” incubator programme. In 2020/21, we worked closely with CitySwift, one of the previous companies involved in the programme, to trial and help develop their SwiftMetrics analytics and scheduling platform. CitySwift also provided the “When2Travel” occupancy prediction tool referred to above. Through positive engagement with this supplier, we helped them to identify new possible applications for their technology, and worked together to produce a study looking at possible running time improvements which could be made on certain key corridors in Oxford city, should proposed bus priority measures be implemented.

### ***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 can use our extensive connections with local stakeholders to help inform local authorities on likely future developments, as well as advise on the priorities of the business community. We can also help provide local authorities with knowledge and experience to assist in the preparation of business cases or bids for funding from central government. During 2020/21, we supported Buckinghamshire Council in a successful bid to the Government’s Rural Mobility Fund for £736,000 of funding to support the deployment of a new Demand Responsive Bus service for the High Wycombe area. We anticipate that this service will be launched in 2021/22. We also supported Oxfordshire County Council in a two separate bids for material funding for Zero-Emission buses from the Department for Transport, and hope to conclude this successfully in 2021/22.

### ***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. During the pandemic we are very proud of the way our teams worked tirelessly to maintain services to key workers and for those needing to make essential journeys.

We run our award-winning “Brand the Bus” competition each year to support local good causes and third sector organisations through giving away a prize of a bespoke branded bus to the winner. In 2020/21 our competition saw entries from more than 30 charities and good causes and attracted more than 7,000 votes.

We also partnered with several local charities at Christmas 2020 to deliver presents to local disabled children via our “Christmas Lights Bus.” This was an important event in spreading positivity during the pandemic and we hope to build on this in 2021/22.



## **Corporate Governance Report (continued)**

In making decisions, the Oxford Bus Group Board considers how Oxford Bus Group's activities may impact both current and future stakeholders, which, for example, could include impacts on the environment. Further details are provided in our section 172(1) statement on pages 5 to 9 and our 2021 Oxford Bus Group Sustainability Report (available to download from each company's website with the exception of Tom Tappin).

The corporate governance report was approved by the Oxford Bus Group Board of Directors on 29 April 2022 and signed on their behalf by:



L Marion  
Director

The directors present their annual report, together with the financial statements and auditors 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
- Financial risk management objectives and policies.

## **Directors**

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

C Schreyer (appointed 5<sup>th</sup> November 2021)

P R Southall

L C Marion

P Hennigan

G Boyd (appointed 28<sup>th</sup> September 2021, resigned 28<sup>th</sup> March 2022)

D A Brown (resigned 5<sup>th</sup> November 2021)

E Brian (resigned 27<sup>th</sup> September 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 Boyd respectively with effect from 5 November 2021 and 28 September 2021 respectively. G Boyd subsequently resigned on 28/03/22.

## **Results and Dividends**

Loss for the year after taxation amounted to £479,000 (2020: loss £4,752,000). Dividends of £nil were paid during the year (2020: £nil). The directors do not recommend a final ordinary dividend for the year.

## **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 liabilities of £139,000 and non-current derivative financial liabilities of £106,000, and an increase to deferred tax liabilities of £51,000.

Further, in the statement of other comprehensive income there were reductions to unrealised losses on cashflow hedges of £244,000, losses on cashflow hedges taken to income statement of £297,000 and tax relating to items that may be reclassified of £51,000, and a corresponding impact on the hedging reserve in the statement of changes in equity.

## **Financial risk management objectives and policies and future developments**

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

## **Management and staff**

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

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

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

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

### **Streamlined Energy and Carbon Reporting**

As a subsidiary of The Go-Ahead Group plc, Brighton & Hove Bus and Coach Company Limited's energy and carbon results have been included in the Group's consolidated report. As a result, the Company has chosen not to present an individual energy and carbon report within these financial statements. Please refer to the Group's 2021 Annual Report and Financial Statements for further details, on pages 283 to 287.

### **Going Concern**

The Company is a wholly owned subsidiary of The Go-Ahead Group 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.

- 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.

***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.

**Events since the balance sheet date**

There were no significant events occurring after the balance sheet date, up to the date of approval of the financial statements, requiring disclosure in these financial statements.

**Directors' indemnities**

The Go-Ahead Group plc ("Group") maintains directors' and officers' liability insurance, for both the plc and its subsidiaries, which gives appropriate cover for any legal action brought against its directors. The Group has also granted indemnities to each of its, and its subsidiaries, directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 3 July 2021 and remain in force, in relation to certain losses and liabilities that the directors may incur to third parties in the course of acting as directors or employees of the Group or of any associated company. Neither the Group's indemnity nor its insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

**Auditor**

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 9.

**Directors' responsibilities for audit information**


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

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

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

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

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



L Marion  
Director  
29 April 2022

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

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

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

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

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

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

## **Report on the audit of the financial statements**

### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 3 July 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 25

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

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

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

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

### **Other information**

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

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

We have nothing to report in this regard.

**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](http://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;



The City of Oxford Motor Services Limited  
**Independent auditor's report**  
to the members of The City of Oxford Motor Services Limited

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- 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.

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**

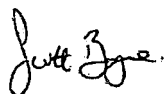
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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  
Leeds, UK  
29 April 2022

# Income statement

for the year ended 3 July 2021

|  | Notes | 2021<br>£000 | 2020<br>£000 |
|--|-------|--------------|--------------|
| <b>Revenue</b>   | 3     | 27,198       | 34,069       |
| Operating costs  | 4     | (27,200)     | (34,991)     |
| <b>Operating (loss) before exceptional items</b>       |       | (2)          | (922)        |
| Exceptional items                                      | 8     | 230          | (4,836)      |
| <b>Operating profit/(loss) after exceptional items</b> |       | 228          | (5,758)      |
| Interest payable and similar expenses                  | 9     | (82)         | (111)        |
| <b>Profit/(Loss) before taxation</b>                   |       | 146          | (5,869)      |
| Taxation   | 10    | (625)        | 1,117        |
| <b>(Loss) for the year from continuing operations</b>  |       | (479)        | (4,752)      |

# Statement of comprehensive income

for the year ended 3 July 2021

|  | 2021<br>£000 | 2020*<br>£000 |
|--|--------------|---------------|
| <b>(Loss) for the year from continuing operations</b>                | (479)        | (4,752)       |
| <b>Other comprehensive income</b>                                    |              |               |
| <i>Items that may subsequently be reclassified to profit or loss</i> |              |               |
| Unrealised gains/(losses) on cashflow hedges                         | 226          | (1,113)       |
| Tax relating to items that may be reclassified (note 11)             | (88)         | 149           |
| <b>Other comprehensive income/(expense) for the year, net of tax</b> | 139          | (964)         |
| <b>Total comprehensive (expense) for the year</b>                    | (340)        | (5,716)       |

\*Restated – see note 2

The City of Oxford Motor Services Limited  
**Statement of changes in equity**  
for the year ended 3 July 2021

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|  | <i>Note</i> | <i>Share capital</i><br>£000 | <i>Hedging<br/>reserve</i><br>£000 | <i>Retained<br/>earnings</i><br>£000 | <i>Total<br/>equity</i><br>£000 |
|--|-------------|------------------------------|------------------------------------|--------------------------------------|---------------------------------|
| At 30 June 2019  |             | 1,029                        | 218                                | 3,094                                | 4,341                           |
| (Loss) for the year  |             | -                            | -                                  | (4,752)                              | (4,752)                         |
| Net movement on hedges, net of tax*  |             | -                            | (964)                              | -                                    | (964)                           |
| (Loss) and total comprehensive income*   |             | -                            | (964)                              | (4,752)                              | (5,716)                         |
| Transfer of cash flow hedging losses<br>and cost of hedging to the initial<br>carrying amount of hedged items (net of<br>tax)* |             | -                            | 297                                | -                                    | 297                             |
| At 27 June 2020*   |             | 1,029                        | (449)                              | (1,658)                              | (1,078)                         |
| Loss for the year  |             | -                            | -                                  | (479)                                | (479)                           |
| Net movement on hedges, net of tax   |             | -                            | 139                                | -                                    | 139                             |
| Profit / (Loss) and total comprehensive<br>income  |             | -                            | (310)                              | (479)                                | (340)                           |
| Transfer of cash flow hedging losses<br>and cost of hedging to the initial<br>carrying amount of hedged items (net of<br>tax)* |             | -                            | 288                                | -                                    | 288                             |
| At 3 July 2021   |             | 1,029                        | (22)                               | (2,137)                              | (1,130)                         |

\*Restated – see note 2

**Balance sheet**

as at 3 July 2021

|  | Notes | 2021<br>£000           | 2020*<br>£000          |
|--|-------|------------------------|------------------------|
| <b>Assets</b>                                |       |                        |                        |
| <i>Non-current assets</i>                    |       |                        |                        |
| Plant, property and equipment                | 12    | 15,275                 | 17,576                 |
| Right-of-use assets                          | 13    | 3,011                  | 3,364                  |
| Deferred tax asset                           | 10    | -                      | 4                      |
| Investments                                  | 14    | 3,750                  | 3,750                  |
|  |       | <u>22,036</u>          | <u>24,745</u>          |
| <i>Current assets</i>                        |       |                        |                        |
| Inventories                                  | 15    | 251                    | 226                    |
| Trade and other receivables                  | 16    | 7,882                  | 5,427                  |
| Deferred tax asset                           | 10    | 11                     | 95                     |
| Derivative financial assets                  | 24    | 4                      | -                      |
| Current tax assets                           | 10    | -                      | 1,041                  |
| Cash at bank                                 |       | 72                     | 19                     |
|  |       | <u>8,220</u>           | <u>6,808</u>           |
| <b>Total assets</b>                          |       | <u><b>30,256</b></u>   | <u><b>31,502</b></u>   |
| <b>Liabilities</b>                           |       |                        |                        |
| <i>Current liabilities</i>                   |       |                        |                        |
| Trade and other payables                     | 17    | (25,335)               | (25,629)               |
| Derivative financial liabilities             | 24    | (39)                   | (363)                  |
| Lease liabilities                            | 13    | (916)                  | (1,117)                |
| Current tax liabilities                      | 10    | (928)                  | -                      |
|  |       | <u>(27,218)</u>        | <u>(27,109)</u>        |
| <i>Net current liabilities</i>               |       | <u>(18,998)</u>        | <u>(20,301)</u>        |
| <i>Total assets less current liabilities</i> |       | <u>3,038</u>           | <u>4,393</u>           |
| <i>Non-current liabilities</i>               |       |                        |                        |
| Derivative financial liabilities             | 24    | -                      | (186)                  |
| Lease liabilities                            | 13    | (2,442)                | (3,150)                |
| Deferred tax liabilities                     | 10    | (1,182)                | (1,168)                |
| Provisions                                   | 18    | (544)                  | (967)                  |
|  |       | <u>(4,168)</u>         | <u>(5,471)</u>         |
| <b>Total liabilities</b>                     |       | <u><b>(31,386)</b></u> | <u><b>(32,580)</b></u> |
| <b>Net liabilities</b>                       |       | <u><b>(1,130)</b></u>  | <u><b>(1,078)</b></u>  |
| <b>Capital and reserves</b>                  |       |                        |                        |
| Share capital                                | 22    | 1,029                  | 1,029                  |
| Hedging reserve                              | 24    | (22)                   | (449)                  |
| Retained earnings                            |       | (2,137)                | (1,658)                |
| <b>Total deficit</b>                         |       | <u><b>(1,130)</b></u>  | <u><b>(1,078)</b></u>  |

\*Restated – see note 2

The City of Oxford Motor Services Limited

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**Balance sheet**  
as at 3 July 2021

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

A handwritten signature in black ink, appearing to read 'L Marion', is positioned above the printed name.

L Marion  
Director  
29 April 2022

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

The financial statements of The City of Oxford Motor Services Limited (the "Company") for the year ended 3 July 2021 were authorised for issue by the board of directors on 29 April 2022 and the balance sheet was signed on the board's behalf by L Marion. The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

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

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

## 2. Accounting policies

### 2.1 Basis of preparation

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

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

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

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

**2.1 Basis of preparation (continued)**

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

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

**New standards**

The following new standards or interpretations are mandatory for the first time for the financial year ended 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 liabilities of £139,000 and non-current derivative financial liabilities of £106,000, and an increase to deferred tax liabilities of £51,000.

Further, in the statement of other comprehensive income there were reductions to unrealised losses on cashflow hedges of £244,000, losses on cashflow hedges taken to income statement of £297,000 and tax relating to items that may be reclassified of £51,000, 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.

A review was undertaken of the Go-Ahead regional bus business as a whole during the 2019/20 financial year, following the advent of COVID-19 and the resulting impact on business performance and cash flow. This resulted in several assets being impaired to their expected value in use. Subsequently, certain of these assets were revalued to an increased fair value due to the sale outside of the group of similar assets held by another Go-Ahead regional bus business. Further details are given in note 8.

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

**Leases**

At the lease commencement date, the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease (IRIL). However, if that rate cannot be readily determined, the lessee's incremental borrowing rate (IBR) is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. This is based on the Group's IBR. Due to the capital structure of the Group, the Group's cost of debt forms the base of the IBR with specific finance and lease adjustments made, when applicable, which are linked to the lease term, country of lease and start date.

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are aligned with specific contract and franchise agreements which contain possible extension options, with the awarding of such extensions outside the control of the Group. Hence at commencement of the lease, break or extension options are not typically considered reasonably certain that they will be exercised. Leases are regularly reviewed and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised.

**Key sources of estimation uncertainty**

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

The directors have assessed that there are no key sources of estimation uncertainty in the current financial year.



## 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 a period of at least 12 months from the date of the approval of the financial statements and continue to meet its liabilities as they fall due.

The Company has net current liabilities of £18,998,000 (2020 restated: £20,301,000) including net amounts due to other Group undertakings of £20,837,000 (2020: £20,032,000). The Company is dependent on continuing financial support from its ultimate parent undertaking.

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. Accordingly, the directors of the Company believe that it is appropriate to prepare the financial statements on a going concern basis. Further detailed information is provided in the going concern statement in the directors' report and is therefore not replicated here.

### **Revenue recognition**

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

The Company has a number of revenue streams which consist of revenue from passengers, contracts, and other miscellaneous revenue streams. Revenue is recognised on satisfaction of performance obligations which are generally clear. Revenue is measured based on the fair value of the consideration received or receivable (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.

Passenger revenue mainly consists of commercial and concessionary revenue. Commercial passenger revenue relates to ticket sales for travel on the Company's transport services and is recognised in the period in which the travel occurs. Season tickets and travel cards enable passengers to use travel services over a period of time. Management 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*

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

#### *Other revenue*

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

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 relates to. CBSSG requires that a minimum level of service is operated, 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 Company have 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. Given the uncertainty of

**2.3 Significant accounting policies (continued)**

the outcome of the reconciliation process, no reliable estimate for recognition can be made for any additional potential receipts that may be due. Judgement is applied in determining whether some amounts are allowable in applying the terms of the scheme.

**Other Operating Income**

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

**Fixed assets and depreciation**

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

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

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

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

**Investments**

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

**Intangible assets**

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

**Impairment of assets**

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

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

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

**Inventories**

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

### 2.3 Significant accounting policies (continued)

#### **Taxation**

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

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

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

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

#### **Leases**

##### *Lease identification*

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

##### *Right-of-use asset*

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

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

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

##### *Lease liability*

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

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

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

##### *Short term and low value asset leases*

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

**2.3 Significant accounting policies (continued)**

**Provisions**

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

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

**Uninsured liabilities**

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits for total claims within the excess limits. A discounted provision is recognised for the estimated cost to settle claims for incidents occurring prior to the balance sheet date.

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

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

**Government grants**

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

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

**Exceptional operating items**

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

**2.3 Significant accounting policies (continued)**

**Financial instruments**

*Financial assets*

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

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

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

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

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

*Financial liabilities*

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

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

**2.3 Significant accounting policies (continued)**

**Financial instruments**

*Derivative financial instruments*

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

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

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

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

*Loans and receivables*

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

**Share-based payment transactions**

The Company participates in equity-settled share option schemes operated by the ultimate parent undertaking (The Go-Ahead Group plc), under which options are granted to employees (including directors). The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group 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.

**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.

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**2.3 Significant accounting policies (continued)**

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

**3. Revenue**

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

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

|                   | 2021<br>£000  | 2020<br>£000  |
|-------------------|---------------|---------------|
| Passenger revenue | 10,658        | 26,322        |
| Contract revenue  | 2,079         | 3,654         |
| Government grants | -             | 50            |
| CBSSG             | 14,135        | 3,689         |
| Other revenue     | 326           | 354           |
|                   | <u>27,198</u> | <u>34,069</u> |

An analysis of revenue by geographical market is given below:

|                | 2021<br>£000  | 2020<br>£000  |
|----------------|---------------|---------------|
| United Kingdom | <u>27,198</u> | <u>34,069</u> |

**4. Operating costs**

|   | 2021<br>£000  | 2020<br>£000  |
|---|---------------|---------------|
| Materials and external charges                      | 6,115         | 10,443        |
| Staff costs (note 6)                                | 19,825        | 23,355        |
| Depreciation of owned property, plant and equipment | 2,277         | 2,647         |
| Depreciation of right-of-use assets                 | 567           | 1,026         |
| Government grants – COVID-19                        | (1,526)       | (2,462)       |
| Other operating income                              | (58)          | (18)          |
|   | <u>27,200</u> | <u>34,991</u> |

Government grant income in relation to the COVID-19 pandemic of £1,526,000 (2020: £2,462,000) 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/ (loss)**

This is stated after charging/ (crediting):

|   | 2021<br>£000 | 2020<br>£000 |
|---|--------------|--------------|
| Auditor's remuneration- audit fee for the audit of the financial statements | 44           | 23           |
| Loss/(profit) on disposal of tangible assets                                | <u>50</u>    | <u>(40)</u>  |

## 6. Staff costs

|  | 2021<br>£000  | 2020<br>£000  |
|--|---------------|---------------|
| Wages and salaries                         | 17,324        | 20,419        |
| Social security costs                      | 1,777         | 2,102         |
| Other pension costs – defined contribution | 724           | 834           |
|  | <u>19,825</u> | <u>23,355</u> |

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

|                                | 2021<br>No. | 2020<br>No. |
|--------------------------------|-------------|-------------|
| Administration and supervision | 63          | 93          |
| Maintenance and engineering    | 45          | 34          |
| Operations                     | 404         | 445         |
|                                | <u>513</u>  | <u>572</u>  |

## 7. Directors' emoluments

|  | 2021<br>£000 | 2020<br>£000 |
|--|--------------|--------------|
| Aggregate emoluments in respect of qualifying services                       | <u>288</u>   | <u>377</u>   |
| Aggregate of Company contributions paid in respect of money purchase schemes | <u>39</u>    | <u>47</u>    |

|  | 2021<br>No. | 2020<br>No. |
|--|-------------|-------------|
| Number of directors accruing benefits under money purchase schemes | <u>3</u>    | <u>4</u>    |
| Number of directors exercising share options during the year       | <u>2</u>    | <u>2</u>    |

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

|   | 2021<br>£000 | 2020<br>£000 |
|---|--------------|--------------|
| Emoluments  | <u>109</u>   | <u>135</u>   |
| Company contributions paid in respect of money purchase schemes | <u>16</u>    | <u>16</u>    |

During the year, the highest paid director exercised 2,394 share options (2020: none) and 1,443 share options (2020: 781 share options) were granted in respect of a deferred share bonus plan (DSBP). See note 23.

Certain directors are also directors of The Go-Ahead Group 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 25.



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**8. Exceptional items**

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

The exceptional items are made up as follows:

|  | 2021<br>£000 | 2020<br>£000 |
|--|--------------|--------------|
| Impairment of tangible fixed assets – owned        | (230)        | 1,454        |
| Impairment of tangible fixed assets – right of use | -            | 1,036        |
| Impairment of intangible assets                    | -            | 115          |
| Impairment of investment in subsidiary             | -            | 1,625        |
| Restructuring costs                                | -            | 606          |
|  | <u>(230)</u> | <u>4,836</u> |

*Year ended 3 July 2021*

Total exceptional operating items in the year comprised a credit of £230,000 (2020: £4,836,000) to the income statement.

A review of the impairments to owned fixed assets resulted in a credit of £230,000 recognised following a re-assessment of the likely value in use of certain assets, following disposal of similar assets by other group companies.

**9. Interest payable/ (receivable) and similar expenses**

|  | 2021<br>£000 | 2020<br>£000 |
|--|--------------|--------------|
| Unwinding of discount factor applied to insurance provisions | (2)          | 8            |
| Interest payable on lease liabilities                        | 84           | 103          |
|  | <u>82</u>    | <u>111</u>   |

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

**(a) Tax recognised in the income statement**

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

|   | 2021<br>£000 | 2020<br>£000   |
|---|--------------|----------------|
| <i>Current tax:</i>                                     |              |                |
| UK corporation tax in respect of current year           | 12           | (812)          |
| UK corporation tax in respect of prior year             | 599          | (229)          |
| <b>Total current tax</b>                                | <b>611</b>   | <b>(1,041)</b> |
| <i>Deferred tax:</i>                                    |              |                |
| Origination and reversal of timing differences          | (45)         | (303)          |
| Adjustment in respect of deferred tax of previous years | (40)         | 81             |
| Effect of rate change on opening deferred tax balance   | 99           | 146            |
| <b>Total deferred tax</b>                               | <b>14</b>    | <b>(76)</b>    |
| <b>Tax reported in the income statement</b>             | <b>625</b>   | <b>(1,117)</b> |

**(b) Income tax recognised in other comprehensive income**

|   | 2021<br>£000 | 2020<br>£000 |
|---|--------------|--------------|
| Tax relating to items that may be reclassified      | 88           | (149)        |
| <b>Total tax recognised in comprehensive income</b> | <b>88</b>    | <b>(149)</b> |

**(c) Reconciliation**

The tax assessed on the profit/ (loss) for the year is higher than the standard rate of corporation tax in the UK. The standard rate of corporation tax for the year ended 3 July 2021 was 19% (2020: 19%).

A reconciliation of income tax applicable to accounting profit/ (loss) before tax at the statutory tax rates for the years ended 3 July 2021 and 27 June 2020 is as follows:

|  | 2021<br>£000 | 2020<br>£000   |
|--|--------------|----------------|
| Profit/(loss) before tax                                   | 146          | (5,869)        |
| At United Kingdom tax rate of 19% (2020:19%)               | 28           | (1,115)        |
| Adjustment in respect of deferred tax in prior periods     | (40)         | 81             |
| Adjustment in respect of current tax of previous periods   | 599          | (229)          |
| Effect of rate change on opening deferred tax balance      | 99           | 146            |
| Other timing differences                                   | (61)         | -              |
| <b>Total reported in the income statement (note 10(a))</b> | <b>625</b>   | <b>(1,117)</b> |

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

### (d) Current tax (assets)/liabilities

|   | 2021<br>£000 | 2020*<br>£000  |
|---|--------------|----------------|
| Current tax (asset)/liability at start of year            | (1,041)      | 36             |
| Corporation tax reported in income statement (note 10(a)) | 611          | (1,041)        |
| Paid in the year  | 1,358        | (36)           |
| Current tax liability/(asset) at end of year              | <u>928</u>   | <u>(1,041)</u> |

### (e) Deferred tax

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

|                                | 2021<br>£000   | 2020*<br>£000  |
|--------------------------------|----------------|----------------|
| <i>Deferred tax liability</i>  |                |                |
| Accelerated capital allowances | (1,182)        | (1,168)        |
| Deferred tax liability         | <u>(1,182)</u> | <u>(1,168)</u> |
| <i>Deferred tax asset</i>      |                |                |
| On cashflow hedges             | 11             | 99             |
| Deferred tax asset             | <u>11</u>      | <u>99</u>      |

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

|                                | 30 June 2019<br>£000 | Recognised<br>in income<br>£000 | Recognised<br>in equity<br>£000 | 27 June 2020<br>£000 |
|--------------------------------|----------------------|---------------------------------|---------------------------------|----------------------|
| Accelerated capital allowances | (1,244)              | 76                              | -                               | (1,168)              |
| On cashflow hedges*            | (50)                 | -                               | 149                             | 99                   |
|                                | <u>(1,294)</u>       | <u>76</u>                       | <u>149</u>                      | <u>(1,069)</u>       |
|                                | 27 June 2020<br>£000 | Recognised<br>in income<br>£000 | Recognised<br>in equity<br>£000 | 3 July 2021<br>£000  |
| Accelerated capital allowances | (1,168)              | (14)                            | -                               | (1,182)              |
| On cashflow hedges             | 99                   |                                 | (88)                            | 11                   |
|                                | <u>(1,069)</u>       | <u>(14)</u>                     | <u>(88)</u>                     | <u>(1,171)</u>       |

### (f) Factors that may affect future tax charge

The standard rate of UK corporation tax is 19% and therefore 19% applies to the current tax charge arising during the year ended 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.

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## 11. Dividends

|   | 2021<br>£000 | 2020<br>£000 |
|---|--------------|--------------|
| <b>Paid during the year</b>                                     |              |              |
| 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.

## 12. Property, plant and equipment

|                          | <i>Plant &amp;<br/>Equipment</i><br>£000 | <i>Rolling Stock</i><br>£000 | <i>Total</i><br>£000 |
|--------------------------|--|------------------------------|----------------------|
| <b>Cost:</b>             |  |                              |                      |
| At 27 June 2020          | 5,567                                    | 31,975                       | 37,542               |
| Additions                | -  | 192                          | 192                  |
| Disposals                | (540)                                    | (434)                        | (974)                |
| Intercompany transfers   | (19)                                     | -                            | (19)                 |
| At 3 July 2021           | 5,008                                    | 31,733                       | 36,741               |
| <b>Depreciation:</b>     |  |                              |                      |
| At 27 June 2020          | 4,113                                    | 15,853                       | 19,966               |
| Provided during the year | 355                                      | 1,921                        | 2,276                |
| Impairments              | -  | (230)                        | (230)                |
| Disposals                | (147)                                    | (399)                        | (546)                |
| Intercompany transfers   | -  | -                            | -                    |
| At 3 July 2021           | 4,321                                    | 17,145                       | 21,466               |
| <b>Net book value:</b>   |  |                              |                      |
| At 3 July 2021           | 687                                      | 14,588                       | 15,275               |
| At 27 June 2020          | 1,454                                    | 16,122                       | 17,576               |

The impairment gain in the year includes £230,000 (2020: loss £1,454,000) which arose following a strategic review and is included within exceptional items in the income statement. Please refer to note 8 for further details.

### Capital commitments

|   | 2021<br>£000 | 2020<br>£000 |
|---|--------------|--------------|
| Contracted but not provided for in the financial statements | -            | -            |

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### 13. Leases

#### Right-of-use assets

|                          | <i>Land &amp;<br/>Buildings<br/>£000</i> | <i>Rolling Stock<br/>£000</i> | <i>Total<br/>£000</i> |
|--------------------------|--|-------------------------------|-----------------------|
| <b>Cost:</b>             |  |                               |                       |
| At 27 June 2020          | 846                                      | 3,544                         | 4,390                 |
| Additions                | -  | 214                           | 214                   |
| Disposals                | -  | (438)                         | (438)                 |
|                          | <hr/>                                    | <hr/>                         | <hr/>                 |
| At 3 July 2021           | 846                                      | 3,320                         | 4,166                 |
|                          | <hr/>                                    | <hr/>                         | <hr/>                 |
| <b>Depreciation:</b>     |  |                               |                       |
| At 27 June 2020          | 126                                      | 900                           | 1,026                 |
| Provided during the year | 126                                      | 440                           | 566                   |
| Disposals                | -  | (437)                         | (437)                 |
|                          | <hr/>                                    | <hr/>                         | <hr/>                 |
| At 3 July 2021           | 252                                      | 903                           | 1,155                 |
|                          | <hr/>                                    | <hr/>                         | <hr/>                 |
| <b>Net book value:</b>   |  |                               |                       |
| At 3 July 2021           | 594                                      | 2,417                         | 3,011                 |
|                          | <hr/>                                    | <hr/>                         | <hr/>                 |
| At 27 June 2020          | 720                                      | 2,644                         | 3,364                 |
|                          | <hr/>                                    | <hr/>                         | <hr/>                 |

The average lease term of the right of use assets as at the balance sheet date was 4.9 years.

### 13. Leases (continued)

#### Lease liabilities

The balance sheet includes the following amounts:

|                   | 2021<br>£000 | 2020<br>£000 |
|-------------------|--------------|--------------|
| Current           | 916          | 1,117        |
| Non-current       | 2,442        | 3,150        |
| Lease liabilities | <u>3,358</u> | <u>4,267</u> |

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

|                                      | 2021<br>£000 | 2020<br>£000 |
|--------------------------------------|--------------|--------------|
| Less than one year                   | 954          | 1,201        |
| One to two years                     | 649          | 890          |
| Two to three years                   | 638          | 580          |
| Three to four years                  | 568          | 575          |
| Over four years                      | 735          | 1,254        |
| Total undiscounted lease liabilities | <u>3,545</u> | <u>4,500</u> |

#### Amounts recognised in the income statement

|                                       | 2021<br>£000 | 2020<br>£000 |
|---------------------------------------|--------------|--------------|
| Interest payable on lease liabilities | 84           | 103          |
|                                       | <u>84</u>    | <u>103</u>   |

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## 14. Investments

|                                       | <i>Total<br/>£000</i> |
|---------------------------------------|-----------------------|
| <i>Cost:</i>                          |                       |
| At 27 June 2020 and 3 July 2021       | 5,375                 |
| <i>Depreciation:</i>                  |                       |
| At 27 June 2020                       | (1,625)               |
| Impairment of investment (see note 8) | -                     |
| At 3 July 2021                        | (1,625)               |
| <i>Net book value:</i>                |                       |
| At 3 July 2021                        | 3,750                 |
| At 27 June 2020                       | <u>3,750</u>          |

Details of the investments are listed below:

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

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

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

## 15. Inventories

|                               | <i>2021<br/>£000</i> | <i>2020<br/>£000</i> |
|-------------------------------|----------------------|----------------------|
| Raw materials and consumables | <u>251</u>           | <u>226</u>           |

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

## 16. Trade and other receivables

|                                    | <i>2021<br/>£000</i> | <i>2020<br/>£000</i> |
|------------------------------------|----------------------|----------------------|
| <i>Amounts due within one year</i> |                      |                      |
| Trade receivables                  | 1,132                | 202                  |
| Prepayments                        | 533                  | 567                  |
| Accrued income                     | 460                  | 514                  |
| VAT                                | 338                  | 216                  |
| Government debtors                 | 5,419                | 3,928                |
|                                    | <u>7,882</u>         | <u>5,427</u>         |

## 16. Trade and other receivables (continued)

|                 | 2021<br>£000 | 2020<br>£000 |
|-----------------|--------------|--------------|
| Contract assets | 55           | 71           |

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

Accrued income primarily comprises contract income which is billed on a regular basis and which is reclassified to trade receivables at the point at which it is billed. Contract assets have reduced during the year as a result of the COVID-19 pandemic.

During the financial year, £nil was recognised in respect of recovery of impairment losses arising from contracts with customers. (2020: impairment £122,000).

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

## 17. Trade and other payables

|                                    | 2021<br>£000  | 2020<br>£000  |
|------------------------------------|---------------|---------------|
| Trade payables                     | 809           | 736           |
| Other taxation and social security | 470           | 424           |
| Amounts due to Group undertakings  | 20,837        | 20,032        |
| Other payables                     | 220           | 246           |
| Accruals                           | 1,007         | 2,200         |
| Deferred income                    | 1,992         | 1,991         |
|                                    | <u>25,335</u> | <u>25,629</u> |

|                      | 2021<br>£000 | 2020<br>£000 | 2019<br>£000 |
|----------------------|--------------|--------------|--------------|
| Contract liabilities | 81           | 9            | 1            |

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

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



## 18. Provisions

|                          | <i>Uninsured claims</i><br>£000 |
|--------------------------|---------------------------------|
| At 27 June 2020          | 967                             |
| Provided in year         | 125                             |
| Utilised                 | (312)                           |
| Released                 | (234)                           |
| Unwinding of discounting | (2)                             |
| At 3 July 2021           | <u>544</u>                      |

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

Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historic trends which alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next twelve months.

## 19. Pension commitments

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

### *Defined contribution:*

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

The expense recognised for the Money Purchase Sections of the Go-Ahead Plan is £460,000 (2020: £525,000), 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 £272,000 (2020: £309,000), 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 to 3 July 2021, the Company participated in a scheme which is part of The Go-Ahead Group Pension Plan (Go-Ahead Plan).

The defined benefit sections of the Go-Ahead Plan are contracted-out of the State Second Pension Scheme and provide benefits based on a member's final pensionable salary. The assets of the defined benefit sections are held in a separate trustee-administered fund. Contributions to these sections are assessed in accordance with the advice of an independent qualified actuary. The defined benefit sections of the Go-Ahead Plan have been closed to new entrants and closed to future accrual from 31 March 2014.

## 19. Pension commitments (continued)

The Go-Ahead Plan is a plan for related companies within the Group where risks are shared. The overall costs of the Go-Ahead Plan have been recognised in the Group's financial statements according to IAS 19 (revised).

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

The Go-Ahead Plan is governed by a Trustee Company in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 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 25 below.

## 20. Bus operating charges

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

|                      | 2021                                   |                       | 2020                                   |                       |
|----------------------|--|-----------------------|--|-----------------------|
|                      | <i>Land and<br/>buildings<br/>£000</i> | <i>Other<br/>£000</i> | <i>Land and<br/>buildings<br/>£000</i> | <i>Other<br/>£000</i> |
| Within one year      | 10                                     | -                     | 96                                     | -                     |
| In two to five years | -                                      | -                     | 121                                    | -                     |
| Over five years      | -                                      | -                     | -                                      | -                     |
|                      | <u>10</u>                              | <u>-</u>              | <u>217</u>                             | <u>-</u>              |

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

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

## 21. Related party transactions

The Company is a 100% subsidiary of The Go-Ahead Group plc. Advantage has been taken of the exemptions in paragraph 8 (k) of Financial Reporting Standard 101 and transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly-owned by such a member, have not been disclosed.

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

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

|                                | 2021<br>Group<br>subsidiaries<br>£000 | 2020<br>Group<br>subsidiaries<br>£000 |
|--------------------------------|---------------------------------------|---------------------------------------|
| Amounts due to related parties | 20,837                                | 20,032                                |

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

The Company purchases the electricity generated by the solar PV array and during the year payments of £3,111 (2020: £6,579) were made to the Low Carbon Hub IPS Ltd in respect of this arrangement. The directors consider this to be a fully arms' length agreement.

## 22. Share capital and reserves

*Share capital:*

|                            | No.       | 2021<br>£000 | Allotted, called up and fully paid | No. | 2020<br>£000 |
|----------------------------|-----------|--------------|------------------------------------|-----|--------------|
| Ordinary shares of £1 each | 1,028,850 | 1,029        | 1,028,850                          |     | 1,029        |

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

*Hedging reserve:*

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

## 23. Share-Based Payments

### *Share Incentive Plan*

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

The SIP permits The Go-Ahead Group plc 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 £125 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.

## 23. Share-Based Payments (continued)

### **Sharesave scheme**

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

The Sharesave scheme is open to all full time and part-time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the group was £50. Participants were given the choice of taking their money back, or to purchase Go-Ahead Group Shares at a 20% discount of the market price set at the date of invitation. Sharesave 2016 participants have six months from the maturity date to exercise their options. Sharesave 2016 matured on 1 May 2019.

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:

|  | No. | 2021<br>WAEP (£) | No.     | 2020<br>WAEP (£) |
|--|-----|------------------|---------|------------------|
| Outstanding at the beginning of the year | -   | -                | 6,487   | 19.11            |
| Forfeited during the year                | -   | -                | (4,814) | 19.11            |
| Exercised during the year                | -   | -                | (1,673) | 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).

## 23. Share-Based Payments (continued)

### **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 £20,000 (2020: £14,000).

The DSBP options are not subject to any market based performance conditions. Therefore the fair value of the options is equal to the share price at the date of grant.

The weighted average fair value of options granted during the year was £8.32 (2020: £21.12).

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

|  | <i>2021</i>  | <i>2020</i>  |
|--|--------------|--------------|
|  | <i>No.</i>   | <i>No.</i>   |
| Outstanding at the beginning of the year | 4,836        | 4,186        |
| Granted during the year                  | 3,546        | 781          |
| Forfeited during the year                | -            | -            |
| Exercised during the year                | (3,023)      | (131)        |
| Outstanding at the end of the year       | <u>5,359</u> | <u>4,836</u> |

The weighted average exercise price of options exercised during the year was £8.12 (2020: £20.60).

At the year-end, nil (2020 2,320) options related to DSBP awards which vested before the year end but which have not yet been exercised by participants. Of these, 1,032 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 exercise price of the options was £11.40 (2020: £9.06).

The weighted average remaining contractual life of the options was 1.97 years (2020: 0.54 years).

## 24. 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 value of the Company's financial instruments carried in the financial statements have been reviewed as at 3 July 2021 and 27 June 2020 and are as follows:

|                         | 2021<br>£000 | 2020*<br>£000 |
|-------------------------|--------------|---------------|
| Current assets          | 4            | -             |
| Current liabilities     | (39)         | (363)         |
| Non-current liabilities | -            | (186)         |
| Total asset/(liability) | <u>(35)</u>  | <u>(549)</u>  |

\* Restated – see note 2

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 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 three years ending June 2024. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

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

|   | 2021<br>£000 | 2020*<br>£000 |
|---|--------------|---------------|
| Changes in fair value of hedged item                            | 513          | 817           |
| Changes in fair value of hedging instrument                     | (513)        | (817)         |
| Changes in fair value through the hedging reserves (net of tax) | 139          | (964)         |

\* Restated – see note 2

## 24. Derivatives and Financial Instruments (continued)

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

|  | 2021 | 2020  |
|--|------|-------|
|  | £000 | £000  |
| Balance in the cashflow hedging reserve for continuing hedges  | (22) | (449) |
| Balance in the cashflow hedging reserve arising from hedging relationships for which hedge accounting is no longer applied | -    | -     |

## 25. Ultimate parent company and controlling party

The 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 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.