30 June 2021

Stagecoach Group plc – Preliminary results for the year ended 1 May 2021

Financial summary

	"Adjusted" results Results excluding separately disclosed items+		"Statutory" results	
	2021	2020	**2021**	2020
CONTINUING OPERATIONS				
Revenue (£m)	**928.2**	1,417.6	**928.2**	1,417.6
Total operating profit (£m)	**48.1**	119.7	**58.4**	87.2
Net finance costs (£m)	**(31.1)**	(28.8)	**(33.7)**	(46.6)
Profit before taxation (£m)	**17.0**	90.9	**24.7**	40.6
Earnings per share (pence)	**2.7p**	13.5p	**6.1p**	6.7p
TOTAL OPERATIONS				
Earnings per share (pence)	**2.7p**	13.5p	**6.1p**	6.4p
Full year dividend per share (pence)	**-**	3.8p	**-**	3.8p

+ See definitions in note 22 to the condensed financial statements.

Strategic and operational highlights

- Continuing delivery of our immediate priorities
  - Protecting and promoting the health and wellbeing of our colleagues and customers
  - Partnership working with government and local authorities to deliver critical public transport
  - Continuing work with government to drive, and financially support, a recovery in bus patronage
  - Protecting the long-term sustainability of our business
- Actions underway to leverage potential from new transformational government bus strategy for England
  - Significant opportunities for modal shift from car through new partnership structures, local bus service improvement plans and more bus priority measures
- New sustainability strategy and continued strong environmental performance
  - New long-term sustainability strategy finalised, with zero emissions UK bus fleet targeted by 2035
  - Key partner in UK's first All Electric Bus City in Coventry
  - London Stock Exchange Green Economy Mark and MSCI ESG "A" rating reaffirmed
  - FTSE4Good 97th (2020: 98th) percentile ranking and "low risk" rating from Sustainalytics maintained
- Further progress on delivery of business strategy
  - Protecting the business through robust cost control and planning for recovery
  - Progressing partnership opportunities and new commercial initiatives in the UK, as well as bids for overseas contracts
- Positive trends in regional bus
  - Vehicle mileage now restored to around 94% of pre-COVID-19 levels
  - Patronage and commercial revenue on improving path, underpinned by supportive government measures in England, Scotland and Wales – commercial sales now at around 68%[2] of equivalent period in 2019, compared to a pandemic low of 12%
- Growth in London bus
  - Continuation of strong operating and financial performance
  - New contract wins

Financial highlights

- Positive profit before tax reflecting:
  - Decisive action by management to respond to the COVID-19 pandemic
  - Payments from governments ensuring the continuation of public transport services
- Reduction in net debt from £352.1m to £312.6m
- Net debt of 1.9 times adjusted EBITDA[1] (2020: 1.5 times), notwithstanding lower adjusted EBITDA due to the effects of the COVID-19 pandemic
- Over £875m of available liquidity[1] as at 28 June 2021

Notes
[1] See definitions in note 22 to the condensed financial statements.
[2] Week ended 26 June 2021.

Martin Griffiths, Stagecoach Group Chief Executive, said:

"We continue to make good progress in delivering our immediate priorities. Our focus is on protecting the health and wellbeing of our colleagues and customers; working in partnership with government to deliver the critical public transport the country and our communities need; and protecting the long-term sustainability of our business.

"Our continuing thoughts are with all of those affected by COVID-19, particularly those we have lost in our own Stagecoach family. We remain grateful to the incredible efforts of key workers and our people in keeping the country moving. More than ever, our services are critical to our regional economies, young people returning to education, and giving communities access to the vaccination programme.

"We are confident that there is a strong and positive future for public transport as we carefully follow the roadmap out of the COVID-19 pandemic. While it is difficult to reliably forecast the pace of recovery from the COVID-19 pandemic, we continue to see good long-term prospects for the business.

"The new National Bus Strategy for England, and other recent commitments by the Scottish and Welsh Governments, provide a huge opportunity to fundamentally transform travel in our communities. There is significant potential to deliver healthier and more prosperous places by moving away from towns and cities built around cars to prioritising easy-to-use sustainable public transport and active travel. Our investment in new state-of-the-art bus scheduling software will help ensure we have efficient networks that can best meet future travel patterns.

"We have good liquidity, strong fundamentals and excellent ESG credentials. We are proud to have finalised our new long-term sustainability strategy and to be a partner in the UK's first all-electric bus city in Coventry. Our sustainability strategy is a critical part of the overall strategy for our business, setting out our vision through to 2035. Our plans are designed to make a difference for the people we employ, the communities we serve every day, and our environment and natural resources.

"Looking ahead, we see a positive outlook as our bus, coach and tram services play a critical role in tackling climate change, delivering economic recovery, and ensuring healthier and more connected communities."

ENDS

For further information, please contact:

Stagecoach Group plc www.stagecoach.com

Investors and analysts

Ross Paterson, Finance Director	07714 667 897
Bruce Dingwall, Group Financial Controller	07917 555 293

Media

Steven Stewart, Director of Communications	07764 774 680
John Kiely, Smithfield Consultants	020 3047 2476

A pre-recorded presentation in relation to the results announcement will be available from 7:30am on 30 June 2021 at:

https://www.investis-live.com/stagecoach/60c735292c01f5120004b3a5/guyb

Notes to editors

Stagecoach Group

- Stagecoach is one of Britain's leading public transport businesses, helping connect communities for over 40 years.
- Our team of around 24,000 people and our c.8,300 buses, coaches and trams are part of the fabric of daily life in England, Scotland and Wales.
- We connect people with jobs, skills and training. We bring customers to our high streets, link tourists with visitor attractions, and draw families, friends and communities together.
- Stagecoach is Britain's biggest bus and coach operator and it runs the Supertram light rail network in Sheffield.
- Our impact is about far more than transport – we support the economy, help cut congestion on our roads, protect our environment and air quality, boost safety on our roads, and contribute to a healthier nation.

Preliminary management report for the year ended 1 May 2021

The Directors of Stagecoach Group plc are pleased to present their report on the Company for the year ended 1 May 2021.

Description of the business

Stagecoach Group plc is a public limited company that is incorporated, domiciled and has its registered office in Scotland. Its ordinary shares are publicly traded and it is not under the control of any single shareholder. The Company has its primary listing on the London Stock Exchange. Throughout this document, Stagecoach Group plc is referred to as "the Company" and the group headed by it is referred to as "Stagecoach" or "the Group".

Overview

Despite the challenges of the past year, we delivered positive profit before tax for the year ended 1 May 2021 and we continue to make good progress in delivering our immediate priorities as the UK emerges from the COVID-19 pandemic. Our focus is on protecting and promoting the health and wellbeing of our colleagues and customers; working in partnership with government to deliver critical public transport; and protecting the long-term sustainability of our business.

Our continuing thoughts are with all of those affected by COVID-19, particularly those we have lost in our own Stagecoach family. We remain grateful to the incredible efforts of key workers and our people in keeping the country moving. More than ever, our services are critical to our regional economies, young people returning to education, and giving communities access to the vaccination programme.

We remain confident that there is a strong and positive future for public transport as we carefully follow the roadmap out of the pandemic. Passenger volumes are growing, with demand from fare-paying passengers so far recovering more strongly than demand from concessionary passengers. We see good long-term prospects for the business and we are continuing to invest to support our long-term growth.

From March 2020, and during the year ended 1 May 2021, we took steps to address and mitigate the impact of the COVID-19 pandemic on the Group. While some of those measures are continuing, our focus is now on the recovery from COVID-19 and the long-term opportunities for the business. The steps taken included: adjustments to our bus and tram services to reflect changes in customer demand, social distancing requirements and consultation with local authorities; engaging with governments with respect to payments by them to ensure the continuation of public transport services; furloughing of employees, although most have now returned to work; freezing all but essential recruitment of staff; salary sacrifices by the Directors and other senior management; adjustments to fuel hedging to take account of changes to our services; reductions in planned capital expenditure; accessing new liquidity and securing waivers of bank covenants; other targeted cost reductions.

UK Government plans in the recently published National Bus Strategy for England, and other recent commitments by the Scottish and Welsh Governments, provide a huge opportunity to fundamentally transform travel in our communities. There is significant potential to deliver healthier and more prosperous places by moving away from towns and cities built around cars to vibrant places well-connected by easy-to-use sustainable public transport and active travel. Strong partnership working between transport operators, central government and regional government will be central to delivering on those opportunities and renewing our communities as we emerge from the pandemic.

Our environmental, social and governance credentials are already good, and we continue to strive to do even better in these areas. We have recently finalised our new sustainability strategy, which is a critical part of the roadmap for our business. It includes initiatives designed to make a difference for the people we employ, the communities we serve every day and our environment and natural resources. Our bus, coach and tram services have a critical role in tackling climate change, delivering economic recovery, and ensuring healthier and more connected communities.

Financial results

The financial results are for the 52 weeks ended 1 May 2021. To improve comparability to the 53 weeks ended 2 May 2020, we also present some prior year measures excluding the 53rd week. Revenue was £928.2m (2020: £1,417.6m) and adjusted total operating profit was £48.1m (2020: £119.7m). Revenue excludes COVID-19 grant income from government, which is reported as other operating income. The marked reduction in revenue and operating profit reflects the adverse effect of the COVID-19 situation on the performance of the regional bus operations since March 2020. Operating profit from our London bus business increased, underpinned by the contracted business model and reflecting contract wins. Unadjusted operating profit from continuing operations was £58.4m (2020: £87.2m). Adjusted earnings per share were 2.7p (2020: 13.5p). Basic, unadjusted earnings per share were 6.1p (2020: 6.4p) with the reduction principally reflecting the lower adjusted operating profit partly offset by credits related to COVID-19 that are separately disclosed items.

Dividend

Given the continuing uncertainties caused by the impact of COVID-19, we are not proposing any dividends in respect of the year ended 1 May 2021. We recognise the importance of dividends to many shareholders and, in line with previous guidance, it is our ambition to resume dividend payments in due course when supported by appropriate profit and cash flow generation, relative to our net debt and pension liabilities.

Strategic priorities

Our strategy remains focused on three objectives:

- Maximise our core business' potential in a changing market
- Manage change through our people and technology to make it simpler and better
- Grow by diversifying to balance the portfolio and open up new markets

The COVID-19 pandemic has accelerated several trends in society, which are changing how people work, live and travel. We are planning for a future where there is a mix of home and office working and a more diverse use of transport for individual journeys. This may reduce travel for some purposes and we expect a reconfiguration of demand within local transport networks. Prior to COVID-19, around 23% of bus journeys outside of London made by residents of England were for commuting and business. Buses are less reliant on commuters and business travel than some other modes of travel and we see an overall net positive opportunity as government policy, changing consumer attitudes, health drivers and climate change targets necessitate less use of cars and more use of sustainable public transport and active travel.

Government transport policy

We welcome the ambition in the Department for Transport's new National Bus Strategy for England, which is supported by £3 billion of investment. It includes a package of measures which will help our own extensive efforts and investment to deliver more frequent, more reliable, easier to use, better coordinated and better value bus services. We also welcome the Scottish Government's target of a 20% reduction in car use by 2030, with £500m investment to improve bus infrastructure and tackle road congestion. In Wales, bus operators, local authorities, Transport for Wales and the Welsh Government have signed a new agreement to deliver better bus services that meet the objective of an integrated transport system. The agreement includes an additional £37.2m of funding to continue to support the bus industry in 2021/22 and help operators to plan for the future.

Over the past 35 years, there has been a dramatic improvement in the levels of investment, service quality and passenger satisfaction as a result of private sector innovation and a focus on customer service. However, the potential of buses has remained unfulfilled due to a failure to seriously tackle car use, resulting in slower services, higher operational costs and fares, and declining passenger numbers. The Government's plan to give more priority to buses and help drive modal shift away from polluting single car trips is a positive step.

Strong partnership working between bus operators, national government and local transport authorities is fundamental to transforming the country's bus networks. We are pleased at the endorsement of partnership working in the Government's strategy. Steps to link local funding to closer joint working between bus operators and local authorities, as well as the development by transport authorities of clear Bus Service Improvement Plans and targets, will help drive growing use of buses. As we look to emerge from COVID, we also want to work closely with government on a proactive joint campaign to rebuild consumer confidence in public transport and to promote the wider green credentials of travelling by bus.

In March 2021, the Mayor of Greater Manchester announced his decision to proceed with plans for a bus franchising scheme in the region. The proposed scheme would be introduced in three phases in January 2023, January 2024 and January 2025. The majority of Stagecoach Manchester operations are in the final phase. However, in May 2021, the Mayor announced plans to seek powers and funding from the UK Government to accelerate bus franchising so that bus services in all parts of Greater Manchester are franchised by May 2024, a year earlier than previously announced. Our Manchester business earned c.£128m of annual revenue pre-COVID and an above average profit margin. We remain ready to work collaboratively with the Mayor and the Combined Authority to get through the pandemic and ensure the region has a sustainable, high quality bus network for the long-term.

Financial position

We have protected our financial position during the COVID-19 pandemic. Net debt reduced by £39.5m in the year from £352.1m to £312.6m, the net post-tax retirement benefit liabilities reflected in the consolidated balance sheet reduced by £120.9m from £334.6m to £213.7m, and we currently have over £875m of available liquidity in the form of undrawn, committed bank facilities, cash and money market balances.

We are pleased that the trustees have now concluded the 2020 triennial valuation of our main defined benefit pension scheme, having assessed the impact of recent events. The planned increase in employer contributions to the scheme is within the range we had expected. The trustees estimated the funding deficit at 30 April 2020 across the two sections of the main scheme to be £95.3m, and now expect employer contributions to the scheme to rise by £6.3m per annum, with £4.5m of this increase commencing from the start of May 2021 and the balance from May 2022.

Our people

Our employees continue to play a critical role in delivering our long-term growth strategy. Providing safe, high quality services for our customers every day drives all aspects of our business and we have a team that is truly proud to serve.

We are pleased that our most recent employee engagement survey has shown further high response rates and levels of staff satisfaction. We are continuing to invest in the training and development of our people, as well as promoting diversity and inclusion in our teams, to build on these positive results. We appreciate the understanding and support of our people as we deal with the challenges of the COVID-19 situation.

During the year, we were pleased to welcome Lynne Weedall to the Stagecoach Board as a non-executive director. She is an experienced director who has worked in a number of large organisations, bringing key expertise in business strategy, organisation design, strategic change management and employee engagement.

Outlook

We have been encouraged by the progress made on the roadmap out of COVID-19 restrictions. We have increased regional bus vehicle mileage to around 94% of pre-COVID levels and also restarted our coach networks.

It remains difficult to reliably predict the speed and extent of the recovery in the short-term, including the level of profit for the new financial year ending 30 April 2022. Nevertheless, we remain positive on the long-term outlook. The actions we have taken and the continuing support of government should ensure we continue to generate positive EBITDA and operating profit for the time being. We will look to re-build profitability closer to pre-COVID levels as the COVID-19 restrictions are eased.

Longer term, public transport can play a major role in delivering government priorities for a cleaner, greener and more resilient economy and society, tackling climate change, improving public health and delivering a permanent switch away from cars to more sustainable public transport and active travel.

Summary of financial results

Revenue, split by segment, is summarised below, and excludes COVID-19 grant income from government. COVID-19 grant income is reported within other operating income.

REVENUE	**2021**	2020	Growth	Growth excluding 53rd week
	£m	£m	%	%
UK Bus (regional operations)	**662.0**	1,011.9	(34.6)%	(34.0)%
UK Bus (London)	**261.7**	246.2	6.3%	8.3%
UK Rail	**4.7**	161.1		
Intra-Group revenue	**(0.2)**	(1.6)		
Group revenue	**928.2**	1,417.6		

Operating profit, split by segment, is summarised below:

OPERATING PROFIT	**2021**		2020	
	£m	% margin	£m	% margin
UK Bus (regional operations)	**24.5**	**3.7%**	90.6	9.0%
UK Bus (London)	**18.7**	**7.1%**	16.1	6.5%
UK Rail	**10.1**		4.4	
Group overheads	**(8.7)**		(8.1)	
Restructuring costs	**(0.3)**		(0.9)	
Operating profit before joint ventures and separately disclosed items	**44.3**		102.1	
Joint ventures – share of profit/(loss) after tax				
WCT Group (formerly Virgin Rail Group)	**4.1**		15.8	
Citylink	**(0.3)**		1.8	
Total operating profit before separately disclosed items	**48.1**		119.7	
Non-software intangible asset amortisation	**(0.3)**		(0.7)	
Other separately disclosed items	**10.6**		(31.8)	
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	**58.4**		87.2	

Strategic and operating review

Strategic background and market environment

Our transport services are key to delivering a green economic recovery, tackling climate change, levelling up our regions, and ensuring connected and cohesive communities.

We have made further progress during 2020/21 in the delivery of our business strategy and objectives. Our immediate focus has been on the health and wellbeing of our colleagues and customers; working with central and regional government to deliver critical public transport services; and protecting the business for the future.

While COVID-19 has affected the timeline of some elements of our strategy, we are continuing to explore opportunities to grow and diversify. This includes new commercial products, exploring potential partnerships and maximising the value of our significant estate. We are also progressing new opportunities overseas. While we have yet to succeed in winning new work from any of our recent overseas bids, our bidding continues and we are pleased to be shortlisted for contracts in Scandinavia and Dubai.

We welcome the renewed focus on the importance of bus services by the UK Government and devolved administrations in Scotland and Wales. We are engaging with the Department for Transport around the implementation of its plans as part of the National Bus Strategy for England, as well as working with local government partners to shape flexible and effective Enhanced Partnerships.

Strategic objectives and initiatives

Notwithstanding the unprecedented environment caused by the COVID-19 pandemic, we see significant long-term opportunities in our key markets. Our strategic objectives and initiatives remain focused on the business action we believe will best realise these opportunities.

Maximise our core business' potential in a changing market

UK Bus (regional operations)

Our UK Bus (regional operations) business continues to deliver critical links in communities across the UK, supporting the economic health of towns and cities. We see a positive long-term outlook for our regional bus business, with supportive government policy, including the new National Bus Strategy for England.

Safety remains our absolute priority as we look to welcome back our customers. All our bus, tram and coach services have been accredited with Visit Britain's "We're Good to Go" official mark, recognising the work carried out to meet government and industry COVID-19 guidelines. Comprehensive hygiene measures are in place to help customers feel safe and confident. These include mandatory facemasks, contactless payment, additional regular cleaning, ventilation, anti-virus air filters, as well as our Busy Bus app feature to help customers travel at quieter times.

We are also continuing to focus on delivering high quality services for customers and are proud that during the year our Stagecoach East Scotland business won Scotland's Public Transport Operator of the Year award for the second year running.

As towns and cities across the UK develop initiatives to re-define their high streets and put in place new destination marketing strategies to attract visitors post the COVID-19 pandemic, we believe there is a clear role for our transport services to connect people with these opportunities. We are working closely with local authorities and other partners seeking to access new recovery funding streams, particularly in England, to boost town and city centres.

During the 2020/21 financial year, we launched a new customer rewards scheme with special offers right across the UK in the leisure sector, including visitor attractions, places to eat out and hotels. Stagecoach Rewards provides exclusive discounts to our bus customers and will help support those local businesses in the communities we serve.

Demand for our regional bus services has continued to follow the changing pattern of COVID-19 restrictions across the UK. We are currently operating regional bus vehicle mileage at around 94% of the level operated around this time in 2019. We saw commercial sales recover to around 60% of 2019 levels in autumn 2020. Sales then dropped from December 2020 as COVID-19 related restrictions were tightened across the UK, with lockdown restrictions applying in most areas. As COVID-19 restrictions have eased, our commercial sales have begun to recover and are now (seven days ended 26 June 2021) at around 68% of the equivalent period in 2019. We are confident of further recovery in commercial sales as restrictions continue to be eased and people regain confidence in travel and in using public transport.

As previously reported, the respective governments in England, Scotland and Wales, and our local authority partners, have put in place measures to protect the continuity of local bus services. The Department for Transport has indicated that COVID-19 Bus Services Support Grant Restart ("CBSSG") for local bus services in England, excluding London, will continue to cover the period until when social distancing is no longer required on buses. Based on the current roadmap for the easing of COVID-19 restrictions in England, we would expect CBSSG or a similar arrangement to now continue until late August 2021. The Department for Transport has confirmed that it remains the case that it will give eight weeks' notice of CBSSG coming to an end.

We, and other bus operators, continue to work closely with the Department for Transport to establish a framework to ensure bus networks successfully bridge from the current CBSSG arrangements to long-term commercial sustainability. We welcome the recent publication of a National Bus Strategy for England, and in particular the Government's commitment to grow bus patronage and maximise the potential of buses. The governments across the UK have demonstrated during the COVID-19 pandemic the importance they place on continuing bus services, and the new National Bus Strategy for England and similar ambitions in Scotland and Wales, underline their longer term ambitions to grow bus usage and make bus services better. Pursuant to the National Bus Strategy, each local authority in England, excluding London, has been invited to confirm by 30 June 2021 whether it intends to pursue bus franchising, an Enhanced Partnership for local bus services, or neither. Two or more local authorities may work together on franchising or an Enhanced Partnership. Greater Manchester has already confirmed its intention to progress with bus franchising, whereas we currently expect most other local authorities to pursue Enhanced Partnerships.

Franchising is an established model for providing bus services and is used in London and in many cities and regions across Europe. In a franchising scheme, local authorities will determine the details of the services to be provided – where they run, when they run and the standards of the services. Typically bus operators provide their services under contract to the local authority who can let whatever sort of contract it feels is appropriate. No other local bus services can operate in the franchised area without the agreement of the franchising authority.

An Enhanced Partnership is a statutory arrangement under the Bus Services Act 2017. The legislation does not prescribe the detailed contents of an Enhanced Partnership agreement, and that requires negotiation between a local authority and bus operators in the area to agree on the scope of the partnership. An Enhanced Partnership might, for example, specify requirements in respect of timetables and multi-operator ticketing. The main difference between an Enhanced Partnership and franchising is that bus operators have a much greater role in developing an Enhanced Partnership, working with the local authority to develop and deliver improvements for passengers and having a real say on how bus services should be improved. Enhanced Partnerships also offer significantly more flexibility than franchising. We are mindful that franchising and/or Enhanced Partnerships could adversely affect the Group's revenue, costs and profitability as our relationship with government evolves but, on balance, we see Enhanced Partnerships as an opportunity for the Group to grow our business with strong commitments and new funding from government.

We also welcome the Scottish Government's target of a 20% reduction in car use by 2030, with £500m investment to improve bus infrastructure and tackle road congestion. The COVID-19 Support Grant Restart ("CSG") payments for continuing bus services in Scotland have now been extended to cover the period to 3 October 2021. We continue to work with other operators and Transport Scotland on the development of a mechanism to see bus services successfully transition from the current framework to that of long-term commercial sustainability.

Our bus business in Wales represents around 3% to 4% of our overall regional bus business. In Wales, a new voluntary partnership arrangement, Bus Emergency Scheme 2 ("BES 2"), is expected to run from April 2021 until July 2022. Under BES 2, there is scope for bus operators to earn a modest profit under a form of "cost plus" arrangement. A bus operator can opt out of the BES 2 scheme if it feels ready to return to the more usual form of commercial operation.

We are pleased that since late March 2021, we have restarted some of our coach services. Our megabus business in England and Wales is now operating around 58% of pre-COVID service levels connecting key towns and cities across the UK. Services continued to run in Scotland throughout the year for essential journeys, and additional cross-border services have also been introduced. A further ramp up of services is planned for the summer period and we are encouraged by current forward-booking levels. We have also re-introduced Oxford Tube services seven days a week. The entire Oxford Tube coach fleet has been replaced following a £13m investment.

During the year, we have continued to work to reduce costs in light of the effects of the pandemic on the business, and to ensure the business is efficient and agile when emerging from this period. We have implemented around £17m of annualised cost savings to date across the Group's entire operations.

London bus operations

We are pleased with the continued strong operational and financial performance of our London business. We are operating at normal levels with full service restored, and continue to work collaboratively with Transport for London in response to the COVID-19 situation. During the 2020/21 year, new contract wins have come on stream and we have introduced 47 new electric buses in London as part of Transport for London's 2030 zero emissions strategy. In September 2021, we will commence two new routes with a fleet of 34 vehicles, of which 25 will be electric.

<u>Manage change through our people and technology to make it simpler and better</u>

Enhanced safety systems

We announced earlier this year that we will become the first bus operator in the country to invest in the national roll-out of new bridge alert technology across our fleet. The £4m project will strengthen existing measures in place to prevent bridge strikes and build on Stagecoach's industry-leading use of the GreenRoad driver safety and fuel efficiency system. The intelligent GreenRoad system will use GPS vehicle location data and mapping services to alert the driver to nearby low bridges, allowing a safe route that avoids the bridge. The technology will be installed on Stagecoach buses across the country by the end of summer 2021.

People initiatives

At this challenging time, we are focusing our People team resources on our welfare and wellbeing support for our employees, including progressing our employee engagement and recognition programmes. We are also continuing to deliver our industry-leading driver and engineering apprenticeship programmes, with around 800 apprentices currently in place in the business, as well as planning for the future with further steps to ensure we are an even more agile and customer-focused business.

Green fleet development

We have a shared ambition with government and other bus operators to transition to zero emission buses. We are targeting our bus fleet in the UK to be 100% zero emissions by 2035. This means we are well placed as the UK Government consults on setting a deadline for when the sale of new diesel buses will end. We support a 2030 date for ending the sale of new diesel buses, with some Ultra Low Emission Vehicle ("ULEV") buses being available after that date where zero emission alternatives are not available. This would ensure alignment with the end of sale for new petrol/diesel cars and vans in the UK.

The current capital cost of new zero emission vehicles is significantly greater than the equivalent diesel vehicles. An electric bus is broadly twice the cost of the comparative diesel vehicle, while a hydrogen bus is even more expensive. Furthermore, investment in new infrastructure is often required to enable the introduction of zero emission vehicles. While that presents some challenges and risks, there are a number of offsetting factors. Reflecting the ambition of governments in the UK to grow bus journeys, reduce car journeys and lower emissions, financial support has been available from governments towards the cost of zero emission buses. While there is no certainty of the extent to which such support will continue, the UK governments continue to consider how best to incentivise the transition to zero emission vehicles. In addition, the cost of new electric cars can also exceed their diesel equivalents and so the competitive position of bus versus car might be less affected – indeed, the bus can offer a convenient, cost-effective alternative to electric cars for some individuals and journeys. We are continuing to work with governments, vehicle manufacturers, funders and other industry partners on our goal of a 100% zero emission bus fleet in the UK by 2035.

We are delighted to be part of the plans for Coventry to become the UK's first All Electric Bus City. Under the ground-breaking project, every bus in Coventry will be electric powered by 2025, leading to improved air quality, reduced greenhouse gas emissions and lower running costs. The Department for Transport is providing £50m in funding to West Midlands Combined Authority to help deliver the project.

Our fleet of 32 electric double-decker buses in Greater Manchester, one of the biggest investments of its kind in Europe, has already delivered over 700,000 carbon free miles after a successful first year in service.

In March, we announced plans for a further 46 new fully electric buses, representing an investment of £21.4m across Scotland. The Scottish Government is providing £9m of the funding towards the new buses under the Scottish Ultra-Low Emission Bus Scheme ("SULEBS"), which will also support related infrastructure investment. Our net investment will be around £12m. In September 2020, the Scottish Government awarded £1.2m to the Group to help deliver more than 60 cleaner buses in local communities in East Scotland. The funding from the Bus Emissions Abatement Retrofit programme will help us retrofit 63 buses and bring them up to the latest clean Euro VI standard. We are also continuing to engage with Transport Scotland and the relevant local authorities around the introduction of Low Emission Zones between February 2022 and May 2022 to improve air quality in Glasgow, Edinburgh, Dundee and Aberdeen.

Simpler ticketing and better value fares

For many years, we have led the bus sector in delivering value travel and independent research has found that we have consistently offered the lowest weekly bus travel of any major bus operator in the UK. However, we believe it is important to make ticketing simpler and more integrated, ensuring it provides customers with easy access to the flexible travel they need and providing them with confidence that they are securing the best value fares regardless of the journeys they make.

We are working independently and with our sector partners to widen the availability of multi-operator ticketing, building on our successful investment and roll-out of Britain's biggest bus contactless payment technology.

We have taken further steps during the year to simplify our own tickets and fares, with improvements introduced in Scotland in March 2021. These included simpler and more consistent fares and our new Flexi 5 ticket, available via our Stagecoach app, which offers five day tickets for the price of four to help meet the changes we are seeing in travel patterns. There are plans for similar enhancements in other parts of the UK later this year as we assess the impact of the new customer offer and more flexible tickets.

Network planning

We are now investing in new bus network planning technology. The Optibus software platform, which is used in more than 450 cities around the world, is being rolled out across our operating companies. It uses a combination of state-of-the-art artificial intelligence, advanced algorithms and cloud computing to deliver smarter timetables and networks and keep up with the continually evolving demand for travel. The system will help deliver the most efficient timetables and rosters that offer customers both attractive frequencies and reliability. It will also reduce carbon emissions, as buses can be planned more effectively, and support the roll-out of electric vehicles by ensuring factors such as charging locations and charging times are included in schedule planning.

Grow by diversifying to balance the portfolio and open up new markets

We are continuing to seek out new opportunities to diversify and grow the business. During the year, we launched our Stagecoach Solutions one-stop-shop to help businesses, the education sector and event organisers. Stagecoach Solutions offers a range of tailored transport solutions. The new product offer, which builds on our core bus services, is designed to respond to the "new normal" and meet the need for flexible mobility services. Stagecoach Solutions offers tailored shuttle buses, education bus services, on demand services and simplified corporate travel. It also includes our long established rail replacement business and offers travel support for major events and festivals.

Aberdeen City Council and the University of Kent are among the first organisations to sign up to our newly developed, digital and direct corporate sales platform through a bespoke corporate app. We are looking to focus on business parks and major employers in rapidly growing cities with constrained parking, particularly those with a growing emphasis on demonstrating they are responsible employers. There is also an opportunity to deliver ready-made solutions in areas that may be investigating the introduction of workplace charging levies. We are pleased to have agreed a significant ticketing initiative with NHS Scotland, which employs around 140,000 people at several hundred sites.

The UK Government's new National Bus Strategy envisages increasing use of on demand services. We already operate the Tees Flex on-demand bus service on behalf of Tees Valley Combined Authority. The three-year pilot was launched in February 2020, and during its first year, it has helped local people in more isolated communities make around 50,000 journeys. Tees Flex has also helped North Tees and Hartlepool NHS Foundation Trust to get vulnerable patients to and from hospital during the coronavirus pandemic free of charge. More widely, we have also been working closely with the NHS, the UK's biggest employer, to operate on-demand employee shuttles connecting several hospital sites in England.

We are examining domestic contract opportunities, including those linked to major events where we have expertise and a successful track record. In addition, we are exploring potential partnerships and initiatives to maximise the value of our significant estate, including the potential for our extensive depot footprint across the UK as part of logistics networks.

As part of our diversification strategy, we are progressing targeted, value-adding opportunities in overseas markets where we see relatively low political/regulatory risk, contracts that offer an appropriate risk-reward balance, and geographies with positive demographics and economic outlook. We are continuing to examine potential bus, metro, rail and light rail opportunities in the Scandinavian market. Separately, we are also actively exploring potential bus and long distance coach contracts in the United Arab Emirates and we are expecting to submit a bid for significant bus contracts in Dubai in July 2021.

Financial Review

UK Bus (regional operations)

Summary
• Modest operating profit with revenue and journey numbers adversely affected by COVID-19 • Strengthened relationship with government, through partnership working in response to COVID-19 • Payments from government and local authority partners for essential services • Engagement with government on supporting the recovery and returning to commercial sustainability • Positive long-term drivers for the business

Financial performance

The financial performance of the UK Bus (regional operations) for the year ended 1 May 2021 is summarised below:

	2021 £m	2020 £m	Change
Revenue	**662.0**	1,011.9	(34.6)%
Like-for-like* revenue	**661.5**	1,002.6	(34.0)%
Operating profit*	**24.5**	90.6	(73.0)%
Operating margin*	**3.7%**	9.0%	(530)bp

Our UK Bus (regional operations) business has been significantly affected by the substantial fall in passenger demand for public transport in response to the COVID-19 pandemic. Nevertheless, the business reported an operating profit for the year ended 1 May 2021, with government payments for essential local bus services designed to ensure those services operate at a break-even level. The payments from government, which cover the majority of our regional bus operations, include amounts in respect of an allocation of finance costs and overheads. The positive regional bus operating profit should therefore be considered in conjunction with Group overheads and net finance costs, which are separately included in the consolidated income statement.

The scale of like-for-like revenue decline has fluctuated over the course of the year, with passenger demand following the changing pattern of COVID-19 restrictions across the UK. Passenger journey numbers are recovering, with journeys by fare-paying passengers currently recovering faster than concessionary journeys. Commercial sales are currently (seven days ended 26 June 2021) at around 68% of the equivalent period in 2019, compared to a pandemic low of c.12%. We are currently operating vehicle mileage at around 94% of 2019 levels. We remain confident that as COVID-19 restrictions are eased, in particular social distancing, our sales will grow.

* see definitions in note 22 to the condensed financial statements

Like-for-like vehicle miles operated in the year were 15.8% lower than the previous year. Like-for-like revenue per vehicle mile reduced 21.7% and like-for-like revenue per journey increased 57.1%. The reduction in revenue per mile reflects that the COVID-related fall in year-on-year revenue exceeds the year-on-year reduction in vehicle mileage, with government grant payments for continuing bus services. Revenue per mile can be thought of as the sum of (a) operating profit per mile and (b) operating costs and other operating income per mile. COVID-related grant income is not included within revenue. It is reported within operating income, which has resulted in lower operating costs and other operating income per mile than in the prior year. Operating profit per mile is also lower as the government payments for bus services are designed to deliver a break-even position on the relevant services. The significant increase in revenue per journey is largely attributable to the continuation of concessionary revenue payments at close to pre-COVID revenue rates despite the suppressed concessionary journey numbers throughout the year.

Like-for-like revenue was built up as follows:

	2021 £m	2020 £m	Change
Commercial on and off bus revenue			
– megabus.com	**3.9**	26.4	(85.2)%
– other	**264.0**	583.5	(54.8)%
Concessionary revenue	**243.0**	251.8	(3.5)%
Commercial & concessionary revenue	**510.9**	861.7	(40.7)%
Tendered and school revenue	**113.8**	102.6	10.9%
Contract and other revenue	**36.8**	38.3	(3.9)%
Like-for-like revenue	**661.5**	1,002.6	(34.0)%

Commercial revenue was significantly impacted by a fall in customer demand in response to COVID-19. At the start of the year, commercial sales across our companies were at around 15% of prior year levels. Over the course of the year, passenger demand has moved in line with the COVID-related restrictions in place. As restrictions were relaxed over the course of the last two months of the year, we have seen a gradual increase in demand.

The substantial fall year-on-year in megabus revenue partly reflects our decision to suspend megabus services in England and Wales for much of the past year. The Department for Transport COVID-related payments for bus services do not cover inter-city coach operations. We resumed some services from March 2021 to help reconnect people across the UK.

The decline in revenue receivable from public authorities in respect of concessionary revenue has been more modest, with that revenue generally continuing at closer to pre-COVID levels despite reductions in vehicle mileage and patronage.

The increase in tendered and school revenue includes the effect of a wider trend of smaller operators exiting the market, resulting in further market consolidation, and demand from local authorities to provide additional school services to support social distancing.

The reduction in contract and other revenue is partly attributable to reduced rail replacement work on the East Midlands railway and Sheffield Supertram networks. We have continued to operate some profitable contract services for private sector organisations and those are excluded from the government COVID-19 regimes for local bus services.

<u>Outlook</u>

With the continuing uncertainty of the COVID-19 situation and the UK's recovery, it remains difficult to accurately forecast the precise timing and extent of how our profitability will recover. We anticipate that it will take some time for demand for our regional bus services to return to pre-COVID levels, with the timing of easing of government restrictions impacting on the speed of that recovery. We are therefore planning for a number of scenarios, and are continuing to review our cost base across a range of scenarios. With the various government support arrangements in place, we expect to continue to generate positive EBITDA and operating profit for the time being.

We continue to engage with government on a bridge from the current funding arrangements to commercial sustainability, supporting recovery, while avoiding substantial reductions in overall bus services.

The cost per vehicle mile of our regional bus operations is now a little higher than it was pre-COVID, notwithstanding the management action taken to reduce non-mileage related costs. The increased cost per vehicle mile reflects the costs of enhanced cleaning, lower driver turnover meaning that average pay costs have increased as the average driver is more experienced, modest inflation in wage rates over the last 16 months, and other cost inflation. Accordingly, were we to operate the same services we operated pre-COVID, then in order to achieve pre-COVID profitability, we would need to achieve a little more than 100% of pre-COVID revenue in the absence of additional grant income. In practice, we expect the position to be more nuanced than that. We will shape our local services to respond to emerging local demand in consultation with government. Otherwise less profitable or loss-making services may see vehicle mileage reduced, or additional support from government to maintain or grow mileage. The new National Bus Strategy in England, and similar ambitions in Scotland and Wales, present strong opportunities to match and then exceed pre-COVID revenue. That, together with the flexibility of our networks and operating costs, means we remain optimistic in returning to a reasonable operating profit but we do recognise that the extent of demand post-COVID and the effects of new government policy remain uncertain.

We continue to see good long-term prospects for the business, with the UK Government's recently announced National Bus Strategy for England demonstrating a commitment to increase bus patronage with significant funding to support that. Strong partnership working between bus operators, national government and local transport authorities is fundamental to transforming the country's bus networks, making services faster and more affordable, and reducing unnecessary car journeys.

UK Bus (London)

Summary
• Continuation of strong operational and financial performance • Collaborative approach with Transport for London to adjust services in response to COVID-19 • New contract wins

Financial performance

The financial performance of UK Bus (London) for the year ended 1 May 2021 is summarised below:

	2021 £m	2020 £m	Change
Revenue	**261.7**	246.2	6.3%
Like-for-like revenue	**261.7**	241.7	8.3%
Operating profit	**18.7**	16.1	16.1%
Operating margin	**7.1%**	6.5%	60bp

We are pleased with the continued strong operational and financial performance of our London business. As anticipated, operating profit has increased relative to the prior year, reflecting the new contracts that we secured in 2019/20.

The increase in revenue reflects those new contracts, partly offset by the reductions in vehicle mileage we agreed with Transport for London in response to the COVID-19 situation at the start of the year. We agreed with Transport for London that the contract payments we receive from it would be reduced by the amount of savings in variable costs achieved because of operating less mileage.

The movement in operating margin was built up as follows:

Operating margin – 2019/20	6.5%
Change in:	
Staff Costs	(2.8)%
Government grant income	1.5%
Fuel costs	1.0%
Insurance and claims costs	1.1%
Quality Incentive Contract income	0.3%
Other	(0.5)%
Operating margin – 2020/21	7.1%

The main changes in the operating margin shown above are:

- Staff costs have increased reflecting the impact of protecting the wellbeing of more vulnerable employees and related staff absences. Most of these higher costs have been mitigated through grant income recognised under the Coronavirus Job Retention Scheme for employees furloughed.
- Fuel costs have decreased as a proportion of revenue, due to lower hedged prices and better fuel efficiency, largely arising from reduced traffic levels on our routes and changes in the composition of our vehicle fleet.
- Insurance and claims costs have reduced reflecting our latest assessment of the self-insured portion of claims.
- Quality Incentive Contract income has increased £1.3m year-on-year reflecting new contracts and a one-off benefit relating to the timing of settlement recognition.
- Other costs have increased as expected, principally due to a one-off rates rebate at one of our depots in the prior year.

Outlook

We have worked collaboratively with Transport for London throughout the COVID-19 pandemic, and contract payments are now at normal levels with full service restored. We have agreed changes with Transport for London on how contract price adjustments are determined on an ongoing basis. We note the further funding recently announced by the Department for Transport to support the continuation of essential Transport for London services. We will maintain our discipline in bidding for new contracts as well as our focus on strong operational delivery. We see good prospects for further profit growth in 2021/22.

UK Rail

Summary
• Continuing positive progress on unwinding our former train operating companies • Sheffield Supertram supported by further government payments for essential services

Financial performance

The financial performance of UK Rail for the year ended 1 May 2021 is summarised below:

	2021 £m	2020 £m
Revenue	**4.7**	161.1
Like-for-like revenue	**5.9**	13.0
Operating profit	**10.1**	4.4

The reported UK Rail revenue of £4.7m for the year ended 1 May 2021 includes revenue of £5.9m from our ongoing Sheffield Supertram business, offset by a £1.2m increase in the liability for refunds payable to customers of our expired rail franchises.

The reported revenue for the prior year includes revenue at the East Midlands Trains franchise that ended in August 2019. The substantial fall in reported revenue reflects the end of that franchise.

The like-for-like revenue is in respect of the ongoing Sheffield Supertram business, with the year-on-year reduction principally reflecting the effect of the COVID-19 situation on passenger demand.

The operating profit for the year principally reflects positive progress in concluding matters in relation to our former involvement in the UK train operating market. The reported profit also includes the costs of our commercial and business development team, the majority of whose work is focused on unwinding our former rail franchises, and evaluating and bidding for future contract opportunities.

Outlook

Similar to our local regional bus businesses, our Sheffield Supertram business is receiving government payments in the form of Light Rail Revenue Restart Grant ("LRRRG") income for continuing the essential tram services it provides. The LRRRG payments are committed through until 19 July 2021, and UKTram and the Urban Transport Group continue to engage with the Department for Transport around arrangements beyond that date.

We continue to hold an onerous contract provision, albeit at a reduced amount, for the estimated net costs of fulfilling our contractual obligations at Sheffield Supertram.

Our commercial and business development team continues to explore, and bid for, new opportunities. We will continue to balance the costs of those business development activities with our assessment of the prospective risk-reward of the available opportunities.

Joint Ventures
WCT Group (formerly Virgin Rail Group)

Summary
• Positive progress on concluding contractual matters on West Coast rail franchise

Financial performance

Our Virgin Rail Group joint venture was re-named WCT Group in March 2021. The financial performance of the joint venture for the year ended 1 May 2021 is summarised below:

49% share	**2021 £m**	2020 £m
Revenue	**4.9**	388.0
Operating profit	**5.4**	18.9
Net finance income	**0.1**	0.4
Taxation	**(1.4)**	(3.5)
Profit after tax	**4.1**	15.8

WCT Group's West Coast rail franchise ran until 8 December 2019. Our joint venture partner, Virgin, and we remain focused on concluding contractual matters associated with that franchise. We have made positive progress during the past year in that regard, including agreeing a full and final settlement with the Department for Transport in respect of the franchise.

Adjusted EBITDA, depreciation and intangible asset amortisation

Earnings before interest, taxation, depreciation, software amortisation and separately disclosed items ("adjusted EBITDA") amounted to £166.7m (2020: £237.3m). Adjusted EBITDA can be reconciled to the condensed financial statements as follows:

	2021 £m	2020 £m
Total operating profit	**58.4**	87.2
Separately disclosed items	**(10.3)**	32.5
Software amortisation	**2.9**	4.5
Depreciation	**107.7**	109.2
Non-separately disclosed impairment losses	**6.8**	0.3
Add back joint venture finance income & tax	**1.2**	3.6
Adjusted EBITDA	**166.7**	237.3

The year-on-year decrease in adjusted EBITDA principally reflects the substantial fall in demand for public transport in response to the COVID-19 pandemic.

Depreciation and software amortisation of £110.6m is broadly in line with the £113.7m for the prior year. The impairment losses of £6.8m (2020: £0.3m) include £2.9m in respect of land and buildings, and £3.9m in respect of coaches, that have become surplus to the Group's requirements. The carrying amounts of the relevant assets have been written down to their estimated recoverable amounts.

Separately disclosed items

The Directors believe that there are certain items that we should separately disclose to help explain the consolidated results. We summarise those "separately disclosed items" in note 4 to the condensed financial statements and further explain them below.

Non-software intangible asset amortisation

We separately disclose non-software intangible asset amortisation because analysts have told us that they find separate disclosure helpful, a number of our peers separately disclose such costs and the costs generally arise from business acquisitions and/or contract wins.

Non-software amortisation for the year ended 1 May 2021 amounted to £0.3m (2020: £0.7m).

Re-organisation costs

As part of our response to the COVID-19 situation, the Group took steps to deliver further efficiencies. As part of that programme, we have reshaped our cost base by reducing the size of our back-office activities. The restructuring costs, net of related grant income receivable, associated with those changes amounted to £2.8m in the year ended 1 May 2021.

Reassessment of onerous contract provision

An expense of £16.5m was separately disclosed for the year ended 2 May 2020 in respect of impairment losses and onerous contract provisions. As part of that, an onerous contract provision was recorded as at 2 May 2020 in respect of the Sheffield Supertram concession. Since 2 May 2020, the Department for Transport and South Yorkshire Passenger Transport Executive have made further COVID-related payments to our Sheffield Supertram business to allow us to continue running essential services. We have recalculated the onerous contract provision, reflecting the benefit of these payments in a revised forecast for the business, and recorded a separately disclosed profit for Sheffield Supertram of £2.5m in the year ended 1 May 2021.

Discontinued fuel hedges

The Group significantly reduced its vehicle mileage in light of reduced customer demand from March 2020 as the public followed government advice to avoid all but essential travel in light of the COVID–19 pandemic. As a result, the Group significantly reduced its forecast of the level of future fuel consumption that it considered highly probable and discontinued hedge accounting in mid–March 2020 for certain of the fuel hedges covering the period from mid–March 2020 to April 2021.

Amounts previously recognised in the statement of comprehensive income in respect of those now discontinued hedges were transferred to the income statement with effect from March 2020 to the extent that the forecast fuel consumption was no longer expected to occur. The income statement effect of that, and for subsequent movements in the fair value of fuel derivatives that are not accounted for as hedges, has been presented as a separately disclosed item, resulting in a gain of £4.0m (2020: loss of £12.9m) recognised in the year ended 1 May 2021.

Grant income recognised in the year ended 1 May 2021 includes amounts intended to compensate the Group for cash payable by it pursuant to fuel derivatives. To the extent that grant income relates to the fuel derivatives for which hedge accounting was discontinued, and for which the related expenses on those derivatives is reported within separately disclosed items (either in the year ended 2 May 2020 or in the year ended 1 May 2021), the related grant income of £6.9m (2020: £Nil) in the year ended 1 May 2021 has also been reported within separately disclosed items.

<u>Changes in the fair value of Deferred Payment Instrument</u>

We received a Deferred Payment Instrument as deferred consideration for the sale of the North American business. The instrument, which is accounted for at fair value through profit or loss, has a maturity date of October 2024 and due to the credit and other recoverability risks associated with the instrument, its carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind the secured lenders. The carrying value of the instrument was £4.5m as at 2 May 2020. We estimated the carrying value of the instrument to be £1.9m as at 1 May 2021, resulting in a loss of £2.6m (2020: £17.8m) recognised in finance costs in the year ended 1 May 2021.

<u>Tax credit</u>

The net effect of separately disclosed items from continuing and discontinued operations was a pre-tax profit of £7.7m (2020: loss of £51.6m).

The separately disclosed tax credit of £10.8m for the year ended 1 May 2021 (2020: £12.8m) includes the tax effect of the pre–tax separately disclosed items, as well as a tax credit of £5.0m (2020: £3.4m) in respect of tax losses relating to expired rail franchises and a tax credit of £7.3m in respect of financing of overseas operations, whereby the Group has benefitted from the Finance Company Exemption contained in the UK's Controlled Foreign Company ("CFC") legislation.

Net finance costs

Net finance costs, excluding separately disclosed items, for the year ended 1 May 2021 were £31.1m (2020: £28.8m) and can be further analysed as follows:

	2021 £m	2020 £m
Finance costs		
Interest payable and other facility costs on bank loans, loan notes, overdrafts and trade finance	**2.7**	3.3
Lease interest payable	**2.5**	2.8
Interest payable and other finance costs on bonds	**16.7**	17.2
Interest payable on Covid Corporate Financing Facility commercial paper	**1.8**	-
Effect of interest rate swaps	**0.1**	-
Unwinding of discount on provisions	**1.0**	1.3
Interest charge on defined benefit pension schemes	**6.8**	5.1
	31.6	29.7
Finance income		
Interest receivable on cash and money market deposits	**(0.5)**	(0.9)
Net finance costs, excluding separately disclosed items ("adjusted net finance costs")	**31.1**	28.8

The increase in adjusted net finance costs is principally due to the higher pensions finance charges arising from the prior year increase in net pension liabilities, in addition to higher interest on increased borrowings.

Taxation

Our share of profit from joint ventures is reported after tax in arriving at the profit before tax from continuing operations in the consolidated income statement. To better understand the Group's effective tax rate, we show below the Group's tax charge from continuing operations, including our share of joint ventures' tax, relative to the Group's profit before tax from continuing operations excluding joint ventures' tax. On that basis, the effective tax rate for the year ended 1 May 2021, excluding separately disclosed items, was 18.0% (2020: 21.1%).

The tax charge on profit from continuing operations can be analysed as follows:

Year to 1 May 2021	Pre-tax profit £m	Tax £m	Rate %
Excluding separately disclosed items	18.3	(3.3)	18.0%
Non-software intangible asset amortisation	(0.3)	-	
Other separately disclosed items	8.0	10.8	
With joint venture taxation gross	26.0	7.5	
Reclassify joint venture taxation for reporting purposes	(1.3)	1.3	
Reported in income statement	24.7	8.8	

The effective tax rate on profit from continuing operations, excluding separately disclosed items, of 18.0% is lower than the 19.0% rate of UK corporation tax for the year, principally due to adjustments in respect of prior year tax estimates.

The cash tax paid in the year of £2.6m (2020: £Nil) compares to the tax credit for Group companies of £8.8m (2020: charge of £3.2m). The difference of £11.4m principally reflects the £12.3m of tax credits for the financing of overseas operations and for expired rail franchises, explained in the earlier section on "separately disclosed items". There are no cash receipts in the year in respect of those income statement credits.

The separately disclosed tax credit of £10.8m (2020: £12.8m) is explained in the earlier section on "separately disclosed items".

Taking into account the recently enacted increase in the rate of UK corporation tax to 25%, which will be effective from 1 April 2023, assuming there are no changes to tax laws in the UK and assuming that the composition of the Group remains broadly unchanged, we expect the Group's future effective tax rate (excluding separately disclosed items and excluding the one-off effect of the rate change on deferred tax balances) to be 18% to 20% in the next two years, rising to 24% to 26% thereafter.

Had the planned increase in the UK corporation tax rate been substantively enacted as at 1 May 2021, the estimated impact would have been an increase of £0.3m in the deferred tax liability, with an estimated tax charge of £16.1m in the consolidated income statement and an estimated tax credit of £15.8m in the consolidated statement of comprehensive income.

Cash flows and net debt

Consolidated net debt (as analysed in note 17 to the condensed financial statements) has reduced from 2 May 2020, reflecting the actions we have taken during the COVID-19 situation to protect liquidity and cash flow.

We have voluntarily re-stated the consolidated statement of cash flows for the year ended 2 May 2020 to revise the presentation of capital grants received. Previously, we included capital grants received within cash flows from operating activities as part of the movement in payables. As we progress our transition to zero emission vehicles, we are receiving capital grants to support the investment in those vehicles and related infrastructure. Those grants form part of our investment decision making. We now therefore consider it more appropriate to separately highlight capital grants received as a component of cash flows from investing activities. We will also separately highlight the amortisation of capital grants received as part of the reconciliation of operating profit to cash generated by operations.

Net cash from operating activities before tax for the year ended 1 May 2021 was £117.7m (2020 restated: £155.3m) and can be further analysed as follows:

	2021 £m	2020 (restated) £m
EBITDA of Group companies before separately disclosed items	**161.7**	216.1
Cash effect of current year separately disclosed items	**(7.3)**	(2.4)
Loss/(gain) on disposal of property, plant and equipment	**1.5**	(0.9)
Capital grant amortisation	**(0.9)**	(0.8)
Share based payment movements	**1.6**	0.9
Working capital movements	**(20.4)**	(63.4)
Net interest paid	**(20.9)**	(21.5)
Dividends from joint ventures	**2.4**	27.3
Net cash flows from operating activities before taxation	**117.7**	155.3

The working capital outflow of £20.4m (2020 restated: £63.4m) for the year ended 1 May 2021 includes:

- £4.7m in respect of employer pension contributions in excess of the related pension expense included in operating profit;
- A £7.4m decrease in provisions principally due to the settlement of costs in respect of rail litigation, and the release to profit of the unused provision in relation to the litigation;
- A £8.6m increase in the net receivables for COVID-19 bus support grants.

Net debt decreased from £352.1m at 2 May 2020 to £312.6m at 1 May 2021. The movement in net debt was:

Year to 1 May 2021	£m
Net cash flows from operating activities before taxation	117.7
Tax paid	(2.6)
Investing activities	(73.0)
Other	(2.6)
Movement in net debt	39.5
Opening net debt	(352.1)
Closing net debt	(312.6)

Even after including the significant COVID-related payments received from government, EBITDA and cash flows from operating activities were adversely affected by COVID-19 in the year ended 1 May 2021, with significantly reduced demand for our regional bus services. However, our decisions to reduce planned capital expenditure and suspend dividend payments, together with active management of working capital, have assisted us in maintaining strong available liquidity and reducing net debt over the year to 1 May 2021.

As at 1 May 2021, all of the major rail franchises previously operated by Group subsidiaries had ended. Therefore, as at 1 May 2021, there is no restricted cash held by train operating companies. However, the settlement of the train operating company assets, liabilities and contractual positions continues for some time following the end of the relevant franchises. As at 1 May 2021, the consolidated net assets/liabilities included net liabilities (excluding cash) of £88.4m (2020: £101.0m) in respect of such items. Accordingly, if all items were to be settled at their 1 May 2021 carrying values, consolidated net debt would increase by £88.4m (2020: £101.0m). Consolidated net debt plus those outstanding train operating company net liabilities as at 1 May 2021 was £401.0m (2020: £453.1m).

The net impact on net debt of purchases and disposals of property, plant and equipment, split by segment, was:

	2021 £m	2020 (restated) £m
UK Bus (regional operations)	**48.4**	72.8
UK Bus (London)	**18.4**	21.6
UK Rail	**-**	(3.1)
	66.8	91.3

Net capital expenditure reconciles to the condensed financial statements as follows:

	2021 £m	2020 (restated) £m
Cash flow from:		
- Purchase of property, plant and equipment	**56.6**	93.3
- Disposal of property, plant and equipment	**(1.8)**	(8.6)
- Capital grants received	**(5.5)**	(9.3)
Decrease in net debt from sale and leaseback of property	**(0.8)**	-
Increase in net debt from other new leases in year	**18.3**	15.9
Net capital expenditure	**66.8**	91.3

In addition to the amounts shown in the table above, the impact of purchases of intangible assets was £6.0m (2020: £5.5m). £Nil (2020: £0.5m) of cash was received from disposals of intangible assets.

The net capital expenditure and purchases of intangible assets total £72.7m in 2020/21, broadly consistent with the guidance we gave in May 2020 of around £74m. That is below our view of the appropriate long-term average annual net capital expenditure. We will keep our capital expenditure plans for 2021/22 under review as we see how customer demand develops and what opportunities emerge as the UK, and our business, recovers from COVID-19.

Financial position and liquidity

The Group maintains a solid financial position with investment grade credit ratings and appropriate headroom under its debt facilities.

The Group remains well positioned to navigate this period of ongoing uncertainty, as evidenced by:

- We currently have available liquidity of over £875m, and monitor our liquidity and cash flow daily.
- In June 2020, we secured waivers of the net debt to EBITDA and EBITDA to interest covenant tests in our £325m of core bank facilities. The waivers cover the years ending 31 October 2020 and 1 May 2021. During the year, as a precautionary measure, we have secured further waivers in November 2020 and March 2021, covering the years ending 30 October 2021 and 30 April 2022 respectively. As things stand, the next testing of those covenants will be in late 2022 in respect of the year ending 29 October 2022. In the meantime, the Group has agreed with the banks to maintain a minimum level of available liquidity.
- Notwithstanding the covenant waivers, we would nevertheless have complied with the covenants for the year ended 1 May 2021.
- The ratio of net debt at 1 May 2021 to adjusted EBITDA for the year ended 1 May 2021 was 1.9 times (2020: 1.5 times).
- Adjusted EBITDA for the year ended 1 May 2021 was 5.4 times (2020: 8.4 times) adjusted net finance charges (including our share of joint venture net finance income).
- Two major credit rating agencies – S&P and Moody's – continue to assign investment grade credit ratings to the Group, with ratings outlooks at negative.

Year-end financial position of the Group

<u>Net assets</u>

Net assets at 1 May 2021 were £61.0m (2020: net liabilities of £130.2m).

The improvement in the net assets/liabilities reflects the actuarial gains on defined benefit pension schemes, gains on cash flow hedges and the profit for the year ended 1 May 2021.

<u>Retirement benefits</u>

The reported net assets of £61.0m (2020: net liabilities of £130.2m) that are shown on the consolidated balance sheet are after taking account of net pre-tax retirement benefit liabilities of £263.8m (2020: £413.1m), and associated deferred tax assets of £50.1m (2020: £78.5m).

The Group recognised pre-tax actuarial gains of £154.9m in the year (2020: losses of £220.1m). The discount rate used to determine pension scheme liabilities as at 1 May 2021 was 2.0%, which was an increase on the discount rate of 1.6% applied as at 2 May 2020.

We are pleased that the trustees have now concluded the 2020 triennial valuation of our main defined benefit pension scheme, having assessed the impact of recent events. The planned increase in employer contributions to the scheme is within the range we had expected. The funding deficit at 30 April 2020 across the two sections of the main scheme was £95.3m, and we expect employer contributions to the scheme to rise by £6.3m per annum, with £4.5m of this increase commencing from the start of May 2021 and the balance by May 2022. The trustees estimate that by 30 April 2021, the main scheme was in surplus on the scheme funding basis.

Dividend policy

The Board has proposed no dividends in respect of the year ended 1 May 2021.

The Group continues to have substantial available liquidity and it is our ambition to resume dividend payments in due course. We anticipate that being when our profit and cash flow generation have returned to a level, which relative to our net debt and pension liabilities, supports the resumption of dividend payments. While the current uncertainty caused by the COVID-19 situation makes it difficult to accurately forecast the timing and extent of profit recovery, we continue to see good long-term opportunities for the Group and a major role in a cleaner, greener and more resilient economy and society, tackling climate change with strong government action to reduce car use.

Related parties

Details of significant transactions and events in relation to related parties are given in note 19 to the condensed financial statements.

Principal risks and uncertainties

Like most businesses, there is a range of risks and uncertainties facing the Group. A brief summary is given below of those specific risks and uncertainties that the Directors believe could have the most significant impact on the Group's financial position and/or future financial performance. Pages 11 to 15 of the Group's 2020 Annual Report set out specific risks and uncertainties in more detail. Further information and updates will be provided in the 2021 Annual Report.

The matters summarised below are not intended to represent an exhaustive list of all possible risks and uncertainties. The focus below is on those specific risks and uncertainties that the Directors believe could have the most significant impact on the Group's position or performance.

- Major event such as a serious accident – there is a risk that the Group is involved (directly or indirectly) in a major operational incident.
- Economy – the economic environment in the geographic areas in which the Group operates affects the demand for the Group's services. The ongoing effects of the COVID-19 situation and the UK leaving the European Union may lead to continuing economic, consumer and political uncertainty. That may in turn affect asset values and foreign exchange rates, which have a bearing on the amounts of our pensions, financial instruments and other balances. UK policy following the UK leaving the European Union may affect the UK economy, including the availability and cost of staff. A weaker economy may also increase the risk of the Group's contingent liabilities, particularly those in relation to its former North American business, crystallising.
- Terrorism – there is a risk that the demand for the Group's services could be adversely affected by a significant terrorist incident.
- Changing customer habits - There is a risk that changes in people's working patterns, shopping habits and/or other preferences affect demand for the Group's transport services, which could in turn affect the Group's financial performance and/or financial position. It is likely that COVID-19 will accelerate trends of increased home working, home shopping, telemedicine and home schooling. To the extent the effects of that on travel patterns are not offset by modal shift to bus/tram, there will be a longer term adverse effect on the Group's revenue and potentially its financial performance and/or financial position.
- Pension scheme funding – the Group participates in a number of defined benefit pension schemes, and there is a risk that the cash contributions required increase or decrease due to changes in factors such as regulatory approach, investment performance, discount rates and life expectancies. Given the continuing uncertainty resulting from COVID-19, there remains a risk of further significant market movements that could result in significant changes in the amount of our net retirement benefit liabilities reported in the financial statements.
- Insurance and claims environment – there is a risk that the cost to the Group of settling claims against it is significantly higher or lower than expected.
- Regulatory changes and availability of public funding – there is a risk that changes to the regulatory environment or changes to the availability of public funding could affect the Group's prospects. New legislation introduced and planned in the UK could see the introduction of franchised bus networks in some areas, which could affect our bus operations. The extent to which COVID-related payments from government continue will affect the Group's future profitability and cash flow.
- People and culture - The is a risk that the Group is unable to attract, develop and retain an appropriately skilled, diverse and responsible workforce and leadership team, and maintain a healthy business culture which encourages and supports ethical behaviours and decision making.
- Disease – there is a risk that demand for the Group's services could be adversely affected by a significant outbreak of disease. This was identified by the Board as a principal risk some years ago but the COVID-19 situation is a clear and substantial crystallisation of the risk.
- Information security – there is a risk that potential malicious attacks on our systems lead to a loss of data or disruption to operations.
- Information technology – there is a risk that the Group's capability to make sales digitally either fails or cannot meet levels of demand.
- Competition – in certain of the markets we operate in, there is a risk of increased competitive pressures from existing competitors and new entrants.
- Climate change – we see public transport as a critical part of the battle against climate change. At the same time, we recognise that climate change presents a number of risks to the Group.
- Treasury risks – the Group is affected by changes in fuel prices, interest rates and exchange rates.

Use of non-GAAP measures

Our reported preliminary financial information is extracted from the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006. In measuring our financial performance, the measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons and those that provide additional useful information to stakeholders. These are considered non-GAAP financial measures, and include measures such as like-for-like revenue, adjusted EBITDA and net debt. We believe this information, along with comparable GAAP measurements, is useful to shareholders and analysts in providing a basis for measuring our financial performance and position. Note 22 to the condensed financial statements provides further information on these non-GAAP financial measures.

Going concern

On the basis of current financial projections and the facilities available, the Directors are satisfied that the Group has adequate resources to continue for at least the next 12 months and, accordingly, consider it appropriate to adopt the going concern basis in preparing the condensed financial statements for the year ended 1 May 2021. Although the COVID-19 situation has increased the level of uncertainty facing the Group, we have not identified a material uncertainty regarding the Group's ability to continue as a going concern for at least the next 12 months. Further details of our going concern and longer term viability assessments will be provided in our 2021 Annual Report. As explained in note 21 to the condensed financial statements, the report of the auditors on the financial statements for the year ended 1 May 2021 was unqualified.

Outlook

We see a lasting effect of the COVID-19 pandemic on travel patterns with an acceleration in trends of increased working from home, shopping from home, telemedicine and home education. We anticipate that it will be some time before demand for our public transport services returns to pre-COVID levels and we have planned for a number of scenarios.

However, we remain confident that there is a strong and positive future for public transport as we emerge from the COVID-19 pandemic. Government commitments in the recently published National Bus Strategy for England, and similar ambitions in Scotland and Wales, provide a huge opportunity to fundamentally transform travel, moving away from towns and cities built around cars to more vibrant and prosperous places, well-connected by easy-to-use sustainable public transport and active travel.

Looking ahead, our bus, coach and tram services have a critical role in tackling climate change, delivering economic recovery and ensuring healthier and more connected communities.

Martin Griffiths
Chief Executive
30 June 2021

Cautionary statement

The preceding preliminary management report has been prepared for the shareholders of the Company, as a body, and for no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Company and the potential for those strategies to succeed and for no other purpose. The preliminary management report contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic, regulatory and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. The ongoing COVID-19 situation means that the level of forward-looking uncertainty is higher than usual. No assurances can be given that the forward-looking statements will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation. Nothing in the preliminary management report should be considered or construed as a profit forecast for the Group. Except as required by law, the Group has no obligation to update forward-looking statements or to correct any inaccuracies therein.

CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

		Audited			Audited		
		Year to 1 May 2021			Year to 2 May 2020		
	Notes	Performance excluding separately disclosed items £m	Separately disclosed items (note 4) £m	Results for the year £m	Performance excluding separately disclosed items £m	Separately disclosed items (note 4) £m	Results for the year £m
CONTINUING OPERATIONS							
Revenue	3(a)	**928.2**	**-**	**928.2**	1,417.6	-	1,417.6
Operating costs and other operating income		**(883.9)**	**10.3**	**(873.6)**	(1,315.5)	(32.5)	(1,348.0)
Operating profit of Group companies	3(b)	**44.3**	**10.3**	**54.6**	102.1	(32.5)	69.6
Share of profit of joint ventures after finance income and taxation	3(c)	**3.8**	**-**	**3.8**	17.6	-	17.6
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	3(b)	**48.1**	**10.3**	**58.4**	119.7	(32.5)	87.2
Finance income		**0.5**	**-**	**0.5**	0.9	-	0.9
Finance costs		**(31.6)**	**(2.6)**	**(34.2)**	(29.7)	(17.8)	(47.5)
Profit before taxation		**17.0**	**7.7**	**24.7**	90.9	(50.3)	40.6
Taxation		**(2.0)**	**10.8**	**8.8**	(16.0)	12.8	(3.2)
Profit from continuing operations		**15.0**	**18.5**	**33.5**	74.9	(37.5)	37.4
DISCONTINUED OPERATIONS							
Loss after taxation for the year from discontinued operations	5	**-**	**-**	**-**	-	(1.3)	(1.3)
TOTAL OPERATIONS							
Total profit for the year		**15.0**	**18.5**	**33.5**	74.9	(38.8)	36.1
Attributable to:							
Equity holders of the parent		**15.0**	**18.4**	**33.4**	74.9	(39.1)	35.8
Non-controlling interest		**-**	**0.1**	**0.1**	-	0.3	0.3
		15.0	**18.5**	**33.5**	74.9	(38.8)	36.1
EARNINGS PER SHARE							
Continuing operations							
Adjusted basic / Basic	7	**2.7p**		**6.1p**	13.5p		6.7p
Adjusted diluted / Diluted	7	**2.7p**		**6.0p**	13.4p		6.6p
Discontinued operations							
Adjusted basic / Basic	7	**-**		**-**	-		(0.2)p
Adjusted diluted / Diluted	7	**-**		**-**	-		(0.2)p
Total operations							
Adjusted basic / Basic	7	**2.7p**		**6.1p**	13.5p		6.4p
Adjusted diluted / Diluted	7	**2.7p**		**6.0p**	13.4p		6.4p

The accompanying notes form an integral part of this consolidated income statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited Year to 1 May 2021 £m	Audited Year to 2 May 2020 £m
Profit for the year	**33.5**	36.1
Items that may be reclassified to profit or loss		
Continuing operations		
Cashflow hedges:		
- Net fair value gains/(losses) on cash flow hedges	**25.8**	(71.0)
- Reclassified and reported in profit for the year	**11.4**	4.9
- Share of other comprehensive expense on joint ventures' cash flow hedges, net of tax	**-**	(0.2)
- Tax effect of cash flow hedges	**(7.1)**	12.4
Total items that may be reclassified to profit or loss	**30.1**	(53.9)
Items that will not be reclassified to profit or loss		
Continuing operations		
Actuarial gains/(losses) on Group defined benefit pension schemes	**154.9**	(220.1)
Tax effect of actuarial (gains)/losses on Group defined benefit pension schemes	**(28.8)**	45.7
Share of actuarial gains on joint ventures' defined benefit pension schemes, net of tax	**-**	6.3
Total items that will not be reclassified to profit or loss	**126.1**	(168.1)
Other comprehensive income/(expense) for the year	**156.2**	(222.0)
Total comprehensive income/(expense) for the year	**189.7**	(185.9)
Attributable to:		
Equity holders of the parent	**189.6**	(186.2)
Non-controlling interest	**0.1**	0.3
	189.7	(185.9)

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Audited	Audited
		As at 1 May 2021	As at 2 May 2020 (restated)
	Notes	**£m**	£m
ASSETS			
Non-current assets			
Goodwill	8	**51.9**	51.9
Other intangible assets	9	**12.3**	9.5
Property, plant and equipment:	10		
- Owned assets		**760.4**	819.3
- Right-of-use assets		**90.6**	95.6
Interests in joint ventures	11	**6.7**	16.3
Deferred tax asset		**-**	33.3
Derivative instruments at fair value		**4.1**	-
Retirement benefit assets	13	**1.1**	-
Other receivables		**18.1**	24.8
		945.2	1,050.7
Current assets			
Inventories		**9.5**	8.8
Trade and other receivables		**117.3**	106.4
Derivative instruments at fair value		**0.8**	2.9
Cash and cash equivalents		**602.3**	580.7
Assets classed as held for sale		**0.8**	-
		730.7	698.8
Total assets	3(d)	**1,675.9**	1,749.5
LIABILITIES			
Current liabilities			
Trade and other payables		**271.5**	303.7
Current tax liabilities		**1.1**	11.0
Borrowings:			
- Lease liabilities		**22.7**	25.0
- Other borrowings		**434.9**	249.9
Derivative instruments at fair value		**7.8**	38.6
Provisions		**41.0**	51.9
		779.0	680.1
Non-current liabilities			
Other payables		**15.5**	10.0
Borrowings:			
- Lease liabilities		**59.4**	60.8
- Other borrowings		**406.6**	606.7
Derivative instruments at fair value		**4.3**	26.6
Deferred tax liabilities		**0.8**	-
Provisions		**84.4**	82.4
Retirement benefit obligations	13	**264.9**	413.1
		835.9	1,199.6
Total liabilities	3(d)	**1,614.9**	1,879.7
Net assets/(liabilities)	3(d)	**61.0**	(130.2)
EQUITY			
Ordinary share capital	14	**3.2**	3.2
Share premium account		**8.4**	8.4
Retained earnings		**(299.0)**	(460.1)
Capital redemption reserve		**422.8**	422.8
Own shares		**(69.6)**	(69.6)
Cash flow hedging reserve		**(4.8)**	(34.9)
Total equity attributable to the parent		**61.0**	(130.2)

The accompanying notes form an integral part of this consolidated balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Ordinary share capital £m	Share premium account £m	Retained earnings £m	Capital redemption reserve £m	Own shares £m	Cash flow hedging reserve £m	**Total equity attributable to parent £m**	Non-controlling interest £m	**Total equity £m**
As at 27 April 2019		3.2	8.4	(285.4)	422.8	(39.4)	18.8	**128.4**	-	**128.4**
Profit for the year		-	-	35.8	-	-	-	**35.8**	0.3	**36.1**
Other comprehensive expense, net of tax		-	-	(168.3)	-	-	(53.7)	**(222.0)**	-	**(222.0)**
Total comprehensive (expense) / income		-	-	(132.5)	-	-	(53.7)	**(186.2)**	0.3	**(185.9)**
Own ordinary shares purchased into treasury		-	-	-	-	(30.2)	-	**(30.2)**	-	**(30.2)**
Shareholder transactions with non-controlling interest		-	-	-	-	-	-	**-**	(0.3)	**(0.3)**
Cash paid to settle share based payments originally intended to be equity-settled			-	(0.5)	-	-	-	**(0.5)**	-	**(0.5)**
Credit in relation to equity-settled share based payments		-	-	0.9	-	-	-	**0.9**	-	**0.9**
Dividends paid on ordinary shares	6	-	-	(42.6)	-	-	-	**(42.6)**	-	**(42.6)**
As at 2 May 2020		3.2	8.4	(460.1)	422.8	(69.6)	(34.9)	**(130.2)**	-	**(130.2)**
Profit for the year		-	-	33.4	-	-	-	**33.4**	0.1	**33.5**
Other comprehensive income, net of tax		-	-	126.1	-	-	30.1	**156.2**	-	**156.2**
Total comprehensive income		-	-	159.5	-	-	30.1	**189.6**	0.1	**189.7**
Shareholder transactions with non-controlling interest		-	-	-	-	-	-	**-**	(0.1)	**(0.1)**
Credit in relation to equity-settled share based payments		-	-	1.6	-	-	-	**1.6**	-	**1.6**
As at 1 May 2021		3.2	8.4	(299.0)	422.8	(69.6)	(4.8)	**61.0**	-	**61.0**

The accompanying notes form an integral part of this consolidated statement of changes in equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Audited** Year to 1 May 2021 £m	Audited Year to 2 May 2020 (restated) £m
Cash flows from operating activities			
Cash generated by operations	15	**136.2**	149.5
Interest paid		**(21.4)**	(22.4)
Interest received		**0.5**	0.9
Dividends received from joint ventures		**2.4**	27.3
Net cash flows from operating activities before tax		**117.7**	155.3
Tax paid		**(2.6)**	-
Net cash from operating activities after tax		**115.1**	155.3
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**-**	(3.3)
Disposal of subsidiaries, net of cash disposed of		**-**	(2.8)
Purchase of property, plant and equipment		**(56.6)**	(93.3)
Cash proceeds from sale and leaseback of property		**5.9**	-
Disposal of other property, plant and equipment		**1.8**	8.6
Receipt of capital grants		**5.5**	9.3
Purchase of intangible assets		**(6.0)**	(5.5)
Disposal of intangible assets		**-**	0.5
Loan to joint venture		**(0.2)**	-
Net cash outflow from investing activities		**(49.6)**	(86.5)
Cash flows from financing activities			
Purchase of own shares into treasury		**-**	(30.2)
Payments of principal portion of lease liabilities		**(27.1)**	(28.4)
Proceeds from Covid Corporate Financing Facility		**596.6**	-
Repayment of Covid Corporate Financing Facility		**(300.0)**	-
Drawdown of other borrowings		**-**	210.0
Repayment of other borrowings		**(200.1)**	(10.7)
Loan from joint venture		**-**	11.0
Dividends paid on ordinary shares	6	**-**	(42.6)
Net cash inflow from financing activities		**69.4**	109.1
Net increase in cash and cash equivalents		**134.9**	177.9
Cash and cash equivalents at the beginning of year		**348.3**	170.4
Cash and cash equivalents at the end of year		**483.2**	348.3

Cash and cash equivalents shown in the above consolidated statement of cash flows include the cash and cash equivalents of £602.3m (2020 restated: £580.7m) shown on the consolidated balance sheet, less bank overdrafts of £119.1m (2020 restated: £232.4m) included in other borrowings within current liabilities in the consolidated balance sheet.

The accompanying notes form an integral part of this consolidated statement of cash flows.

NOTES

1 BASIS OF PREPARATION

The Group reports its annual results based on a financial year ending on the Saturday nearest to 30 April. This report therefore sets out the Group's results for the 52-week period from 3 May 2020 to 1 May 2021. Prior year comparatives are for the 53-week period from 28 April 2019 to 2 May 2020.

These results are extracts of consolidated financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Except as explained below, the accounting policies and methods of computation applied in the condensed financial statements are the same as those of the consolidated financial statements for the year ended 2 May 2020.

The Board of Directors approved this announcement on 30 June 2021. This announcement will be available on the Group's website at http://www.stagecoachgroup.com/investors/financial-analysis/reports/

Voluntary charge in the accounting policy for the treatment of capital grants in the consolidated statement of cash flows

The Group receives capital grants from governments relating to the purchase of property, plant and equipment. These are recorded as deferred grant income within trade and other payables and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

In previous years, the receipt of the capital grants and the subsequent credit to the income statement were presented within the movement in payables in reconciling operating profit to cash generated by operations in the consolidated statement of cash flows.

As we progress our transition to zero emission vehicles, we might be eligible for an increasing level of capital grants to support the investment in those vehicles and related infrastructure. The availability of those grants form part of our investment decision making. Following a review of the treatment adopted by other transport companies, the Group has decided to make a voluntary change to its accounting policy, to classify cash inflows from the receipt of capital grants to within cash inflows from investing activities, as it believes that the revised presentation is a better representation of the cash flows of the Group. This has no effect on the total cash flows reported by the Group. The voluntary change in accounting policy has no change to the previously reported consolidated income statement or consolidated statement of financial position.

The effect of the voluntary change in the accounting policy on the affected lines in the consolidated statement of cash flows for the year to 2 May 2020 is summarised in the table below:

	As previously reported	Effect of voluntary change in accounting policy	Restated
	£m	£m	£m
Capital grant amortisation	-	(0.8)	(0.8)
Operating cashflows before working capital movements	213.7	(0.8)	212.9
Decrease in payables	(90.8)	(8.5)	(99.3)
Other working capital movements	35.9	-	35.9
Cash generated by operations	158.8	(9.3)	149.5
Net cash flows from operating activities before tax	164.6	(9.3)	155.3
Receipt of capital grants	-	9.3	9.3
Net cash outflow from investing activities	(95.8)	9.3	(86.5)

1 BASIS OF PREPARATION (CONTINUED)

Change in presentation of cash and overdraft balances in bank offset arrangement

The Group has a bank offset arrangement whereby the Company and several of its subsidiaries each have bank accounts with the same bank, which are subject to rights of offset. In the consolidated financial statements of previous years, the Group has presented the net balance on all of these offset accounts within cash and cash equivalents on the consolidated balance sheet, and disclosed the gross amounts (that is, the values of positive bank balances and bank overdrafts) in the notes to the consolidated financial statements.

International Accounting Standard 32 ("IAS 32"), *Financial Instruments: Presentation*, specifies that a financial asset and a financial liability should be offset and the net amount reported when, and only when, certain conditions are met. The application of those requirements to the Group's bank offset arrangement involves consideration of the intent to net settle. How companies present balances in similar arrangements has developed and, in light of that, the Group has reviewed its presentation and has restated its consolidated financial statements to reclassify overdraft balances within the offset arrangement to be a component of borrowings within current liabilities.

The effect of this change is to increase cash and cash equivalents as at 2 May 2020 by £232.4m (27 April 2019: £220.5m) and to increase bank overdrafts within borrowings by the same amount. The change has no impact on the Group's net assets/(liabilities), the consolidated income statement, the consolidated statement of comprehensive income or the consolidated statement of cash flows.

New accounting standards adopted during the year

There have been no new accounting standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning 3 May 2020 that have any significant effect on the consolidated financial statements.

2 FOREIGN CURRENCIES

The principal rates of exchange applied to the condensed financial statements were:

	Year to 1 May 2021	Year to 2 May 2020
US Dollar:		
Year end rate	**1.3845**	1.2542
Average rate	**1.3204**	1.2664

3 SEGMENTAL ANALYSIS

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Group is managed, and reports internally, on a basis consistent with its three continuing operating segments and the segmental information set out in this note is on the basis of those segments as follows:

Segment name	**Service operated**	**Country of operation**
UK Bus (regional operations)	Coach and bus operations	United Kingdom
UK Bus (London)	Bus operations	United Kingdom
UK Rail	Rail operations and business development activities	United Kingdom

The Group has interests in two material joint ventures: WCT Group (formerly Virgin Rail Group) that operates in UK Rail and Citylink that operates in UK Bus (regional operations). The results of these joint ventures are shown separately in note 3(c).

3 SEGMENTAL ANALYSIS (CONTINUED)

(a) Revenue

Due to the nature of the Group's business, the origin and destination of revenue (the United Kingdom) is the same in almost all cases. As the Group predominantly sells bus and rail services to individuals, it has few customers that are individually "major". Its major customers are typically public bodies that subsidise or procure transport services – such customers include local authorities, transport authorities and the UK Department for Transport.

The vast majority of the UK Bus (London) revenue is from Transport for London.

Revenue, split by class and segment, was as follows:

Year ended 1 May 2021	**Commercial passenger revenue**	**Concessionary revenue**	**Tendered & school revenue**	**Contract & other revenue**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
UK Bus (regional operations)	**268.0**	**243.0**	**114.0**	**37.0**	**662.0**
UK Bus (London)	**-**	**-**	**-**	**261.7**	**261.7**
Total bus operations	**268.0**	**243.0**	**114.0**	**298.7**	**923.7**
UK Rail	**4.7**	**-**	**-**	**-**	**4.7**
Total Group revenue	**272.7**	**243.0**	**114.0**	**298.7**	**928.4**
Intra-Group revenue - UK Bus (regional operations)	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Reported Group revenue	**272.7**	**243.0**	**114.0**	**298.5**	**928.2**

Year ended 2 May 2020	Commercial passenger revenue	Concessionary revenue	Tendered & School revenue	Contract & other revenue	Total
	£m	£m	£m	£m	£m
UK Bus (regional operations)	611.5	256.6	104.4	39.4	1,011.9
UK Bus (London)	0.2	-	-	246.0	246.2
Total bus operations	611.7	256.6	104.4	285.4	1,258.1
UK Rail	150.1	-	-	11.0	161.1
Total Group revenue	761.8	256.6	104.4	296.4	1,419.2
Intra-Group revenue - UK Bus (regional operations)	-	-	-	(1.6)	(1.6)
Reported Group revenue	761.8	256.6	104.4	294.8	1,417.6

(b) Operating profit

Operating profit, split by segment, was as follows:

	Audited			Audited		
	Year to 1 May 2021			Year to 2 May 2020		
	Performance excluding separately disclosed items	Separately disclosed items (note 4)	Results for the year	Performance excluding separately disclosed items	Separately disclosed items (note 4)	Results for the year
	£m	£m	£m	£m	£m	£m
UK Bus (regional operations)	**24.5**	**8.1**	**32.6**	90.6	(14.5)	76.1
UK Bus (London)	**18.7**	**-**	**18.7**	16.1	-	16.1
Total bus operations	**43.2**	**8.1**	**51.3**	106.7	(14.5)	92.2
UK Rail	**10.1**	**2.5**	**12.6**	4.4	(17.3)	(12.9)
	53.3	**10.6**	**63.9**	111.1	(31.8)	79.3
Group overheads	**(8.7)**	**(0.3)**	**(9.0)**	(8.1)	(0.7)	(8.8)
Restructuring costs	**(0.3)**	**-**	**(0.3)**	(0.9)	-	(0.9)
Total operating profit of Group companies	**44.3**	**10.3**	**54.6**	102.1	(32.5)	69.6
Share of joint ventures' profit after finance income and taxation	**3.8**	**-**	**3.8**	17.6	-	17.6
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	**48.1**	**10.3**	**58.4**	119.7	(32.5)	87.2

3 SEGMENTAL ANALYSIS (CONTINUED)

(c) Joint ventures

The share of profit from joint ventures was further split as follows:

	Audited	Audited
	Year to 1 May 2021	Year to 2 May 2020
	£m	£m
WCT Group (formerly Virgin Rail Group) (UK Rail)		
Operating profit	**5.4**	18.9
Finance income (net)	**0.1**	0.4
Taxation	**(1.4)**	(3.5)
	4.1	15.8
Citylink (UK Bus, regional operations)		
Operating profit	**(0.4)**	2.3
Taxation	**0.1**	(0.5)
	(0.3)	1.8
Share of profit of joint ventures after finance income and taxation	**3.8**	17.6

(d) Gross assets and liabilities

Assets and liabilities, split by segment, were as follows:

	Audited			Audited		
	As at 1 May 2021			As at 2 May 2020 (restated)		
	Gross assets	Gross liabilities	Net assets / (liabilities)	Gross assets	Gross liabilities	Net assets / (liabilities)
	£m	£m	£m	£m	£m	£m
UK Bus (regional operations)	**908.3**	**(334.2)**	**574.1**	949.0	(490.3)	458.7
UK Bus (London)	**127.1**	**(199.9)**	**(72.8)**	128.5	(225.9)	(97.4)
UK Rail	**1.7**	**(111.9)**	**(110.2)**	5.1	(138.4)	(133.3)
	1,037.1	**(646.0)**	**391.1**	1,082.6	(854.6)	228.0
Central functions	**29.8**	**(43.4)**	**(13.6)**	36.6	(71.7)	(35.1)
Joint ventures	**6.7**	**-**	**6.7**	16.3	-	16.3
Borrowings and cash	**602.3**	**(923.6)**	**(321.3)**	580.7	(942.4)	(361.7)
Taxation	**-**	**(1.9)**	**(1.9)**	33.3	(11.0)	22.3
	1,675.9	**(1,614.9)**	**61.0**	1,749.5	(1,879.7)	(130.2)

Central assets and liabilities include interest payable and receivable and other net assets of the holding company and other head office companies. Segment assets and liabilities are determined by identifying the assets and liabilities that relate to the business of each segment but excluding intra-Group balances, cash, borrowings, taxation, interest payable and interest receivable.

4 SEPARATELY DISCLOSED ITEMS

(a) Summary of separately disclosed items

The Group highlights amounts before certain “separately disclosed items” as defined in note 22.

The items in respect of continuing operations shown in the columns headed “Separately disclosed items” on the face of the consolidated income statement can be further analysed as follows:

	Audited			Audited		
	Year to 1 May 2021			Year to 2 May 2020		
	Non-software intangible asset amortisation	Other separately disclosed items	Total separately disclosed items	Non-software intangible asset amortisation	Other separately disclosed items	Total separately disclosed items
	£m	£m	£m	£m	£m	£m
CONTINUING OPERATIONS						
Operating costs and other operating income						
Non-software intangible asset amortisation	**(0.3)**	**-**	**(0.3)**	(0.7)	-	(0.7)
Re-organisation costs	**-**	**(2.8)**	**(2.8)**	-	(2.4)	(2.4)
Impairment of assets and onerous contracts	**-**	**-**	**-**	-	(16.5)	(16.5)
Sheffield Supertram profit and release from onerous contract provision	**-**	**2.5**	**2.5**	-	-	-
Discontinuation of fuel hedge accounting	**-**	**10.9**	**10.9**	-	(12.9)	(12.9)
	(0.3)	**10.6**	**10.3**	(0.7)	(31.8)	(32.5)
Finance costs						
Change in fair value of Deferred Payment instrument	**-**	**(2.6)**	**(2.6)**	-	(17.8)	(17.8)
Separately disclosed items before taxation	**(0.3)**	**8.0**	**7.7**	(0.7)	(49.6)	(50.3)
Taxation effect	**-**	**10.8**	**10.8**	-	12.8	12.8
Separately disclosed items after taxation	**(0.3)**	**18.8**	**18.5**	(0.7)	(36.8)	(37.5)

(b) Re–organisation costs

In light of the COVID-19 situation, the Group took a number of actions to reduce its ongoing costs. Those actions were designed to ensure that the Group remained appropriately efficient and well placed to manage through, and recover from, the effects of the COVID-19 situation on its operations and financial performance. The Group incurred re-organisation costs, net of related grant income, of £2.8m in the year ended 1 May 2021 as a result of the actions taken to reduce its ongoing costs.

In April 2019, there were two significant events relevant to the Group’s overall strategy: the sale of the Group’s North America Division and the UK Department for Transport’s decision to disqualify the bids that the Group was involved in for new UK rail franchises. In light of those, the Group subsequently reshaped its management structure and reduced overheads to reflect the reduced scope of the business. The re-organisation costs associated with those changes amounted to £2.4m in the year ended 2 May 2020.

(c) Sheffield Supertram profit and release from onerous contract provision

In the year ended 2 May 2020, and taking account of the effects of the COVID-19 situation, the Group assessed its assets for impairment and reviewed for onerous contracts. Based on that review, a separately disclosed expense of £16.5m was recorded for the year ended 2 May 2020.

As part of that, an onerous contract provision of £14.1m was recorded as at 2 May 2020 in respect of the Group’s Sheffield Supertram concession. In estimating that onerous contract provision as at 2 May 2020, COVID-related payments to the Group’s Sheffield Supertram business from the Department for Transport and South Yorkshire Passenger Transport Executive were only taken account of to the extent they were confirmed on or prior to 2 May 2020. Since 2 May 2020, the Department for Transport and South Yorkshire Passenger Transport Executive confirmed their intention to make further COVID-related payments to Sheffield Supertram. We have re-assessed the amount of the onerous contract provision as at 1 May 2021, taking account of the further COVID-related payments and other developments that affect the estimated net cost of fulfilling the contractual obligations. That re-assessment resulted in a £0.8m reduction in the level of the provision, with the reduction, as well as the £1.7m of Sheffield Supertram’s other operating profit in the year, credited to the consolidated income statement for the year ended 1 May 2021 and presented as a separately disclosed item.

4 SEPARATELY DISCLOSED ITEMS (CONTINUED)

(c) Sheffield Supertram profit and release from onerous contract provision (continued)

The estimate of the Supertram onerous contract provision involves estimation uncertainty, particularly in relation to forecast passenger revenue. Forecasting the extent to which COVID-19 has a lasting effect on passenger revenue adds to the uncertainty. The forecasts used to estimate the provision as at 1 May 2021 assume that underlying passenger revenue from 2 May 2021, until the end of the Supertram concession in March 2024, is around 85% of the underlying pre-COVID revenue. Underlying passenger revenue has been normalised to take account of changes in the timing of infrastructure work on the tram system. If total forecast revenue from 2 May 2021 was increased by 10%, the onerous contract provision as at 1 May 2021 would be £3.6m lower (2020: £5.4m lower) and if it was decreased by 10%, the provision would be £3.6m higher (2020: £5.4m higher).

No specific assumptions have been made regarding climate change in estimating the Supertram onerous contract provision. Taking account of the remaining term of the Supertram concession being less than three years and that the trams are electrically (rather than diesel) powered, we do not consider that climate change considerations materially affect the estimate of the provision as at 1 May 2021.

(d) Discontinuation of fuel hedge accounting

The Group significantly reduced its vehicle mileage in light of reduced customer demand from March 2020 as the public followed government advice to avoid all but essential travel in light of the COVID–19 pandemic. As a result, the Group significantly reduced its forecast of the level of future fuel consumption that it considered highly probable and it discontinued hedge accounting in mid–March 2020 for certain of the fuel hedges covering the period from mid–March 2020 to April 2021.

Amounts previously recognised in the statement of comprehensive income in respect of those now discontinued hedges were transferred to the income statement with effect from March 2020 to the extent that the forecast fuel consumption was no longer expected to occur. The income statement effect of that, and for subsequent movements in the fair value of fuel derivatives that are no longer accounted for as hedges, has been presented as a separately disclosed item.

In the year ended 1 May 2021, the fair value of those discontinued hedges (net of related offsetting derivatives) moved in favour of the Group and accordingly, a credit of £4.0m (2020: charge of £12.9m) is reported in the consolidated income statement for the year ended 1 May 2021 and presented as a separately disclosed item. As the discontinued hedges cover periods up until April 2021, there should be no amounts to be reported as separately disclosed items in respect of those hedges beyond the year to 1 May 2021.

Grant income recognised in the year ended 1 May 2021 includes amounts intended to compensate the Group for cash payments by the Group pursuant to fuel derivatives. To the extent that grant income relates to the fuel derivatives for which hedge accounting was discontinued and for which the related expenses on those derivatives is reported within separately disclosed items (either in the year ended 2 May 2020 or in the year ended 1 May 2021), the related grant income of £6.9m in the year ended 1 May 2021 has also been reported within separately disclosed items.

Amounts retained in the cash flow hedging reserve for fuel consumption that was still expected to occur are transferred to profit in the usual manner and are not reported as separately disclosed items.

(e) Change in fair value of Deferred Payment Instrument

The Group received a Deferred Payment Instrument as deferred consideration for the sale of the North American business in April 2019. The instrument, which is accounted for as fair value through profit or loss, has a maturity date of October 2024 and due to credit and other recoverability risks associated with the instrument, its carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind all of the secured lenders. The carrying value of the instrument was £4.5m as at 2 May 2020. At 1 May 2021, the carrying value of the instrument was estimated to be £1.9m, resulting in a loss of £2.6m being recognised as finance costs in the year ended 1 May 2021, compared to a loss of £17.8m recognised as finance costs in the year ended 2 May 2020.

Changes in the fair value of the Deferred Payment Instrument may occur in several consecutive financial years until the issuer of the instrument discharges it in full. The Deferred Payment Instrument is part of the consideration received for the sale of a business and it does not relate to the ongoing operating activities of the Group. The Directors therefore consider that it is helpful for understanding the Group's financial performance to disclose separately changes in the fair value of the Deferred Payment Instrument.

4 SEPARATELY DISCLOSED ITEMS (CONTINUED)

(f) Taxation effect

The separately disclosed tax credit for the year ended 1 May 2021 comprises of the three following items:

- The release of a tax liability of £7.3m (2020:£Nil) following developments during the year in resolving an uncertain tax position. In years up to April 2018, and with the advance knowledge of the UK HMRC, the Group had benefitted from the Finance Company Exemption contained in UK's Controlled Foreign Company ("CFC") legislation. Whilst the Group considered it had complied with all the requirements of UK tax law, the European Commission had decided that the UK exemptions could be partly contrary to EU State Aid rules. On 13 June 2019, HMRC applied to annul the decision of the European Commission and, in November 2019, the Group, in line with a number of UK corporates, made a similar appeal. HMRC has now completed its review of the Group's tax arrangements for the periods in question and confirmed that they complied with the requirements of the UK CFC legislation and that it considers that the Group's arrangements did not result in unlawful State Aid. Accordingly, HMRC has accepted the Group's submitted tax returns resulting in the Group releasing the tax liability included in the closing tax liability at 2 May 2020.
- A tax credit of £5.0m (2020: £3.4m) in respect of previously unrecognised tax losses relating to an expired rail franchise;
- A charge of £1.5m (2020: a credit of £9.4m) for the tax effect of the pre-tax separately disclosed items.

5 DISCONTINUED OPERATIONS

The sale of the North American business was concluded in April 2019 and the loss on disposal of the business reflected in the 2019 consolidated financial statements. The loss on disposal of £Nil (2020: £1.3m) of the North American business represents the settlement of outstanding claims and liabilities in relation to the sale of the business.

6 DIVIDENDS

Dividends on ordinary shares are shown below.

	Audited Year to 1 May 2021 pence per share	Audited Year to 2 May 2020 pence per share	**Audited** Year to 1 May 2021 £m	Audited Year to 2 May 2020 £m
Amounts recognised as distributions in the year				
Dividends on ordinary shares:				
Final dividend in respect of the previous year	**-**	3.9	**-**	21.7
Interim dividend in respect of the current year	**-**	3.8	**-**	20.9
Amounts recognised as distributions to equity holders in the year	**-**	7.7	**-**	42.6

The Board has proposed no dividends in respect of the year ended 1 May 2021.

7 EARNINGS PER SHARE

Basic earnings per share ("EPS") have been calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year, excluding any ordinary shares held in treasury.

The diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares in relation to executive share plans and long-term incentive plans.

	Audited Year to 1 May 2021 No. of shares million	Audited Year to 2 May 2020 No. of shares million
Basic weighted average number of ordinary shares, excluding treasury shares	**550.7**	555.3
Dilutive ordinary shares		
- Executive Participation Plan	**1.3**	3.0
- Long Term Incentive Plan	**-**	1.1
- Restricted Share Plan	**1.5**	-
Diluted weighted average number of ordinary shares	**553.5**	559.4

7 EARNINGS PER SHARE (CONTINUED)

Adjusted EPS is calculated by adding back separately disclosed items (after taking account of taxation and the non-controlling interest) as shown on the consolidated income statement. This has been presented to allow shareholders to gain a further understanding of the underlying performance. The reconciliation of net profit for the basic EPS calculation to net profit for the adjusted EPS calculation is shown below.

	Audited	Audited		
	Year to 1 May 2021	Year to 2 May 2020		
	Continuing & total of all operations	Continuing operations	Discontinued operations	Total of all operations
	£m	£m	£m	£m
Profit attributable to equity holders of the parent for basic EPS calculation	**33.4**	37.1	(1.3)	35.8
Non-software intangible asset amortisation (note 4)	**0.3**	0.7	-	0.7
Other separately disclosed items before tax (notes 4 and 5)	**(8.0)**	49.6	1.3	50.9
Tax effect of separately disclosed items (note 4)	**(10.8)**	(12.8)	-	(12.8)
Non-controlling interest in separately disclosed items	**0.1**	0.3	-	0.3
Profit for adjusted EPS calculation	**15.0**	74.9	-	74.9

8 GOODWILL

The movements in goodwill were as follows:

	Audited	Audited
	Year to 1 May 2021	Year to 2 May 2020
	£m	£m
Net book value at beginning of year	**51.9**	51.2
Acquired through business combinations	**-**	0.7
Net book value at end of year	**51.9**	51.9

Goodwill arose in the year ended 2 May 2020 on a business combination. The business combination and its effect on cash flow was not material.

9 OTHER INTANGIBLE ASSETS

The movements in other intangible assets were as follows:

	Audited	Audited
	Year to 1 May 2021	Year to 2 May 2020
	£m	£m
Cost		
At beginning of year	**33.8**	34.3
Additions	**6.0**	5.5
Disposals	**-**	(6.0)
At end of year	**39.8**	33.8
Accumulated amortisation		
At beginning of year	**(24.3)**	(24.6)
Amortisation charged to income statement	**(3.2)**	(5.2)
Disposals	**-**	5.5
At end of year	**(27.5)**	(24.3)
Net book value at beginning of year	**9.5**	9.7
Net book value at end of year	**12.3**	9.5

10 PROPERTY, PLANT AND EQUIPMENT

The movements in owned property, plant and equipment were as follows:

	Audited Year to 1 May 2021 £m	Audited Year to 2 May 2020 £m
Cost		
At beginning of year	**1,564.2**	1,556.6
Additions	**36.6**	91.7
Acquired through business combinations	**-**	2.9
Transfers to assets held for sale	**(1.9)**	-
Disposals	**(38.1)**	(87.0)
At end of year	**1,560.8**	1,564.2
Accumulated depreciation		
At beginning of year	**(744.9)**	(741.4)
Depreciation charged to income statement	**(81.8)**	(82.6)
Impairment charged to income statement	**(5.9)**	(0.8)
Transfer to assets held for sale	**0.5**	-
Disposals	**31.7**	79.9
At end of year	**(800.4)**	(744.9)
Net book value at beginning of year	**819.3**	815.2
Net book value at end of year	**760.4**	819.3

The movements in right-of-use assets were as follows:

	Audited Year to 1 May 2021 £m	Audited Year to 2 May 2020 £m
Cost		
At beginning of year	**124.1**	110.1
Additions	**22.0**	15.9
Disposals	**(6.0)**	(1.9)
At end of year	**140.1**	124.1
Accumulated depreciation		
At beginning of year	**(28.5)**	(3.2)
Depreciation charged to income statement	**(25.9)**	(26.6)
Impairment charged to income statement	**(0.9)**	-
Disposals	**5.8**	1.3
At end of year	**(49.5)**	(28.5)
Net book value at beginning of year	**95.6**	106.9
Net book value at end of year	**90.6**	95.6

11 INTERESTS IN JOINT VENTURES

The movements in the carrying value of interests in joint ventures were as follows:

	Audited Year to 1 May 2021 £m	Audited Year to 2 May 2020 £m
Net book value		
At beginning of year	16.3	19.9
Share of recognised profit	3.8	17.6
Share of actuarial gains on defined benefit schemes, net of tax	-	6.3
Share of other comprehensive expense on joint ventures' cash flow hedges, net of tax	-	(0.2)
Dividends received in cash	(2.4)	(27.3)
Dividends received in specie	(11.0)	-
At end of year	6.7	16.3

A loan payable to joint venture, Scottish Citylink Coaches, of £1.7m (2020: £1.7m) and a loan payable to joint venture, WCT Group, of £Nil (2020: £11.0m) are included within current liabilities under the caption "Trade and other payables".

12 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

These condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Group's consolidated financial statements for the year ended 1 May 2021. There have been no material changes in any of the Group's significant financial risk management policies since 2 May 2020.

Liquidity risk

The contractual undiscounted cash outflows for financial liabilities will be set out in the Group's 2021 Annual Report.

Fair value estimation

Financial instruments that are measured in the balance sheet at fair value are disclosed by level of the following fair value measurement hierarchy.

Level 1 Quoted price (unadjusted) in active markets for identical assets or liabilities
Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs)

The following table represents the Group's financial assets and liabilities that are measured at fair value within the hierarchy at 1 May 2021.

	Audited		
	Level 2 £m	**Level 3 £m**	**Total £m**
Assets			
Deferred Payment Instrument from disposal of subsidiaries	-	**1.9**	**1.9**
Financial derivatives	**4.9**	**-**	**4.9**
Total assets	**4.9**	**1.9**	**6.8**
Liabilities			
Financial derivatives	**(12.1)**	**-**	**(12.1)**

There were no transfers between levels during the year ended 1 May 2021.

12 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table represents the Group's financial assets and liabilities that are measured at fair value within the hierarchy at 2 May 2020.

	Audited		
	Level 2	**Level 3**	**Total**
	£m	**£m**	**£m**
Assets			
Deferred Payment Instrument from disposal of subsidiaries	-	4.5	4.5
Financial derivatives	2.9	-	2.9
Embedded derivative	5.8	-	5.8
Total assets	8.7	4.5	13.2
Liabilities			
Financial derivatives	(65.2)	-	(65.2)

The carrying amounts of financial assets and financial liabilities and their respective fair values were:

	Audited		Audited	
	Carrying value		Fair value	
	1 May 2021	2 May 2020 (restated)	**1 May 2021**	2 May 2020 (restated)
	£m	£m	£m	£m
Financial assets				
Financial assets measured at fair value through profit or loss				
– Non-current assets				
– Other receivables – Deferred Payment Instrument	**1.9**	4.5	**1.9**	4.5
– Current assets				
– Other receivables – embedded derivative	**-**	5.8	**-**	5.8
Financial assets measured at amortised cost				
– Non-current assets				
– Insurance claim receivables	**16.0**	20.2	**16.0**	20.2
– Other receivables	**0.2**	0.1	**0.2**	0.1
– Current assets				
– Accrued income	**22.6**	22.5	**22.6**	22.5
– Trade receivables, net of impairment	**22.9**	21.4	**22.9**	21.4
– Other receivables	**1.1**	3.9	**1.1**	3.9
– Cash and cash equivalents	**602.3**	580.7	**602.3**	580.7
Total financial assets	**667.0**	659.1	**667.0**	659.1
Financial liabilities				
Financial liabilities measured at amortised cost				
– Non-current liabilities				
– Borrowings	**(466.0)**	(667.5)	**(461.7)**	(663.1)
– Current liabilities				
– Trade payables	**(28.3)**	(25.4)	**(28.3)**	(25.4)
– Payable for purchase of property, plant and equipment	**(3.4)**	(16.4)	**(3.4)**	(16.4)
– Interest payable	**(0.3)**	(0.5)	**(0.3)**	(0.5)
– Accruals	**(180.4)**	(161.5)	**(180.4)**	(161.5)
– Loans from joint ventures	**(1.7)**	(12.7)	**(1.7)**	(12.7)
– Borrowings	**(457.6)**	(274.9)	**(457.6)**	(274.9)
Total financial liabilities	**(1,137.7)**	(1,158.9)	**(1,133.4)**	(1,154.5)
Net financial liabilities	**(470.7)**	(499.8)	**(466.4)**	(495.4)

Financial derivatives with bank counterparties are not shown in the above table.

12 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The consideration for the sale of the North American business in April 2019 included a Deferred Payment Instrument of US$65m. The Deferred Payment Instrument carries a term of 66 months and a compounding payment in kind interest rate of 6% per annum. It falls due for payment only on (a) 16 October 2024 or (b) in part, after distributions of US$30m have been made to the purchaser and is secured by a pledge of shares held in the underlying investment vehicle. Early repayment provisions apply in the event that the purchaser sells all of its shareholding, albeit still subject to the US$30m shareholder distribution priority and in such circumstances, all or part of the Deferred Payment Instrument may never be repaid. If the purchaser sells down below 50% but retains some shares, the whole outstanding amount becomes immediately payable. The instrument is accounted for as fair value through profit or loss and due to credit and other recoverability risks associated with the instrument, its carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind all of the secured lenders. As a result, the discount rate applied to the Group's exposure on this instrument is higher than the cost of the Group's secured funding. The cost of second lien/mezzanine debt has been considered a more approximate estimate for the credit risk of the instrument. This has led to the carrying value of the instrument being estimated to be £1.9m as at 1 May 2021 (2020: £4.5m).

The fair values of the other financial assets and financial liabilities shown above are determined as follows:

- The carrying value of the embedded derivative is its fair value determined with reference to the fair value of off-setting financial derivatives as confirmed by the applicable counterparty banks.
- The carrying value of cash and cash equivalents, accrued income, trade receivables, insurance claims receivables, and other receivables is considered to be a reasonable approximation of fair value. Given the short average time to maturity, no specific assumptions on discount rates have been made. The effect of credit losses not already reflected in the carrying value as impairment losses is assumed to be immaterial.
- The carrying value of trade payables, payables for purchase of property, plant and equipment, interest payables, accruals and loans to/from joint ventures is considered to be a reasonable approximation of fair value. Given the relatively short average time to maturity, no specific assumptions on discount rates have been made.
- The fair value of fixed-rate notes (included in borrowings) that are quoted on a recognised stock exchange is determined with reference to the "bid" price as at the balance sheet date.
- The fair value of commercial paper that is issued under the Covid Corporate Financing Facility is not considered to be materially different from the carrying value, given the maximum duration of one year.
- The fair value of leases is presented above as being equal to its carrying value as International Financial Reporting Standard 7 ("IFRS 7"), Financial Instruments: Disclosures, does not require the disclosure of fair values for leases.
- The fair value of other borrowings on which interest is payable at floating rates is not considered to be materially different from the carrying value.

13 RETIREMENT BENEFITS

(a) Overview

The Group contributes to a number of pension schemes. The principal defined benefit pension schemes are as follows:

- The Stagecoach Group Pension Scheme ("SPS");
- The East Midlands Trains section of the Railways Pension Scheme ("RPS"), although the Group's participation in that ceased in August 2019; and
- A number of UK Local Government Pension Schemes ("LGPS").

In addition, the Group contributed £44.8m (2020: £47.4m) to a number of defined contribution schemes in respect of the year ended 1 May 2021.

The net liability is presented in the consolidated balance sheet as:

	Audited As at 1 May 2021 £m	Audited As at 2 May 2020 £m
Retirement benefit assets	**1.1**	-
Retirement benefit obligations	**(264.9)**	(413.1)
Net retirement benefit liability	**(263.8)**	(413.1)

13 RETIREMENT BENEFITS (CONTINUED)

(b) Gross pension scheme assets and obligations

The gross pension scheme assets and the present value of the schemes' obligations as at 1 May 2021 were as follows:

	Audited				
	Funded schemes				
	SPS £m	LGPS £m	Other £m	Unfunded plans £m	Total £m
Fair value of scheme assets	1,462.3	262.9	22.8	-	1,748.0
Present value of obligations	(1,721.2)	(233.2)	(22.2)	(4.5)	(1,981.1)
	(258.9)	29.7	0.6	(4.5)	(233.1)
Asset ceiling	-	(30.4)	(0.3)	-	(30.7)
Pension (liability)/asset before tax	(258.9)	(0.7)	0.3	(4.5)	(263.8)

(c) Movements in net pre-tax retirement benefit liabilities

The movements for the year ended 1 May 2021 in the net pre-tax retirement benefit liabilities were as follows:

	Audited				
	Funded schemes				
	SPS £m	LGPS £m	Other £m	Unfunded schemes £m	Total £m
Liability at beginning of year	(404.1)	(2.3)	(3.9)	(2.8)	(413.1)
Current service cost	(4.8)	(0.8)	(1.5)	-	(7.1)
Past service (cost)/credit	(0.6)	0.1	0.2	(0.4)	(0.7)
Administration cost	(0.8)	-	-	-	(0.8)
Net interest expense	(6.6)	-	(0.2)	-	(6.8)
Employers' contributions	6.1	1.4	5.5	0.3	13.3
Settlements	-	(3.5)	-	-	(3.5)
Recognised in the consolidated statement of comprehensive income	151.9	4.4	0.2	(1.6)	154.9
(Liability)/asset at end of year	(258.9)	(0.7)	0.3	(4.5)	(263.8)

(d) Scheme valuations

The latest actuarial valuations of the two sections of SPS were completed as at 30 April 2020. The combined deficit across the two sections on the Trustees' technical provisions basis was £95.3m, comprising scheme assets of £1,280.7m less benefit obligations of £1,376.0m. The weighted average discount rate applied in determining the value of those benefit obligations was 4.0%. The discount rate reflects the asset allocation of SPS and its strong track record of investment returns.

The latest actuarial valuations of the relevant LGPS schemes were completed as at 31 March 2019. The combined deficit across those schemes on the funding basis agreed by each of the Administering Authorities was £1.5m, comprising scheme assets of £360.8m less benefit obligations of £362.3m. The weighted average discount rate applied in determining the value of those benefit obligations was 2.0%.

Neither the valuations on the Trustees' technical provisions basis nor the net liabilities reflected in the financial statements reflect the amounts at which the Group could "buy out" its pension obligations. A "buy out" of the obligations would cost the Group substantially more than the figures reflected in the financial statements.

14 ORDINARY SHARE CAPITAL

At 1 May 2021, there were 576,099,960 ordinary shares in issue (2020: 576,099,960). This figure includes 25,221,213 (2020: 25,912,949) ordinary shares held in treasury, which are treated as a deduction from equity in the Group's financial statements. The shares held in treasury do not qualify for dividends.

In April 2019, the Group announced a share buyback programme to buy back shares with an aggregate market value of up to £60m. In line with the Company's strong capital discipline, the Board decided in October 2019 to conclude the programme when around £30m of shares had been bought back. The Board was by then satisfied that the programme had largely achieved its objective of making appropriate use of the Group's cash, whilst retaining a good financial position and maintaining an investment grade credit rating. During the year ended 2 May 2020, the Group purchased 22,920,256 ordinary shares pursuant to that programme, at a total cost of £30.2m.

15 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

Cash and cash equivalents of £483.2m (2020: £348.3m) shown in the consolidated statement of cash flows, and in this note 15, include the cash and cash equivalents of £602.3m (2020 restated: £580.7m) shown on the consolidated balance sheet, less bank overdrafts of £119.1m (2020 restated: £232.4m) included in other borrowings within current liabilities in the consolidated balance sheet.

The operating profit of Group companies reconciles to cash generated by operations as follows:

	Audited Year to 1 May 2021 £m	Audited Year to 2 May 2020 (restated) £m
Operating profit of Group companies	**54.6**	69.6
Separately disclosed items	**(10.3)**	32.5
Depreciation	**107.7**	109.2
Software amortisation	**2.9**	4.5
Impairment of property, plant and equipment, excluding separately disclosed items	**6.8**	0.3
EBITDA of Group companies before separately disclosed items ("Adjusted EBITDA")	**161.7**	216.1
Cash effect of current year separately disclosed items	**(7.3)**	(2.4)
Loss/(gain) on disposal of property, plant and equipment, excluding separately disclosed items	**1.5**	(0.9)
Capital grant amortisation	**(0.9)**	(0.8)
Share based payment movements	**1.6**	0.9
Operating cashflows before working capital movements	**156.6**	212.9
(Increase)/decrease in inventories	**(0.7)**	5.5
Decrease in receivables	**1.3**	24.7
Decrease in payables	**(8.9)**	(99.3)
(Decrease)/increase in provisions	**(7.4)**	15.5
Differences between employer contributions and pension expense in adjusted operating profit	**(4.7)**	(9.8)
Cash generated by operations	**136.2**	149.5

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

The increase in cash and cash equivalents reconciles to the movement in net debt as follows:

	Audited Year to 1 May 2021 £m	Audited Year to 2 May 2020 £m
Increase in cash and cash equivalents	**134.9**	177.9
Cash flow from movement in borrowings (excluding bank overdrafts)	**(69.4)**	(170.9)
	65.5	7.0
Recognition of lease liabilities on adoption of IFRS 16	**-**	(89.0)
New leases in year		
- Sale and leaseback of property	**(5.1)**	-
- Other new leases	**(18.3)**	(15.9)
Other movements	**(2.6)**	(0.9)
Decrease/(increase) in net debt	**39.5**	(98.8)
Opening net debt	**(352.1)**	(253.3)
Closing net debt	**(312.6)**	(352.1)

17 NET DEBT AND CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in net debt (as defined in note 22) are summarised below:

	Audited Year to 1 May 2021				
	Opening £m	**Cashflows £m**	**New leases £m**	**Charged to income statement £m**	**Closing £m**
Cash and cash equivalents – pledged as collateral	17.5	(0.1)	-	-	17.4
Cash and cash equivalents – other	330.8	135.0	-	-	465.8
Total cash and cash equivalents	348.3	134.9	-	-	483.2
Gross debt – see split in table below	(700.4)	(69.4)	(23.4)	(2.6)	(795.8)
Net debt	(352.1)	65.5	(23.4)	(2.6)	(312.6)

Liabilities arising from financing activities include all liabilities that give rise to cash flows that are classified as financing activities in the consolidated statement of cash flows. They include borrowings (excluding bank overdrafts) and loans from joint ventures. They also include certain interest rate derivatives that are hedging instruments of liabilities that give rise to financing cash flows. Changes in liabilities from financing activities are presented below:

	Audited Year to 1 May 2021						
	Opening £m	**Dividend in specie £m**	**Cashflows £m**	**New leases £m**	**Fair value movements on hedge £m**	**Charged to income statement £m**	**Closing £m**
Lease liabilities	(85.8)	-	27.1	(23.4)	-	-	(82.1)
Bank loans	(200.0)	-	200.0	-	-	-	-
Loan notes	(17.5)	-	0.1	-	-	-	(17.4)
Covid Corporate Financing Facility	-	-	(296.6)	-	-	(1.8)	(298.4)
Bonds							
- Principal	(400.0)	-	-	-	-	-	(400.0)
- Unamortised costs & discounts on issue	2.9	-	-	-	-	(0.8)	2.1
Gross debt	(700.4)	-	(69.4)	(23.4)	-	(2.6)	(795.8)
Loans from joint ventures	(12.7)	11.0	-	-	-	-	(1.7)
Accrued interest on bonds	(9.6)	-	16.0	-	-	(15.9)	(9.5)
Effect of fair value hedges on carrying value of borrowings	-	-	-	-	0.8	-	0.8
Interest rate derivatives that hedge liabilities from financing activities	-	-	-	-	(0.8)	(0.1)	(0.9)
Total liabilities arising from financial activities	(722.7)	11.0	(53.4)	(23.4)	-	(18.6)	(807.1)

18 COMMITMENTS AND CONTINGENCIES

(i) *Capital commitments*

Capital commitments contracted for the purchase of property, plant and equipment but not provided for at 1 May 2021 were £27.8m (2020: £35.6m).

(ii) *Virgin Trains East Coast rail franchise*

Under UK rail franchise agreements, the Group and its joint venture, WCT Group Holdings Limited (formerly, Virgin Rail Group Holdings Limited), agreed with the Department for Transport annual amounts receivable or payable in respect of the operation of rail franchises. The franchises have now expired. The UK Department for Transport has notified the Company's subsidiary, East Coast Main Line Company Limited (which traded as Virgin Trains East Coast), that it considers that subsidiary defaulted on the Virgin Trains East Coast franchise agreement. That could, in certain circumstances, give the Department for Transport the right to claim against East Coast Main Line Company Limited (and its immediate parent company, Inter City Railways Limited) including in respect of future premia payments foregone. As at 1 May 2021, liabilities have been recorded for amounts payable to the Department for Transport relating to any residual net assets of Virgin Trains East Coast. No further liability has been recorded in the consolidated financial statements as at 1 May 2021 (2020: £Nil) in relation to potential claims by the Department for Transport in respect of default of the franchise agreement, because the Directors currently do not expect further amounts to be payable.

(iii) *Legal actions*

On 27 February 2019, class action proceedings were filed with the UK Competition Appeal Tribunal ("CAT") against Stagecoach South Western Trains Limited ("SSWT"), a subsidiary of the Company that formerly operated train services under franchise. The prospective claimant representative has applied to the CAT for a collective proceedings order, which, if it were granted, would allow his claim to proceed to a full trial. Equivalent claims have been brought against First MTR South Western Trains Limited, which succeeded SSWT as the operator of the South Western franchised train services, and London & South Eastern Railway. It is alleged that SSWT and the other defendants breached their obligations under competition law, by (i) failing to make available, or (ii) restricting the practical availability of, boundary fares for Transport for London ("TfL") Travelcard holders wishing to travel outside TfL fare zones. The proposed claim seeks compensation for all those who have allegedly been affected by the train operating companies' allegedly anti-competitive behaviour. The total sought from SSWT is estimated at around £38m. SSWT is arguing against the granting of a collective proceedings order ("CPO"). The CPO hearing was held in March 2021 and a decision by the CAT is awaited. The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot initially be substantiated. The claim includes novel elements and it is not clear how existing precedent will be applied to it. Finally, determining how such a claim would be allocated amongst the various parties, and other stakeholders including the Department for Transport, is uncertain. Accordingly, the Group cannot make a reliable estimate of any contingent liability in respect of this matter. No provision is held as at 1 May 2021 (2020: £Nil) for any damages or settlement payable in respect of this matter.

The Group and the Company are from time to time party to other legal actions arising in the ordinary course of business. Liabilities have been recognised in the financial statements for the best estimate of the expenditure required to settle obligations arising under such legal actions. As at 1 May 2021, the liabilities in the consolidated financial statements for such matters total £0.9m (2020: £7.8m) in addition to those covered by the claims provisions.

(iv) *Contingent liabilities re former North America Division*

The Group sold its North American business in April 2019. The North American business receives claims in respect of traffic incidents and employee incidents. It protects against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of the "excess" or "deductible" on insurance policies (the "Uninsured Element"). The North America business is liable for costs of settling the Uninsured Element of claims. In the event that the business was unable to meet its liabilities for claims then the insurers would be responsible for meeting those liabilities for the Uninsured Element of claims. To protect themselves against that risk (being, essentially the credit risk of the North America business), the insurers demand collateral typically in the form of letters of credit and guarantees. In connection with the sale of the North America business, the Group agreed to continue to provide the guarantees and arrange the letters of credit required by the insurers in respect of claims relating to periods ending on or before July 2019. The Group indemnifies the banks that issue those letters of credit against any losses suffered by the banks. The Group has also provided continuing guarantees to the insurers in respect of claims relating to those periods. As at 1 May 2021, the North America business had provided for £44.5m (2020: £59.2m) in respect of claims to which the letters of credit and Stagecoach Group guarantees would apply and for which no liability is reflected in the Group's consolidated balance sheet (2020: £Nil).

19 RELATED PARTY TRANSACTIONS

Details of major related party transactions during the year ended 1 May 2021 are provided below, except for those relating to the remuneration of the Directors and management.

(i) *WCT Group Holdings Limited (formerly Virgin Rail Group Holdings Limited)*
Two of the Group's directors are non-executive directors of the Group's joint venture, WCT Group Holdings Limited (formerly Virgin Rail Group Holdings Limited). During the year ended 1 May 2021, the Group earned fees of £0.2m (2020: £0.2m) from WCT Group Holdings Limited in this regard. In addition, the Group purchased £Nil in the year ended 1 May 2021 (2020: £1.7m) from the group headed by WCT Group Holdings Limited and sales were £1.1m (2020: immaterial).

Additionally, the Group had a loan outstanding of £Nil (2020: £11.0m) from the group headed by WCT Group Holdings Limited at 1 May 2021. The loan accrued interest at commercial rates and during the year ended 1 May 2021, the interest paid was £0.1m (2020: immaterial).

(ii) *Alexander Dennis Limited*
Until May 2019, when they sold their holdings, Sir Brian Souter (Non-Executive Director) and Dame Ann Gloag (Non-Executive Director until 31 December 2019) collectively held, via companies that they control, 55.1% of the shares and voting rights in Alexander Dennis Limited. Noble Grossart Investments Limited (of which Sir Ewan Brown (Non-Executive Director until 31 December 2019) was a director of its holding company until 3 January 2019) controlled a further 33.2% of the shares and voting rights of Alexander Dennis Limited. None of Sir Brian Souter, Dame Ann Gloag or Sir Ewan Brown was a director of Alexander Dennis Limited nor did they have any involvement in the management of Alexander Dennis Limited. Furthermore, they did not participate in deciding on and negotiating the terms and conditions of transactions between the Group and Alexander Dennis Limited. For the period from 28 April 2019 to 28 May 2019, the date at which Alexander Dennis ceased to be a related party, the Group purchased £5.0m of vehicles from Alexander Dennis Limited and £1.5m of spare parts and other services.

(iii) *Pension Schemes*
Details of contributions made to pension schemes are contained in note 13.

(iv) *Scottish Citylink Coaches Limited*
A non-interest bearing loan of £1.7m (2020: £1.7m) was due to the Group's joint venture, Scottish Citylink Coaches Limited, as at 1 May 2021. The Group earned £13.7m in the year ended 1 May 2021 in respect of the operation of services subcontracted by Scottish Citylink Coaches Limited (2020: £21.2m). The Group also collected revenue of £5.5m on behalf of Scottish Citylink Coaches Limited in the year ended 1 May 2021 (2020: £18.3m). As at 1 May 2021, the Group had a net £1.9m receivable (2020: £Nil) from Scottish Citylink Coaches Limited, excluding the loan referred to above.

(v) *East Coast Main Line Company Limited*
The Group owns 90% and Virgin Holdings Limited owns 10% of the ordinary shares in Inter City Railways Limited. East Coast Main Line Company Limited is 100% owned by Inter City Railways Limited and entered into various arm's length transactions with other Group companies. In the year ended 1 May 2021, other Group companies earned £0.3m (2020: £0.6m) from East Coast Main Line Company Limited in respect of the provision of certain services. In addition, East Coast Main Line Company Limited has advanced the Company a loan of which £30.0m was outstanding as at 1 May 2021 (2020: £30m). During the year ended 1 May 2021, the interest paid on the loan was £0.1m (2020: £0.1m). Stagecoach Group plc paid £0.2m (2020: £0.5m) to Virgin Holdings Limited in the year ended 1 May 2021 in relation to East Coast Main Line Company Limited and the end of its franchise and had a payable of £Nil as at 1 May 2021 (2020: £0.2m) in respect of that.

(vi) *Crown Sightseeing Limited*
The Group owns 33% of the ordinary shares of Crown Sightseeing Limited, a joint venture formed in the year ended 1 May 2021. An interest bearing loan of £0.2m (2020: £Nil) was advanced by the Group to Crown Sightseeing Limited and as at 1 May 2021, £0.2m was outstanding. This loan accrues interest at the Bank of England base rate plus 3%.

20 POST BALANCE SHEET EVENTS

Since 1 May 2021, the Department for Transport and South Yorkshire Passenger Transport Executive confirmed their intention to make further COVID-related payments to the Group's Sheffield Supertram business that were not taken account of in estimating the Supertram onerous contract provision recorded in the consolidated balance sheet as at 1 May 2021. The amount of such payments is subject to uncertainty but we currently estimate them at £0.8m. The Group expects to recognise these payments as income in the year ending 30 April 2022. Further COVID-related payments might also be confirmed.

21 STATUTORY FINANCIAL STATEMENTS

The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements for the year ended 1 May 2021 within the meaning of section 434 of the Companies Act 2006 and has been extracted from the full financial statements for the years ended 1 May 2021 and 2 May 2020 respectively.

Statutory financial statements for the year ended 2 May 2020, which received an unqualified audit report, have been delivered to the Registrar of Companies.

The reports of the auditors on the financial statements for each of the years ended 2 May 2020 and 1 May 2021 were unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006. The financial statements for the year ended 1 May 2021 will be delivered to the Registrar of Companies and made available to all shareholders in due course. These financial statements will also be available on the Group's website and from the registered office of the Company at 10 Dunkeld Road, Perth PH1 5TW.

The Board of Directors approved this announcement on 30 June 2021.

22 DEFINITIONS

(a) Alternative performance measures

The Group uses a number of alternative performance measures in this document to help explain the financial performance and financial position of the Group. More information on the definition of these alternative performance measures and how they are calculated is provided below. All of the alternative performance measures explained below have been calculated consistently for the year ended 1 May 2021 and for comparative amounts shown in this document for prior years.

Adjusted earnings per share

Adjusted earnings per share is calculated by dividing profit attributable to equity holders of the parent, excluding separately disclosed items, by the basic weighted average number of shares in issue in the year.

For the year ended 1 May 2021 and the comparative prior year, the numerators for the calculations (i.e. the adjusted profit) are shown clearly on the face of the consolidated income statement in the columns headed "performance excluding separately disclosed items". The denominators for the calculations (i.e. the weighted average number of shares in issue) and further details of the calculations are shown in note 7 to the condensed financial statements.

Basic earnings per share and adjusted earnings per share are also separately reported for each of the continuing operations and the discontinued operations. Details of how these are calculated are also provided in note 7.

Like-for-like amounts

Like-for-like amounts are derived by comparing the relevant year-to-date amount with the equivalent prior year amount for those businesses and individual operating units that have been part of the Group throughout both years.

Like-for-like revenue growth for the year ended 1 May 2021 is calculated by comparing the revenue for the current and comparative years, each adjusted as described above. The revenue of each continuing segment is shown in note 3(a) to the condensed financial statements. The reconciliation to the adjusted revenue figures for the purposes of calculating like-for-like revenue growth is shown below:

		Audited			
		Year ended 1 May 2021			
		Reported revenue	Exclude effect of acquisitions	Exclude expired rail franchises	Like-for-like revenue
UK Bus (regional operations)	£m	662.0	(0.5)	-	661.5
UK Bus (London)	£m	261.7	-	-	261.7
UK Rail	£m	4.7	-	1.2	5.9

		Audited				
		Year ended 2 May 2020				
		Reported revenue	Exclude effect of acquisitions	Exclude expired rail franchises	Exclude week 53	Like-for-like revenue
UK Bus (regional operations)	£m	1,011.9	(0.5)	-	(8.8)	1,002.6
UK Bus (London)	£m	246.2	-	-	(4.5)	241.7
UK Rail	£m	161.1	-	(148.0)	(0.1)	13.0

Liquidity

References to liquidity mean the aggregate amount of cash and cash equivalents (net of bank overdrafts in bank offset arrangements), money market deposits and undrawn committed headroom under bank facilities, adjusted to exclude: (i) foreign currency bank and cash balances, (ii) petty cash balances, (iii) cash in transit and (iv) cash pledged as collateral in respect of liabilities for loan notes.

22 DEFINITIONS (CONTINUED)

(a) Alternative performance measures (continued)

Operating profit

Operating profit for the Group as a whole is profit before non-operating separately disclosed items, finance costs, finance income, taxation and non-controlling interests. Operating profit of Group companies is operating profit on that basis, excluding the Group's share of joint ventures' profit/loss after taxation. Both total operating profit and operating profit from Group companies are shown on the face of the consolidated income statement.

Operating profit (or loss) for a particular business unit or segment within the Group refers to profit (or loss) before net finance income/costs, taxation, non-controlling interests, separately disclosed items and restructuring costs. The operating profit (or loss) for each segment is directly identifiable from note 3(b) to the condensed financial statements.

Adjusted operating profit

Adjusted operating profit for the Group as a whole is operating profit before all separately disclosed items as shown on the face of the consolidated income statement.

Operating margin

Operating margin for a particular business unit or segment within the Group means operating profit (or loss) as a percentage of revenue. The revenue and operating profit (or loss) for each segment is directly identifiable from the financial statements – see notes 3(a) and 3(b) to the condensed financial statements. Where relevant, the revenue, operating profit (or loss) and operating margin for each continuing segment are also shown on page 6 of this document.

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxation, depreciation, software amortisation and separately disclosed items.

A reconciliation of adjusted EBITDA for the year ended 1 May 2021, and the comparative prior year, to the financial statements is shown on page 13 of this document.

Adjusted EBITDA from Group companies

Adjusted EBITDA from Group companies is earnings before interest, taxation, depreciation, software amortisation and separately disclosed items from Group companies (i.e. the parent company and all of its subsidiaries consolidated but excluding share of profit from joint ventures).

Adjusted EBITDA from Group companies is directly identifiable from the financial statements – see note 15 to the condensed financial statements.

Net finance costs

Net finance costs are finance costs less finance income, each as shown on the face of the consolidated income statement.

Adjusted net finance costs

Adjusted net finance costs are net finance costs (see above) excluding separately disclosed items.

Gross debt

Gross debt is borrowings as reported on the consolidated balance sheet, adjusted to exclude bank overdrafts, accrued interest on bonds and the effect of fair value hedges on the carrying value of borrowings.

The components of gross debt are shown in note 17 to the condensed financial statements.

Net debt

Net debt (or net funds) is the net of cash/cash equivalents, bank overdrafts and gross debt (see above).

The components of net debt are shown in note 17 to the condensed financial statements.

Net capital expenditure

Net capital expenditure is the impact of purchases, new leases and sales of property, plant and equipment on net debt.

Its reconciliation to the condensed financial statements is explained on page 16 of this document.

22 DEFINITIONS (CONTINUED)

(b) Other definition

The following other definition is also used in this document:

Separately disclosed items

Separately disclosed items means:

- Non-software intangible asset amortisation;
- Items which individually or, if of a similar type, in aggregate need to be separately disclosed by virtue of their nature, size or incidence in order to allow a proper understanding of the underlying financial performance of the Group; and
- Changes in the fair value of the Deferred Payment Instrument received in relation to the sale of the North America Division in April 2019 (see note 4). Changes in the fair value of the Deferred Payment Instrument may occur in several consecutive financial years until the issuer of the instrument discharges it in full. The Deferred Payment Instrument is part of the consideration received for the sale of a business and it does not relate to the ongoing operating activities of the Group. The Directors therefore consider that it is helpful for understanding the Group's financial performance to disclose separately changes in the fair value of the Deferred Payment Instrument.