Notes to the Consolidated Accounts For the year ended 31 December 2021

1 Corporate information

The Consolidated Financial Statements of National Express Group PLC and its subsidiaries (the Group) for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 9 March 2022. National Express Group PLC is a public limited company incorporated in England and Wales whose shares are publicly traded on the London Stock Exchange.

The principal activities of the Group are described in the Strategic Report that accompanies these Financial Statements.

2 Accounting policies

Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as issued by the International Accounting Standards Board (IASB), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

These Financial Statements are presented in pounds Sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m) except where otherwise indicated.

Going concern

The Financial Statements have been prepared on a going concern basis (see the Group Chief Financial Officer's review (CFO's Review) on page 20) under the historical cost convention, except for the recognition of derivative financial instruments, financial assets at fair value through Other Comprehensive Income and contingent consideration.

In adopting the going concern basis, the Directors have considered the Group's:
- business activities;
- principal risks and uncertainties as set out on pages 42 to 47;
- exposure to the range of potential impacts of Covid-19 and also the depth and length of support provided by customers and governments; and,
- financial position, liquidity position and borrowing facilities as set out in the CFO's report within this Annual Report.

The Group has maintained its strong liquidity position throughout the Covid-19 pandemic. As at 31 December 2021, and also as of the date of publishing these Financial Statements, the Group had £1.9bn of debt capital and committed facilities, with none of these due to expire until November 2023 at the earliest. At 31 December 2021, the Group had £0.9bn in net cash and undrawn committed facilities available to it.

The Group has positive relationships and regular dialogue with its lenders. Certain of the Group's borrowings are subject to covenant tests on gearing and interest cover on a bi-annual basis. While amendments have previously been made to the interest cover covenants, these have reverted to original levels (a minimum of 3.5x EBITDA) for the 30 June 2022 and 31 December 2022 tests. The gearing covenants at 30 June 2022 and 31 December 2022 have been amended to a maximum of 5.0x. In return for these waivers and amendments to the covenants the Group has agreed to a quarterly £250m minimum liquidity test (up to and including Q1 2023), a £1.6bn maximum net debt test as at 30 June 2022 and 31 December 2022 and a restriction on dividend payments until covenant amendments have expired (or until the Group has voluntarily relinquished them). All covenants are assessed on a pre IFRS 16 basis. At 31 December 2021, the gearing ratio was 3.6x (31 December 2020: 6.6x), although both covenants were waived. The interest cover ratio at 31 December 2021 was 6.3x (31 December 2020: 2.7x); this compares with an amended covenant of at least 2.5x (2020: at least 1.5x).

Since the onset of the pandemic, the Group has, along with the rest of the travel industry, been significantly impacted by the wide ranging mobility restrictions and social distancing guidance used by governments to contain and curtail the impact of the virus. Thanks to the success of vaccination programmes which, progressively, were rolled out to all adults in the Group's key markets over the course of 2021, new variants of the virus were able to be countered by much less severe restrictions than those utilised when the pandemic first emerged. As a result, 2021 has seen a marked decrease in the level of restrictions imposed, and a strong recovery in the Group's revenue, increasing by 15% relative to 2020 (on a constant currency basis). Encouragingly, Group revenue has rebounded quickly when restrictions have been rolled back, including in the UK following the easing, in late January 2022, of restrictions imposed in late 2021 in response to the emergence of the Omicron variant.

Additionally, the Directors continue to have a high degree of confidence in the Group's long-term prospects. New contracts continue to be won, with a strong pipeline of opportunities in multiple markets. Climate change is rising exponentially in the public conscience and on government agendas. In 2021 this was further demonstrated by the commitments made by world leaders at the COP26 conference to decelerate the pace of global warming, as well as making available up to £100tn of private capital to speed up progress towards net zero emissions. Clean, safe and efficient public transport is clearly part of the solution to reducing global emissions, and the Group is well placed to benefit from this; leading the modal shift from private car to public transport is the Group's defined purpose as set out in the launch of the Evolve strategy in 2021.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

2 Accounting policies continued

Notwithstanding the positive long-term outlook, the pandemic has clearly had an unprecedented impact on the Group and on the transport sector in general. Throughout 2021 there have been a range of mobility and distancing restrictions imposed and then rolled back at various points in the year. These have slowed, but not undone, the Group's progress in revenue recovery towards pre-pandemic levels. Over the course of the year, revenue has recovered from 32% below 2019 levels in Q4 2020 to around 10% below 2019 levels in Q4 2021 at constant currency.

Overall, financial performance in 2021 tracked broadly in line with base case projections set out at the time of publishing the 2020 Financial Statements in March 2021. Revenue was lower than base case primarily due to lower passenger demand in the UK as a result of ongoing travel restrictions and in North America due to driver shortages. However, careful cost control, success in procuring additional government funding and the benefits of structural cost saving actions taken in 2020 delivered a favourable profit outcome compared with our base case.

Our observations of, and responses to, the impact of the pandemic over recent months, along with our latest expectations of its continued impact over the going concern assessment period, have been carefully considered in arriving at an updated base case and reasonable worst case. We have then corroborated our own assumptions with external references, such as the predictions published by the IMF and OECD. The Directors have reviewed the base case and reasonable worst case projections, which cover the period up to March 2023, along with reverse stress tests. These scenarios and stress tests were used to evaluate liquidity headroom and compliance with revised covenants.

The key assumptions in the base case scenario are as follows:

- Throughout 2022 Group revenue steadily recovers towards, and then beyond, pre-pandemic levels as Covid-19 related restrictions are rolled back and confidence in public transport returns.
- In the UK, commercial passenger revenues recover steadily during the year and reach pre-pandemic levels by December 2022. No further lockdowns or mobility restrictions are assumed.
- In North America, all schools are assumed to be open for in-person teaching. Driver shortages impact the first half of the year, but full service levels are resumed in time for the new school year commencing in August 2022.
- In ALSA, there is a steady recovery in patronage on long haul franchises and the regional contracts on which we are exposed to demand risk, but long haul revenue is still expected to remain below 2019 by the end of 2022. Urban revenues are expected to grow strongly due to the impact of the now fully mobilised Casablanca contract which commenced in Morocco in late 2019 and the acquisition of Transportes Rober in Spain in June 2021.
- Covid-19 related government support continues to be available as follows:
  - The CERTS funding from the US Government was received in 2021 and is being recognised in the Income Statement over the 2021/22 school year. Further support is possible, but none is assumed in our base case.
  - Subsidies are received from local government authorities to compensate for revenues lost as a result of ongoing Covid-19 impacts on demand in ALSA. However the level of subsidies assumed in the base case is materially lower than those received in 2021.
  - UK Bus continues to benefit from government funding, specifically the Bus Recovery Grant in H1 of 2022 and then Bus Service Improvement Plan funding in the latter part of the year. This funding is for bus operators to continue to operate all, or substantially all, services whilst passenger levels recover.
- There is an ongoing benefit from substantial cost saving initiatives implemented during 2020 and 2021, including group-wide reductions in administrative and managerial headcount, as well as the benefit of process efficiency improvements.
- A working capital outflow results from the unwind of deferred income in relation to grant funding received in cash in 2021 but for which the Income Statement recognition is spread over 2021 and 2022.
- Projections for the latter part of the assessment period in Q1 2023 are based on the Group's strategic plan which assumes a continuation in revenue recovery across the underlying pre-pandemic business to surpass 2019 levels, as well as incremental growth from acquisitions and new contract wins that have taken place over 2020 and 2021.

The reasonable worst case scenario assumes significant reductions in revenue across the Group, compared with the base case, due to a combination of: a prolonged impact from mobility restrictions similar to those seen in recent weeks following emergence of the Omicron variant; customer reticence to travel; driver shortages; increased competition; and lower government support. This results in a slower recovery trajectory.

In particular, this scenario assumes that Q1 of 2022 is severely impacted by driver shortages and that customers in each of our main markets remain reticent to travel in the wake of the Omicron variant. Furthermore, we assume in the reasonable worst case that another variant of concern emerges in Q4 2022, resulting in a similar reaction from governments and passengers as seen in the response to the Omicron variant.

Against this reasonable worst case the Group has applied mitigations in the form of further reductions in expenditure, over and above those reflected in the base case. The majority of these further cost savings have already been identified and could be swiftly implemented should the reasonable worst case scenario occur. Whilst the cost savings in the base case and reasonable worst case would involve restructuring activity, they do not involve significant structural changes to the Group. Additionally, cash flow mitigations in the form of reducing or deferring capital expenditure have also been considered in the reasonable worst case.

In the base case and reasonable worst case scenarios the Group maintains significant headroom against each of its revised covenant tests, as well as a strong liquidity position. In the reasonable worst case, the monthly cash outflow for the next 12 months averages less than £10m, compared with the £0.9bn of liquidity as at 31 December 2021.

2 Accounting policies continued

In addition to the base case and reasonable worst case scenarios, the Directors have reviewed reverse stress tests, in which the Group has assessed the set of circumstances that would be necessary for the Group to either breach the limits of its borrowing facilities or breach any of the covenant tests.

In applying a reverse stress test to liquidity the Directors have concluded that the set of circumstances required to exhaust it are so extreme as to be considered remote in likelihood.

Covenants that include EBITDA as a component are more sensitive to reverse stress testing, because of the material impact that events or actions outside of the control of the Group, such as government-imposed travel restrictions, can have on short-term revenue. The Directors have therefore conducted in-depth stress testing on interest cover and gearing covenants at both June and December 2022, these being the only covenant tests during the going concern period that contain an EBITDA component. In doing so, the Directors have considered all cost mitigations that would be within their control, and indeed would have no alternative but to pursue, if faced with a short-term material EBITDA reduction and no lender support to amend or waive EBITDA-related covenants. Calculations indicate that in order to trigger a breach of any of these covenants, the revenue loss relative to 2019 levels on a like-for-like basis (at constant currency, excluding acquisitions and new contract wins over 2020 and 2021), would need to be greater than that experienced during both 2020 and 2021, whereby the Group's businesses were subject to significant restrictions imposed by governments to contain the impact of Covid-19.

Taking this into account the Directors concluded that the circumstances that would be necessary for covenants to be breached were remote in likelihood.

In any case, should there be a more severe set of circumstances than those assumed in the reasonable worst case, the Group could also have a number of further mitigations available to it including: deeper and broader cost cutting measures; seeking further amendments or waivers of covenants; raising further equity; sale and leaseback of vehicles; disposal of properties; and disposal of investments or other assets. Furthermore, during the pandemic, customers, local authorities and governments have demonstrated a willingness to provide financial support to enable the provision of good quality, reliable transport services in the face of short-term reductions in demand. In the event that a further, more severe downside akin to that seen in 2020 were to materialise, it is probable that similar support would be made available.

In conclusion, the Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the Financial Statements. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements for the year ended 31 December 2021.

Changes in accounting policies and the adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except for changes arising from new standards and amendments to existing standards that have been adopted in the current year.

The following amendments and interpretations have been applied for the first time with effect from 1 January 2021:

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced by an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the Consolidated Financial Statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable, but none were needed to be applied during the year ended 31 December 2021.

From a hedge accounting perspective, the Group no longer holds any derivative financial instruments linked to IBOR rates such as LIBOR and EURIBOR, therefore no existing hedge relationships were affected as a result of adopting this amendment.

Finally the Group has amended its revolving credit facility ("RCF") and bilateral facilities to replace GBP LIBOR with SONIA and USD LIBOR with SOFR, effective from 30 November 2021. Interest will be calculated based on a daily, non-cumulative compounded rate with a five banking day look back. Similarly intercompany loan agreements have also been amended as above effective from 1 January 2022.

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
This amendment did not have any impact on amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

2 Accounting policies continued

Presentation of advance subsidy factoring liabilities

The Group has a number of contracts with public bodies where the future cash flows are contracted. For some of these contracts, where the cash flows are back ended, the Group entered into factoring arrangements with a bank to factor certain future subsidy cash flows in advance of invoicing the relevant transport authority. Given the factoring is in advance of the contractual trigger to invoice the customer, there was no receivable asset to de-recognise on receipt of cash from the bank and so a liability was recorded in trade payables. This reflected the fact that the factoring arrangement was on a non-recourse basis i.e. all risks and rewards of default by the customer were transferred to the bank and the short term nature of amounts outstanding, with the majority of cash repaid to the banks within three months. Reference to this liability was provided in note 24 'trade and other payables' to the Financial Statements in all years impacted. On subsequent receipt of the cash from the customer this was then immediately repaid to the bank, and debited against the liability recorded.

The presentation of the cash flows within the Statement of Cash Flows mirrored the Balance Sheet treatment, with the receipt of proceeds from the bank recorded within operating cash, just as if it had been directly received from the customer.

During the year we received an enquiry from the Financial Reporting Council (FRC) regarding these arrangements. Following this enquiry and recent clarifications regarding the presentation of financial liabilities within trade payables, the Group concluded, in consultation with the Group's auditors, that it is more appropriate that the resultant liability with the bank is recorded within borrowings rather than trade payables. The rationale is that the liability does not relate to goods or services and does not represent amounts invoiced or formally agreed with a supplier. The Group has therefore changed its accounting policy accordingly. The presentation of the associated cash flows has also been adjusted. The initial receipt from the bank will be treated as a financing inflow. As the customer continues to pay the Group, this will be recorded as an operating cash inflow, with the subsequent repayment to the bank as a financing cash outflow.

This has been applied by restating the earliest comparative period within this report, with the Financial Statement line items impacted as follows:

Balance Sheet:	31 December 2020 (Reported)	31 December 2020 (Restated)	31 December 2019 (Reported)	31 December 2019 (Restated)	1 January 2019 (Reported)	1 January 2019 (Restated)
Trade and other payables (current)	(861.3)	(783.0)	(1,056.5)	(998.4)	(870.5)	(826.8)
Borrowings (current)	(167.0)	(245.3)	(649.2)	(707.3)	(59.3)	(103.0)
Net assets	–	–	–	–	–	–
Net debt	(941.6)	(1,019.9)	(1,224.0)	(1,282.2)	(1,165.2)	(1,208.9)
Statement of Cash Flows						
(Decrease)/increase in payables	(122.7)	(140.0)	53.4	36.2	–	–
Net cash flow from operating activities	(96.7)	(114.0)	356.2	339.0	–	–
Increase in borrowings	732.3	858.3	414.1	513.7	–	–
Repayment of borrowings	(940.5)	(1,049.2)	–	(82.4)	–	–
Net cash flow from financing activities	388.6	405.9	259.9	277.1	–	–
Increase in cash and cash equivalents	–	–	–	–	–	–

As this was a Balance Sheet reclassification, there is no impact to operating profit or earnings per share. Equally, the change has no impact on the Group's compliance with covenants as net debt for covenant purposes excludes non-recourse factoring arrangements.

Presentation of cash and cash equivalents and bank overdrafts

After the Group Financial Statements for the year ended 31 December 2020 were issued it was determined that the presentation of cash and cash equivalents and bank overdrafts did not meet the requirements for offsetting in accordance with 'IAS 32 Financial Instruments: Presentation'. This resulted in the incorrect presentation of the cash pooling arrangement on the balance sheet. The impact of this change is to increase both cash and cash equivalents and current borrowings as at 31 December 2020 by £109.3m (2019: £237.5m) on the Group's Balance Sheet. This has no impact on net assets, net debt or the Group's profit in any of the years impacted. Equally there is no change to the Statement of Cash Flows.

2 Accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements requires the Group to make estimates and judgements that affect the application of the Group's accounting policies and reported amounts.

Critical accounting judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Management considered, throughout the year, the financial reporting impact associated with our identified principal risks, which include the effects of Covid-19 and climate change.

During the year the following changes to critical judgements and keys sources of estimation uncertainty were identified:

- In the prior year, going concern was considered to be a critical judgement due to the level of uncertainty as to the future impact on the financial performance and cash flows of the Group as a result of Covid-19. This year, going concern is not considered to be a critical judgement reflecting the Group's improved financial performance, strong financial position and business prospects.
- Also in the prior year, the valuation of the WeDriveU put liability (over 40% of the equity) was considered to be a significant estimate. During 2021, the first tranche of put options, for 10% of the equity of WeDriveU was settled. The second tranche, for a further 10% of the equity has been exercised during 2021, and will be settled during 2022. The final tranche for 20%, will be exercised at the final opportunity on 31 December 2022 and therefore there is no longer any uncertainty over the timing of exercise. The Group has determined the sensitivity of the valuation to a reasonable change in the future forecasts and discount rate, however given the range was not considered material, the Directors no longer consider the valuation to be a significant estimate.
- Additionally, onerous contracts were considered to be a significant estimate in the prior year. This reflected the uncertainty over future forecasts, in particular the extent to which Covid-19 had a lasting impact on the Group's performance. The Group has updated its forecasts, including an estimate of the recovery from Covid-19 and together with the short term remaining on the majority contracts and/or the mitigating actions available to the Group to minimise losses, the Directors no longer consider a reasonable possible change in the assumptions could result in material change to their carrying value in the next 12 months.
- Finally, in the prior year the impairment of goodwill in ALSA was considered to be a significant estimate. Following an increase in the level of headroom and the projected recovery from Covid-19, we no longer consider a reasonable possible change in assumptions could result in an impairment of goodwill in the next 12 months, and accordingly no longer consider this to be a significant estimate.

(i) Critical accounting judgements

Separately disclosed items

The Directors believe that the profit and earnings per share measures before separately disclosed items provide additional useful information to shareholders on the performance of the Group. These measures are consistent with how business performance is measured internally by the Board and the Group Executive Committee. The classification of separately disclosed items requires significant management judgement after considering the nature, cause of occurrence and the scale of the impact of that item on reported performance. The Group's definition of separately disclosed items is outlined on page 148. These definitions have been applied consistently year-on-year. Specifically, judgement has been required to identify incremental costs associated with the pandemic that are not expected to arise in future periods and do not form part of the underlying operating activities of the Group.

Note 5 provides further details on current year separately disclosed items.

(ii) Key sources of estimation uncertainty

Insurance and other claims

The claims provision arises from estimated exposures at the year end for auto and general liability, workers' compensation and environmental claims, the majority of which will be utilised in the next five years. The estimation of the claims provision is based on an assessment of the expected settlement of known claims together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but for which claims have not been reported to the Group. The Group makes assumptions concerning these judgemental matters with the assistance of advice from independent qualified actuaries. At 31 December 2021 the claims provision was £84.4m (2020: £80.7m).

In certain rare cases, additional disclosure regarding these claims may seriously prejudice the Group's position and consequently this disclosure is not provided. Given the differing types of claims, their size, the range of possible outcomes and the time involved in settling these claims, there is a reasonably possible chance that a material adjustment would be required to the carrying value of the claims provision in the next financial year. These different factors also make it impracticable to provide sensitivity analysis on one single measure and its potential impact on the overall claims provision. For further information see note 26.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

2 Accounting policies continued

Pensions

The determination of the defined benefit obligation of the UK defined benefit pension scheme depends on the selection of certain assumptions which include the discount rate, inflation rate and mortality rates. At 31 December 2021 the UK defined benefit pension liability was £96.1m (2020: £141.6m). The key area of estimation uncertainty is in respect to the discount rate and rate of inflation. Whilst the Board believes that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may significantly change the pension obligation. The Group makes assumptions with the assistance of advice from independent qualified actuaries. Details of the assumptions are set out in note 34 to these Financial Statements, along with their sensitivities.

Consideration of climate change

In preparing the Financial Statements we have considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report this year. There has not been a material impact on the financial reporting judgements and estimates arising from our considerations, consistent with our assessment that climate change is not expected to have a meaningful financial impact on the Group in the medium term, and in the longer term is expected to be a net opportunity to the Group. This conclusion has been arrived at with reference to the climate risk assessment exercise carried out during the year – see the TCFD disclosures in the Strategic Report. We have specifically considered the impact of climate change on the carrying value of fixed assets (see note 15) and in our goodwill impairment assessment (see note 14).

Basis of consolidation

These Consolidated Financial Statements comprise the Financial Statements of National Express Group PLC and all its subsidiaries drawn up to 31 December each year. Adjustments are made to bring any dissimilar accounting policies that may exist into line with the Group's accounting policies.

The Consolidated Income Statement includes the results of subsidiaries and businesses purchased from the date control is assumed and excludes the results of disposed operations and businesses sold from the date of disposal.

Intra-group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Non-controlling interests represent the portion of comprehensive income and equity in subsidiaries that is not attributable to the parent Company shareholders and is presented separately from parent shareholders' equity in the Consolidated Balance Sheet.

Summary of significant accounting policies

Subsidiaries

Subsidiaries are entities over which the Company has control. Control exists when the Company has power over an entity, exposure to variable returns from its involvement with an entity and the ability to use its power over the entity to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing control.

Interests in joint ventures

The Group has a contractual arrangement to share control of an entity. The Group recognises its interest in the assets and liabilities of the entity using the equity method of accounting. The Group Balance Sheet includes the appropriate share of the joint ventures net assets or liabilities and the Income Statement includes the appropriate share of their results after tax.

Financial Statements of joint ventures are prepared for the same reporting period as the Group. Adjustments are made in the Group's Financial Statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its joint venture. The Group ceases to use the equity method from the date it no longer has joint control over the entity.

2 Accounting policies continued

Interests in associates

Companies, other than subsidiaries and joint ventures, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associates. The Consolidated Financial Statements include the appropriate share of these associates' results and net assets based on their latest Financial Statements under the equity method of accounting.

Foreign currencies

The trading results of foreign currency denominated subsidiaries, joint ventures and associates are translated into Sterling, the presentation currency of the Group and functional currency of the parent, using average rates of exchange for the year as a reasonable approximation to actual exchange rates at the dates of transactions.

The Balance Sheets of foreign currency denominated subsidiaries, joint ventures and associates are translated into Sterling at the rates of exchange prevailing at the year end and exchange differences arising are taken directly to the translation reserve in equity. On disposal of a foreign currency denominated subsidiary, the deferred cumulative amount recognised in the translation reserve (since 1 January 2004 under the transitional rules of IFRS 1) relating to that entity is recognised in the Income Statement. All other translation differences are taken to the Income Statement, with the exception of differences on foreign currency borrowings and forward foreign currency contracts which are used to provide a hedge against the Group net investments in foreign enterprises. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the Income Statement.

Presentation of Income Statement and separately disclosed items

The Group Income Statement has been presented in a columnar format to enable users of the Financial Statements to view the underlying results of the Group. The Group's policy is to exclude items that are considered significant in nature and/or value, not in the normal course of business or are consistent with items that were treated as separately disclosed in prior periods. Treatment as a separately disclosed item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group. Further details relating to separately disclosed items are provided in note 5 and a full listing of the Group's alternative performance measures (APMs) are provided in the glossary on page 226.

Revenue recognition

Revenue is measured based on the consideration specified in the contract with a customer and is recognised when the performance obligations of the contract have been fulfilled.

Contract revenues

For the purposes of disclosures, the Group has applied the term 'contract revenues' to describe documented contracts that typically cover periods of at least one year, excluding concessions and subsidies. The contracts primarily relate to home to school and transit contracts in North America, urban bus contracts in Spain and coach contracts in the UK.

Revenues relating to the provision of transport services are recognised as the services are provided and in accordance with the terms of the contract. Revenue relating to any additional performance measures in the contract are recognised when the performance has been met and in accordance with the terms of the contract.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring services to the customer. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is resolved and when it becomes highly probable that a significant revenue reversal will not occur.

Passenger revenues

Passenger revenues primarily relate to ticket sales in the UK, German Rail, intercity coach services in Spain and urban bus services in Morocco.

Passenger revenue is recognised in the Income Statement in the period in which the related travel occurs. Revenue from tickets that cover more than one day, for example monthly travelcards and season tickets, is initially deferred as a contract liability and released to the Income Statement on a straight-line basis over the applicable period of the ticket.

Contract liabilities are reduced when an eligible cancellation arises. Also, where applicable, contract liabilities are reduced for ticket breakage, being the portion of future travel that is not expected to be exercised.

Other ancillary revenues relating to ticket sales are recognised at point of sale or, if material and related to a future performance period, recognised by reference to that period.

Passenger revenue in German Rail is allocated between the various transport providers in each region by the tariff authority responsible for that region, and is recognised based on passenger counts, tariff authority estimates and historical trends.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

2 Accounting policies continued

Grants and subsidies

Grants and subsidies relating to the provision of transport services are recognised as the services are provided and in accordance with the terms of the contract.

Private hire

Private hire operations are contracts provided in the UK, ALSA and North America divisions and are typically of a short duration. Revenue is recognised over the period in which the private hire is provided to the customer.

Other revenues

Other revenues primarily comprise non-passenger services in Spain, maintenance revenues in North America and advertising revenues. Other revenue also includes sub-leasing income where the Group acts as the lessor.

Revenues for non-passenger services are recognised when the performance of the service has been fulfilled and in accordance with the terms of the contract. Advertising revenue is recognised over the period of the advertising contract.

Contract costs

Costs to obtain a contract

The incremental costs to obtain a contract with a customer are recognised within 'contract costs' if it is expected that those costs will be recoverable. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period.

Costs to fulfil a contract

Costs that relate directly to a contract, generate resources that will be used in satisfying the contract and are expected to be recovered are recognised within 'contract costs' on the Balance Sheet. Contract fulfilment costs covered within the scope of another accounting standard, such as property, plant and equipment or intangible assets, are not capitalised as contract fulfilment assets but are treated according to those standards.

Contract costs are amortised on a straight-line basis over the term of the specific contract they relate to, consistent with the pattern of recognition of the associated revenue.

Contract assets and liabilities

Contract assets are recognised where the Group has performed its obligations to allow the recognition of revenue. However, it exceeds the amounts received or receivable from a customer at that time.

Contract liabilities are recognised when amounts are advanced by customers, however the Group has not yet met the performance obligation under the contract to allow the recognition of the balance as revenue. Contract liabilities are recognised as revenue when the Group performs such obligations under the contract.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attached to it. When the grant relates to an expense item, it is recognised in operating costs within the Income Statement over the period necessary to match on a systematic basis to the costs that it is intended to compensate. Revenue related grants are recognised in grant and subsidy revenue in the period in which the operational revenue it is supporting relates to. Where the grant relates to property, plant and equipment, the value is included in liabilities as deferred income and credited to the Income Statement over the expected useful economic life of the assets concerned.

Government grants received in excess of the amounts recognised in the Income Statement are held as deferred grant income within trade and other payables, whereas government grants recognised in the Income Statement that are yet to be received are held as grant receivables in trade and other receivables.

Service concession arrangements

In Germany, Spain, Morocco and North America, the Group provides services through public-private partnerships with public authorities responsible for the provision of public transport services.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated facilities supplied by the Group, or made available to it for or without consideration.

The characteristics of these contracts vary depending on the country and activities concerned.

2 Accounting policies continued

Financial asset model

The Group applies the financial asset model when the concession grantor contractually guarantees the payment of amounts specified in the contract or the shortfall, if any, between amounts received from users of the public service and amounts specified.

Financial assets resulting from the application of IFRIC 12 'Service Concession Arrangements' are recorded in the Group Balance Sheet as financial assets or liabilities within working capital. These financial assets are assessed for impairment in line with the provisions of IFRS 9.

Income received from the public authorities is recognised in line with the requirements of IFRS 15. In Germany, subsidy income from the Public Transport Authority (PTA) is recognised over the life of the franchise and by using the input method to measure progress against the performance obligation. The amount recognised in each period is based on a percentage of completion, applying net costs incurred as a proportion of total expected net costs, which is what the subsidy is intended to compensate. In accordance with IFRS 15, costs payable to the PTA are netted against subsidy income. In ALSA and North America, subsidy income from the local authority is recognised as the services are provided and in accordance with the terms of the contract.

Intangible asset model

The Group applies the intangible asset model when income is directly received from the passengers and there is no contractual guarantee from the concession grantor. The intangible asset corresponds to the right granted by the public authority to the Group to charge passengers of the public service.

Intangible assets resulting from the application of IFRIC 12 are recorded in the Group Balance Sheet and are amortised on the basis of the expected pattern of consumption applicable over the term of the concession.

Income received from passengers is recognised in line with the requirements of IFRS 15 and the policy detailed on page 135.

Infrastructure assets provided by the Group are either purchased or subject to a 'lease style' arrangement. Where the Group purchases the assets on its standard supplier terms (typically one year), the related liability is recorded in contract liabilities until it is settled. Where the assets are 'leased', the liability is recorded at the present value of the future payments in contract liabilities in accordance with IFRIC 12, as opposed to IFRS 16. Where lease payments on infrastructure assets are directly re-imbursed from the customer, the asset is recorded according to the underlying classification of the IFRIC 12 contract (as set out above).

Taxes

Current tax

Current tax is provided on taxable profits earned according to the local tax rates applicable where the profits are earned. Income taxes are recognised in the Income Statement unless they relate to an item accounted for in Other Comprehensive Income or Equity, in which case the tax is recognised directly in Other Comprehensive Income or Equity. The tax rates and tax laws used to compute the current tax are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is provided in full in respect of all material temporary differences at the balance sheet date between the tax base and their carrying amounts for financial reporting purposes, apart from the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill;
- where an asset or liability is recognised in a transaction that is not a business combination and that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- in respect of investment in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the temporary differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is considered more likely than not that future taxable profits will be available against which the underlying temporary differences can be deducted. For this purpose, forecasts of future taxable profits are considered by assessing the Group's forecast revenue and profit models, taking into account future growth predictions and operating cost assumptions, as well as assumptions on the tax elections within the Group's control.

Accordingly, changes in assumptions to the Group's forecasts may have an impact on the amount of future taxable profits and therefore the period over which any deferred tax assets might be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

2 Accounting policies continued

Business combinations

On the acquisition of a business, identifiable assets and liabilities acquired are measured at their fair value. Contingent liabilities assumed are measured at fair value unless this cannot be measured reliably, in which case they are not recognised but are disclosed in the same manner as other contingent liabilities.

The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued. Any contingent consideration is recognised at fair value at the acquisition date and subsequently until it is settled.

The cost of the acquisition in excess of the Group's interest in the net fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable, the asset (or disposal group) is available for immediate sale in its present condition, management is committed to the sale and the sale is expected to complete within one year from the date of classification. Assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group that has been disposed of, or is classified as held for sale and either represents a separate major line of business or geographical area; is part of a plan to dispose of a separate major line of business or geographical area; or is a subsidiary acquired exclusively for resale.

Discontinued operations are excluded from the results of continuing operations and presented as a single amount after tax. Comparatives are also represented to reclassify the operation as discontinued.

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired subsidiary, associate or joint arrangement at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. A cash-generating unit is identified at the lowest aggregation of assets that generate largely independent cash inflows, and which is reviewed by management for monitoring and managing the Group's business operations.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Customer contracts
Customer contracts acquired as part of a business combination are initially recorded at the fair value attributed to those contracts on acquisition.

Service concessions
Service concession intangible assets represent a right to charge passengers for the use of the public service. See page 136 for further details.

Contract costs
Contract costs include costs to obtain and costs to fulfil a contract. See page 136 for further details.

Software
Acquired and internally developed software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software or fair value if acquired as part of a business combination. Computer software that is integral to a tangible fixed asset is recognised within property, plant and equipment.

Amortisation is charged on a straight-line basis over the expected useful lives of the assets as follows:

Customer contracts	– over the life of the contract (1 to 33 years)
Contract costs	– over the term of the specific contract (1 to 15 years)
Software	– over the estimated useful life (3 to 7 years)

2 Accounting policies continued

The useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Repairs and maintenance costs are expensed as incurred.

Freehold land is not depreciated. All other property, plant and equipment is depreciated on a straight-line basis over its estimated useful life as follows:

Land and buildings	– 15 to 50 years
Public service vehicles	– 8 to 20 years
Plant and equipment, fixtures and fittings	– 3 to 15 years

Useful lives and residual values are reviewed annually and adjustments, where applicable, are made on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset, with any gain or loss arising included in the Income Statement in the period of derecognition.

Impairment

Intangible assets with definite useful lives, and property, plant and equipment are tested for impairment when events or circumstances indicate that their carrying value may not be recoverable. Goodwill is subject to an impairment test on an annual basis, or more frequently if there are indicators of impairment. Assets that do not generate independent cash flows are combined into cash-generating units.

The impairment testing of individual assets or cash-generating units requires an assessment of the recoverable amount of the asset or cash-generating unit. If the carrying value of the asset or cash-generating unit exceeds its estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that is based on the country-specific weighted average cost of capital (WACC). The outcome of such an assessment is subjective, and the result sensitive to the assumed future cash flows to be generated by the cash-generating units or assets, the growth rate used to extrapolate the cash flows beyond the three-year period and discount rates applied in calculating the value in use.

Impairment losses relating to goodwill cannot be subsequently reversed.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group determines the classification of its financial instruments at initial recognition.

Financial assets

Financial assets are classified at initial recognition as (i) subsequently measured at amortised cost, (ii) fair value through Other Comprehensive Income or (iii) fair value through profit and loss. The classification depends on the purpose for which the financial assets were acquired.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the Group Balance Sheet at fair value, with net changes in fair value recognised in the Income Statement within finance costs. Transaction costs arising on initial recognition are expensed in the Income Statement.

Financial assets at fair value through Other Comprehensive Income
The Group has elected to recognise its non-listed equity investments at fair value through Other Comprehensive Income. Gains and losses on these financial assets are never recycled to the Income Statement. Dividends are recognised as other income in the Income Statement when the right of payment has been established. Where there is no active market for the Group's investments, fair value is determined using valuation techniques including recent commercial transactions and discounted cash flow analyses. Equity instruments designated at fair value through Other Comprehensive Income are not subject to impairment assessment.

Notes to the Consolidated Accounts continued **For the year ended 31 December 2021**

2 Accounting policies continued

Financial assets at amortised cost
A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables and cash and cash equivalents in the Balance Sheet.

Financial liabilities
Financial liabilities are classified at initial recognition as (i) financial liabilities at fair value through profit or loss, (ii) loans and borrowings, (iii) payables or (iv) derivatives designated as hedging instruments, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. Subsequent measurement depends on its classification as follows:

Financial liabilities at fair value through profit and loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised. Amortisation is included as finance costs in the Income Statement. This category applies to interest-bearing loans and borrowings.

For some contracts where the cash flows are back ended, the Group enters into a non-recourse factoring arrangement with a bank to factor the future cash flows in advance of invoicing the customer, with the resultant liability with the bank recorded in loans and borrowings. On subsequent receipt of the cash from the customer this is then immediately repaid to the bank. Both the cash receipt and the repayment to the bank are recorded within cash flows from financing activities in the Statement of Cash Flows.

Put liabilties
Put liabilities are recognised when put options have been issued by the Group in a business combination. Liabilities are recorded at the present value of the purchase price upon acquisition. The present value of purchase price is re-measured at each reporting date, with subsequent changes recorded in the Income Statement. The related discount unwind is recognised as a finance cost.

Equity instruments
Hybrid instruments
Hybrid instruments issued by the Group are classified on initial recognition according to the substance of the arrangement. Hybrid instruments are recorded within equity where the contractual terms of the instruments allow the Group to defer coupon payments and the repayment of the principal amount indefinitely. These features give the Group the unconditional right to avoid the payment of cash or another financial asset for the principal or coupon and consequently are classified as equity instruments. These equity instruments are not re-measured from period to period. Coupon payments made are treated the same as an equity dividend distribution and, where not made, are accrued within the hybrid reserve, with a corresponding reduction in retained earnings.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as fuel derivatives, interest rate derivatives, foreign exchange forward contracts and cross currency interest rate swaps to hedge its risks associated with fuel price, interest rate fluctuations and foreign currency. Such derivative financial instruments are initially recognised at fair value and subsequently re-measured to fair value for the reported Balance Sheet. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The fair value of the derivatives is calculated by reference to market exchange rates, interest rates and fuel prices at the period end.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

2 Accounting policies continued

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The Group's interest rate derivatives are designated as either fair value hedges or cash flow hedges. For fair value hedges, the gain or loss on the hedging instrument is recognised immediately in the Income Statement. The carrying amount of the hedged item is adjusted through the Income Statement for the gain or loss on the hedged item attributable to the hedged risk, in this case movements in the risk-free interest rate.

The Group's fuel derivatives are designated as cash flow hedges. The gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in equity. The gains or losses deferred in equity in this way are recycled through the Income Statement in the same period in which the hedged underlying transaction or firm commitment is recognised in the Income Statement.

Foreign exchange forward contracts and cross currency interest rate swaps are used to hedge the Group's net investment in foreign currency denominated operations, and to the extent they are designated and effective as net investment hedges, are matched in equity against foreign exchange exposure in the related assets and liabilities. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold.

The Group also uses foreign exchange forward contracts to hedge certain transactional exposures. These contracts are not hedge accounted and all gains and losses are taken directly to the Income Statement.

For derivatives that do not qualify for hedge accounting, gains or losses are taken directly to the Income Statement in the period. Similarly, any material ineffective portion of the Group's cash flow and net investment hedges is recognised in the Income Statement.

Movements in the fair value of the hedging instrument arising from costs of hedging for cash flow and net investment hedges are recognised in equity, disclosed separately and amortised to the Income Statement over the term of the hedge relationship on a rational basis.

Any material ineffectiveness is recognised in the Income Statement within operating costs for fuel derivatives and finance costs for all other derivatives.

Hedge accounting is discontinued when the hedging instrument or hedged item expires, is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For fuel derivatives, this can arise due to a change in the highly probable forecast transaction as a result of a change in divisional volume requirements. In such instances, accumulated fair value gains or losses are transferred from Other Comprehensive Income to the Income Statement for affected trades when hedge accounting has been discontinued.

Inventories

Inventories are valued at the lower of cost and net realisable value on a first in, first out basis, after making due allowance for obsolete or slow moving items.

Trade and other receivables

Trade and other receivables are recognised and carried at the transaction price determined under IFRS 15, less provision for impairment.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables. The Group uses provision matrices based on historical ageing of receivables and credit loss experience, adjusted as necessary for any forward-looking factors specific to the debtors and economic environment.

Trade receivables are derecognised where the Group enters into factoring arrangements without recourse and the risks and rewards have been fully transferred. The Group classifies the cash flows from receivable factoring arrangements within cash from operating activities in the Statement of Cash Flows.

Cash and cash equivalents

Cash and cash equivalents as defined for the Statement of Cash Flows comprise cash in hand, cash held at bank with immediate access, other short-term investments and bank deposits with maturities of three months or less from the date of inception. Bank overdrafts are included in cash and cash equivalents where a notional pooling arrangement exists and where they form an integral part of the Group's cash management. In the Consolidated Balance Sheet, cash and cash equivalents are presented net of bank overdrafts where there is an intention to exercise a legally enforceable right of offset, taking account of the Group's normal business practices, otherwise are presented within borrowings.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

2 Accounting policies continued

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material using a pre-tax discount rate. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are obligations that arise from past events that are dependent on future events. They are disclosed in the notes to the Financial Statements where the expected future outflow is not probable.

Onerous contracts
An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e. both incremental costs and an allocation of costs directly related to contract activities).

Where the Group assesses a contract is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss on assets dedicated to that contract.

Insurance claims
The Group's policy is to not insure low value, high frequency claims within the businesses. To provide protection against higher value claims, the Group purchases insurance cover from a selection of proven and financially strong insurers. Provisions in respect of claims risk include projected settlements for known and incurred but not reported claims. Projected settlements are estimated based on historical trends and actuarial data and are discounted to take account of the expected timing of future cash settlements. To the extent insurance liabilities are insured and awaiting settlement, a separate asset is recognised in other receivables.

Leases

Group as a lessee

Lease identification
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration. Non-lease components and contracts which do not contain a lease are expensed in the Income statement on a systematic basis over the contract term.

Right-of-use asset
The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

2 Accounting policies continued

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Covid-19-related rent concessions
The Group applies the option to not assess whether eligible rent concessions that are a direct consequence of the Covid-19 pandemic are lease modifications, and accounts for them in accordance with other applicable guidance.

Group as a lessor
As a lessor, the Group continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. Where the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset it is classified as a finance lease and if not is an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. Where the sub-lease is classified as a finance lease, the right-of-use asset with respect to the head lease is derecognised and a finance lease receivable is recognised equal to the net investment in the sub-lease. The net investment in the lease is calculated as the present value of the aggregate of lease payments receivable and any unguaranteed residual value. Where the interest rate implicit in the sub-lease cannot be readily determined, the Group uses the discount rate used for the head lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

Retirement benefits

Defined contribution schemes
Payments to defined contribution schemes are charged to the Income Statement as they fall due. The Group has no legal or constructive obligation to pay further contributions into a defined contribution scheme if the fund has insufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Defined benefit schemes
Plan assets, including qualifying insurance policies, are measured at fair value and plan liabilities are measured on an actuarial basis, using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the plan liabilities. The difference between the value of plan assets and liabilities at the period-end date is the amount of surplus or deficit recorded in the Group Balance Sheet as an asset or liability. An asset is recognised when the employer has an unconditional right to use the surplus at some point during the life of the plan or on its wind-up.

Current service costs are recognised within operating costs in the Income Statement. Past service costs and gains, which are the change in the present value of the defined benefit obligation for employee service in prior periods resulting from plan amendments, are recognised immediately as the plan amendment occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recognised within finance costs.

Re-measurements comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest). Actuarial gains and losses may result from differences between the actuarial assumptions underlying the plan liabilities and actual experience during the year or changes in the actuarial assumptions used in the valuation of the plan liabilities. Re-measurement gains and losses, and taxation thereon, are recognised in Other Comprehensive Income and are not reclassified to profit or loss in subsequent periods.

Full actuarial valuations are carried out triennially and are updated for material transactions and other material changes in circumstances up to the end of the reporting period.

Share-based payments

The Group awards equity-settled share-based payments to certain employees, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the Group over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

2 Accounting policies continued

Share capital, share premium and dividends

Where either the Company or employee share trusts purchase the Company's equity share capital, the consideration paid, including any transaction costs, is deducted from total shareholders' equity as own shares until they are cancelled or re-issued. Any consideration subsequently received on sale or re-issue is included in shareholders' equity.

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's Financial Statements on the date when dividends are approved by the Company's shareholders. Interim dividends are recognised in the period they are paid.

New standards and interpretations not applied

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group:

- Onerous Contracts; Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018 – 2020
- Property, Plant and Equipment; Proceeds before Intended Use – Amendments to IAS 16
- Revised Conceptual Framework for Financial Reporting
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Amendments to IFRS 17 'Insurance Contracts'
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

3 Exchange rates

The most significant exchange rates to UK Sterling for the Group are as follows:

	2021 Closing rate	**2021 Average rate**	2020 Closing rate	2020 Average rate
US Dollar	**1.35**	**1.38**	1.37	1.28
Canadian Dollar	**1.71**	**1.72**	1.74	1.72
Euro	**1.19**	**1.16**	1.12	1.13

If the results for the year to 31 December 2020 had been retranslated at the average exchange rates for the year to 31 December 2021, North America would have achieved underlying operating profit of £11.8m on revenue of £815.2m, compared with underlying operating profit of £12.4m on revenue of £869.2m as reported, and ALSA would have achieved a underlying operating profit of £6.4m on revenue of £540.9m, compared with underlying operating profit of £6.7m on revenue of £559.3m as reported.

4 Revenue and segmental analysis

The Group's reportable segments have been determined based on reports issued to and reviewed by the Group Executive Committee, and are organised in accordance with the geographical regions in which they operate and the nature of services that they provide. Management considers the Group Executive Committee to be the chief decision-making body for deciding how to allocate resources and for assessing operating performance.

Segmental performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements. Group financing activities and income taxes are managed on a Group basis and are not allocated to reportable segments.

The principal services from which each reportable segment derives its revenues are as follows:

- UK – bus and coach operations
- German Rail – rail operations
- ALSA (predominantly Spain and Morocco) – bus and coach operations
- North America (USA and Canada) – school bus, transit bus and shuttle operations

Further details on the activities of each segment are described in the Strategic Report.

Central functions is not a reportable segment but has been included in the segmental analysis for transparency and to enable a reconciliation to the consolidated Group.

4 Revenue and segmental analysis continued

(a) Revenue

Revenue is disaggregated by reportable segment, class and type of service as follows:

	2021					
Analysis by class and reportable segment:	Contract revenues £m	Passenger revenues £m	Grants and subsidies £m	Private hire £m	Other revenues £m	Total £m
UK	49.3	195.3	136.5	7.0	9.7	397.8
German Rail	–	45.2	136.7	–	0.2	182.1
ALSA	159.5	323.6	175.1	30.4	29.8	718.4
North America	831.3	–	–	33.4	7.3	872.0
Central functions	–	–	–	–	–	–
Total revenue	1,040.1	564.1	448.3	70.8	47.0	2,170.3
Analysis by major service type:						
Passenger transport	1,040.1	564.1	448.3	70.8	18.7	2,142.0
Other products and services	–	–	–	–	28.3	28.3
Total revenue	1,040.1	564.1	448.3	70.8	47.0	2,170.3

Included in grants and subsidies is £92.8m (2020: £84.7m) of grant income recognised in the UK in response to Covid-19. Up to 31 August 2021, £80.6m (2020: £83.2m) of revenue was recognised under the Covid Bus Services Support Grant (CBSSG) in England, in respect of the shortfall of revenue earned due to Covid-19 and the costs incurred whilst maintaining 100% of pre-Covid-19 service levels. Effective from 1 September 2021, CBSSG was replaced by the Bus Recovery Grant (BRG). The BRG is intended to compensate UK Bus operators for continuing bus services during the Covid-19 recovery period, and whereby funding has been allocated to the operators according to revenue and mileage operated. Up to 31 December 2021, a total of £12.2m (2020: £nil) has been recognised in respect of the BRG. Following the disposal of our Dundee operations in the prior year, no amounts have been recognised under the Covid Support Grant (CSG) in Scotland during the year (2020: £1.5m). The grant income has been recognised in the Income Statement in the same period that the related revenue shortfall occurred and to the extent that there is reasonable certainty that Group will comply with the conditions of the grant and that it will be received and retained (taking account of the potential adjustments to grant payments as a result of the review process).

Also included in grants and subsidies is £15.9m (2020: £15.6m) additional subsidies in Germany in respect of the Federal Framework Regulation on Aid to Public Transport. Under this arrangement, additional subsidies may be claimed by public transport operators in Germany to compensate for the loss of passenger revenue due to Covid-19. Similarly, a further £54.2m (2020: £15.3m) was recognised in ALSA from Public Transport Authorities to compensate for revenue shortfalls due to Covid-19. In both cases, subsidy income has been recognised in the same period in the Income Statement to match the period in which the related shortfall of revenue occurred and to the extent there is reasonable certainty that the Group has complied with the conditions.

In ALSA, revenue of £10.8m (2020: £nil) has been recognised for additional services provided to a customer between 2015 and 2020. In previous years it was considered uncertain as to whether such amounts could be recovered, and therefore such amounts were constrained. Following an agreement with the customer during the year, the uncertainty has been resolved and the revenue recognised in full.

In German Rail, at the commencement of the Rhine-Münster Express (RME) contract in 2015 a fixed amount of subsidy was agreed with the PTA for the life of the contract and the amount recognised each year was measured by considering the proportion of contract costs incurred at each balance sheet date. As it does every year, the Group has re-forecast the contract out-turn and re-assessed its estimate of the stage of completion. As a result of additional Covid-19 related subsidies and updates in the contract profitability the re-assessment resulted in the re-phasing of revenue from later years to the current year of £3.8m, whereas in 2020 £5.2m was reversed.

There have been no other material amounts of revenue recognised in the year that relate to performance obligations satisfied or partially satisfied in previous years. Revenue received where the performance obligation will be fulfilled in the future is classified as deferred income or contract liabilities and disclosed in notes 24 and 25.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

4 Revenue and segmental analysis continued

	2020					
Analysis by class and reportable segment:	Contract revenues £m	Passenger revenues £m	Grants and subsidies £m	Private hire £m	Other revenues £m	Total £m
UK	24.1	194.1	135.7	26.1	8.2	388.2
German Rail	–	38.5	94.5	–	6.2	139.2
ALSA	134.1	276.3	106.7	27.9	14.3	559.3
North America	826.4	–	–	24.6	18.2	869.2
Central functions	–	–	–	–	–	–
Total revenue	984.6	508.9	336.9	78.6	46.9	1,955.9
Analysis by major service type:						
Passenger transport	984.6	508.9	336.9	78.6	24.9	1,933.9
Other products and services	–	–	–	–	22.0	22.0
Total revenue	984.6	508.9	336.9	78.6	46.9	1,955.9

There are no material inter-segment sales between reportable segments.

(b) Operating profit/(loss)

Operating profit/(loss) is analysed by reportable segment as follows:

	Underlying operating profit/(loss) 2021 £m	**Separately disclosed items 2021 £m**	**Segment result 2021 £m**	Underlying operating (loss)/profit 2020 £m	Separately disclosed items 2020 £m	Segment result 2020 £m
UK	**(22.6)**	**(23.8)**	**(46.4)**	(49.0)	(50.4)	(99.4)
German Rail	**5.0**	**(29.1)**	**(24.1)**	(4.9)	(19.1)	(24.0)
ALSA	**56.6**	**(26.4)**	**30.2**	6.7	(100.2)	(93.5)
North America	**74.4**	**(27.9)**	**46.5**	12.4	(188.4)	(176.0)
Central functions	**(26.4)**	**(16.0)**	**(42.4)**	(16.0)	27.5	11.5
Operating profit/(loss)	**87.0**	**(123.2)**	**(36.2)**	(50.8)	(330.6)	(381.4)
Share of results from associates and joint ventures	**(1.0)**	–	**(1.0)**	(2.1)	–	(2.1)
Net finance costs	**(46.3)**	**(1.4)**	**(47.7)**	(53.2)	(8.0)	(61.2)
Profit/(loss) before tax	**39.7**	**(124.6)**	**(84.9)**	(106.1)	(338.6)	(444.7)
Tax credit			**7.0**			118.0
Loss for the year			**(77.9)**			(326.7)

Further information on separately disclosed items is provided in note 5.

(c) Depreciation

Depreciation is analysed by reportable segment as follows:

	2021 £m	2020 £m
UK	**35.0**	40.8
German Rail	**3.9**	3.3
ALSA	**60.8**	66.1
North America	**99.3**	112.5
Central functions	**0.7**	0.9
	199.7	223.6

4 Revenue and segmental analysis continued

(d) Non-current assets

Non-current assets and additions are analysed by reportable segment as follows:

	Intangible assets 2021 £m	**Property, plant and equipment 2021 £m**	**Total non-current assets 2021 £m**	**Non-current asset additions 2021 £m**	Intangible assets 2020 £m	Property, plant and equipment 2020 £m	Total non-current assets 2020 £m	Non-current asset additions 2020 £m
UK	**54.7**	**249.9**	**304.6**	**21.3**	56.7	293.0	349.7	23.8
Central functions	**12.1**	**1.5**	**13.6**	**2.0**	10.8	2.0	12.8	2.3
Total UK	**66.8**	**251.4**	**318.2**	**23.3**	67.5	295.0	362.5	26.1
German Rail	**8.5**	**11.5**	**20.0**	**7.6**	13.6	10.1	23.7	12.4
ALSA	**910.3**	**336.7**	**1,247.0**	**52.7**	960.1	374.4	1,334.5	56.8
North America	**792.9**	**530.0**	**1,322.9**	**72.8**	810.6	553.7	1,364.3	137.4
Total overseas	**1,711.7**	**878.2**	**2,589.9**	**133.1**	1,784.3	938.2	2,722.5	206.6
Total	**1,778.5**	**1,129.6**	**2,908.1**	**156.4**	1,851.8	1,233.2	3,085.0	232.7

(e) Geographical information

	Revenue from external customers		Non-current assets	
	2021 £m	2020 £m	**2021 £m**	2020 £m
UK	**397.8**	388.2	**318.2**	362.5
Germany	**182.1**	139.2	**20.0**	23.7
Spain	**591.5**	458.5	**1,154.1**	1,233.3
Morocco	**115.1**	87.4	**80.9**	88.2
Switzerland	**11.8**	13.4	**12.0**	13.0
USA	**815.8**	807.0	**1,202.4**	1,238.0
Canada	**56.2**	62.2	**120.5**	126.3
	2,170.3	1,955.9	**2,908.1**	3,085.0

Due to the nature of the Group's businesses, the origin and destination of revenue are the same.

No single external customer amounts to 10% or more of the total revenue.

Information reported to the Group Executive Committee does not regularly include an analysis of assets and liabilities by segment.

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

5 Separately disclosed items

As set out in our accounting policies, we report underlying measures because we believe they provide both management and stakeholders with useful additional information about the financial performance of the Group's businesses.

The total separately disclosed items before tax for the year ended 31 December is a net charge of £124.6m (2020: £338.6m). The items excluded from the underlying result are:

	2021 £m	2020[1] £m
Intangible amortisation for acquired businesses (a)	**38.8**	52.6
Directly attributable gains and losses resulting from the Covid-19 pandemic (b)[1]	**41.0**	245.7
Restructuring costs (c)	**12.3**	14.0
Re-measurement of the Rhine-Ruhr onerous contract provision (d)[1]	**27.9**	16.8
Other separately disclosed items (e)	**3.2**	1.5
Separately disclosed operating cost items	**123.2**	330.6
Interest charges directly resulting from the Covid-19 pandemic (f)	**1.4**	8.0
Total separately disclosed items	**124.6**	338.6

1 Amounts in 2020 have been represented for consistency with the current year presentation of separately disclosed items

(a) Intangible amortisation for acquired businesses

Consistent with previous periods, the Group classifies the amortisation for acquired intangibles as a separately disclosed item by virtue of its size and nature. Its exclusion enables comparison and monitoring of divisional performance by the Group Executive Committee regardless of whether through acquisition or organic growth. Equally, it improves comparability of the Group's results with those of peer companies.

(b) Directly attributable gains and losses resulting from the Covid-19 pandemic

The pandemic continued to impact the Group throughout 2021 and therefore directly attributable gains and losses due to Covid-19 continue to be separately identified. The Group has identified a net expense of £41.0m (2020: £245.7m) relating to directly attributable gains and losses resulting from the pandemic. The net result relates to five separately identifiable areas of accounting judgement and estimates as follows:

	2021 £m	2020[1] £m
One-off costs, cancellation charges and compensation payments (i)	**2.2**	46.4
Discontinuation of fuel trades (ii)	**–**	17.3
Onerous contract provisions and associated impairment (iii)	**10.3**	116.6
Impairments and associated charges (iv)	**17.0**	99.3
Re-measurement of the WeDriveU put liability (v)	**11.5**	(33.9)
	41.0	245.7

These items are considered to be separately disclosed items as they meet the Group's definition, being significant in both nature and value to the results of the Group in the current period or reflect the finalisation of actions initiated during 2020, but completed in 2021. The impact that Covid-19 has had on underlying trading, such as the impact of lost revenue, is not recognised within separately disclosed items.

Further charges are not anticipated during 2022, other than changes to estimates that have been previously recorded in separately disclosed items.

(i) One-off costs, cancellation charges and compensation payments – £2.2m expense (2020: £46.4m expense)
Given the re-imposition of lockdowns at the beginning of the year and the scale back of our service offering, the Group continued to make a number of compensatory payments totalling £4.8m (2020: £12.7m) to third party operators in order to maintain and secure the Group's supply base for when demand picks up.

In addition, the Group incurred a further £1.4m (2020: £24.7m) of one-off charges relating to incremental health and safety costs and penalties whereby the pandemic prevented it from fulfilling certain contractual obligations.

A gain of £4.0m (2020: £9.0m expense) also arose following the re-measurement of the provision for employee compensation claims as a consequence of Covid-19.

(ii) Discontinuation of fuel trades – £nil (2020: £17.3m expense)
During the period, hedge accounting was discontinued for a small number of fuel derivatives where volumes were in excess of actual or expected consumption. The majority arose in the UK, ALSA and North America following more stringent lockdown measures being implemented in early 2021 and slower recovery. Overall expenses and gains recycled to the Income Statement from Other Comprehensive Income netted to £nil (2020: £17.3m expense).

For the remaining effective hedges, gains or losses on the derivatives continue to be recognised in equity and on settlement are recycled to the Income Statement against the respective operating expense, and are not included in separately disclosed items.

5 Separately disclosed items continued

(iii) Onerous contract provisions and associated impairment – £10.3m net expense (2020: £116.6m expense)
As a result of the pandemic, the Group undertook a review of its contracts with customers to firstly establish the re-measurement of previously recognised onerous contract provisions and secondly to identify any new ones. This resulted in a net exceptional expense of £8.9m reflecting some contracts performing better than anticipated at December 2020, mainly due to a quicker recovery in response to Covid-19 or additional government support, and some less well, where the recovery from the pandemic has been slower. In addition, some new onerous contracts were identified, typically where the contract length has been shortened (less time to recover contract losses due to the pandemic) or where recovery was slower than expected. In conjunction with the review, customer contract intangibles of £0.2m and property, plant and equipment totalling £1.2m were impaired.

(iv) Impairments and associated charges – £17.0m expense (2020: £99.3m expense)
In addition to the Group's goodwill impairment test and the identification of assets relating to onerous contracts, the Group reviewed its non-current assets. During the period the Group has continued to exit certain contracts or lines of business that were anticipated to be low margin over the medium term and/or that were now considered less strategically relevant. Accordingly, any dedicated assets associated with these contracts or lines of business were identified and assessed for impairment, after first considering if they could be re-used or repurposed.

The overall result of this review was the impairment of £10.6m of customer contracts and property, plant and equipment of £6.4m.

(v) Remeasurement of the WeDriveU put liability – £11.5m expense (2020: £33.9m gain)
The put liability, resulting from the acquisition of WeDriveU, is required to be re-measured at each reporting date. During 2020 the put liability was reduced by £33.9m reflecting the lower short to medium term projections for WeDriveU, principally driven by the impact of Covid-19. At December 2021, the liability was reassessed resulting in a net expense of £11.5m principally reflecting improved profitability for both 2021 and 2022. The expense has been recorded in separately disclosed items due to its size and nature and consistent with the treatment in the prior year.

The most significant driver for the current year expense is the adjustment to the in-year and future earnings as a result of better customer support and a more optimistic view of new growth opportunities in response to the pandemic. Consequently the expense has been categorised as part of the overall impact due to Covid-19.

(c) Restructuring costs
During the period, the Group incurred £12.3m of costs in respect of Group-wide restructuring initiatives and redundancies, as part of the Group's mitigations against the adverse impact of the pandemic on profit and cash.

(d) Rhine-Ruhr Express onerous contract provision
During 2020, profitability of the Rhine-Ruhr Express contract was assessed in light of the launch of the third and final line, the impact of the pandemic over the short to medium term and an updated outlook on costs. This assessment resulted in the impairment of contract costs recorded within intangibles of £16.8m. During 2021 a reassessment of the contracts profitability was performed. This identified a further reduction in profitability, resulting in all remaining contract costs of £4.8m being impaired and an onerous contract of £23.1m being recognised. The reduction in profitability is driven by an increase in overhead costs, principally energy costs in response to the recent surge in energy prices and personnel costs following the first full year of operation of all lines. These amounts have been included as separately disclosed items given their material size and by virtue of their nature.

(e) Other separately disclosed items
Other separately disclosed items relate primarily to transaction fees in respect of the Group's potential combination with Stagecoach, totalling £3.5m at December 2021, with further costs expected in 2022. These one-off charges are not considered to be part of the day-to-day operational costs of the Group and therefore have been treated as separately disclosable on this basis.

Also included in other is a £0.3m credit for the finalisation of the Dundee disposal transaction that took place in December 2020 consistent with the treatment in the prior year.

(f) Interest charges
Interest charges of £1.4m primarily relate to fees associated with the gearing covenant waivers on the Group's US private placement and banking facilities. These costs are not considered to be a normal finance cost of the Group.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

6 Operating costs

		2021 £m	2020 £m
Cost of inventories recognised in expense		**78.6**	81.0
Staff costs		**1,156.4**	1,138.8
Depreciation	– owned assets	**133.8**	146.3
	– leased assets	**65.9**	77.3
Intangible asset amortisation		**54.2**	69.0
Gain on disposal of property, plant and equipment		**(8.0)**	(8.7)
Gain on disposal of intangible assets		**(0.6)**	(2.3)
Amortisation of fixed asset grants		**(3.2)**	(2.9)
Leases (note 35)	– variable lease payments not included in the measurement of lease liabilities	**0.1**	–
	– expenses relating to short-term leases	**4.3**	7.9
	– expenses relating to leases of low-value assets	**3.0**	5.2
	– Covid-19-related rent concessions	**–**	(0.7)
Separately disclosed items[1] (note 5)		**84.4**	278.0
Other charges		**637.6**	548.4
Total operating costs		**2,206.5**	2,337.3

1 Excludes amortisation from acquired intangibles which is included within intangible asset amortisation above.

In addition to revenue related grants as disclosed in note 4, government grants have been recognised in relation to staff costs totalling £18.3m (2020: £45.6m) in response to the Covid-19 pandemic. These arrangements were designed to provide relief to companies in respect of staff costs for jobs retained amid the pandemic. The principal arrangements are the Coronavirus Job Retention Scheme (CJRS) in the UK and the US CARES Act in North America. The amounts recognised reflect the grants receivable in respect of the year ended 31 December 2021 and relate to the costs reclaimable for employees furloughed or retained to the extent that it is reasonably certain that the grant will be received. These grants have been netted within staff costs.

In addition, on 12 August 2021 the Group was granted an award of £82.3m under the Coronavirus Economic Relief for Transportation Services (CERTS) scheme in North America. The programme is designed to provide relief to retain jobs, hire back employees previously laid off and cover applicable overhead and operational expenses. The grant is to be applied against future costs over a 12 month period up to 16 August 2022. The Group must submit quarterly claims to the US treasury and any unutilised amounts must be repaid at the end of the scheme. Up to 31 December 2021 the Group has recognised £45.7m of the award as a reduction in operating expenses (mostly staff costs) based on eligible costs incurred during the period. The remainder of the grant is held as deferred grant income within trade and other payables and will be utilised against eligible costs during the year ending 31 December 2022.

7 Auditor's remuneration

An analysis of fees paid to the Group's auditor is provided below:

	2021 £m	2020 £m
Audit of the financial statements	1.5	0.7
Audit of subsidiaries	0.9	0.9
Audit-related assurance services	0.1	0.4
	2.5	2.0

8 Employee benefit costs

(a) Staff costs

	2021 £m	2020 £m
Wages and salaries	1,001.0	987.8
Social security costs	143.5	139.6
Pension costs (note 34)	10.9	11.2
Share-based payment (note 9)	1.0	0.2
	1,156.4	1,138.8

The average number of employees, including Executive Directors, during the year was as follows:

	2021	2020
Managerial and administrative	4,426	5,150
Operational	41,022	46,603
	45,448	51,753

Included in the above are the following costs related to the Group's key management personnel who comprise the Executive Directors of the parent Company. Further details are disclosed in the Directors' Remuneration Report:

	2021 £m	2020 £m
Basic salaries	1.0	0.9
Benefits	0.2	0.3
Performance-related bonuses	0.7	–
Share-based payment	0.2	(0.4)
	2.1	0.8

(b) Share schemes

Details of options or awards outstanding at the end of the year under the Group's share schemes are as follows:

	Number of share options 2021	Number of share options 2020	Exercise price	Future exercise periods
Long-Term Incentive Plan	6,181,699	5,307,399	nil	2022-2026
West Midland Travel Long Service Option Scheme	136,776	160,859	175p-412p	2022-2030
Executive Deferred Bonus Plan	–	39,847	nil	–
	6,318,475	5,508,105		

(i) Long-Term Incentive Plan (LTIP)

The LTIP is open to Executive Directors and certain senior managers with awards made at the discretion of the Remuneration Committee, normally on an annual basis and in the form of a nil cost option over a certain number of shares in the Company.

The vesting of shares on or around the third anniversary of grant is subject to the Group's achievement of specific performance conditions set at the date of grant. These typically comprise underlying diluted earnings per share (EPS), average return on capital employed (ROCE), and the relative total shareholder return (TSR) of the Group against a relevant comparison. More recent grants have also included certain environmental targets. Please refer to the Director's Remuneration Report for details of the performance conditions which are attached to the awards which are in flight at the end of the year and vested during the year. All targets are measured over the three-year financial period commencing with the year of grant. Unvested shares automatically lapse.

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

8 Employee benefit costs continued

An accrual entitlement in respect of dividends paid by the Company during the vesting period attaches to vested shares and is paid to participants on vesting. Similarly, an accrual entitlement in respect of dividends is payable on unexercised vested shares held by Executive Directors during their compulsory two-year holding period, which runs from the date of vesting (in parallel with the two-year exercise period).

The LTIP allows for the grant to UK participants of an HMRC approved share option over shares with a market value of up to a maximum of £30,000 outstanding at any time. These are awarded at the same time as, and with the same performance conditions as, the LTIP awards and work by way of set-off versus the vested LTIP share value on exercise with the excess LTIP option award being forfeited.

Vested shares for all LTIP awards are normally delivered in the form of market purchased shares held in the Company's Employee Benefit Trust (the Trust). No cash settlement alternative is available.

(ii) Executive Deferred Bonus Plan (EDBP)
The delivery of the annual bonus award for Executive Directors is structured in two distinct parts, an initial cash payment under the annual bonus plan and a one-year deferred payment award in the form of forfeitable shares in the Company granted under the EDBP. Release of the shares on the first anniversary of grant is not subject to any additional performance condition, save for continuing employment. Participants are entitled to receive any dividends paid by the Company on the shares while they are held in the Trust during the deferred period.

(iii) West Midlands Travel Long Service Option Scheme (WMT LSOS)
The WMT LSOS was used to reward WMT employees who attained 25 years' service. The market-value option award over a certain number of shares in the Company is exercisable between the third and tenth anniversary of grant. There are no performance conditions and shares are delivered on exercise through the Trust. No cash settlement alternative is available. During 2020, the WMT LSOS was closed to new participants, with exercises on previous awards possible until 2030.

9 Share-based payments

The charge in respect of share-based payment transactions included in the Group's Income Statement for the year is as follows:

	2021 £m	2020 £m
Expense arising from share and share option plans	**1.0**	0.2

During the year ended 31 December 2021, the Group had three share-based payment arrangements, which are described in note 8(b).

For the following disclosure, share options with a nil exercise price have been disclosed separately to avoid distorting the weighted average exercise prices. The number of share options in existence during the year was as follows:

	2021		2020	
	Number of share options	**Weighted average exercise price p**	Number of share options	Weighted average exercise price p
Options without a nil exercise price:				
At 1 January	**160,859**	**283**	134,956	320
Granted during the year	**–**	**–**	45,000	175
Forfeited during the year	**(2,000)**	**175**	(1,000)	412
Exercised during the year	**(3,828)**	**224**	(5,351)	285
Expired during the year	**(18,255)**	**301**	(12,746)	269
Outstanding at 31 December	**136,776**	**283**	160,859	283
Exercisable at 31 December	**86,776**	**318**	81,859	295
Options with a nil exercise price:				
At 1 January	**5,347,246**	**nil**	6,536,357	nil
Granted during the year	**2,752,151**	**nil**	3,248,293	nil
Forfeited during the year	**(333,116)**	**nil**	(2,687,710)	nil
Exercised during the year	**(398,416)**	**nil**	(1,547,568)	nil
Expired during the year	**(1,186,166)**	**nil**	(202,126)	nil
Outstanding at 31 December	**6,181,699**	**nil**	5,347,246	nil
Exercisable at 31 December	**258,107**	**nil**	540,248	nil
Total outstanding at 31 December	**6,318,475**		5,508,105	
Total exercisable at 31 December	**344,883**		622,107	

9 Share-based payments continued

The options outstanding at 31 December 2021 had exercise prices that were between 175p and 412p (2020: between 175p and 412p) excluding options with a nil exercise price. The range of exercise prices for options was as follows:

Exercise price (p)	**2021 Number**	2020 Number
100-300	**71,772**	84,199
301-350	**29,604**	32,760
351-450	**35,400**	43,900
	136,776	160,859

The options have a weighted average contractual life of one year (2020: one year). Options were exercised regularly throughout the year and the weighted average share price at exercise was 291p (2020: 210p). The aggregate gains of the Executive Directors arising from any exercise of options during the year totalled £0.2m (2020: £0.9m).

The weighted average fair value of the share options granted during the year was calculated using a stochastic model, with the following assumptions and inputs. No share options without a nil exercise price were granted during the year, following the closure of WMT LSOS in 2020.

	Share options without nil exercise price		Share options with nil exercise price	
	2021	2020	**2021**	2020
Risk-free interest rate	**–**	0.15%	**0.12%**	0.22%
Expected volatility	**–**	23%	**66%**	23%
Peer group volatility	**–**	–	**36%-62%**	33%-44%
Expected option life in years	**–**	5 years	**3 years**	3 years
Expected dividend yield	**–**	3.62%	**0.00%**	0.00%
Weighted average share price at grant date	**–**	209p	**305p**	276p
Weighted average exercise price at grant date	**–**	175p	**nil**	nil
Weighted average fair value of options at grant date	**–**	38p	**281p**	231p

Experience to date has shown that approximately 24% (2020: 24%) of options are exercised early, principally due to leavers. This has been incorporated into the calculation of the expected option life for the share options without nil exercise price.

Expected volatility in the table above was determined from historical volatility over the last eight years, adjusted for one-off events that were not considered to be reflective of the volatility of the share price going forward. The expected dividend yield represents the dividends declared in the 12 months preceding the date of the grant, divided by the average share price in the month preceding the date of the grant.

For share options granted during the year under the LTIP, the TSR targets have been reflected in the calculation of the fair value of the options above.

10 Net finance costs

	2021 £m	2020 £m
Bond and bank interest payable	**32.0**	36.3
Lease interest payable (note 35)	**10.5**	12.6
Other interest payable	**2.7**	4.3
Unwind of discounting (note 26)	**2.5**	1.6
Net interest cost on defined benefit pension obligations (note 34)	**1.8**	1.7
Finance costs before separately disclosed items	**49.5**	56.5
Separately disclosed finance costs (note 5)	**1.4**	8.0
Total finance costs	**50.9**	64.5
Lease interest income (note 35)	**(0.7)**	(0.6)
Other financial income	**(2.5)**	(2.7)
Net finance costs	**47.7**	61.2
Of which, from financial instruments:		
Financial assets measured at amortised cost	**(1.5)**	(0.7)
Financial liabilities measured at amortised cost	**44.0**	51.3
Derivatives	**(1.8)**	(2.0)
Loan fee amortisation	**1.2**	1.7

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

11 Taxation

(a) Analysis of taxation credit in the year

	2021 £m	2020 £m
Current taxation:		
UK corporation tax	**2.8**	(8.4)
Overseas taxation	**16.3**	10.1
Current income tax charge	**19.1**	1.7
Adjustments with respect to prior years – UK and overseas	**0.2**	(1.8)
Total current income tax charge/(credit)	**19.3**	(0.1)
Deferred taxation (note 27):		
Origination and reversal of temporary differences	**(22.7)**	(119.6)
Adjustments with respect to prior years – UK and overseas	**(3.6)**	1.7
Deferred tax credit	**(26.3)**	(117.9)
Total tax credit for the Group	**(7.0)**	(118.0)

	2021 £m	2020 £m
The tax credit for the Group comprises:		
Tax charge/(credit) on profit before separately disclosed items	**12.8**	(29.3)
Tax credit on separately disclosed items	**(19.8)**	(88.7)
	(7.0)	(118.0)

In the current year, the tax credit on separately disclosed items of £19.8m (2020: £88.7m) comprises a £10.3m tax credit (2020: £11.5m) on intangibles, £14.9m (2020: £77.2m) tax credit on tax deductible expenditure on exceptional costs and a £5.4m charge (2020: £nil) of exceptional tax items.

The tax relief relating to intangible amortisation is determined by reference to the tax rates in the jurisdiction to which the intangible amortisation relates. The effective tax rate relating to intangible amortisation is significantly higher than the UK tax rate of 19% due to the weighting of intangibles in jurisdictions with higher tax rates than the UK, specifically the USA (26%) and Spain (25%).

(b) Tax on items recognised in Other Comprehensive Income or Equity

	2021 £m	2020 £m
Deferred taxation:		
Deferred tax charge/(credit) on actuarial (gains)/losses	**2.7**	(10.8)
Deferred tax charge/(credit) on cash flow hedges	**9.5**	(3.8)
Deferred tax credit on foreign exchange differences	**(0.5)**	(1.6)
Deferred tax credit on accrued hybrid instrument payments	**(4.4)**	(0.4)
Deferred tax (credit)/charge on share-based payments	**(0.3)**	1.6
	7.0	(15.0)

11 Taxation continued

(c) Reconciliation of the total tax charge/(credit)

	2021 £m	2020 £m
Loss before income tax	**(84.9)**	(444.7)
Notional credit at UK corporation tax rate of 19% (2020: 19%)	**(16.1)**	(84.5)
Recurring items:		
Non-deductible goodwill amortisation	**0.8**	1.5
Non-deductible intangible amortisation	**0.3**	0.3
Effect of overseas tax rates	**(1.1)**	(23.7)
Tax incentives	**(1.3)**	(0.6)
State taxes/Minimum tax	**3.7**	(0.6)
Non-recurring items:		
Adjustments to prior years within current and deferred tax (excluding significant items)	**0.2**	(0.1)
Prior year adjustment – write-off of deferred tax asset on German losses	**8.6**	–
Prior year adjustment – release of tax provisions	**(0.6)**	(8.4)
Prior year adjustment – effect of increase in UK tax rate	**(11.6)**	–
Non-creditable withholding tax on pension surplus	**2.6**	–
Effect of increase in UK tax rate on current year profits	**(2.0)**	–
Non-deductible income/expenditure	**5.6**	(0.8)
Overseas financing deductions	**(1.5)**	(1.7)
Non-taxable loss/(profit) on disposal of Investment	**0.2**	(6.5)
Current year losses not recognised	**5.2**	7.1
Total tax credit reported in the Income Statement (note 11(a))	**(7.0)**	(118.0)

Included within the tax reconciliation are a number of non-recurring items, the effect of a reduction in recognition of current year Spanish and German losses (£5.2m), derecognition of prior year German losses (£8.6m) and the increase of the UK tax rate effect on the deferred tax asset recognised (credit £11.6m). Items expected to recur in the tax reconciliation for 2021 include the difference in rates between the UK and our overseas markets and tax incentives on re-investment credits. During the year, a change in the UK corporation tax rate to 25%, effective from 1 April 2023, was substantially enacted in UK law. As at 31 December 2020 UK deferred tax was calculated at 19% therefore the current year tax charge includes a deferred tax credit of £11.6m reflecting the change in rates, as well as a £2.0m credit in relation to current year deferred tax assets. As at 31 December 2021 the UK deferred tax is held at 25%.

(d) Tax provisions

At 31 December 2021, the Group held tax provisions of £1.8m (2020: £2.4m), representing an uncertainty with respect to deferred tax on the pension scheme of a company no longer trading. All UK corporation tax returns up to 2019 have been submitted and agreed by HMRC. The net decrease of £0.6m in tax provisions during the year represents: the release of tax reserves where the statute of limitation has closed (£0.3m) and a decrease in the provision against the UK deferred tax asset on pensions (£0.3m). Based on the experience of the Group Tax department and after discussions of the various tax uncertainties with our tax advisers, the year end tax provision represents management's best estimate of the tax uncertainties of which we are aware.

(e) Temporary differences associated with Group investments

No deferred tax (2020: £nil) is recognised on the unremitted earnings of subsidiaries, associates and joint ventures, as the Group has determined that these undistributed profits will not be distributed in the near future. As a result of changes to tax legislation in 2009, overseas dividends received on or after 1 July 2009 are generally exempt from UK corporation tax, but may be subject to withholding tax. There are no temporary differences (2020: £nil) associated with investments in subsidiaries, associates and joint ventures, for which a deferred tax liability has not been recognised but for which a tax liability may arise.

(f) Unrecognised tax losses

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit against future taxable profits is probable. Based on current forecasts, it is estimated that the losses recognised for deferred tax purposes will be utilised within three to four years. UK and overseas deferred tax assets that the Group has not recognised in the Financial Statements relates to gross losses of £17.4m (2020: £6.3m), which arise in tax jurisdictions where the Group does not expect to generate sufficient suitable future taxable profits. The majority of the unrecognised losses relates to German and Moroccan entities where it is uncertain when, or if, the losses will be utilised.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

11 Taxation continued

(g) Deferred tax included in the Income Statement

	2021 £m	2020 £m
Accelerated capital allowances	**23.5**	20.6
Other short-term temporary differences	**2.5**	(33.6)
Recognition of losses	**(52.3)**	(104.9)
Deferred tax credit (note 11(a))	**(26.3)**	(117.9)

Details on the Balance Sheet position of deferred tax are included in note 27.

12 Dividends paid and proposed

No interim or final dividend has been proposed for the current period (2020: £nil).

13 Earnings per share

	2021	2020
Basic earnings per share	**(16.8)p**	(57.9)p
Underlying basic earnings per share	**0.1p**	(14.6)p
Diluted earnings per share	**(16.8)p**	(57.9)p
Underlying diluted earnings per share	**0.1p**	(14.6)p

Basic EPS is calculated by dividing the earnings attributable to equity shareholders, a loss of £102.8m (2020: £333.8m loss), by the weighted average number of ordinary shares in issue during the year, excluding those held by the Group's Employee Benefit Trust (note 32) which are treated as cancelled. Earnings attributable to equity shareholders is inclusive of amounts accruing to the holders of the hybrid instrument and are calculated as follows:

	2021 £m	2020 £m
Loss attributable to equity shareholders	**(81.6)**	(331.7)
Accrued payments on hybrid instrument	**(21.2)**	(2.1)
Earnings attributable to equity shareholders	**(102.8)**	(333.8)

For diluted EPS, the weighted average number of ordinary shares in issue during the year is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The reconciliation of basic and diluted weighted average number of ordinary shares is as follows:

	2021	2020
Basic weighted average shares	**613,117,132**	576,031,523
Adjustment for dilutive potential ordinary shares[1]	**345,497**	–
Diluted weighted average shares	**613,462,629**	576,031,523

[1] Potential ordinary shares have the effect of being anti-dilutive in 2021 and have been excluded from the calculation of diluted earnings per share. Whereas in 2020, both diluted earnings per share and underlying diluted earnings per share measures excluded potential ordinary shares as they had the effect of being anti-dilutive.

The underlying basic and underlying diluted earnings per share have been calculated in addition to the basic and diluted earnings per share required by IAS 33 since, in the opinion of the Directors, they reflect the underlying performance of the business' operations.

The reconciliation of the earnings and earnings per share to their underlying equivalent is as follows:

	2021			2020		
	£m	**Basic EPS p**	**Diluted EPS p**	£m	Basic EPS p	Diluted EPS p
Earnings attributable to equity shareholders	**(102.8)**	**(16.8)**	**(16.8)**	(333.8)	(57.9)	(57.9)
Separately disclosed items	**124.6**	**20.3**	**20.3**	338.6	58.8	58.8
Separately disclosed tax	**(19.8)**	**(3.2)**	**(3.2)**	(88.7)	(15.4)	(15.4)
Separately disclosed non-controlling interests	**(1.6)**	**(0.2)**	**(0.2)**	(0.3)	(0.1)	(0.1)
Underlying profit/(loss) attributable to equity shareholders[1]	**0.4**	**0.1**	**0.1**	(84.2)	(14.6)	(14.6)

[1] Includes amounts accruing to the holders of the hybrid instrument

14 Intangible assets

	Customer contracts £m	Infrastructure investment intangible £m	Software £m	Contract costs £m	Total finite life assets £m	Goodwill £m	Total £m
Cost:							
At 1 January 2021	**861.8**	**77.4**	**126.9**	**36.8**	**1,102.9**	**1,574.1**	**2,677.0**
Acquisitions	**7.1**	**–**	**–**	**–**	**7.1**	**23.1**	**30.2**
Additions	**1.4**	**3.2**	**8.9**	**1.6**	**15.1**	**–**	**15.1**
Disposals	**(0.1)**	**–**	**(4.7)**	**–**	**(4.8)**	**–**	**(4.8)**
Reclassifications	**–**	**–**	**0.2**	**(1.2)**	**(1.0)**	**(0.9)**	**(1.9)**
Foreign exchange	**(26.6)**	**(2.5)**	**(0.7)**	**(2.2)**	**(32.0)**	**(44.2)**	**(76.2)**
At 31 December 2021	**843.6**	**78.1**	**130.6**	**35.0**	**1,087.3**	**1,552.1**	**2,639.4**
Amortisation and impairment:							
At 1 January 2021	**662.8**	**4.8**	**85.2**	**23.7**	**776.5**	**48.7**	**825.2**
Charge for year	**35.4**	**4.7**	**13.0**	**1.1**	**54.2**	**–**	**54.2**
Disposals	**(0.1)**	**–**	**(4.6)**	**–**	**(4.7)**	**–**	**(4.7)**
Impairment	**10.8**	**–**	**–**	**4.8**	**15.6**	**–**	**15.6**
Reclassifications	**–**	**–**	**0.6**	**(0.5)**	**0.1**	**(0.9)**	**(0.8)**
Foreign exchange	**(24.0)**	**(0.2)**	**(0.5)**	**(1.5)**	**(26.2)**	**(2.4)**	**(28.6)**
At 31 December 2021	**684.9**	**9.3**	**93.7**	**27.6**	**815.5**	**45.4**	**860.9**
Net book value:							
At 31 December 2021	**158.7**	**68.8**	**36.9**	**7.4**	**271.8**	**1,506.7**	**1,778.5**
At 1 January 2021	199.0	72.6	41.7	13.1	326.4	1,525.4	1,851.8

Goodwill arising on acquisitions of £23.1m comprises £14.0m with respect to the in year acquisition of Transportes Rober Group (see note 19 for further details) and a correction to goodwill of £9.1m relating to deferred tax on acquisition in previous years (note 27). Since the correction was not material, this has been corrected in the current year with no change to previously reported comparatives.

The impairment charge includes £10.6m of customer contract intangibles (2020: £30.5m) which arose following strategic reviews in the North America and UK divisions, and with respect to onerous contracts, £0.2m (2020: £12.9m) of customer contract intangibles in ALSA and £4.8m (2020: £16.8m) franchise contract costs in German Rail.

The Group recognises infrastructure investment intangibles for public service vehicles where the Group has the right to charge passengers of the public service in accordance with IFRIC 12 ‘Service Concession Arrangements’. Note 38 includes further details of the Group’s service concession arrangements.

Customer contracts includes the following individually material assets, all of which arose through past acquisitions.

Segment	Nature of contract	**Remaining useful economic life at 31 December 2021**	**Net book value at 31 December 2021 £m**	Remaining useful economic life at 31 December 2020	Net book value at 31 December 2020 £m
North America	School bus and paratransit service contract in North America	**10 years**	**20.6**	11 years	22.4
North America	Employee shuttle contract in North America	**8 years**	**16.9**	9 years	19.0
North America	Paratransit bus service contract in North America	**11 years**	**12.1**	12 years	14.2
ALSA	Urban and charter bus service contract in Spain	**4 years**	**10.5**	5 years	13.8

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

14 Intangible assets continued

	Customer contracts £m	Infrastructure investment intangible £m	Software £m	Contract costs £m	Total finite life assets £m	Goodwill £m	Total £m
Cost:							
At 1 January 2020	847.2	74.5	109.1	27.4	1,058.2	1,526.1	2,584.3
Acquisitions	2.8	–	–	–	2.8	20.6	23.4
Additions	–	–	15.0	7.8	22.8	–	22.8
Disposals	(0.6)	–	(1.3)	–	(1.9)	–	(1.9)
Reclassifications	(4.6)	–	5.3	–	0.7	–	0.7
Foreign exchange	17.0	2.9	(1.2)	1.6	20.3	27.4	47.7
At 31 December 2020	861.8	77.4	126.9	36.8	1,102.9	1,574.1	2,677.0
Amortisation and impairment:							
At 1 January 2020	565.4	0.9	72.3	4.3	642.9	39.6	682.5
Charge for year	47.8	3.8	15.1	2.3	69.0	–	69.0
Disposals	(0.6)	–	(1.3)	–	(1.9)	–	(1.9)
Impairment	35.8	–	0.4	16.8	53.0	7.3	60.3
Reclassifications	(0.2)	–	(0.5)	–	(0.7)	–	(0.7)
Foreign exchange	14.6	0.1	(0.8)	0.3	14.2	1.8	16.0
At 31 December 2020	662.8	4.8	85.2	23.7	776.5	48.7	825.2
Net book value:							
At 31 December 2020	199.0	72.6	41.7	13.1	326.4	1,525.4	1,851.8
At 1 January 2020	281.8	73.6	36.8	23.1	415.3	1,486.5	1,901.8

Goodwill has been allocated to individual cash-generating units for annual impairment testing on the basis of the Group's business operations. The carrying value by cash-generating unit is as follows:

	2021 £m	2020 £m
UK	**52.4**	52.6
North America	**669.5**	652.7
ALSA	**784.8**	820.1
	1,506.7	1,525.4

The calculation of value in use for each group of cash-generating units is most sensitive to the assumptions over discount rates and the growth rate used to extrapolate cash flows into perpetuity beyond the five-year period of the management plan.

The key assumptions used for the cash-generating units are as follows:

	Pre-tax discount rate applied to cash flow projections		Growth rate used to extrapolate cash flows into perpetuity	
	2021	2020	**2021**	2020
UK	**7.9%**	7.7%	**2.4%**	2.5%
North America	**7.2%**	7.6%	**2.9%**	3.1%
ALSA	**7.8%**	8.3%	**2.9%**	3.0%

Discount rates in North America and ALSA have fallen during the year, but are higher than they were in 2019.

The key estimates applied in the impairment review are the forecast level of revenue, operating margins and the proportion of operating profit converted to cash in each year. Forecast revenue and operating margins are based on past performance and management's expectations for the future, including an estimate of the recovery from the Covid-19 pandemic. A growth rate for each division has been consistently applied in the impairment review for all cash-generating units based on current forecasts and long-term country-specific GDP growth rates. The cash flows are discounted using pre-tax rates that are calculated from country-specific WACC, principally derived from external sources. Capital expenditure is projected over the first three years using a detailed, contract-by-contract level forecast of the capital requirements of the Group for new and replacement vehicles and other assets. In the extrapolation of cash flows into perpetuity (the terminal value), capital expenditure is assumed to be a 1:1 ratio to depreciation.

The value in use of the North America division exceeds its carrying amount by £812.0m (2020: £633.6m).

The value in use of the ALSA division exceeds its carrying amount by £425.9m (2020: £266.8m).

14 Intangible assets continued

The assumptions used to derive the cash flow projections over the first three years of the impairment assessment are consistent with those used for the going concern and viability assessments, for which the assumptions are detailed in note 2 (for the going concern assessment) and in the Viability Statement on page 48. In summary, the base case projections assume Group revenue recovers to pre-pandemic levels in 2022 whereas the downside scenario assumes this is a year later, in 2023. Whilst the pace of recovery from the pandemic in the next year could differ from that modelled, the vast majority of the value in use is in the terminal value, which is derived by applying the growth rate to the terminal year cash flow projection. Beyond the uncertainty over the medium term recovery, the Directors continue to assume there will not be any long-term net adverse impact from the pandemic based on the rapid recovery in demand for our services as restrictions have been lifted, the strength of our customer relationships and the revenue protections inherent in a significant proportion of the Group's contracts where we are not exposed to demand risk. Applying the downside scenarios used for going concern or viability assessments does not materially alter the headroom above the carrying value.

The assumptions behind the cash flow projections also take account of the climate change risk assessment exercise carried out during the year. The principal conclusions relevant for the impairment assessment are as follows:

- Whilst the global temperature rise above pre-industrial levels increases the likelihood of extreme weather events, the geographical diversity of the Group means that the risk to the Group as a whole is unlikely to be material.
- The Group's planning assumption is that input costs will not rise significantly above inflation on the basis that, for electric vehicles for example, supply will increase to match demand, and technological advances will also help decrease manufacture costs. Furthermore the Group assumes, based on its detailed modelling of electric vs diesel buses in the UK that the total cost of ownership of zero emission vehicles will be no worse than their diesel equivalents. This assessment is inclusive of the cost of new electric vehicle infrastructure and assumes no government funding. The Group expects to utilise hydrogen vehicles in the transition to zero emission fleet in long haul coach services and, whilst hydrogen vehicle technology is not currently as well developed as electric, the Group assumes that total cost of ownership for these vehicles will also be no worse than at parity with their diesel equivalents.
- The Group already has ambitious targets for the transition to zero emission fleets. These targets are expected to result in the Group having a zero emission fleet before any potential ban on diesel vehicles is imposed by governments. The Group has assessed a very low the risk of the current fleet having a net book value higher than their residual value at the Group's targeted transition dates and therefore no changes to the useful economic lives of the Group's current fleet are required, see note 15 for further details.
- The opportunity from modal shift from private cars to public transport is potentially very material as central governments, transport authorities and city councils introduce measures to tackle congestion, pollution and emissions. This opportunity has not currently been factored into the projections.

Sensitivities to key and other assumptions

The sensitivity analysis below has been presented in the interests of transparency only. It is not believed that any reasonably possible movement in key and other assumptions will lead to an impairment.

(i) North America

For North America, sensitivity analysis has been completed on each key assumption in isolation. This indicates that the value in use of the North America division will be equal to its carrying value, with an increase in the pre-tax discount rate of 250 basis points (2020: 210 basis points) or a reduction in the growth rates used to extrapolate cash flows into perpetuity of 270 basis points (2020: 220 basis points).

In addition, for North America, a reduction in operating profit margin of 360 basis points (2020: 280 basis points) will result in the value in use of the division being equal to its carrying amount.

(ii) ALSA

For ALSA, sensitivity analysis on each key assumption indicates that the value in use will be equal to its carrying amount following an increase in the pre-tax discount rate of 170 basis points (2020: 110 basis points) or a reduction in growth rates used to extrapolate cash flows into perpetuity of 170 basis points (2020: 110 basis points).

A reduction in ALSA's operating profit margin of 250 basis points (2020: 160 basis points) will result in the value in use of the division being equal to its carrying amount.

The Directors have concluded that there is no risk of impairment for the UK and have not provided sensitivity disclosure required by IAS 36.

The Directors consider the assumptions used to be consistent with the historical performance of each cash-generating unit and to be realistically achievable in light of economic and industry measures and forecasts, and therefore that goodwill is not impaired.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

15 Property, plant and equipment

	Land and buildings £m	Public service vehicles £m	Plant and equipment, fixtures and fittings £m	Total £m
Cost:				
At 1 January 2021	313.6	2,194.3	187.3	2,695.2
Acquisitions	0.5	–	–	0.5
Additions	33.7	99.3	8.3	141.3
Disposals	(18.4)	(125.4)	(7.6)	(151.4)
Assets transferred to held for sale	–	(8.4)	–	(8.4)
Reclassifications	(4.2)	0.7	–	(3.5)
Foreign exchange	(4.6)	(25.3)	(4.1)	(34.0)
At 31 December 2021	320.6	2,135.2	183.9	2,639.7
Depreciation:				
At 1 January 2021	140.8	1,186.8	134.4	1,462.0
Charge for the year	31.9	155.0	12.8	199.7
Disposals	(13.9)	(108.4)	(7.2)	(129.5)
Impairments	1.2	6.4	–	7.6
Assets transferred to held for sale	–	(7.4)	–	(7.4)
Reclassifications	(4.5)	0.8	(0.9)	(4.6)
Foreign exchange	(2.0)	(12.0)	(3.7)	(17.7)
At 31 December 2021	153.5	1,221.2	135.4	1,510.1
Net book value:				
At 31 December 2021	167.1	914.0	48.5	1,129.6
At 1 January 2021	172.8	1,007.5	52.9	1,233.2

Included in the carrying value of land and buildings are assets under construction of £3.9m (2020: £nil) in relation to the construction of a new bus depot in the UK.

The impairment charge includes £6.4m (2020: £67.5m) which arose following strategic reviews in the UK division and £1.2m (2020: £3.2m) with respect to assets relating to onerous contracts in the ALSA division. The total impairment charge of £7.6m is included in separately disclosed items in the Income Statement, see note 5 for further information.

Depreciation on public service vehicles is calculated using the straight-line method to write off the cost or fair value at acquisition of each asset to its residual value over its estimated useful life (or lease term, if shorter). The estimated useful lives for owned public service vehicles range from 8 to 20 years depending on the type of vehicle. The majority of the Group's public service vehicles are diesel powered, although the Group expects that over time, an increasing proportion of its vehicle fleet will be zero emission; likely to be a combination of electric and hydrogen powered vehicles. The actual useful lives of diesel powered vehicles could be affected by measures taken by governments to tackle climate change by restricting the use of such vehicles.

Whilst governments across the Group's geographical locations are consulting on a date after which the sale of new diesel powered vehicles will be prohibited, at this time there is no set date from which diesel vehicles are prohibited from being used. The estimated useful lives applied are consistent with the previous year and, taking account of the latest proposals from governments and our own internal targets (as described in the Strategic Report page x), the Directors consider that those estimates of useful lives remain appropriate.

Other than in UK Bus, the carrying value of vehicles in each of the Group's divisions at the targeted date of transition to a fully zero emission fleet is £nil. In UK Bus, where the target date is 1 January 2030, the remaining net book value of existing diesel vehicles at transition is estimated to be £35m, assuming no change to the useful lives. Considering that our transition target is significantly ahead of the earliest expected date that the UK government would ban the use of diesel vehicles and also that the vehicles impacted are Euro 6 diesel buses (the most environmentally friendly variant of diesel vehicles), the Directors consider that they will be able to recover such value through their sale. However in a more extreme scenario, assuming the vehicles were not able to be sold and that the residual value was nil at transition, a £4m increase in the annual depreciation charge would be required from 1 January 2022.

Also assuming a scenario whereby no diesel powered vehicle could be used by the Group after 31 December 2034, then the annual depreciation expense from 1 January 2022 would be £0.5m higher in addition to above.

Details of leased assets included within property, plant and equipment are provided in note 35.

15 Property, plant and equipment continued

	Land and buildings £m	Public service vehicles £m	Plant and equipment, fixtures and fittings £m	Total £m
Cost:				
At 1 January 2020	323.6	2,085.5	187.0	2,596.1
Acquisitions	3.3	9.1	0.6	13.0
Additions	28.1	172.6	9.2	209.9
Disposals	(22.2)	(71.6)	(12.8)	(106.6)
Assets transferred to held for sale	(21.8)	–	–	(21.8)
Reclassifications	–	–	–	–
Foreign exchange	2.6	(1.3)	3.3	4.6
At 31 December 2020	313.6	2,194.3	187.3	2,695.2
Depreciation:				
At 1 January 2020	116.8	1,004.8	126.3	1,247.9
Charge for the year	33.8	173.9	15.9	223.6
Disposals	(11.3)	(51.7)	(11.4)	(74.4)
Impairments	4.8	65.5	0.4	70.7
Assets transferred to held for sale	(3.0)	–	–	(3.0)
Reclassifications	–	–	–	–
Foreign exchange	(0.3)	(5.7)	3.2	(2.8)
At 31 December 2020	140.8	1,186.8	134.4	1,462.0
Net book value:				
At 31 December 2020	172.8	1,007.5	52.9	1,233.2
At 1 January 2020	206.8	1,080.7	60.7	1,348.2

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

16 Subsidiaries

The companies listed below include all those which principally affect the results and net assets of the Group. A full list of subsidiaries, joint ventures and associates is disclosed in note 40, along with the addresses of their registered offices. The principal country of operation in respect of the companies below is the country in which they are incorporated.

National Express Group PLC is the beneficial owner of all the equity share capital, either itself or through subsidiaries, of the companies.

Incorporated in England and Wales	
National Express Limited	Operation of coach services
The Kings Ferry Limited	Operation of coach services
West Midlands Travel Limited	Operation of bus services

Incorporated in the United States	
Durham School Services LP	Operation of school bus services
Petermann Ltd	Operation of school bus services
National Express Transit Corporation	Operation of transit bus services
National Express Transit Services Corporation	Operation of transit bus services
WeDriveU Inc.	Operation of shuttle services

Incorporated in Canada	
Stock Transportation Limited	Operation of school bus services

Incorporated in Spain	
General Tecnica Industrial S.L.U.[1]	Holding company for operating companies
NEX Continental Holdings S.L.	Holding company for operating companies

Incorporated in Morocco	
Groupe Alsa Transport S.A.	Operation of bus services
Transport de Voyageurs en Autocar Maroc S.A.	Operation of bus services
Alsa Tanger S.A.	Operation of bus services
Alsa City Agadir S.A.	Operation of bus services
Alsa Citybus Rabat-Salé-Temara	Operation of bus services
Alsa Al Baida S.A	Operation of bus services

Incorporated in Germany	
National Express Rail GmbH	Operation of train passenger services

[1] The main holding companies of the ALSA Group

17 Non-current financial assets

	2021 £m	2020 £m
Financial assets at fair value through Other Comprehensive Income – unlisted ordinary shares	**13.9**	12.9
Derivative financial instruments – fuel derivatives	**9.1**	0.4
Derivative financial instruments – cross currency swaps	**9.6**	1.0
Derivative financial instruments included in non-current assets	**18.7**	1.4
Total non-current financial instruments	**32.6**	14.3
Derivative financial instruments – fuel derivatives	**20.3**	0.4
Derivative financial instruments – interest rate derivatives	**0.1**	1.5
Derivative financial instruments – cross currency swaps	**2.4**	2.2
Derivative financial instruments – foreign exchange derivatives	**8.2**	40.8
Derivative financial instruments included in current assets	**31.0**	44.9

Further information on the Group's use of derivatives is included in note 31.

Financial assets at fair value through Other Comprehensive Income

	2021 £m	2020 £m
Fair value:		
At 1 January	**12.9**	14.2
Additions in the year	**0.2**	–
Fair value movement in the year	**1.2**	(1.6)
Foreign exchange	**(0.4)**	0.3
At 31 December	**13.9**	12.9

The principal financial assets at fair value through Other Comprehensive Income are as follows:

Name	Segment	2021 Proportion held %	2020 Proportion held %
Metros Ligeros de Madrid, S.A.	ALSA	**15**	15
Transit Technologies Holdco	North America	**8.8**	8.8
Other small investments within ALSA	ALSA	**1-16**	1-16

Financial assets at fair value through Other Comprehensive Income comprise holdings in equity shares of non-listed companies. The Group elected to designate the non-listed equity investments at fair value through Other Comprehensive Income as the Group considers these investments to be strategic in nature.

The fair value measurement of non-listed equity investments is categorised within Level 3 (i.e. the fair values are determined by reference to significant unobservable inputs), with the fair value of the two most significant investments totalling £13.9m at 31 December 2021 (2020: £12.1m). For the first of these, the fair value was determined using recent earnings. A 10% increase/(decrease) in earnings would result in a £0.7m increase/(decrease) respectively in the fair value of the investment. For the second investment, the fair value was determined using an estimate of the discounted future cash flows. Future cash flows are estimated based on inputs including passenger growth, consumer price inflation and operating margin. The fair value is most sensitive to changes in inflation assumptions. A 2% increase in inflation would result in a £5.9m increase in fair value, and a 2% decrease in inflation would result in a £4.7m decrease in the fair value of the investment.

No strategic investments were disposed of during 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments. No dividends were received from the investments during 2021 (2020: £nil).

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

18 Investments accounted for using the equity method

Investments accounted for using the equity method are as follows:

	2021 £m	2020 £m
Joint ventures	**9.0**	9.9
Associates	**4.7**	5.7
Total investments accounted for under the equity method	**13.7**	15.6

The Group's share of post-tax results from associates and joint ventures accounted for using the equity method is as follows:

	2021 £m	2020 £m
Share of joint venture's profit/(loss)	**0.1**	(0.5)
Share of associates' loss	**(1.1)**	(1.6)
Total share of results from associates and joint ventures	**(1.0)**	(2.1)

(a) Investments in joint ventures

The Group has one interest in a joint venture as follows:

Name	Country of registration	Activity	Proportion held % 2021	Proportion held % 2020
Bahrain Public Transport Company W.L.L.	Kingdom of Bahrain	Operation of bus services	**50**	50

The summarised financial information for the joint venture is set out below:

	Bahrain Public Transport Company W.L.L.	
Share of the joint venture's Balance Sheet and results	**2021 £m**	2020 £m
Non-current assets	**8.0**	11.1
Current assets	**5.4**	5.8
Share of gross assets	**13.4**	16.9
Non-current liabilities	**(0.8)**	(2.8)
Current liabilities	**(3.6)**	(4.2)
Share of gross liabilities	**(4.4)**	(7.0)
Net assets	**9.0**	9.9
Revenue	**5.0**	5.8
Operating profit	**0.5**	0.6
Profit/(loss) after tax	**0.1**	(0.5)
Profit/(loss) for the year and total comprehensive income	**0.1**	(0.5)

A reconciliation of the above summarised information to the carrying amount in the Group's Financial Statements is as follows:

	Bahrain Public Transport Company W.L.L.	
	2021 £m	2020 £m
Group share of net assets of the joint venture	**9.0**	9.9
Carrying amount	**9.0**	9.9
Dividends received from the joint venture	**1.0**	–

18 Investments accounted for using the equity method continued

(b) Investments in associates

The Group's interests in associates are as follows:

Name	Country of registration	Proportion held %
ALSA associates	Spain	17-80
North America associates	North America	20

ALSA's associates are generally involved in the operation of coach and bus services, management of bus stations and similar operations. North America associates include a start-up company offering app-based rideshare and childcare services in the San Francisco area and a software company which provides scheduling, dispatch and time management functions in the student transportation sector.

The summarised aggregated financial information for individually immaterial associates is set out below:

	2021 £m	2020 £m
Share of operating loss	**(1.1)**	(1.6)
Share of loss for the year and total comprehensive income and expenditure	**(1.1)**	(1.6)

19 Business combinations, disposals and assets held for sale

(a) Acquisitions – ALSA

During the period, the ALSA division acquired 100% control of Transportes Rober Group, a provider of urban bus services in Granada, Spain.

The provisional fair values of the assets and liabilities acquired were as follows:

	£m
Intangibles	**7.1**
Property, plant and equipment	**0.5**
Inventory	**0.4**
Trade and other receivables	**24.6**
Cash and cash equivalents	**0.2**
Borrowings	**(2.0)**
Trade and other payables	**(16.6)**
Deferred tax liability	**(1.0)**
Provisions	**(0.6)**
Net assets acquired	**12.6**
Goodwill	**14.0**
Total consideration	**26.6**
Represented by:	
Cash consideration	**21.0**
Deferred contingent consideration	**5.6**
	26.6

As permitted by IFRS 3 'Business Combinations', the fair value of acquired identifiable assets and liabilities have been presented on a provisional basis. The fair value adjustments will be finalised within 12 months of the acquisition date, principally in relation to the valuation of intangible assets.

Trade and other receivables had a fair value and a gross contracted value of £24.7m. The best estimate at acquisition date of the contractual cash flows not to be collected was £0.1m.

Goodwill of £14.0m arising from the acquisition consists of certain intangibles that cannot be separately identified and measured due to their nature. This includes control over the acquired business and increased scale in our operations in ALSA, along with synergy and growth benefits expected to be achieved in consolidating the regional and urban bus market in Granada. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the consideration shown above is deferred contingent consideration of £5.6m. The Group is required to pay contingent consideration on renewal of contracts and other post-closing conditions, with a minimum expected undiscounted payment of £nil and maximum expected undiscounted payment of £5.6m. Based on projections, the Group expects the maximum amount to be paid. The amount recognised is undiscounted as the effect of discounting is not material.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

19 Business combinations, disposals and assets held for sale continued

The acquired business contributed £18.4m of revenue and a £1.5m profit to the Group's result for the period between the date of acquisition and the balance sheet date. Had the acquisition been completed on the first day of the financial year, the Group's revenue for the year would have been £2,183.8m and the Group's operating loss would have been £37.9m.

(b) Acquisitions – further information

Deferred consideration of £0.6m was paid in the period relating to acquisitions in ALSA in earlier years. Total cash outflow in the period from acquisitions in ALSA was £21.4m, comprising consideration for current year acquisitions of £21.0m and deferred consideration of £0.6m, less cash acquired in the businesses of £0.2m.

In North America and the UK deferred consideration of £10.1m and £2.3m respectively was paid in the period relating to acquisitions in earlier years.

Total acquisition transaction costs of £0.1m were incurred in the year to 31 December 2021 (2020: £0.4m).

The Group measures deferred contingent consideration at fair value through profit and loss and by reference to significant unobservable inputs i.e. classified as Level 3 in the fair value hierarchy. The significant unobservable inputs used to determine the fair value of the contingent purchase consideration are typically forecast earnings or estimating the likelihood that contracts will be renewed over a fixed period. The fair value movement in deferred contingent consideration in the year is as follows:

Fair value:	2021 £m	2020 £m
At 1 January	**28.8**	49.0
Additions in the year	**5.6**	7.5
Payments during the year	**(13.0)**	(27.3)
Fair value movement in the year	**(7.9)**	(1.2)
Foreign exchange	**(0.1)**	0.8
At 31 December	**13.4**	28.8

(c) Disposals

On 31 December 2020, the Group disposed of its 100% interest in Tayside Public Transport Co Limited, a provider of bus transportation services in Dundee, Scotland, in exchange for cash. A loss of £0.1m was recognised and comprised gross cash consideration of £11.8m less transaction costs of £1.3m, working capital adjustment of £0.4m and net assets of £10.2m. During 2020, total cash inflow from the disposal was £7.2m, comprising consideration of £11.8m, less transaction costs settled of £0.1m and cash disposed in the business of £4.5m. During 2021, the Group finalised the closing accounts resulting in an increase of the original gain of £0.3m, which has been recognised in separately disclosed items during the year for consistency. Transaction expenses totalling £0.6m were settled during 2021. Total cash outflow in the year from the disposal was £0.9m. No further cash flows are expected in 2022.

(d) Assets held for sale

In ALSA, a building with a carrying value of £17.6m (2020: £18.8m) and in the UK, public service vehicles with a carrying value of £1.0m (2020: £nil) met the held for sale criteria of IFRS 5 at 31 December 2021.

20 Non-current assets – trade and other receivables

	2021 £m	2020 £m
Contract assets	**128.1**	85.2
Prepayments	**6.7**	4.6
Other receivables	**12.3**	1.9
	147.1	91.7

Contract assets have increased primarily in ALSA and North America due to the recognition of infrastructure assets for public service vehicles where the concession grantor guarantees the contract performance in accordance with IFRIC 12 'Service Concession Arrangements'. Note 38 includes further details of the Group's service concession arrangements. In addition, contract assets includes amounts in Germany that are expected to be settled after 12 months.

Other receivables includes £5.5m (2020: £nil) of property disposal proceeds that are payable to the Group on vacant possession and £5.0m (2020: £nil) of insurance recoveries.

21 Inventories

	2021 £m	2020 £m
Raw materials and consumables	**28.8**	27.0

The movement on the provision for slow moving and obsolete inventory is immaterial.

22 Current assets – trade and other receivables

	2021 £m	2020 £m
Trade receivables	**190.5**	157.8
Grant receivables	**58.0**	71.4
Contract assets	**97.1**	80.8
Amounts due from associates and joint ventures (note 37)	**3.2**	3.6
Amounts due from other related parties (note 37)	**1.2**	1.3
Trade and grant receivables and contract assets	**350.0**	314.9
Less: provision for impairment of receivables	**(39.3)**	(46.3)
Trade and grant receivables and contract assets – net (note 30)	**310.7**	268.6
Other receivables	**78.1**	76.0
Prepayments	**38.1**	46.7
Accrued income	**1.4**	0.4
	428.3	391.7

Trade receivables excludes £48.5m (2020: £33.3m) that was subject to factoring arrangements without recourse and for which no customer payment had been received at year end.

Contract assets have increased primarily in ALSA due to the recognition of infrastructure assets for public service vehicles where the concession grantor guarantees the contract performance in accordance with IFRIC 12 'Service Concession Arrangements'.

During 2019 the Group entered into an asset exchange transaction in the UK, in which it swapped an existing property for a new piece of land and a funding arrangement to construct a new property. The funding of the new property was contingent on planning permission being received, about which there was no certainty and therefore consideration was constrained to the fair value of the new piece of land. At 31 December 2020, the Group has assessed that planning permission was highly probable and as a result recognised a receivable (included in other receivables) representing the funding due to the Group for construction of the new property. During the current year construction has commenced and a portion of the receivable unwound and a new property asset has been recognised in property, plant and equipment. At 31 December 2021, the receivable outstanding was £8.6m (2020: £12.5m).

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Information about the credit risk exposure of the Group's trade receivables is shown in note 30.

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

23 Cash and cash equivalents

	2021 £m	(Restated) 2020[1] £m
Cash at bank and in hand	**268.1**	241.2
Overnight deposits	**0.4**	49.7
Other short-term deposits	**239.9**	338.9
Cash and cash equivalents	**508.4**	629.8

[1] Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 2 for further information.

Included within cash and cash equivalents are certain amounts which are subject to contractual or regulatory restrictions, or withholding tax levied on repatriation of cash. These amounts held are not readily available for other purposes within the Group and total £11.9m (2020: £24.5m).

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the agreed short-term floating deposit rate. The fair value of cash and cash equivalents is equal to the carrying value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents and bank overdrafts in notional cash pooling arrangements are presented net. Bank overdrafts form an integral part of the group's cash management strategy as they arise from the Group's cash pooling arrangement with its bank. Net cash and cash equivalents comprise as follows:

	2021 £m	(Restated) 2020[1] £m
Cash at bank and in hand	**508.4**	629.8
Bank overdrafts (note 28)	**(132.2)**	(109.3)
Net cash and cash equivalents	**376.2**	520.5

[1] Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 2 for further information.

24 Current liabilities – trade and other payables

	2021 £m	(Restated) 2020[1] £m
Trade payables	**209.0**	231.2
Contract liabilities	**130.8**	25.9
Amounts owed to associates and joint ventures (note 37)	**0.5**	0.7
Amounts owed to other related parties (note 37)	**1.3**	1.5
Other tax and social security payable	**39.7**	33.5
Accruals and deferred income	**230.2**	236.3
Other payables	**158.5**	236.4
Put liability	**17.7**	17.5
	787.7	783.0

[1] Restated for the change in presentation of advance subsidy factoring liabilities from other payables to borrowings – see note 2 for further information

Trade payables are normally settled on 30 to 60 day terms and other payables have an average term of four months.

Contract liabilities represent amounts advanced by customers where the Group has not yet met the performance obligation to allow the recognition of the balance as revenue, for example season ticket or advance ticket sales which cross over the year end date or payments on account. It also includes amounts outstanding with respect to the purchase of infrastructure assets under IFRIC 12 arrangements. Contract liabilities have primarily increased year-on-year in ALSA and North America due to liabilities associated with the purchase of infrastructure assets which are expected to be settled within the next 12 months, and in Germany, due to payments on account having been receipted prior to completion of our performance obligations.

Other payables includes £103.0m (2020: £204.0m) for the purchase of property, plant and equipment. The Group settles these amounts in accordance with the supplier's standard payment terms, typically one year.

Other payables also includes deferred fixed asset grants from government or other public bodies of £2.8m (2020: £1.6m), deferred expense-related grants (inclusive of CERTS in North America) of £39.0m (2020: £nil) and £2.4m (2020: £15.8m) of deferred contingent consideration for businesses acquired, of which £nil (2020: £2.5m) relates to businesses acquired in the year (note 19).

25 Other non-current liabilities

	2021 £m	2020 £m
Deferred fixed asset grants	**19.3**	27.1
Contract liabilities	**44.8**	24.2
Other payables	**19.6**	105.9
Put liability	**40.1**	45.5
	123.8	202.7

Contract liabilities have primarily increased year-on-year in ALSA due to liabilities associated with the purchase of IFRIC 12 infrastructure assets which are expected to be settled over the life of the contract.

Other payables includes £11.0m (2020: £13.0m) of deferred contingent consideration for businesses acquired, of which £5.6m (2020: £5.0m) relates to businesses acquired in the year (note 19), expense related grants of £7.3m (2020: £nil) and £1.3m (2020: £85.6m) for the purchase of property, plant and equipment where standard payment terms are 18 months.

The put liability has been derived from an internal valuation, using forecast earnings over the exercise period (consistent with the base case projections used for going concern) and discounted at a rate of 0.6%. The first tranche of options, over 10% of the equity of WeDriveU, was settled during 2021. The second tranche, for a further 10% of the equity has been exercised during 2021, and will be settled during 2022. This element of the liability has been recorded in current liabilities (note 24). The remaining option, over 20% of equity will be exercised at the final opportunity, being 31 December 2022. Consistent with our analysis on page 133, the valuation is no longer considered to be a significant estimate.

26 Provisions

	Claims provision £m	Onerous contract provisions	Other £m	Total £m
At 1 January 2021	**80.7**	**38.0**	**17.2**	**135.9**
Charged to the Income Statement	**23.4**	**32.0**	**26.6**	**82.0**
Amounts settled through insurers	**13.2**	**–**	**–**	**13.2**
Utilised in the year	**(35.9)**	**(28.6)**	**(9.7)**	**(74.2)**
Unwinding of discount	**2.5**	**–**	**–**	**2.5**
Acquired in business combinations	**–**	**–**	**0.6**	**0.6**
Exchange difference	**0.5**	**(1.7)**	**(1.0)**	**(2.2)**
At 31 December 2021	**84.4**	**39.7**	**33.7**	**157.8**
Current 31 December 2021	**47.6**	**24.8**	**16.6**	**89.0**
Non-current 31 December 2021	**36.8**	**14.9**	**17.1**	**68.8**
	84.4	**39.7**	**33.7**	**157.8**
Current 31 December 2020	40.7	28.7	11.7	81.1
Non-current 31 December 2020	40.0	9.3	5.5	54.8
	80.7	38.0	17.2	135.9

Claims provision

The claims provision arises from estimated exposures at the year end for auto and general liability, workers' compensation and environmental claims, the majority of which will be utilised in the next five years. It also includes provision for employee compensation claims that in the prior year was treated as separately disclosable. It comprises provisions for claims arising in the UK and North America.

Onerous contracts

Provisions for onerous contracts relate to loss making contracts in ALSA, North America, Germany and UK. With the exception of the provision in Germany, the remaining amounts are expected to be utilised within the next 12 months. The provision in Germany is in respect of the Rhine-Ruhr Express contract and is expected to be utilised over the contracts remaining term of nine years. The Group's latest assessment identified a reduction in the contracts profitability, and accordingly a provision of £23.1m (2020: £nil) was recognised during the year (see note 5 for further details).

Other

Other includes a provision for a potential reclaim of subsidies in ALSA of £16.0m (2020: £6.5m) all of which is expected to be utilised over the next three years, provisions for potential litigation of £4.1m (2020: £3.6m) expected to be utilised in the next five years and restructuring provisions in the UK, ALSA and North America of £6.4m (2020: £2.8m), all of which is expected to be utilised within the next 12 months.

When the effect is material, provisions are discounted to their net present value.

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

27 Deferred tax

	2021 £m	2020 £m
At 1 January	**99.8**	(24.6)
Credit to the Income Statement (note 11)	**26.3**	117.9
(Charge)/credit to Other Comprehensive Income or Equity	**(7.0)**	15.0
Exchange differences	**2.4**	(6.7)
Acquired in business combinations (note 19)	**(1.0)**	(2.1)
Acquired in business combinations – adjustment to goodwill (note 14)	**(9.1)**	–
Disposed in business combinations	**–**	0.3
Net deferred tax asset at 31 December	**111.4**	99.8

Based on current capital investment plans, the Group expects to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

Deferred tax assets	2021 £m	2020 £m
Accelerated tax depreciation	**(83.2)**	(112.7)
Losses carried forward	**194.9**	202.8
Pensions	**23.0**	24.9
Other short-term temporary differences	**15.9**	25.5
	150.6	140.5

Deferred tax liabilities	2021 £m	2020 £m
Accelerated tax depreciation	**(108.8)**	(82.3)
Losses carried forward	**22.1**	22.8
Intangibles and deductible goodwill	**2.5**	8.2
Taxation credits	**1.8**	2.0
Other short-term temporary differences	**43.2**	8.6
	(39.2)	(40.7)

The UK, US and German businesses are included in deferred tax assets of £150.6m and the Spanish and Canadian businesses are included in deferred tax liabilities of £39.2m.

The deferred tax assets relating to losses carried forward are £217.0m (2020: £225.6m). This comprises £194.9m (2020: £202.8m) within deferred tax assets and £22.1m (2020: £22.8m) within deferred tax liabilities.

The Group has recognised deferred tax assets across the UK, USA, Spanish and German businesses amounting to £303.4m (2020: £294.8m) that are considered to be able to be offset against the Group's future taxable profits. Management has based its assessment on the latest forecast budget approved by the Board, which reflects improved trading performance across all divisions largely due to the expansion of the business. The forecast budgets used were consistent with those used in the Group's going concern and viability assessments.

28 Borrowings and derivative financial liabilities

	2021 £m	(Restated) 2020[1,2] £m
Non-current		
Bank loans	**90.8**	20.4
Bonds	**640.9**	647.0
Lease liabilities	**168.7**	239.7
Private placements	**393.9**	405.9
Non-current borrowings	**1,294.3**	1,313.0
Fuel derivatives	**0.2**	3.9
Cross currency swaps	**5.2**	6.7
Interest rate derivatives	**5.7**	–
Non-current derivative financial instruments	**11.1**	10.6
Non-current borrowings and derivative financial liabilities	**1,305.4**	1,323.6
Current		
Bank overdrafts	**132.2**	109.3
Bank loans	**100.3**	83.8
Lease liabilities	**67.0**	86.5
Private placements	**–**	70.9
Accrued interest on borrowings	**2.8**	4.1
Current borrowings	**302.3**	354.6
Fuel derivatives	**0.5**	17.0
Cross currency swaps	**4.5**	–
Interest rate derivatives	**0.7**	–
Foreign exchange derivatives	**18.8**	6.0
Current derivative financial instruments	**24.5**	23.0
Current borrowings and derivative financial liabilities	**326.8**	377.6

1 Restated for the change in presentation of advance factoring liabilities from other payables to borrowings. See note 2 for further information
2 Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 2 for further information.

An analysis of interest-bearing loans and borrowings is provided in note 29. Further information on derivative financial instruments is provided in note 31.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

29 Interest-bearing borrowings

The effective interest rates on loans and borrowings at the balance sheet date were as follows:

	2021 £m	Maturity	Effective interest rate	(Restated) 2020[1,2] £m	Maturity	Effective interest rate
Bank overdrafts[2]	**132.2**	**–**	**–**	109.3	–	–
Bank overdrafts	**132.2**			109.3		
7-year Sterling bond	**400.1**	**November 2023**	**2.54%**	400.1	November 2023	2.54%
9-year Sterling bond	**240.8**	**November 2028**	**GBP SONIA + 1.98%**	246.9	November 2028	2.38%
Bonds	**640.9**			647.0		
European bank loans at fixed rate	**2.4**	**2022-2025**	**2.03%**	2.7	2021-2025	1.53%
European bank loans at floating rate	**10.8**	**2022-2025**	**EURIBOR + 0.86%**	–	–	–
Moroccan bank loans	**26.0**	**2022-2026**	**4.28%**	4.9	2021-2022	4.66%
US asset backed bank loans	**74.0**	**2022-2029**	**2.28%**	18.3	2021-2027	2.46%
Advance factoring liabilities[1]	**77.9**	**2022**	**0.99%**	78.3	2021	0.99%
Bank loans	**191.1**			104.2		
US Dollar leases at fixed rate	**122.7**	**2022-2028**	**3.03%**	192.4	2021-2035	3.89%
European leases at fixed rate	**19.7**	**2022-2035**	**1.43%**	29.6	2021-2025	1.13%
European leases at floating rate	**2.9**	**2022-2024**	**EURIBOR + 1.00%**	4.2	2021-2024	EURIBOR + 1.00%
Sterling leases at fixed rate	**90.4**	**2022-2037**	**3.02%**	100.0	2021-2037	3.14%
Leases	**235.7**			326.2		
Euro private placement	**–**	**–**	**–**	70.9	August 2021	4.55%
US private placement	**393.9**	**2027-2032**	**1.92%**	405.9	2027-2032	1.92%
Private placements	**393.9**			476.8		
Accrued interest – Bonds	**2.1**			2.1		
Accrued interest – Private placement	**0.7**			2.0		
Accrued interest on borrowings	**2.8**			4.1		
Total	**1,596.6**			1,667.6		

1 Restated for the change in presentation of advance factoring liabilities from other payables to borrowings. See note 2 for further information
2 Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 2 for further information.

The Group currently has £495.0m of unsecured committed revolving credit facilities, of which £15.0m matures in 2024 and £480.0m matures in 2025. At 31 December 2021, there was £nil (2020: £nil) drawn down on the facilities, with £1.5m of capitalised deal fees remaining and which are classified within other receivables.

Details of the Group's interest rate risk management strategy and associated interest rate derivatives are included in notes 30 and 31.

The Group is subject to a number of financial covenants in relation to its syndicated credit facilities which, if contravened, could result in its borrowings under those facilities becoming immediately repayable. These covenants specify maximum covenant net debt to EBITDA and minimum EBITDA to net interest payable. In light of the impact of the pandemic on EBITDA generation, the Group has renegotiated its covenants to obtain waivers or amendments on its gearing and interest cover covenant tests.

During 2021, the gearing covenant was waived by the lenders for the 30 June 2021 and 31 December 2021 periods, and the interest cover covenant was amended to 1.5x and 2.5x for the 30 June 2021 and 31 December 2021 periods respectively.

For 2022, the gearing covenant is amended to 5.0x for both the 30 June 2022 and 31 December 2022 tests, with no amendment to the interest cover covenant.

29 Interest-bearing borrowings continued

The following table sets out the carrying amount, by maturity, of the Group's interest-bearing borrowings and deposits, including other debt receivables and finance lease receivables:

As at 31 December 2021	< 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	> 5 years £m	Total £m
Fixed rate							
Bank loans	(99.4)	(17.4)	(16.0)	(16.6)	(13.1)	(17.8)	(180.3)
Bonds	–	(400.1)	–	–	–	–	(400.1)
Finance lease receivables	4.1	3.8	3.1	1.0	0.5	4.3	16.8
Lease liabilities	(65.5)	(46.2)	(31.9)	(17.1)	(13.3)	(58.8)	(232.8)
Private placements	–	–	–	–	–	(393.9)	(393.9)
Floating rate							
Cash assets	508.4	–	–	–	–	–	508.4
Other debt receivables	0.8	0.2	–	–	–	–	1.0
Bank overdrafts	(132.2)	–	–	–	–	–	(132.2)
Bank loans	(0.9)	(1.0)	(8.7)	(0.1)	(0.1)	–	(10.8)
Bonds	–	–	–	–	–	(240.8)	(240.8)
Lease liabilities	(1.5)	(1.0)	(0.4)	–	–	–	(2.9)

(Restated) As at 31 December 2020[1,2]	< 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	> 5 years £m	Total £m
Fixed rate							
Bank loans[1]	(83.6)	(6.2)	(3.1)	(2.7)	(2.9)	(4.4)	(102.9)
Bonds	–	–	(400.1)	–	–	(246.9)	(647.0)
Finance lease receivables	4.3	3.6	3.3	2.4	1.0	0.3	14.9
Lease liabilities	(85.0)	(64.9)	(47.4)	(33.6)	(17.6)	(73.5)	(322.0)
Private placements	(70.9)	–	–	–	–	(405.9)	(476.8)
Floating rate							
Cash assets[2]	629.8	–	–	–	–	–	629.8
Other debt receivables	1.2	–	–	–	–	–	1.2
Bank overdrafts[2]	(109.3)	–	–	–	–	–	(109.3)
Bank loans	(0.2)	(0.5)	(0.6)	–	–	–	(1.3)
Lease liabilities	(1.5)	(1.3)	(1.0)	(0.4)	–	–	(4.2)

1 Restated for the change in presentation of advance factoring liabilities from other payables to borrowing. See note 2 for further information
2 Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 2 for further information.

30 Financial risk management objectives and policies

Financial risk factors and management

The Group is exposed to risks relating to fuel prices, foreign currency exchange rates, interest rates and the availability of funding at reasonable margins. The Group has in place a risk management programme that seeks to manage the impact of these risks on the financial performance of the Group by using financial instruments including borrowings, committed facilities and forward foreign exchange, fuel and interest rate derivatives.

The Board of Directors has delegated the responsibility for implementing the financial risk management policies laid down by the Board to the Group Finance Director and the Group Treasurer. The policies are implemented by the Group Treasury department with regular reporting to the Group Finance Director and the Audit Committee on its activities.

Foreign currency

The Group has major foreign operations in the USA, Canada, Spain and Morocco, and as a result is exposed to the movements in foreign currency exchange rates on the translation of these foreign currency denominated net assets.

The Group seeks to reduce this foreign currency exchange movement risk by using a combination of foreign currency borrowings and entering into derivative financial instruments such as cross currency interest rate swaps and foreign exchange forward contracts.

At the year end, the Group had outstanding foreign exchange derivatives for net investment purposes of USD 202.2m, CAD 46.2m and EUR 154.4m, and cross currency interest rate swaps of USD 350.0m and EUR 222.7m. These foreign exchange forward contracts and cross currency interest rate swaps are derivative financial instruments designated as net investment hedges of foreign currency assets. The effective portion of the gain or loss on the hedge is recognised in the Group Statement of Comprehensive Income and recycled to the Income Statement at the same time as the underlying hedged net assets affect the Income Statement. Any material ineffectiveness is taken to the Income Statement.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

30 Financial risk management objectives and policies continued

The Group expects changes in value of both the hedging instrument and the hedged net investment to offset and systematically move in opposite directions and that there will be a 1:1 hedge ratio, given that the critical terms are closely aligned.

The Group applies the 'forward rate method' under IFRS 9 such that the effective portion of changes in fair value of forward points are retained in Other Comprehensive Income. The currency basis is excluded from the hedging instrument, and the actual currency basis on inception of the trade is treated as the 'cost of hedging' and recognised in profit or loss over the life of the hedging relationship on a straight-line basis. Any changes in the currency basis since inception will be deferred into a separate component of Other Comprehensive Income.

In these hedge relationships, the main source of ineffectiveness results from movements in the Group's or the derivative counterparty's credit spread resulting in fair value movements in the hedging instrument that are not reflected in the fair value movements of the hedged net investment.

The table below demonstrates the sensitivity of the Group's financial instruments to a reasonably possible change in foreign exchange rates, with all other variables held constant. This would affect the Group's profit before tax and translation reserve. The effect on the translation reserve represents the movement in the translated value of the foreign currency denominated loans and change in fair value of the derivative contracts. These movements would be offset by an opposite movement in the translated value of the related portion of the Group's overseas net investments. It is estimated that a 10% change in the corresponding exchange rates would result in an exchange gain or loss in the translation reserve of £27.8m (2020: £35.6m).

		2021		2020	
As at 31 December	Strengthening/ (weakening) in currency	**Effect on (loss)/profit before tax £m**	**Effect on translation reserve £m**	Effect on profit before tax £m	Effect on translation reserve £m
US Dollar	10%	–	**(37.0)**	–	(28.5)
Euro	10%	–	**12.2**	–	(4.7)
Canadian Dollar	10%	–	**(3.0)**	–	(2.4)
US Dollar	(10)%	–	**37.0**	–	28.5
Euro	(10)%	–	**(12.2)**	–	4.7
Canadian Dollar	(10)%	–	**3.0**	–	2.4

Interest rate risk

The Group is exposed to movements in interest rates on both interest-bearing assets and liabilities. It is the Group's policy to maintain an appropriate balance between fixed and floating interest rates on borrowings in order to provide a level of certainty to interest expense in the short term and to reduce the year-on-year impact of interest rate fluctuations over the medium term. To achieve the desired fixed:floating ratio, the Group has entered into a series of interest rate swaps that have the effect of converting fixed rate debt to floating rate debt. The net effect of these transactions was that as at 31 December 2021, the proportion of the Group's gross debt at floating rates was 18% (2020: 7%), with the increase reflecting that the £250.0m bond maturing in 2028 was converted to floating rate debt during the year.

The Group expects changes in value of both the hedging instrument and the hedged transaction to offset and systematically move in opposite directions and that there will be a 1:1 hedge ratio, given that the critical terms are closely aligned.

In these hedge relationships, the main sources of ineffectiveness are:
- movement in the Group's and the derivative counterparty's credit spread, resulting in fair value movements in the hedging instrument that are not reflected in fair value movements in the hedged transaction; and
- any changes in the critical terms of the hedged transaction such that they no longer match those of the hedging instrument.

The table overleaf demonstrates the sensitivity of the Group's financial instruments to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit before tax and on the Group's hedging reserve.

The sensitivity analysis covers all floating rate financial instruments, including the interest rate swaps. If the interest rates applicable to floating rate instruments were increased by 100 basis points, it is estimated that the Group's profit before taxation would decrease by approximately £0.1m relating to the Euro and £0.3m relating to Sterling. The analysis assumes that the amount and mix of floating rate debt, including finance leases, remains unchanged from that in place at 31 December 2021.

30 Financial risk management objectives and policies continued

As at 31 December	Increase/ (decrease) in basis points	2021 Effect on (loss)/profit before tax £m	2021 Effect on reserves £m	2020 Effect on profit before tax £m	2020 Effect on reserves £m
Sterling	100	**0.3**	**–**	–	–
US Dollar	100	**–**	**–**	–	–
Euro	100	**0.1**	**–**	(0.4)	–
Sterling	(100)	**(0.3)**	**–**	0.4	–
US Dollar	(100)	**–**	**–**	–	–
Euro	(100)	**(0.1)**	**–**	–	–

Commodity prices

The Group is exposed to movements in commodity prices as a result of its fuel usage. The Group's policy is to provide protection against sudden and significant increases in fuel prices, thus mitigating volatility in both cash and the Income Statement in the short to medium term. In order to manage the risk exposure, the Group's normal policy is to enter into fuel derivatives to hedge 100% of estimated fuel requirements across all divisions for the next 15 months, and additionally to hedge at least 50% of the estimated fuel requirements in the Spain and North America divisions 15-24 months into the future. However, due to the continued impact of the Covid-19 pandemic and to mitigate the risk of over-hedging, the Group has held its hedging levels at 90% of budgeted 2022 usage as at 31 December 2021.

The normal hedging programme has continued for future years and as at 31 December 2021 the Group had hedged approximately 54% of its expected usage in 2023 and 18% of its expected usage in 2024.

During the year hedge accounting was discontinued for a small number of fuel derivatives where volumes were in excess of actual or expected consumption due to the pandemic. Further information relating to this is given in note 31.

Risk component hedging has been adopted under IFRS 9, such that the hedged price risk component of the purchased fuel matches that of the underlying derivative commodity. The hedged risk component, being the commodity index of each location where fuel is purchased, is considered to be separately identifiable and reliably measurable. The use of commodity derivatives to hedge the fuel exposure is expected to result in a 1:1 hedge ratio as the notional value of the hedging instrument is consistent with the designated amount of the underlying exposure. In these hedge relationships, the main source of ineffectiveness is changes in the actual settlement date and/or settlement amount.

Fuel derivatives are designated as cash flow hedges, with the effective portion of changes in fair value of the hedging instrument being recorded within a separate component of equity, and recycled to the Income Statement as the hedged item impacts the Income Statement.

The table overleaf demonstrates the effect of a reasonably possible variation in fuel prices, with all other variables held constant, on the fair value of the Group's financial instruments and accordingly on the Group's profit/(loss) before tax and the Group's hedging reserve.

The sensitivity analysis includes all fuel derivatives. The effect on the hedging reserve arises through movements on the fair value of the Group's fuel derivatives. For these derivative contracts the sensitivity of the net fair value to an immediate 10% increase or decrease in all prices would have been £11.9m at 31 December 2021 (2020: £9.5m). The figure does not include any corresponding economic advantage or disadvantage that would arise from the natural business exposure which would be expected to offset the gain or loss on the derivatives.

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

30 Financial risk management objectives and policies continued

		2021		2020	
As at 31 December	Increase/ (decrease) in price	**Effect on (loss)/profit before tax £m**	**Effect on hedging reserve £m**	Effect on profit before tax £m	Effect on hedging reserve £m
Sterling denominated diesel	10%	**–**	**3.6**	–	3.0
US Dollar denominated diesel	10%	**–**	**2.2**	–	1.4
US Dollar denominated gasoline	10%	**–**	**1.5**	–	1.0
Euro denominated diesel	10%	**–**	**4.6**	–	4.1
Sterling denominated diesel	(10%)	**–**	**(3.6)**	–	(3.0)
US Dollar denominated diesel	(10%)	**–**	**(2.2)**	–	(1.4)
US Dollar denominated gasoline	(10%)	**–**	**(1.5)**	–	(1.0)
Euro denominated diesel	(10%)	**–**	**(4.6)**	–	(4.1)

Credit risk

(i) Risk management
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is managed by a combination of Group Treasury and divisional management, and arises from cash and cash equivalents, derivative financial instruments and credit exposures to amounts due from outstanding receivables and committed transactions. The maximum credit risk exposure of the Group is the gross carrying value of each of its financial assets, which comprises trade and other receivables of £344.7m (2020: £312.4m), cash and cash equivalents of £508.4m (restated 2020: £629.8m), finance lease receivables of £16.8m (2020: £14.9m), investments of £13.9m (2020: £12.9m) and derivative financial instruments of £49.7m (2020: £46.3m); as well as its contract assets of £225.2m (2020: £166.0m).

Credit risk is primarily attributable to trade and other receivables and is mitigated by a number of factors. Many of the Group's principal customers, suppliers and financial institutions with which it conducts business are local public (or quasi-public) bodies, including school boards in North America, municipal authorities in Spain and Morocco, West Midlands Combined Authority in the UK, and regional authorities in Germany. The Group does not consider these counterparties to pose a significant credit risk. This has been evident throughout the Covid-19 pandemic, as these counterparties have continued to pay us. Outside of this, the Group does not consider it has significant concentrations of credit risk. The Group continues to monitor the economic environment in response to the Covid-19 pandemic and has taken actions to limit its exposure to customers that are severely impacted. As a minimum, the Group has implemented policies that require appropriate credit checks on potential customers before sales commence.

Net cash and cash equivalents and derivative financial instruments are held with counterparties with a minimum of BBB- credit rating assigned by international credit rating agencies. The Group Treasury Committee continually assesses the credit risk of each counterparty, including monitoring credit ratings and tier 1 capital of each counterparty. Additionally, the Group's policy sets limits on counterparty exposure according to credit ratings.

(ii) Impairment of financial assets
The Group applies the IFRS 9 simplified approach to measuring expected credit losses for all trade receivables (including grant receivables and contract assets) at each reporting date. Provision matrices are used to measure expected losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns, such as geographical region, service type, and customer type and rating. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The characteristics used to determine the groupings of customer segments are those that have the greatest impact on the likelihood of default. Given the diversity of characteristics of different customer segments, the Group applies different definitions of default for different groups of customers. The risk of default increases once the receivable is past due and increases in 30 day increments.

Whilst Covid-19 has continued to impact the Group, it has not given rise to a significant increase in the impairment of trade receivables. The majority of the Group's customers are governmental or similar bodies and hence there are not considered to be any issues with the recoverability of these receivables. Further, there have not been any significant issues with the recoverability of non-governmental receivables.

30 Financial risk management objectives and policies continued

The table below shows the credit risk exposure on the Group's trade receivables as at 31 December 2021:

			Days past due			
31 December 2021	**Carrying amount £m**	**Current £m**	**Less than 30 days £m**	**Between 30 and 60 days £m**	**Between 61 and 90 days £m**	**Over 90 days £m**
Expected loss rate	**8.2%**	**0.7%**	**2.5%**	**2.3%**	**8.5%**	**21.9%**
Gross carrying amount – trade and grant receivables and contract assets (current and non-current)	**478.1**	**235.5**	**52.1**	**21.8**	**8.2**	**160.5**
Loss allowance	**39.3**	**1.7**	**1.3**	**0.5**	**0.7**	**35.1**

			Days past due			
31 December 2020	Carrying amount £m	Current £m	Less than 30 days £m	Between 30 and 60 days £m	Between 61 and 90 days £m	Over 90 days £m
Expected loss rate	11.6%	0.8%	4.9%	2.9%	22.2%	25.7%
Gross carrying amount – trade and grant receivables and contract assets (current and non-current)	400.1	199.5	20.6	10.3	4.5	165.2
Loss allowance	46.3	1.5	1.0	0.3	1.0	42.5

Trade receivables over 90 days primarily comprises amounts due from public authorities in ALSA and receivables for school bus services in North America where amounts are settled on approval from the local governing bodies at the end of the school period. A loss provision of £35.1m (2020: £42.5m) is in place against these receivables. Given that these are predominantly ongoing contractual relationships and with public bodies, the Directors believe that the remaining amounts will be collected.

The closing loss allowance for trade receivables as at 31 December 2021 reconciles to the opening loss allowance as follows:

	2021 £m	2020 £m
At 1 January	**(46.3)**	(36.4)
Increase in loss allowance recognised in Income Statement during the year	**(6.4)**	(10.7)
Utilised in the year	**11.5**	1.8
Arising on acquisitions	**(0.1)**	(0.2)
Exchange difference	**2.0**	(0.8)
At 31 December	**(39.3)**	(46.3)

Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade receivables are presented as net impairment losses within operating profit or loss. Subsequent recoveries of amounts previously written off are credited against the same item.

Impairment provisions in respect of cash and cash equivalents and finance lease receivables are also subject to the requirements of IFRS 9. As our cash and cash equivalents are held with counterparties with a minimum of BBB- credit rating, no impairment loss was identified at the reporting date. Similarly, no impairment loss was identified in relation to finance lease receivables.

Liquidity risk

Liquidity risk is the risk that the Group, although solvent, will have difficulty in meeting its obligations associated with its financial liabilities as they fall due.

Funding for the Group is coordinated centrally by the treasury function and with the Group's forecast funding requirements and its debt facilities being reported to and monitored on an ongoing basis by the treasury function and formally via the monthly Treasury Committee. The level of facilities is maintained such that facilities and term loans exceed the forecast peak gross debt of the Group over a rolling 12-month view, with minimum headroom of at least £300.0m maintained, taking into account market conditions and corporate activity, including acquisitions and organic growth plans. The minimum funding headroom assumes that factoring facilities are not available.

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

30 Financial risk management objectives and policies continued

Short-term funding requirements are met through use of cash and cash equivalents and drawings under unsecured committed revolving credit facilities if required. Most of the Group's cash is held in the UK, the USA and Spain. In the UK the Group utilises a pooling arrangement with its main relationship bank to manage its cash on a net basis.

Included within cash and cash equivalents are certain amounts which are subject to contractual or regulatory restrictions, or withholding tax levied on repatriation of cash. These amounts held are not readily available for other purposes within the Group and total £11.9m (2020: £24.5m).

The Group currently has £495.0m of unsecured committed revolving credit facilities, which mature between 2024 and 2025. At 31 December 2021, there was £nil (2020: £nil) drawn down on the facilities. The maximum draw down of the revolving credit facility during the year was £nil (2020: £110.0m), with no drawings made during 2021 as a result of the additional liquidity headroom secured following the emergence of Covid-19 and the cash generated as a result of the share issue and issue of hybrid instrument in 2020.

Medium and long-term funding requirements are met through committed debt facilities as detailed in note 29.

The Group has secured waivers or amendments from its key covenant tests due to the continued impact of Covid-19 on the Group's EBITDA generation. In return for these waivers and amendments, during the period they apply the Group must comply with a £250m minimum liquidity test and a £1.6bn maximum net debt test, both on a pre-IFRS 16 basis. As at 31 December 2021, the Group had £871m of net cash and undrawn facilities, and therefore continues to have significant headroom on the minimum liquidity test.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 based on the contractual undiscounted cash flows including interest cash flows. As such, the amounts in this table will not agree to the carrying amounts disclosed in the Balance Sheet or other notes. The table includes cash flows associated with derivative hedging instruments. Their amounts reflect the maturity profile of the fair value liability where the instrument will be settled net, and the gross settlement amount where the pay leg of a derivative will be settled separately to the receive leg.

Year ended 31 December 2021	Carrying amounts £m	Contractual cash flows £m	< 1 year £m	1-2 years £m	2-3 years £m	3-5 years £m	> 5 years £m
Non-derivative financial liabilities							
Bank overdrafts	(132.2)	(132.2)	(132.2)	–	–	–	–
Bank loans	(191.1)	(196.2)	(100.6)	(19.9)	(25.9)	(31.5)	(18.3)
Bonds	(640.9)	(709.5)	(15.9)	(414.6)	(5.9)	(11.9)	(261.2)
Lease liabilities	(235.7)	(243.5)	(67.1)	(45.5)	(30.6)	(29.3)	(71.0)
Private placements	(393.9)	(420.5)	(3.9)	(3.9)	(3.9)	(7.7)	(401.1)
Trade and other payables[1]	(667.5)	(667.5)	(615.1)	(52.4)	–	–	–
	(2,261.3)	(2,369.4)	(934.8)	(536.3)	(66.3)	(80.4)	(751.6)
Derivative financial liabilities							
Foreign exchange derivatives	(18.8)	(18.8)	(18.8)	–	–	–	–
Interest rate derivatives	(6.4)	(6.5)	(0.6)	(2.1)	(2.1)	(1.7)	–
Cross currency swaps	(9.7)	(10.3)	(4.4)	0.3	0.3	0.3	(6.8)
Fuel derivatives	(0.7)	(0.7)	(0.4)	(0.2)	(0.1)	–	–
	(35.6)	(36.3)	(24.2)	(2.0)	(1.9)	(1.4)	(6.8)

[1] Trade and other payables as stated in this table does not directly reconcile with the amounts shown in notes 24 and 25 as it excludes contract liabilities, deferred expense-related grants and deferred fixed asset grants

30 Financial risk management objectives and policies continued

(Restated) Year ended 31 December 2020[1,2]	Carrying amounts £m	Contractual cash flows £m	< 1 year £m	1-2 years £m	2-3 years £m	3-5 years £m	> 5 years £m
Non-derivative financial liabilities							
Bank overdrafts[2]	(109.3)	(109.3)	(109.3)	–	–	–	–
Bank loans[1]	(104.2)	(105.8)	(84.2)	(7.1)	(4.1)	(6.0)	(4.4)
Bonds	(647.0)	(727.4)	(15.9)	(15.9)	(415.9)	(11.9)	(267.8)
Lease liabilities	(326.2)	(342.1)	(91.9)	(77.5)	(62.9)	(54.2)	(55.6)
Private placements	(476.8)	(545.0)	(81.3)	(7.9)	(7.9)	(15.7)	(432.2)
Trade and other payables[1,3]	(906.9)	(906.9)	(755.5)	(151.4)	–	–	–
	(2,570.4)	(2,736.5)	(1,138.1)	(259.8)	(490.8)	(87.8)	(760.0)
Derivative financial liabilities							
Foreign exchange derivatives	(6.0)	(6.0)	(6.0)	–	–	–	–
Cross currency swaps	(6.7)	(7.0)	0.2	0.2	0.2	0.5	(8.1)
Fuel derivatives	(20.9)	(21.1)	(17.2)	(3.4)	(0.5)	–	–
	(33.6)	(34.1)	(23.0)	(3.2)	(0.3)	0.5	(8.1)

1 Restated for the change in presentation of advance subsidy factoring liabilities from other payables to borrowings. See note 2 for further information
2 Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 2 for further information.
3 Trade and other payables as stated in this table does not directly reconcile with the amounts shown in notes 24 and 25 as it excludes contract liabilities, deferred expense related-grants and deferred fixed asset grants

Capital risk management

The objective of capital management is to ensure that the Group is able to continue as a going concern whilst delivering shareholder expectations of a strong capital base as well as returning benefits for other stakeholders.

The Group's capital structure consists of equity (refer to the Group Statement of Changes in Equity) and net debt (refer to note 39).

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's debt is monitored on the basis of a gearing ratio, being net debt divided by EBITDA, further details of which are provided in the Group Chief Financial Officer's review.

As a consequence of Covid-19 the Group made two significant adjustments to its capital structure in the prior year. In May 2020, the Group transacted a share issue through an equity placing and raised £230.1m net of fees and in November 2020 the Group issued a £500.0m sterling denominated hybrid instrument raising a further £495.5m net of fees. Both measures strengthened the Group's Balance Sheet.

The Group also uses ROCE as a measure of its ability to drive better returns on the capital invested in the Group's operations, further details of which are provided in the Group Chief Financial Officer's review.

31 Financial instruments (including cash, trade receivables and payables)

Fair values

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables and cash and cash equivalents. After initial fair value recognition, they are measured at amortised cost using the effective interest rate method. The fair value of these instruments approximates their carrying amounts, largely due to the short-term maturities.

Financial assets at fair value through Other Comprehensive Income relates to the Group's non-listed equity investments.

The Group's derivatives are measured at fair value. Derivatives, other than those designated as effective hedging instruments, are classified as fair value through profit or loss and are carried on the Balance Sheet at their fair value, with gains or losses recognised in the Income Statement. Derivatives designated as hedging instruments in an effective hedge are carried on the Balance Sheet at their fair value. For cash flow hedges and hedges of net investments in foreign operations, the effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income, while the ineffective portion is recognised in the Income Statement.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

31 Financial instruments (including cash, trade receivables and payables) continued

Amounts taken to Other Comprehensive Income are transferred to the Income Statement when the hedged transaction affects profit or loss or when the foreign operation is sold or partially disposed of. For fair value hedges, all gains or losses are recognised in the Income Statement.

The fair value measurement of derivative instruments is categorised within Level 2 (i.e. the fair values are derived based on observable market inputs). The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs, i.e. those that would be classified as Level 3 in the fair value hierarchy, other than the deferred contingent consideration disclosed in note 19 and financial assets at fair value through Other Comprehensive Income in note 17. There have not been any transfers of assets or liabilities between levels of the fair value hierarchy and there are no non-recurring fair value movements.

In August 2021, the Group entered into a series of interest rate swaps equal in value to the £250.0m bond. They are designated as a fair value hedge of the interest rate risk on the £250.0m bond. These swaps as measured at fair value through profit and loss, with any gains and losses being taken immediately to the Income Statement to offset any fair value gains or losses due to changes in the risk-free rate on the £250.0m bond. Consequently, the carrying value of the bond is adjusted for changes in fair value attributable to the risk being hedged. This net carrying value will differ from the fair value depending on movements in the Group's credit risk, movements in interest rates and unamortised fees. At 31 December 2021, the carrying value of the Group's bonds was £650.0m (2020: £650.0m) and compares with the fair value as presented in the table below.

All other liabilities, including the remaining bonds, private placements, leases, bank loans and trade and other payables (excluding contingent consideration) are held at amortised cost. After initial fair value recognition, these instruments are measured at amortised cost using the effective interest rate method. The carrying value of these liabilities approximates to the fair value.

The following table illustrates the fair values of all financial assets and liabilities held by the Group at 31 December 2021:

Classification of financial instruments As at 31 December 2021	Assets and liabilities at amortised cost £m	At fair value through Other Comprehensive Income £m	Hedged item at fair value £m	At fair value through profit or loss £m	Derivatives used for hedging £m	Total £m
Assets						
Investments	–	13.9	–	–	–	13.9
Fuel derivatives	–	–	–	–	29.4	29.4
Interest rate derivatives	–	–	–	0.1	–	0.1
Cross currency swaps	–	–	–	–	12.0	12.0
Foreign exchange derivatives	–	–	–	6.1	2.1	8.2
Cash and cash equivalents	508.4	–	–	–	–	508.4
Finance lease receivables	16.8	–	–	–	–	16.8
Trade and other receivables[1]	344.7	–	–	–	–	344.7
	869.9	13.9	–	6.2	43.5	933.5
Liabilities						
Bank overdrafts	(132.2)	–	–	–	–	(132.2)
Bank loans	(191.1)	–	–	–	–	(191.1)
Bonds	(400.1)	–	(240.8)	–	–	(640.9)
Lease liabilities	(235.7)	–	–	–	–	(235.7)
Private placements	(393.9)	–	–	–	–	(393.9)
Fuel derivatives	–	–	–	–	(0.7)	(0.7)
Interest rate derivatives	–	–	–	(6.4)	–	(6.4)
Cross currency swaps	–	–	–	–	(9.7)	(9.7)
Foreign exchange derivatives	–	–	–	(16.0)	(2.8)	(18.8)
Trade and other payables[2]	(654.1)	–	–	(13.4)	–	(667.5)
	(2,007.1)	–	(240.8)	(35.8)	(13.2)	(2,296.9)

1 Trade and other receivables as stated in this table does not directly reconcile with the amounts shown in notes 20 and 22 as it excludes contract assets, prepayments and provision for impairment of receivables

2 Trade and other payables as stated in this table does not directly reconcile with the amounts shown in notes 24 and 25 as it excludes contract liabilities, deferred expense-related grants and deferred fixed asset grants

31 Financial instruments (including cash, trade receivables and payables) continued

(Restated) Classification of financial instruments As at 31 December 2020[3, 4]	Assets and liabilities at amortised cost £m	At fair value through Other Comprehensive Income £m	At fair value through profit or loss £m	Derivatives used for hedging £m	Total £m
Assets					
Investments	–	12.9	–	–	12.9
Fuel derivatives	–	–	–	0.8	0.8
Interest rate derivatives	–	–	1.5	–	1.5
Cross currency swaps	–	–	–	3.2	3.2
Foreign exchange derivatives	–	–	10.6	30.2	40.8
Cash and cash equivalents[4]	629.8	–	–	–	629.8
Finance lease receivables	14.9	–	–	–	14.9
Trade and other receivables[1]	312.4	–	–	–	312.4
	957.1	12.9	12.1	34.2	1,016.3
Liabilities					
Bank overdrafts[4]	(109.3)	–	–	–	(109.3)
Bank loans[3]	(104.2)	–	–	–	(104.2)
Bonds	(647.0)	–	–	–	(647.0)
Lease liabilities	(326.2)	–	–	–	(326.2)
Private placements	(476.8)	–	–	–	(476.8)
Fuel derivatives	–	–	(2.4)	(18.5)	(20.9)
Cross currency swaps	–	–	–	(6.7)	(6.7)
Foreign exchange derivatives	–	–	(6.0)	–	(6.0)
Trade and other payables[2,3]	(878.1)	–	(28.8)	–	(906.9)
	(2,541.6)	–	(37.2)	(25.2)	(2,604.0)

1 Trade and other receivables as stated in this table does not directly reconcile with the amounts shown in notes 20 and 22 as it excludes contract assets, prepayments and provision for impairment of receivables
2 Trade and other payables as stated in this table does not directly reconcile with the amounts shown in notes 24 and 25 as it excludes contract liabilities, deferred expense-related grants and deferred fixed asset grants
3 Restated for the change in presentation of advance factoring liabilities from other payables to borrowings. See note 2 for further information
4 Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 2 for further information

Other receivables and other payables are to be settled in cash in the currency they are held in.

The Group assesses at each year end reporting date whether a financial asset or group of financial assets is impaired. In the financial year 2021, there was no objective evidence that would have necessitated the impairment of loans and receivables except the provision for impairment of receivables (see note 30).

Embedded derivatives

In accordance with IFRS 9 'Financial Instruments', the Group has reviewed its contracts for embedded derivatives that are required to be separately accounted for. No embedded derivatives have been identified.

Hedging activities

The Group uses derivative financial instruments to manage exposures to market risk, such as movements in foreign exchange rates, fuel prices and interest rates. Such derivative financial instruments are initially recognised at fair value and are subsequently re-measured at fair value at the end of each reporting period. In line with IFRS 9, the Group classifies hedges as: (i) fair value hedges used to hedge exposure to changes in the fair value of a recognised asset or liability; (ii) cash flow hedges used to hedge exposure to variability in cash flows associated with a recognised asset or liability or a highly probable forecast transaction; and (iii) hedges of a net investment in a foreign operation.

In 2021, the Group applied cash flow hedge accounting to hedge fuel price risk and to hedge foreign currency risk on a US dollar denominated private placement. The Group applied net investment hedge accounting to hedge net investments in its North American and European foreign operations. The Group also applied fair value hedge accounting on a €78.5m private placement until maturity in August 2021, and on the £250.0m bond, to hedge changes in fair value due to interest rate fluctuations.

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

31 Financial instruments (including cash, trade receivables and payables) continued

The movement on derivative financial instruments is detailed below:

	At fair value through profit and loss			**Derivatives used for hedging**				
	Fuel swaps £m	**Interest rate swaps £m**	**Foreign exchange forward contracts £m**	**Fuel swaps £m**	**Interest rate swaps £m**	**Cross currency swaps £m**	**Foreign exchange forward contracts £m**	**Total £m**
Net (liability)/asset at 1 January 2021	**(2.4)**	**1.5**	**4.6**	**(17.7)**	**–**	**(3.5)**	**30.2**	**12.7**
Movements through Income Statement	**2.4**	**(7.8)**	**(5.7)**	**(4.4)**	**–**	**(1.9)**	**–**	**(17.4)**
Movements through Other Comprehensive Income	**–**	**–**	**–**	**50.8**	**–**	**7.7**	**4.2**	**62.7**
Cash settlements	**–**	**–**	**(8.8)**	**–**	**–**	**–**	**(35.1)**	**(43.9)**
Net asset/(liability) at 31 December 2021	**–**	**(6.3)**	**(9.9)**	**28.7**	**–**	**2.3**	**(0.7)**	**14.1**

	At fair value through profit and loss			Derivatives used for hedging				
	Fuel swaps £m	Interest rate swaps £m	Foreign exchange forward contracts £m	Fuel swaps £m	Interest rate swaps £m	Cross currency swaps £m	Foreign exchange forward contracts £m	Total £m
Net asset/(liability) at 1 January 2020	–	7.3	(20.4)	1.3	(1.0)	5.0	15.6	7.8
Movements through Income Statement	(2.4)	(5.8)	4.0	31.5	0.6	(0.3)	–	27.6
Movements through Other Comprehensive Income	–	–	–	(50.5)	0.4	(5.8)	8.9	(47.0)
Cash settlements	–	–	21.0	–	–	(2.4)	5.7	24.3
Net asset/(liability) at 31 December 2020	(2.4)	1.5	4.6	(17.7)	–	(3.5)	30.2	12.7

A reconciliation of movements in the cash flow hedge reserve, cost of hedging reserve and net investment hedge reserve is shown in note 33.

31 Financial instruments (including cash, trade receivables and payables) continued

A summary of the Group's hedging activities is as follows:

Hedge type	Net investment hedge	Fair value hedge	Cash flow hedge	Cash flow hedge
Risk	Foreign currency risk	Interest rate risk	Foreign currency risk	Commodity price risk
Nominal amount of hedging	CAD $46.2m USD $552.2m €617.1m	£250.0m	$81.0m	357.0m litres
Ageing of nominal amount:				
< 1 year	CAD $46.2m USD $452.2m €154.4m	–	–	199.5m litres
1-2 years	USD $100.0m €222.7m	–	–	117.7m litres
2-5 years	–	£250.0m	–	39.8m litres
> 5 years	€240.0m	–	$81.0m	–
Average hedged rate	–	GBP SONIA + 1.98%	2.4265%	£0.33/litre
Maturity	2022-2032	2025	2027	2022-2024
Carrying amount of hedging instruments (£m)				
Assets – derivatives	13.7	0.1	0.3	29.4
Liabilities – derivatives	(7.3)	6.3	(5.2)	(0.7)
Liabilities – borrowings	(201.6)[1]	–	–	–
Carrying amount of hedged item – borrowings (£m)	–	(240.8)	(59.9)	–
Changes in fair value of hedged item for calculating hedge effectiveness[2]	(10.4)	6.4	(2.0)	(46.9)
Changes in fair value of hedged instrument used for calculating hedge effectiveness[2]	10.4	(6.3)	1.8	47.7
Amounts accumulated in reserves at 31 December 2021, net of tax	43.1	–	1.7	23.4
Accumulated fair value hedge adjustment on borrowings	–	6.4	–	–

1 Represents the carrying value of the €240.0m Euro denominated private placements
2 Inclusive of cash settlements for the period

Hedge of net investments in foreign entities

The Group uses foreign currency borrowings and derivative financial instruments to hedge the net investment in material foreign currency net assets of the Group, which are used to reduce the exposure to foreign exchange rate movements. At 31 December 2021, the Group had designated EUR 222.7m of cross currency interest rate swaps, EUR 240.0m of private placements and EUR 154.4m of foreign exchange forward contracts as net investment hedges of the net assets of the Group's European subsidiaries. Similarly, USD 202.2m and CAD 46.2m of foreign exchange forward contracts, and USD 350.0m of cross currency interest rate swaps were designated as a hedge of the net assets of the Group's North America subsidiaries. No material ineffectiveness was recognised in relation to these hedges.

Fuel derivatives

The Group has a number of fuel derivatives in place to hedge the different types of fuel used in each division. Fuel swaps are used to match the timing, type of fuel and currency in which the domestic physical fuel is purchased as closely as possible, with hedges currently in place from 2022 through to 2024.

During 2021, hedge accounting was discontinued for a small number of fuel derivatives where volumes were in excess of actual or expected consumption. The majority arose in the UK, ALSA and North America following more stringent lockdown measures being implemented in early 2021 and slower recovery. Overall expenses and gains recycled to the Income Statement from Other Comprehensive Income netted to £nil (2020: £17.3m) and have been recorded as separately disclosable for consistency with the treatment in the prior year, as shown in note 5.

During the year, £50.8m of fair value gains (2020: £50.5m losses) have been transferred to the cash flow hedge reserve due to movements in market fuel prices. A fair value gain of £1.9m (2020: £29.5m loss) has been transferred from the cash flow hedge reserve to the Income Statement following settlement of fuel trades; this comprised a loss of £16.0m (2020: £1.8m loss), being the hedging reserve position at 1 January and a £17.9m gain (2020: £27.7m loss) generated during the year due to movements in market fuel prices. No material ineffectiveness was recognised in relation to these hedges.

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

31 Financial instruments (including cash, trade receivables and payables) continued

Fuel derivatives can be analysed as follows:

Fuel derivatives	**31 December 2021 Fair value £m**	31 December 2020 Fair value £m	**31 December 2021 Volume million litres**	31 December 2020 Volume million litres
Sterling denominated – UK	**5.3**	(5.2)	**48.6**	55.4
Euro denominated – ALSA	**7.4**	(7.0)	**85.4**	84.0
US Dollar and Canadian Dollar denominated – North America	**7.1**	(4.4)	**65.5**	47.3
Fuel derivatives included in current assets/(liabilities)	**19.8**	(16.6)	**199.5**	186.7
Sterling denominated – UK	**3.0**	(0.8)	**42.6**	47.6
Euro denominated – ALSA	**3.6**	(2.2)	**61.8**	64.0
US Dollar and Canadian Dollar denominated – North America	**2.3**	(0.5)	**53.1**	54.7
Fuel derivatives included in non-current assets/(liabilities)	**8.9**	(3.5)	**157.5**	166.3
Total fuel derivatives	**28.7**	(20.1)	**357.0**	353.0

Interest rate swaps at fair value through profit or loss

In September 2012, the Group entered into a series of interest rate swaps equal in value to the €78.5m Euro private placement, which matured in August 2021. These interest rate swaps paid floating interest (EURIBOR + margin) semi-annually and received fixed interest semi-annually with maturities matching the Euro private placement, which matured in August 2021 and were designated as a fair value hedge of the interest rate risk on the private placement. These swaps were measured at fair value through profit and loss, with any gains or losses being taken immediately to the Income Statement to offset any fair value gains or losses due to changes in the risk-free rate. During the year a fair value loss of £0.7m was recognised in the Income Statement and was offset by a fair value gain of £0.7m on the underlying hedged item due to changes in the risk-free interest rate.

In August 2021, the Group entered into a series of interest rate swaps equal in value to the £250.0m bond. These interest rate swaps all pay fixed interest annually and receive floating interest (GBP SONIA + margin) annually with cash settlements matching that of the £250.0m bond. They are designated as a fair value hedge of the interest rate risk on the £250.0m bond. These swaps as measured at fair value through profit and loss, with any gains and losses being taken immediately to the Income Statement to offset any fair value gains or losses due to changes in the risk-free rate on the £250.0m bond. During the year, a fair value loss of £6.4m was recognised in the Income Statement and was offset by a fair value gain of £6.4m on the underlying hedged item due to changes in the risk-free interest rate.

Cash flow hedges

In June 2020, the Group entered into an $81.0m cross currency swap that pays fixed USD interest semi-annually and receives fixed GBP interest semi-annually. This is designated as a cash flow hedge of foreign currency risk with maturities matching an $81.0m private placement maturing in June 2027. No material ineffectiveness was recognised during the year.

32 Called-up share capital

Issued called-up and fully paid:	2021 No. of shares	2021 £m	2020 No. of shares	2020 £m
At 1 January	**614,086,377**	**30.7**	511,738,648	25.6
Issued during the year	**–**	**–**	102,347,729	5.1
At 31 December	**614,086,377**	**30.7**	614,086,377	30.7

In May 2020, the Group issued 101,918,947 ordinary shares of 230p each. The net proceeds were £229.1m and as the share issue qualified for merger relief under Section 612 of the Companies Act 2006, the excess of the net proceeds over the nominal value of the shares issued was credited to a merger reserve rather than the share premium account. At the same time, the Group directly issued 428,782 ordinary shares of 230p each to members of the Board and executive management team. The net proceeds were £1.0m and the excess proceeds over the nominal value of the shares were recorded in share premium.

The total number of share options exercised in the year by employees of the Company was 402,244 (2020: 1,552,919) of which all (2020: all) exercises were satisfied by transferring shares from the National Express Employee Benefit Trust.

Own shares

Own shares comprises 1,489,069 (2020: 877,337) ordinary shares in the Company that have been purchased by the trustees of the National Express Employee Benefit Trust (the Trust). During the year, the Trust purchased 1,013,976 (2020: 1,025,505) shares and 402,244 (2020: 1,552,919) shares were used to satisfy options granted under a number of the Company's share schemes. No shares (2020: nil) were sold during the year to the open market.

The market value of the shares held by the Trust at 31 December 2021 was £3.8m (2020: £2.1m). No dividends were payable on these shares in either 2021 or 2020.

33 Other reserves

	Capital redemption reserve £m	Merger reserve £m	Fair value reserve of financial assets at FVOCI £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Net investment hedge reserve £m	Translation reserve £m	Total £m
At 1 January 2021	0.2	239.5	(1.5)	(15.2)	1.4	16.0	127.4	367.8
Exchange differences on retranslation of foreign operations	–	–	–	–	–	–	(55.7)	(55.7)
Gains on equity instruments classified as fair value through Other Comprehensive Income	–	–	1.2	–	–	–	–	1.2
Gains on hedges	–	–	–	52.5	–	26.5	–	79.0
Hedging gains reclassified to Income Statement	–	–	–	(2.8)	(0.5)	–	–	(3.3)
Cost of hedging	–	–	–	–	0.1	–	–	0.1
Deferred tax	–	–	–	(9.5)	–	0.5	–	(9.0)
At 31 December 2021	0.2	239.5	(0.3)	25.0	1.0	43.0	71.7	380.1

Notes to the Consolidated Accounts continued **For the year ended 31 December 2021**

33 Other reserves continued

The nature and purpose of the other reserves are as follows:

- The merger reserve included the premium on shares issued to satisfy the purchase of Prism Rail PLC in 2000 and the share issue during 2020 as described in note 32.
- The cash flow hedge reserve and net investment hedge reserve records the movements on designated hedging instruments, offset by any movements recognised in equity on underlying hedged items.
- The cost of hedging reserve records the movements in the currency basis, which are excluded from the hedging instrument on the designated hedging instruments in the cash flow and net investment hedge reserves.
- The translation reserve records exchange differences arising from the translation of the accounts of foreign currency denominated subsidiaries offset by the movements on loans and derivatives used to hedge the net investment in foreign subsidiaries and cost of hedging.
- The fair value reserve is for fair value movements on financial assets that are classified as fair value through Other Comprehensive Income.

	Capital redemption reserve £m	Merger reserve £m	Fair value reserve of financial assets at FVOCI £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Net investment hedge reserve £m	Translation reserve £m	Total £m
At 1 January 2020	0.2	15.4	–	(4.5)	1.5	26.7	91.4	130.7
Shares issued during the year (net of transaction costs)	–	224.1	–	–	–	–	–	224.1
Exchange differences on retranslation of foreign operations	–	–	0.1	–	–	–	34.4	34.5
Losses on equity instruments classified as fair value through Other Comprehensive Income	–	–	(1.6)	–	–	–	–	(1.6)
Losses on hedges	–	–	–	(50.3)	–	(10.0)	–	(60.3)
Hedging gains/(losses) reclassified to Income Statement	–	–	–	35.8	(0.3)	(0.7)	–	34.8
Cost of hedging	–	–	–	–	0.2	–	–	0.2
Deferred tax	–	–	–	3.8	–	–	–	3.8
Corporation tax	–	–	–	–	–	–	1.6	1.6
At 31 December 2020	0.2	239.5	(1.5)	(15.2)	1.4	16.0	127.4	367.8

34 Pensions and other post-employment benefits

(a) Summary of pension benefits and assumptions

The UK division (UK) and National Express Group PLC (the Company) both operate defined benefit pension schemes.

The Group also provides certain additional unfunded post-employment benefits to employees in North America and maintains a small defined benefit scheme for National Express Services Limited. These post-employment benefits have been combined into the 'Other' category.

The UK, the Company and North America also operate or contribute into a number of defined contribution schemes.

The Company defined benefit scheme was subject to a buy-in transaction on 11 October 2018 whereby the assets of the plan were invested in a bulk purchase annuity policy with the insurer Rothesay Life under which the benefits payable to defined benefit members became fully insured. On 23 September 2021, a full buy-out of the defined benefit section was completed, following which Rothesay Life has become fully and directly responsible for the pension obligations. On completion of the buy-out, the defined benefit assets (comprising the Rothesay Life insurance policy) and matching defined benefit liabilities were derecognised from the Group's Balance Sheet. The buy-out transaction also triggered the return of surplus assets to the Company totalling £7.5m, with the remaining assets retained in the scheme to cover final expenses in completing its wind-up.

In 2020, the UK division agreed a new six-year annual deficit plan with the trustees of the West Midlands Integrated Transport Authority Pension Fund, which continues until March 2024 with an average contribution of £7.6m per annum. The plan remains open to accrual for existing members only.

The assets of the defined benefit schemes are held separately from those of the Group and contributions to the schemes are determined by independent professionally qualified actuaries.

The Group expects to contribute £7.7m into its defined benefit pension plans in 2022.

The total pension cost charged to underlying operating loss in the year for the Group was £10.9m (2020: £11.2m), of which £6.0m (2020: £6.7m) relates to the defined contribution schemes.

34 Pensions and other post-employment benefits continued

The defined benefit pension (liability)/asset included in the Balance Sheet is as follows:

	2021 £m	2020 £m
Company	**3.8**	12.3
Pension assets	**3.8**	12.3
UK	**(96.1)**	(141.6)
Other	**(3.1)**	(5.8)
Pension liabilities	**(99.2)**	(147.4)
Total	**(95.4)**	(135.1)

Through its defined benefit plans, the Group is exposed to a number of risks. Following the buy-out of the Company scheme during the year, such risks as detailed below, only relate to the UK scheme.

Investment risk

The present values of scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if the return on scheme assets is below this yield, it will create a deficit. The UK scheme holds a significant proportion of return-seeking assets (equities and diversified growth funds) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term.

Interest risk

A decrease in bond interest rates will increase scheme liabilities but this will be partially offset by an increase in the returns on the scheme assets.

Inflation risk

A significant proportion of the schemes' obligations are linked to inflation, and higher inflation will lead to higher liabilities. The UK scheme holds a small proportion of index-linked bonds which will help to protect against this risk.

Longevity risk

The majority of the obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the liabilities. The UK scheme includes a buy-in policy covering part of the pensioner members' liabilities, which partly helps to mitigate longevity risk.

Legislative risk

Future legislative changes are uncertain. In the past these have led to both increases in obligations, for example, reduced investment return through the ability to reclaim advance corporation tax, and decreases in obligations, for example, through the ability to use consumer price index (CPI) inflation instead of retail price index (RPI) to set pension increase rates. For the UK scheme the Group receives professional advice on the impact of legislative changes.

The valuations conducted for financial reporting purposes are based on the triennial actuarial valuations. A summary of the latest triennial actuarial valuations for the principal schemes, and assumptions made, are as follows:

	UK	Company
Date of actuarial valuation	31 March 2019	5 April 2016
Rate of investment returns per annum	3.2%	0%-2.1%
Increase in earnings per annum	2.7%	–
Scheme assets taken at market value	£495.0m	£114.8m
Funding level	84%	97%

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

34 Pensions and other post-employment benefits continued

The most recent triennial valuations are then updated by independent professionally qualified actuaries for financial reporting purposes, in accordance with IAS 19. Following the buy-out of the Company scheme there are no remaining pension liabilities at 31 December 2021, therefore a full set of assumptions was not derived. Therefore the Company assumptions listed below are those used to derive the schemes valuation immediately preceding the buy-out transaction, whereas for the UK scheme the assumptions listed below are those at 31 December 2021.

	2021		2020	
	UK	**Company**	UK	Company
Rate of increase in salaries	**2.5%**	**–**	2.5%	–
Rate of increase of pensions in payment	**2.8%**	**3.4%**	2.4%	2.9%
Discount rate	**1.8%**	**2.0%**	1.3%	1.4%
Inflation assumption (RPI)	**3.4%**	**3.4%**	3.0%	2.9%
Inflation assumption (CPI)	**2.8%**	**2.8%**	2.4%	2.3%
Post-retirement mortality in years:				
Current pensioners at 65 – male	**19.6**	**22.4**	19.9	22.4
Future pensioners at 65 – male	**21.0**	**23.7**	21.3	23.7
Current pensioners at 65 – female	**23.0**	**25.1**	23.2	25.1
Future pensioners at 65 – female	**24.6**	**26.6**	24.7	26.6

The Directors regard the assumptions around pensions in payment, discount rate, inflation and mortality to be the key assumptions in the IAS 19 valuation. The following table provides an approximate sensitivity analysis of a reasonably possible change to these assumptions:

(Increase)/decrease in the defined benefit obligation	**UK 2021 £m**	**Company 2021 £m**	UK 2020 £m	Company 2020 £m
Effect of a 0.5% increase in pensions in payment	**(30.4)**	**–**	(27.6)	–
Effect of a 0.5% increase in the discount rate	**36.1**	**–**	35.8	–
Effect of a 0.5% increase in inflation	**(34.8)**	**–**	(32.0)	–
Effect of a 1 year increase in mortality rates	**(18.0)**	**–**	(18.5)	–

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. Aside from the matching insurance contracts held in the UK scheme, no allowance has been made for any change in assets that might arise under any of the scenarios set out above.

Scheme assets are stated at their market values at the respective balance sheet dates. The expected rate of return on scheme assets is determined based on market returns on each category of scheme assets.

(b) Financial results for pension benefits

The amounts charged to the Group Income Statement and Group Statement of Comprehensive Income for the years ended 31 December 2021 and 2020 are set out in the following tables:

Group Income Statement	**UK 2021 £m**	**Company 2021 £m**	**Other 2021 £m**	**Total 2021 £m**
Amounts (charged)/credited:				
Current service cost	**(3.8)**	**–**	**–**	**(3.8)**
Settlement gain	**–**	**0.1**	**–**	**0.1**
Net interest (expense)/income	**(1.7)**	**0.1**	**(0.2)**	**(1.8)**
Total charge/(credit) to Income Statement	**(5.5)**	**0.2**	**(0.2)**	**(5.5)**

In addition, during the year £1.2m (2020: £1.0m) of administrative expenses were incurred.

Group Statement of Comprehensive Income	**UK 2021 £m**	**Company 2021 £m**	**Other 2021 £m**	**Total 2021 £m**
Actuarial gain during the period from obligations	**25.5**	**7.5**	**0.2**	**33.2**
Expected return on plan assets greater than discount rate	**15.8**	**(7.6)**	**0.5**	**8.7**
Net actuarial gain/(loss)	**41.3**	**(0.1)**	**0.7**	**41.9**

34 Pensions and other post-employment benefits continued

The net interest expense has been included within finance costs (see note 10).

Group Income Statement	UK 2020 £m	Company 2020 £m	Other 2020 £m	Total 2020 £m
Amounts (charged)/credited:				
Current service cost	(3.5)	–	–	(3.5)
Past service cost	–	(0.8)	–	(0.8)
Net interest (expense)/income	(1.8)	0.3	(0.2)	(1.7)
Total charge to Income Statement	(5.3)	(0.5)	(0.2)	(6.0)

The past service cost in the Company relates to Guaranteed Minimum Pension (GMP) equalisation. In October 2018 the High Court ruled that GMP should be equalised between men and women. Whilst in 2018 the Group equalised benefits for existing members, a further High Court ruling in November 2020 provided further detail and this resulted in a further charge with respect to members who have transferred out of the scheme in prior years.

Group Statement of Comprehensive Income	UK 2020 £m	Company 2020 £m	Other 2020 £m	Total 2020 £m
Actuarial gain/(loss) during the period from obligations	(71.6)	(17.0)	(0.8)	(89.4)
Expected return on plan assets less than discount rate	24.4	16.4	0.2	41.0
Net actuarial gain/(loss)	(47.2)	(0.6)	(0.6)	(48.4)

In addition to the above actuarial movements, the Statement of Comprehensive Income included a £0.6m loss for investment advice that was incurred directly by the Company, primarily in relation to the buy-in transaction.

The amounts were recognised in the Balance Sheet at 31 December as follows:

As at 31 December 2021	**UK 2021 £m**	**Company 2021 £m**	**Other 2021 £m**	**Total 2021 £m**
Equities	**96.4**	**–**	**2.6**	**99.0**
Bonds and multi-asset credit	**63.8**	**–**	**0.9**	**64.7**
Insurance policy	**171.7**	**–**	**–**	**171.7**
Diversified growth fund	**98.3**	**–**	**–**	**98.3**
Liability-driven investment	**48.0**	**–**	**–**	**48.0**
Other	**1.5**	**3.8**	**0.1**	**5.4**
Fair value of scheme assets	**479.7**	**3.8**	**3.6**	**487.1**
Present value of liabilities and defined benefit obligation	**(575.8)**	**–**	**(6.7)**	**(582.5)**
Defined benefit pension (deficit)/surplus	**(96.1)**	**3.8**	**(3.1)**	**(95.4)**

None of the pension arrangements directly invest in any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group. The majority of the benefits within the plans are covered by insurance contracts. The insurance assets have been valued so as to match the defined benefit obligations. The fair value of the remaining equity and debt instruments have primarily been determined based on quoted prices in active markets.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

34 Pensions and other post-employment benefits continued

As at 31 December 2020	UK 2020 £m	Company 2020 £m	Other 2020 £m	Total 2020 £m
Equities	83.1	–	2.2	85.3
Bonds and multi-asset credit	87.9	–	0.9	88.8
Insurance policy	196.7	109.0	–	305.7
Diversified growth fund	106.9	–	–	106.9
Other	0.5	13.8	0.1	14.4
Fair value of scheme assets	475.1	122.8	3.2	601.1
Present value of liabilities and defined benefit obligation	(616.7)	(110.5)	(9.0)	(736.2)
Defined benefit pension (deficit)/surplus	(141.6)	12.3	(5.8)	(135.1)

The movement in the present value of the defined benefit obligation in the year is as stated below.

The Group's defined benefit obligation comprises £580.6m (2020: £732.3m) arising from plans that are wholly or partly funded and £1.9m (2020: £3.9m) from unfunded plans.

The movement in the defined benefit obligations is as follows:

	UK £m	**Company £m**	**Other £m**	**Total £m**
Defined benefit obligation at 1 January 2021	**(616.7)**	**(110.5)**	**(9.0)**	**(736.2)**
Current service cost	**(3.8)**	**–**	**–**	**(3.8)**
Benefits paid	**27.4**	**3.7**	**0.1**	**31.2**
Contributions by employees	**(0.5)**	**–**	**2.2**	**1.7**
Finance charge	**(7.7)**	**(1.1)**	**(0.2)**	**(9.0)**
Gain on settlements	**–**	**100.4**	**–**	**100.4**
Actuarial gain from changes in financial assumptions	**19.9**	**7.3**	**0.1**	**27.3**
Actuarial gain arising from changes in demographics	**8.6**	**0.2**	**0.1**	**8.9**
Actuarial loss arising from experience adjustments	**(3.0)**	**–**	**–**	**(3.0)**
Defined benefit obligation at 31 December 2021	**(575.8)**	**–**	**(6.7)**	**(582.5)**

	UK £m	Company £m	Other £m	Total £m
Defined benefit obligation at 1 January 2020	(557.1)	(95.1)	(8.1)	(660.3)
Current service cost	(3.5)	–	–	(3.5)
Past service cost	–	(0.8)	–	(0.8)
Benefits paid	26.8	4.3	0.1	31.2
Contributions by employees	(0.6)	–	–	(0.6)
Finance charge	(10.7)	(1.9)	(0.2)	(12.8)
Actuarial loss from changes in financial assumptions	(75.9)	(17.8)	(0.9)	(94.6)
Actuarial loss arising from changes in demographics	(2.4)	(0.2)	–	(2.6)
Actuarial gain arising from experience adjustments	6.7	1.0	0.1	7.8
Defined benefit obligation at 31 December 2020	(616.7)	(110.5)	(9.0)	(736.2)

34 Pensions and other post-employment benefits continued

The movement in the fair value of scheme assets is as follows:

	UK £m	Company £m	Other £m	Total £m
Fair value of scheme assets at 1 January 2021	**475.1**	**122.8**	**3.2**	**601.1**
Expected return on plan assets	**6.0**	**1.2**	**–**	**7.2**
Expected return on plan assets greater/(less) than discount rate	**15.8**	**(7.6)**	**0.5**	**8.7**
Cash contributions – employer	**9.9**	**(7.5)**	**–**	**2.4**
Administrative expenses	**(0.1)**	**(1.1)**	**–**	**(1.2)**
Cash contributions – employee	**0.4**	**–**	**–**	**0.4**
Loss on settlement	**–**	**(100.3)**	**–**	**(100.3)**
Benefits paid	**(27.4)**	**(3.7)**	**(0.1)**	**(31.2)**
Fair value of scheme assets at 31 December 2021	**479.7**	**3.8**	**3.6**	**487.1**

The employer cash contribution of £7.5m in the Company scheme represents the surplus returned to the Group upon the buy-out transaction completing.

	UK £m	Company £m	Other £m	Total £m
Fair value of scheme assets at 1 January 2020	458.0	109.3	3.0	570.3
Expected return on plan assets	8.9	2.2	–	11.1
Expected return on plan assets greater than discount rate	24.4	16.4	0.2	41.0
Cash contributions – employer	10.2	–	–	10.2
Administrative expenses	(0.2)	(0.8)	–	(1.0)
Cash contributions – employee	0.6	–	0.1	0.7
Benefits paid	(26.8)	(4.3)	(0.1)	(31.2)
Fair value of scheme assets at 31 December 2020	475.1	122.8	3.2	601.1

History of experience gains and losses:	**2021 £m**	2020 £m	2019 £m	2018 £m	2017 £m
UK					
Fair value of scheme assets	**479.7**	475.1	458.0	453.0	486.2
Present value of defined benefit obligation	**(575.8)**	(616.7)	(557.1)	(580.3)	(620.0)
Asset ceiling	**–**	–	–	–	–
Deficit in the scheme	**(96.1)**	(141.6)	(99.1)	(127.3)	(133.8)
Experience adjustments arising on liabilities	**(3.0)**	6.7	52.2	(1.1)	(4.3)
Experience adjustments arising on assets	**15.8**	24.4	8.9	(30.0)	20.2
Company					
Fair value of scheme assets	**3.8**	122.8	109.3	98.6	134.0
Present value of defined benefit obligation	**–**	(110.5)	(95.1)	(83.7)	(90.8)
Surplus in the scheme	**3.8**	12.3	14.2	14.9	43.2
Experience adjustments arising on liabilities	**–**	1.0	0.3	(2.3)	–
Experience adjustments arising on assets	**(7.6)**	16.4	10.8	(35.6)	(0.4)
Other					
Fair value of scheme assets	**3.6**	3.2	3.0	2.7	2.8
Present value of defined benefit obligation	**(6.7)**	(9.0)	(8.1)	(7.1)	(6.7)
Deficit in the scheme	**(3.1)**	(5.8)	(5.1)	(4.4)	(3.9)
Experience adjustments arising on liabilities	**–**	–	–	–	–
Experience adjustments arising on assets	**0.5**	0.2	0.2	–	0.2

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income since 1 January 2004 is a £135.8m loss (2020: £177.7m loss). The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £51.9m is attributable to actuarial gains and losses since inception of those pension schemes. Consequently the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Statement of Comprehensive Income before 1 January 2004.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

35 Leases

Group as a lessee

The Group has lease contracts for various items of property, vehicles, plant and other equipment. Lease terms are negotiated on an individual basis, contain a wide range of different terms and conditions, and may include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The Group's obligations under its leases are secured by the lessor's title to the leased assets.

(a) Amounts recognised in the Balance Sheet

Set out below is the net book value of right-of-use assets and additions during the year (included in property, plant and equipment – note 15):

	2021				2020			
Right-of-use assets	**Land and buildings £m**	**Public service vehicles £m**	**Plant and equipment, fixtures and fittings £m**	**Total £m**	Land and buildings £m	Public service vehicles £m	Plant and equipment, fixtures and fittings £m	Total £m
Additions	**25.4**	**8.0**	**0.3**	**33.7**	29.6	6.4	0.2	36.2
Depreciation charge	**(28.8)**	**(36.5)**	**(0.6)**	**(65.9)**	(30.6)	(46.1)	(0.6)	(77.3)
Net book value at 31 December	**97.6**	**129.9**	**0.2**	**227.7**	107.0	213.3	1.1	321.4

Set out below are the carrying amounts of lease liabilities (included in borrowings – note 28) at 31 December 2021:

Lease liabilities	**2021 £m**	2020 £m
Current	**67.0**	86.5
Non-current	**168.7**	239.7
	235.7	326.2

The maturity analysis of lease liabilities is presented in note 29.

(b) Amounts recognised in the Income Statement

	2021 £m	2020 £m
Depreciation expense on right-of use assets (note 6)	**65.9**	77.3
Interest on lease liabilities (note 10)	**10.5**	12.6
Interest income on sub-leases (note 10)	**(0.7)**	(0.6)
Expenses relating to short-term leases (note 6)	**4.3**	7.9
Expenses relating to leases of low-value assets (note 6)	**3.0**	5.2
Variable lease payments not included in the measurement of lease liabilities (note 6)	**0.1**	–
Covid-19-related rent concessions (note 6)	**–**	(0.7)
Income from sub-leasing right-of-use assets (included in other revenue)	**(3.5)**	(1.6)

It is not expected that commitments for short-term leases will materially differ from those in place at 31 December 2021.

(c) Amounts recognised in the Cash Flow Statement

	2021 £m	2020 £m	Included within
Payment of interest	**(10.5)**	(12.6)	Cash flows from operating activities
Payment of principal	**(118.2)**	(97.7)	Cash flows from financing activities
Payments for short-term, low-value leases and variable lease payments	**(7.4)**	(13.1)	Cash flows from operations
Total cash outflow for leases	**(136.1)**	(123.4)	

35 Leases continued

(d) Extension and termination options

Some property and vehicle leases contain extension or termination options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension or termination options in new leases to provide operational flexibility. The extension and termination options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension or termination options and re-assesses these assumptions when there is a significant event or significant change in circumstances within its control. Where the Group determines it is reasonably certain that a termination option will be exercised, any termination penalty is included in the lease liability.

The Group has estimated that the potential future lease payments, should it exercise the extension or termination options, would result in an immaterial change in the lease liability.

(e) Variable lease payments

During the year the Group entered into a variable lease arrangement in respect of public service vehicles in North America. The lease payments are fully variable based on miles driven, and there is no minimum mileage or fixed payment within the contract. Given the lease payments are fully variable, no lease liability has been recognised in the Balance Sheet. Instead the variable lease payments are included in the Income Statement as incurred.

(f) Residual value guarantees

The Group has a number of leased vehicles with residual value guarantees. At the lease commencement date the amounts expected to be payable have been included in the lease liability.

(g) Future lease commitments

During the year the Group has entered into an availability agreement for the provision of 130 electric buses in the UK. However at year end no vehicles have been made available to us. The agreement includes a substitution clause whereby the service provider makes available to us a set number of vehicles each day from its wider pool of vehicles. In the Directors' view, the arrangement does not meet the definition of a lease. The service provider has control of the vehicles and has a substantive substitution right, having both the practical ability to substitute the vehicles and an economic incentive to do so. Consequently, no right of use asset or lease liability will be recognised on the Balance Sheet, and payments under the agreement will be charged to the Income Statement as incurred. These contracts will give rise to an estimated annual expense of £7.6m.

At the year end, the Group had commitments relating to leases not yet commenced with future lease payments of £0.1m within one year, £0.7m within five years and £0.5m thereafter (2020: £nil).

Group as a lessor

The Group entered into finance leasing arrangements as a lessor for certain vehicles to its customers. In addition, the Group sub-leases two properties which are no longer used by the Group. During 2021, the Group recognised interest income on lease receivables of £0.7m (2020: £0.6m).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

Net investment in the lease	2021 £m	2020 £m
Within one year	**4.6**	4.7
After one year but not more than five years	**9.3**	11.0
More than five years	**5.6**	0.3
Total undiscounted lease receivable	**19.5**	16.0
Unearned finance income	**(2.7)**	(1.1)
Finance lease receivable	**16.8**	14.9

The maturity analysis of the discounted lease payments are as follows:

Net investment in the lease	2021 £m	2020 £m
Current	**4.1**	4.3
Non-current	**12.7**	10.6
	16.8	14.9

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

35 Leases continued

The Group also sub-leases some of its property and public service vehicles. The Group has classified these sub-leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the right-of-use assets. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Operating lease receipts	2021 £m	2020 £m
Within one year	**3.0**	1.3
After one year but not more than five years	**4.7**	1.8
More than five years	–	–
	7.7	3.1

36 Commitments and contingencies

(a) Capital commitments

	2021 £m	2020 £m
Contracted	**97.0**	97.1

The Group is committed to vehicle purchases and various land and buildings improvements.

(b) Contingent liabilities

Guarantees
The Group has guaranteed credit facilities totalling £3.7m (2020: £7.3m) of certain joint ventures.

Bonds and letters of credit
In the ordinary course of business, the Group is required to issue counter-indemnities in support of its operations. As at 31 December 2021, the Group had performance bonds in respect of businesses in the USA of £113.7m (2020: £165.3m), in Spain of £88.1m (2020: £106.7m), in Germany of £30.0m (2020: £32.0m) and in the Middle East of £6.0m (2020: £6.0m). Letters of credit have been issued to support insurance retentions of £145.0m (2020: £117.2m).

Legal
Through the ordinary course of our operations, the Group is party to various litigation, claims and investigations. We do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on the Group’s results, cash flows or financial position.

Tax
Tax authorities in the markets in which we operate (UK, Spain, Germany, USA, Canada and Morocco) carry out tax audits from time to time. As was detailed in note 11(d) Tax provisions, there are a number of tax uncertainties such as the deductibility of interest expense in the UK and Spain, and tax audits in Spain. The Directors are satisfied that, based on current knowledge, adequate tax provisions are held to cover any tax uncertainties. The Group had tax provisions at 31 December 2021 of £1.8m (2020: £2.4m). There are no material contingent liabilities relating to tax.

37 Related party transactions

	Amounts of transactions		Amounts due from related parties		Amounts due to related parties	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Joint ventures						
Bahrain Public Transport Company W.L.L.	**0.5**	0.5	**–**	–	**–**	–
Associates						
ALSA associates	**3.5**	3.7	**3.2**	3.6	**(0.5)**	(0.7)
Total joint ventures and associates	**4.0**	4.2	**3.2**	3.6	**(0.5)**	(0.7)
Trade investments						
ALSA trade investments	**4.7**	4.9	**0.8**	0.9	**(0.8)**	(1.1)
North America trade investments	**1.0**	0.3	**–**	–	**–**	–
Total investments	**5.7**	5.2	**0.8**	0.9	**(0.8)**	(1.1)
Property transactions						
ALSA property transactions	**4.9**	3.7	**0.4**	0.4	**(0.5)**	(0.4)
North America property transactions	**2.0**	3.2	**–**	–	**–**	–
Total property transactions	**6.9**	6.9	**0.4**	0.4	**(0.5)**	(0.4)
Total other related parties	**12.6**	12.1	**1.2**	1.3	**(1.3)**	(1.5)
Total	**16.6**	16.3	**4.4**	4.9	**(1.8)**	(2.2)

A number of Spanish companies have leased properties from companies related to the Cosmen family. Jorge Cosmen is a Non-Executive Director of the Group and was appointed as Deputy Chairman in October 2008. These leases were in place before the Group's acquisition of ALSA and are at appropriate market rates.

The details of the post-employment benefit plans operated for the benefit of employees of the Group are disclosed in note 34.

Compensation of key management personnel of the Group

	2021 £m	2020 £m
Total compensation paid to key management personnel (note 8)	**2.1**	0.8

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

38 Service concession arrangements

The following table sets out the nature and extent of the Group's service concession arrangements:

Concession	Description of the arrangement	Concession period	Concession commencement	Nature of infrastructure	Classification under IFRIC 12
German Rail	The Group operates two train services in Germany.	15 years	2015 – 2020	Rolling stock and tracks used in the operation of the service are provided by the delegating authority.	No financial or intangible asset is recognised for construction as the infrastructure is provided to the Group.
Moroccan Urban Bus	The Group has two contracts with the Moroccan authority for the operation of public transport bus services.	15 years	September 2019	Public service vehicles used in the operation are provided by the Group, some of which are subject to 'lease type' arrangements.	Intangible asset
		Up to 15 years	November 2019	Initially, public service vehicles used in operation are provided by the public authority. Replacement public service vehicles will be provided by the Group and public authority in future years.	Financial asset
Spanish Regional Bus	The Group has a contract with the Provincial Government of Bizkaia to operate regional services.	10 years	July 2021	Public service vehicles used in the operation are provided by the Group.	Financial asset
Spanish Urban Bus	The Group has two contracts with Spanish Councils to operate urban commuter coach services in Spain.	10 years	August 2019	Public service vehicles used in the operation are provided by the Group.	Financial asset
		3 years	June 2021	Public service vehicles used in the operation are provided by the Group.	Financial asset
Alaska Schoolbus	The Group has undertaken a contract for home to school transportation.	10 years	July 2021	Public service vehicles used in the operation are provided by the Group.	Financial asset

During the year, no revenue or profit was recognised in exchanging construction services for financial or intangible assets.

39 Cash flow statement

(a) Reconciliation of Group loss before tax to cash generated from operations

	2021 £m	(Restated) 2020[2] £m
Loss before tax	**(84.9)**	(444.7)
Net finance costs	**47.7**	61.2
Share of results from associates and joint ventures	**1.0**	2.1
Depreciation of property, plant and equipment	**199.7**	223.6
Intangible asset amortisation	**54.2**	69.0
Amortisation of fixed asset grants	**(3.2)**	(2.9)
Gain on disposal of property, plant and equipment	**(8.0)**	(8.7)
Gain on disposal of intangible assets	**(0.6)**	(2.3)
Share-based payments	**1.0**	0.2
(Increase)/decrease in inventories	**(1.9)**	2.9
(Increase)/decrease in receivables	**(85.3)**	56.6
Increase/(decrease) in payables	**53.2**	(140.0)
Increase/(decrease) in provisions	**17.1**	(22.9)
Separately disclosed operating items[1]	**84.4**	278.0
Cash flows relating to separately disclosed items	**(43.3)**	(120.4)
Cash generated from operations	**231.1**	(48.3)

1 Excludes amortisation from acquired intangibles which is included within 'intangible asset amortisation'
2 Restated for the change in presentation of advance subsidy factoring liabilities from other payables to borrowings – see note 2 for further information

39 Cash flow statement continued

(b) Analysis of changes in net debt

Net debt is an alternative performance measure which is not defined or specified under the requirements of International Financial Reporting Standards. Please refer to the glossary on page 226 for further information.

	(Restated) At 1 January 2021[4,5] £m	Cash flow £m	Acquisitions and disposals £m	Exchange differences £m	Other movements £m	At 31 December 2021 £m
Components of financing activities:						
Bank and other loans[1, 4]	(101.8)	(89.6)	(2.0)	4.4	(0.6)	(189.6)
Bonds	(647.0)	–	–	–	6.1	(640.9)
Fair value of interest rate derivatives	1.0	–	–	–	(7.3)	(6.3)
Fair value of foreign exchange forward contracts	4.6	(8.8)	–	(5.7)	–	(9.9)
Cross currency swaps	(5.7)	–	–	8.3	–	2.6
Net lease liabilities[2]	(311.3)	118.2	–	0.8	(26.6)	(218.9)
Private placements	(476.8)	66.8	–	15.5	0.6	(393.9)
Total components of financing activities	(1,537.0)	86.6	(2.0)	23.3	(27.8)	(1,456.9)
Cash[5]	241.2	28.7	0.2	(2.0)	–	268.1
Overnight deposits	49.7	(47.4)	–	(1.9)	–	0.4
Other short-term deposits	338.9	(98.4)	–	(0.6)	–	239.9
Bank overdrafts[5]	(109.3)	(22.9)	–	–	–	(132.2)
Net cash and cash equivalents	520.5	(140.0)	0.2	(4.5)	–	376.2
Other debt receivables	1.2	(0.1)	–	(0.1)	–	1.0
Remove: fair value of foreign exchange forward contracts	(4.6)	8.8	–	5.7	–	9.9
Net debt[3]	(1,019.9)	(44.7)	(1.8)	24.4	(27.8)	(1,069.8)

1 Net of arrangement fees totalling £1.5m on bank and other loans
2 Net lease liabilities is inclusive of finance lease receivables which are reported separately from borrowings on the face of the Group's Balance Sheet
3 Excludes accrued interest on long-term borrowings
4 Restated for the change in presentation of advance subsidy factoring liabilities from other payables to borrowings. See note 2 for further information
5 Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 2 for further information

Short-term deposits relate to term deposits repayable within three months.

Borrowings include non-current interest-bearing borrowings of £1,294.3m (2020: £1,313.0m) as disclosed in note 28.

Other non-cash movements include lease additions and disposals of £26.6m (2020: £21.1m) and a £1.2m net reduction from the amortisation of loan and bond arrangement fees (2020: £1.7m). A £7.3m decrease in the fair value of the hedging derivatives is offset by opposite movements in the fair value of the related hedged borrowings. This comprises a £6.4m fair value increase in bonds and a £0.9m fair value increase in private placements.

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

39 Cash flow statement continued

	(Restated[4, 5])					
	At 1 January 2020 £m	Cash flow £m	Acquisitions and disposals £m	Exchange differences £m	Other movements £m	At 31 December 2020 £m
Components of financing activities:						
Bank and other loans[1, 4]	(242.6)	154.0	(11.3)	(1.0)	(0.9)	(101.8)
Bonds	(1,081.9)	448.4	–	(12.0)	(1.5)	(647.0)
Fair value of interest rate derivatives	3.3	–	–	–	(2.3)	1.0
Fair value of foreign exchange forward contracts	(20.4)	21.0	–	4.0	–	4.6
Cross currency swaps	11.7	(2.4)	–	(15.0)	–	(5.7)
Net lease liabilities[2]	(385.0)	97.7	(4.3)	1.4	(21.1)	(311.3)
Private placements	(68.3)	(407.9)	–	(3.6)	3.0	(476.8)
Total components of financing activities	(1,783.2)	310.8	(15.6)	(26.2)	(22.8)	(1,537.0)
Cash[5]	348.7	(109.3)	0.7	1.1	–	241.2
Overnight deposits	2.1	47.6	–	–	–	49.7
Other short-term deposits	365.0	(30.7)	–	4.6	–	338.9
Bank overdrafts[5]	(237.5)	128.2	–	–	–	(109.3)
Net cash and cash equivalents	478.3	35.8	0.7	5.7	–	520.5
Other debt receivables	2.4	(1.2)	–		–	1.2
Remove: fair value of foreign exchange forward contracts	20.4	(21.0)	–	(4.0)	–	(4.6)
Net debt[3]	(1,282.1)	324.4	(14.9)	(24.5)	(22.8)	(1,019.9)

1 Net of arrangement fees totalling £2.4m on bank and other loans
2 Net lease liabilities is inclusive of finance lease receivables which are reported separately from borrowings on the face of the Group's Balance Sheet
3 Excludes accrued interest on long-term borrowings
4 Restated for the change in presentation of advance subsidy factoring liabilities from other payables to borrowings. See note 2 for further information
5 Restated to reflect a change in the presentation of cash and cash equivalents and bank overdrafts. See note 2 for further information

(c) Reconciliation of net cash flow to movement in net debt

	2021 £m	2020[1] £m
(Decrease)/Increase in net cash and cash equivalents in the year	**(139.8)**	36.5
Cash outflow from movement in other debt receivables	**(0.1)**	(1.2)
Cash inflow from movement in debt and leases liabilities	**93.4**	274.2
Change in net debt resulting from cash flows	**(46.5)**	309.5
Change in net debt resulting from non-cash movements	**(3.4)**	(47.3)
Movement in net debt in the year	**(49.9)**	262.2
Opening net debt[1]	**(1,019.9)**	(1,282.1)
Net debt	**(1,069.8)**	(1,019.9)

1 Restated for the change in presentation of advance subsidy factoring liabilities from other payables to borrowings – see note 2 for further information

40 Subsidiary undertakings and other significant holdings

A full list of subsidiaries, joint ventures and companies in which National Express Group PLC has a controlling interest as at 31 December 2021 is shown below, along with the country of incorporation and the effective percentage of equity owned.

Name and country of Incorporation	% equity interest
United Kingdom & Ireland	
Airlinks The Airport Coach Company Limited (a)	100
Altram L.R.T. Limited (a)	100
Brooke Management Limited (a)	100
Central Trains Limited (a)	100
Clarkes Holdco Limited (a)	100
Coachman Limited (a)	100
Coliseum Coaches Limited (a)	100
E. Clarke & Son (Coaches) Limited (a)	100
Eurolines (U.K) Limited (a)	100
H. Luckett & Co. Limited (a)	100
Inter-Capital and Regional Rail Limited (a)	40
London Eastern Railway Limited (a)	100
Lucketts Holdings Limited (a)	100
Lucketts Services Limited (a)	100
Maintrain Limited (a)	100
Midland Main Line Limited (a)	100
Mortons Travel Limited (a)	100
National Express Bus & Coach Services Limited (b)	100
National Express European Holdings Limited (05652775)* (a)	100
National Express Finance Company Limited (a)	100
National Express Financing LP** (a)	100
National Express Group Holdings Limited (a)	100
National Express Holdings Limited (02156473)* (a)	100
National Express Intermediate Holdings Limited (a)	100
National Express International Limited (a)	100
National Express Leisure Limited (previously Lucketts Travel Limited) (a)	100
National Express Limited (a)	100
National Express Manchester Metrolink Limited (a)	100
National Express Middle East Plc (a)	100
National Express North America Holdings Limited (07855182)* (a)	100
National Express Operations (Stansted) Limited (a)	100
National Express Operations Limited (a)	100
National Express Petermann UK Limited (07855188)* (a)	100
National Express Rail Replacement Limited (a)	100
National Express Services Limited (a)	100
National Express Spanish Holdings Limited (a)	100
National Express Trains Limited (a)	100
National Express Transport Holdings Limited (04338163)* (a)	100
National Express UK Limited (a)	100
N E Canada Limited (08596333)* (a)	100
NE Durham UK Limited (08270480)* (a)	100
NE Europe Finance Limited (07876047)* (a)	100
NE No.1 Ltd (a)	100
NE No.2 Ltd (a)	100
NE No. 3 Limited (a)	100
NE Trains South Limited (a)	100
NXEC Trains Limited (a)	100
Scotrail Railways Limited (a)	100
Silverlink Train Services Limited (a)	100
Solent Coaches Limited (a)	100
Speedlink Airport Services Limited (a)	100
Stewarts Coach Group Limited (a)	100
Stewarts Coaches Limited (a)	100
The Kings Ferry Limited (a)	100
Travel Coventry Limited (previously WM Card Systems Limited) (a)	100
Travel Merryhill Limited (a)	100
Travel West Midlands Limited (a)	100
Travel WM Limited (a)	100
Travel Yourbus Limited (a)	100
West Anglia Great Northern Railway Limited (a)	100
West Midlands Accessible Transport Limited (previously Travel Coventry Limited) (a)	100
West Midlands Travel Limited (a)	100
W M Property Holdings Limited (a)	100
WM Travel Limited (a)	100
W M Ventures Limited (a)	100
Wood's Coaches Limited (a)	100
Woods Reisen Limited (a)	100
Worthing Coaches Limited (a)	100
Bahrain	
Bahrain Public Transport Company W.L.L. (c)	50
Germany	
National Express Germany GmbH (d)	95
National Express Holding GmbH (e)	100
National Express Rail GmbH (f)	100
Süddeutsche Regionalbahn GmbH (e)	100
Czech Republic	
National Express Cz s.r.o. (g)	100
Netherlands	
National Express Holdings LLC BV (h)	100
Andorra	
Estació 2017, S.A. (i)	11
Estació d'Autobusos d'Andorra (j)	100
Transports Dels Pirineus (i)	100
France	
Iberolines (k)	46
SARL Chamexpress.com (l)	100

Notes to the Consolidated Accounts continued
For the year ended 31 December 2021

40 Subsidiary undertakings and other significant holdings continued

Name and country of Incorporation	% equity interest
Morocco	
Alsa al Baida (m)	100
Alsa City Agadir S.A. (n)	100
Alsa City Sightseeing Maroc (o)	100
Alsa City Tour S.A.R.L. (o)	95
Alsa Education a la Sécurité Routière S.A.R.L. (o)	98
Alsa Khouribga S.A. (p)	100
Alsa Tanger S.A. (q)	100
Centre de Formation Techn. Profes. Transport S.A.R.L. (o)	99
Groupe Alsa Transport S.A. (o)	100
Immeubles Véhicules Accessoires Maroc S.A.R.L. (o)	80
Interprovincial Maroc S.A.R.L. (o)	100
Transport de Voyageurs en Autocar Maroc S.A. (o)	100
Alsa Citybus Rabat-Salé-Temara, S.A. (r)	51
Portugal	
Alsa Metropolitano do Porto, Lda (s)	100
Tiac Viagens e Turismo Lda (t)	100
Alsa Todi Metropolitana de Lisboa (u)	65
Slovakia	
Efc Spol s.r.o. (v)	80
Spain	
Agreda Bus, S.L (w)	70
Alianza Bus, S.L.U. (x)	100
Alhambra Bus, S.L.U. (y)	100
Almeria–Murcia Bus, S.L. (y)	100
Alsa Atlántica, S.L.U. (z)	100
Alsa Ferrocarril, S.A.U. (z)	100
Alsa Granada Airport S.L. (y)	100
Alsa Grupo, S.L.U. (z)	100
Alsa Internacional, S.L.U. (z)	100
Alsa Internacional, S.L.U. y Otros U.T.E. (x)	100
Alsa Metropolitana, S.A.U. (x)	100
Alsa-Mirat Extremadura, S.L. (aa)	50
Alsa Micromobility, S.L.U. (z)	100
Alsa Rail, S.L.U. (z)	100
Aplic. y Sist. Integrales Para el Transporte, S.A. (ab)	100
Aragonesa de Estación de Autobuses, S.A. (ac)	23
Argabus, S.A. (ad)	100
Artazo Servicios Integrales, S.L. (ae)	100
Asturies Berlinas de Luxu, S.L. (af)	100
Autobuses Urbanos de Bilbao, S.A. (ag)	75
Autobuses Urbanos de León, S.A.U. (ah)	100
Autocares Castilla–Leon, S.A.U. (ai)	100
Autocares de Badajoz, S.L. (aj)	100
Autocares Discrecionales del Norte, S.L.U. (ak)	100
Automóviles Luarca, S.A.U. (al)	100
Automóviles Sigras Carral, S.A. (am)	100
Autos Cal Pita, S.A. (am)	97
Autos Pelayo, S.A.U. (z)	100
Autos Rodríguez Eocar, S.L. (an)	80
Baleares Business Cars, S.L. (af)	100
Baleares Consignatarios, S.L.U. (ao)	100
Baleares Consignatarios Tours, S.L.U. (ao)	100
Berlinas de Asturias, S.L. (af)	100
Berlinas Calecar, S.L.U. (ai)	100
Berlinas de Canarias, S.L. (af)	100
Berlinas de Toledo, S.L. (af)	100
Berlinas VTC de Cantabria, S.L.U. (ap)	100
Bilboko Hiribus Jasangarría, S.L. (ag)	78
Buses de Palencia, S.L. (aq)	100
Bus Metropolitano de Granada, S.L. (ar)	50
Busturialdea Lea Artibai Bus, S.A. (as)	65
Bus Urbano de Castro Urdiales, S.L. (ap)	96
Canary Business Cars, S.L. (af)	100
Cataluña Business Cars, S.L. (af)	100
Center Bus, S.L. (at)	90
Cetralsa Formación, S.L.U. (z)	100
Cía. del Tranvía Eléctrico de Avilés, S.A. (au)	87
Compañia Navarra de Autobuses, S.A. (av)	50
Compostelana, S.A.U. (aw)	100
Concesionario Estación Autobuses Logroño, S.A. (ax)	21
Ebrobus, S.L.U. (z)	100
Estación Autobuses de Cartagena, S.A. (ay)	54
Estación Autobuses de Ponferrada, S.A. (az)	49
Estación Central de Autobuses de Zaragoza, S.A. (ba)	19
Estación de Autobuses de Siero, S.L. (bb)	50
Estación de Autobuses Aguilar de Campoo, S.L. (bc)	67
Estación de Autobuses de Aranda de Duero, S.L. (bd)	43
Estación de Autobuses de Astorga, S.L. (be	79
Estación de Autobuses de Aviles S.L. (bf)	100
Estación de Autobuses de León, S.A. (ai)	89
Estación de Autobuses de Plasencia, S.A. (bg)	52
Estación de Autobuses de San Lorenzo del Escorial, S.A.U. (x)	100
Estación de Autobuses de Ribadeo, S.L. (bh)	50
Estación de Autobuses de Vitoria, S.L. (bi)	32
Estación de Líneas Regulares, S.L. (bj)	46
Estaciónes Terminales de Autobuses, S.A. (bk)	79
Euska Alsa, S.L.U. (ak)	100
Explotación Gasoleo Estación de Autobuses A Coruña, S.L. (bl)	40
Ezkerraldea-Meatzaldea Bus, S.A. (as)	65
Gal Bus, S.L. (am)	100
G.S. Carretera (bm)	25
General Técnica Industrial, S.L.U. (z)	100
Gorbea Representaciones, S.L. (ak)	100
Guaguas Gumidafe, S.L. (ae)	100
Grupo Enatcar, S.A. (x)	100
Ibero-Euro Sur, S.L. (x)	20

40 Subsidiary undertakings and other significant holdings continued

Name and country of Incorporation	% equity interest
Intercambiadores Europeos, S.L. (z)	60
Intercar Business Cars, S.L. (bn)	100
International Business Limousines, S.A.U. (bo)	100
Interurbana de Autocares, S.A.U. (z)	100
Irubus, S.A.U. (x)	100
Jimenez Lopera, S.A.U. (bo)	100
Julia Travel y Automóviles Luarca Sa Ute (bp)	50
La Tafallesa, S.A.U. (av)	50
La Unión Alavesa, S.L. (bi)	50
La Unión de Benisa, S.A. (bq)	98
Lineas Europeas de Autobuses, S.A. (br)	43
Los Abades de la Gineta, S.L.U. (x)	100
Mybustest, S.L (z)	50
Mai Tours, S.L.U. (bs)	100
Manuel Vázquez, S.L. (bt)	60
Movelia Tecnologias, S.L. (bu)	78
Mundaka Consultoria, S.L.U. (ak)	100
NEX Continental Holdings, S.L.U. (z)	100
NX Middle East, S.L.U. (bv)	100
Proyectos Unificados, S.A.U. (z)	100
Publi Imagen Granada, S.L.U. (y)	100
Representaciones Mecánica, S.A.U. (ak)	100
Return Viajes, S.L. (bw)	50
Rutas a Cataluña, S.A. (bx)	28
Rutas del Cantábrico, S.L. (ak)	95
Semarvi (z)	34
Serviareas 2000, S.L.U (z)	100
Servicios Auxiliares del Transporte C.B. (by)	100
Servicios del Principado, S.A.U. (z)	100
Servicios El Temple, S.L. (am)	100
Servicios Empresariales Especiales, S.L.U. (ak)	100
Servicios Generales de Automoción, S.A.U. (ak)	100
Servicios VTC Tibus, S.L.U. (x)	100
Setra Ventas y Servicios, S.A.U. (bo)	100
Sevirama, S.L. (bz)	30
Sociedad Anónima Unipersonal Alsina Graells de A.T. (ca)	100
Sociedad Concesionaria Interurbano Tolosa Buruntzaldea S.L. (cb)	25
Técnicas en Vehículos Automóviles, S.L.U. (x)	100
Técnologias Formativas en Simuladores, S.L. (cc)	50
Terminal de Autobuses de Garellano, S.L. (cd)	41
Tibus, S.A. (ca)	60
Tibus Berlines de Luxe, S.L.U. (ca)	100
Tibus Business Cars, S.L.U. (ca)	100
Tibus Business Limousines, S.L.U. (x)	100
Tibus Luxury Services, S.L.U. (ca)	100
Transporte Colectivos, S.A.U. (ce)	100
Transportes Accesibles Peninsulares, S.L. (cf)	100
Transportes Adaptados Andaluces, S.A.U. (cg)	100
Transportes Adaptados Regionales, S.L.U. (ai)	100
Transportes Adaptados Cántabros, S.A. (ch)	98

Name and country of Incorporation	% equity interest
Transportes Bacoma, S.A.U. (ca)	100
Transportes Rober, S.A.U. (y)	100
Transportes de Viajeros de Aragón, S.A. (ba)	59
Transportes Santo Domingo, S.L.U. (ci)	100
Viajes ALSA, S.A.U. (z)	100
Transportes Terrestres Cantabros, S.A. (ch)	93
Transportes Unidos de Asturias, S.L. (cj)	100
Transportes Unidos, S.L.U. (z)	100
Transportes Urbanos de Cantabria, S.L.U. (ch)	100
Transportes Urbanos de Cartagena, S.A. (ck)	97
Tranvía de Vélez, S.A.U. (cl)	100
Transportes Urbanos de Guadalajara, S.L. (cm)	100
Tranvías Metropolitanas de Granada, S.A.U. (cn)	100
Tury Express, S.A. (ak)	100
Ute Catamaranes Bahía Cadiz (co)	23
Ute Ea Cordoba (cp)	50
Ute Extremadura (x)	100
Ute Guadalajara (z)	100
Ute Mundiplan (cq)	17
Ute Murcia City Tour (al)	50
Ute Ea Alicante (cr)	50
Viajes Por Carretera, S.A.U. (ak)	100
Voramar el Gaucho S.L.U. (cs)	100
Switzerland	
AlpyBus S.a.r.l. (ct)	100
Eggmann Frey (cu)	100
GVA Transfers.com SARL (cv)	100
Linien Abfertigung GmbH (cu)	80
Odier Excursions, S.A. (cw)	100
US	
The Provider Enterprises, Inc. (cx)	100
A1A Transportation, Inc. (cy)	100
Aristocrat Limousine and Bus, Inc. (cz)	100
A&S Transportation Incorporated (cy)	100
Atlantic & Southern Transportation (da)	100
Atlantic & Southern Transportation (db)	100
Atlantic & Southern Transportation (dc)	100
Beck Bus Transportation Corp. (de)	100
Beck Bus Transportation III, LLC (de)	100
Beck Bus Transportation IV, LLC (de)	100
Beck Bus Transportation, LLC (de)	100
Bus Co., Inc. (de)	100
Caravan Leasing Vehicles LLC (df)	100
Carrier Management Corporation (dg)	100
Chicagoland Coach Lines LLC (dh)	100
Community Transportation, Inc. (dg)	100
Cook-DuPage Transportation Company, Inc. (de)	100
Diamond Transportation Services, Inc. (di)	100

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

40 Subsidiary undertakings and other significant holdings continued

Name and country of Incorporation	% equity interest
Discount Enterprises, Inc. (dj)	100
Durham D&M LLC (dh)	100
Durham Holding I, LLC (dh)	100
Durham Holding II, LLC (dh)	100
Durham School Services, L.P. (dh)	100
Fox Bus Lines Inc. (dk)	100
Greensburg Yellow Cab Co. (dg)	100
Haid Acquisitions LLC (dl)	100
JNC Leasing, Inc. (dm)	100
Kiessling Transit, Inc. (dk)	100
Meda-Care Vans of Waukesha, Inc. (dn)	100
MF Petermann Investment Corporation (dh)	100
Monroe School Transportation, Inc. (do)	100
MV Student Transportation, Inc. (dp)	100
National Express Acquisition Corporation (dh)	100
National Express Durham Holding Corporation (dh)	100
National Express LLC (dh)	100
National Express Leasing Company LLC (dh)	100
National Express Transit Corporation (dh)	100
National Express Transit Services Corporation (dh)	100
New Dawn Transit LLC (do)	100
Petermann Acquisition Co., LLC (dh)	100
Petermann Acquisition Corporation (dh)	100
Petermann Holding Co., LLC (dh)	100
Petermann Ltd. (dl)	100
Petermann Northeast, LLC (dl)	100
Petermann Northwest, LLC (dh)	100
Petermann Partners, Inc. (dh)	100
Petermann Southwest, LLC (dh)	100
Petermann STS, LLC (dh)	100
Petermann STSA, LLC (dh)	100
PM2 Co. LLC (dh)	100
Quality Bus Service, LLC (do)	100
Queen City Transportation, LLC (dl)	100
Rainbow Management Service, Inc. (do)	100
Safeway Training and Transportation Services, Inc. (cx)	100
Septran, Inc. (dc)	100
Smith Bus Service, Inc. (dq)	100
Suburban Paratransit Services, Inc. (do)	100
Total Transit Enterprises, LLC (dr)	100
Trans Express, Inc. (do)	100
Transit Express, Inc. (dn)	100
Transit Express Services, Inc. (dn)	100
Trinity, Inc. (dm)	100

Name and country of Incorporation	% equity interest
Trinity Cars, Inc. (dm)	100
Trinity Coach LLC (dm)	100
Trinity Management Services Co. LLC (ds)	100
Trinity Student Delivery LLC (dm)	100
TWB Transport, LLC (de)	100
WeDriveU America LLC (dc)	100
WeDriveU Holdings, Inc. (dt)	70
White Plains Bus Co., Inc. (do)	100
Whitetail Bid Co., LLC (dh)	100
Wise Coaches, Inc. (du)	100
Canada	
National Express Canada (Holdings) Limited (dv)	100
National Express Canada Transit Ltd (dv)	100
Stock Transportation Ltd (dv)	100

* These subsidiaries are exempt from the requirements of the UK companies Act 2006 relating to the audit of individual accounts by virtue of S479A of the Act. Outstanding liabilities of the exempt companies at the Balance Sheet date are guaranteed pursuant to Sections 479A-C of the Act.

** National Express Financing LP is exempt from preparing accounts in accordance with Part 2, Regulation 7 of The Partnerships (Accounts) Regulations 2008, as it is included within the Group consolidated financial statements for the year ending 31 December 2021.

40 Subsidiary undertakings and other significant holdings continued

Key	Address
(a)	National Express House, Mill Lane, Digbeth, Birmingham, B5 6DD
(b)	Terminal 1, Office 10, Link Corridor, Mezzanine Level, Dublin Airport, Dublin, K67 KD58, Ireland
(c)	Garage 1087, Road 4025, Isa Town 840, Southern Governorate, Kingdom of Bahrain
(d)	Trakehner Strasse 7-9, 60487 Frankfurt am Main, Germany
(e)	Vogelsanger Weg 38, 40470 Düsseldorf, Germany
(f)	Johannisstrasse 60-64, 50668 Cologne, Germany
(g)	Seifertova 327/85, 130 00 Praha, Zizkov, Czech Republic
(h)	Dr Willem Dreesweg 2, 1st Fl. South Wing, 1185 VB Amstelveen, The Netherlands
(i)	Carrer de la Cúria, s/n, Andorra la Vella
(j)	Av. de Tarragona, 42, AD500 Andorra la Vella
(k)	41 Boulevard Poniatowski, 75012, Paris
(l)	498 Avenue des Alpages, 74310 Les Houches
(m)	Twin Center ang Bd Zerktouni Et Al Massira Etg 5 et 6, Casablanca
(n)	Rue De Teheran, Q.I Agadir
(o)	Ahwaz, Ferme Ahzib Achayech Ferkat Ain Dada, Askedjour, Jamaat Et Kiadat Saada, Marrakech
(p)	No 22 Rue Meknes Hay Haboub, Khouribga
(q)	37 Rue Omar Ibn Khattab, Inmeuble Maspalomas 2, Tanger
(r)	Rue cadi Srayri et Cadi Ben Hammadi, Quartier de la Pinede – Rabat
(s)	Avenida das Forças Armadas, N 125, 12 Lisboa
(t)	Rua de Pedro Nunes, 39, Lisboa
(u)	Estrada de Algeruz, Cruz de Peixe – 2901-279-Setúbal
(v)	Tehelná 23 83103, Bratislava – Nové Mesto
(w)	Avda. Manuel Rodríguez Ayuso, 110 – Zaragoza
(x)	C/ Alcalá, 478, Madrid (28027)
(y)	Avda Juan Pablo II, 33, Granada
(z)	C/ Miguel Fleta, 4, Madrid (28037)
(aa)	C/ Túnez, 1 (Estación de Autobuses), Cáceres
(ab)	Pol. San Mateo, Ctra Coll D' En Rabassa, Palma de Mallorca (07002)
(ac)	Urbanización Plaza de Roma, F-1, Zaragoza
(ad)	C/ Real 116 – Arganda del Rey (Madrid)
(ae)	Gáldar (Las Palmas de Gran Canaria), calle Pedro de Arguello, 10
(af)	C/ Jorge Juan, 19 – 2º Izquierda, Madrid (28001)
(ag)	C/ Tellaetxebidea 3, Bilbao
(ah)	Pol. Ind. Vilecha Oeste, León (24192)
(ai)	Estación de Autobuses, Avda Ingeniero Saenz de Miera, León (24009)
(aj)	Avenida de la Libertad, s/n, 06800, Mérida (Badajoz)
(ak)	Alameda de Urquijo, no 85, 1o – Dcha., Bilbao- Vizaya (48013)
(al)	Magnus Blikstad 2, Gijón (33207)
(am)	Ctra. El Burgo-Los Pelamios s/n Culleredo – A Coruña
(an)	Cedofeita, c/ Requiande, 1 – Ribadeo-Lugo
(ao)	Carretera Porto Pi, 8-7º, 07015, Palma de Mallorca
(ap)	Avenida de Candina, nº 35, Santander (39011)
(aq)	C/ Campaneros, 4, 1o Dcha, Palencia (34003)
(ar)	Avenida Juan Pablo II, 33 (Estación de Autobuses), Granada (18013)
(as)	Centro de Transportes de Vizcaya, Barrio el Juncal, Naves 3 y 4 (Valle de Trápaga-Trapagaran), Vizcaya (48510)
(at)	Paseo de Moret, 7, Madrid
(au)	Avda Conde de Guadalhorce 123, Aviles (33400)
(av)	C/ Yanguas y Miranda, 2 (Estación de Autobuses), Pamplona
(aw)	Plaza San Cayetano, s/n. Estación Autobuses Taq. 10, Santiago de Compostela (La Coruña)
(ax)	Avda de España, 1, Logroño- La Rioja
(ay)	Avda Trovero Marín. Nº 3,(Estación Autobuses), Cartagena (30202)
(az)	Ctra de Asturias, Ponferrada
(ba)	Avda de Navarra, 80 (Estación Central de Autobuses),Zaragoza (50011)
(bb)	C/ Ramón y Cajal, Pola de Siero
(bc)	Avda de Ronda 52 Bis, Aguilar de Campoo (Palencia)
(bd)	Avda Valladolid, Aranda de Duero (Burgos)
(be)	Avda Las Murallas, nº 52, Astorga-León (24700)
(bf)	C/ Los Telares (Estación de Autobuses) Aviles (33400)
(bg)	C/ Tornavacas, 2, Plasencia
(bh)	Avda Rosalía de Castro, Ribadeo
(bi)	C/ Los Herran, 50 (Estación de Autobuses), Alava (Vitoria)
(bj)	Plaza de las Estaciones, Santander (Cantabria)
(bk)	Avda Menéndez Pidal, nº 13 (Estación de Autobuses), Valencia (46009)
(bl)	Rúa Caballeros, 21, 15009 A Coruña
(bm)	Plaza de la Constitución, Estación de Autobuses, 2ª Planta, Oficina 26, Lugo
(bn)	Pol. De Pocomaco, Primera Avenida, 10 Nave Alsa B-15, A Coruña
(bo)	Pol. Ind. Las Fronteras. C/ Limite, Torrejón de Ardoz (Madrid)
(bp)	Avda Sancho El Sabio, 31, Donostia
(bq)	C/ Comunicaciones, 10 (P. de Babel), Alicante (03008)
(br)	C/Guillem de Castro, 77, Valencia
(bs)	Avenida de la Hispanidad O- Parking P12, Barajas, Madrid
(bt)	C/ Jacques Cousteau, 2 – Arteijo (A Coruña)
(bu)	C/ Santa Leonor, 65 –Avalón Parque Empresarial, Edificio A, Madrid
(bv)	C/ Inglaterra, 20-22, Palencia (34004)
(bw)	Madrid (Las Rozas), Avda de Marsil 33
(bx)	C/ Musico Gustavo Freire, 1 -1° Dcha, Lugo (27001)
(by)	C/ Mendez Álvaro (Estación de Autobuses), Madrid
(bz)	Paseo Colón, 18, Bajo Dcha. Sevilla
(ca)	C/ Ali Bei, 80 (Estación de Autobuses), Barcelona (08013)
(cb)	Barrio Ubilluts, Andoaín – Guipuzcoa
(cc)	Newton, 6,Edificio 6, Nave, 6.P, Leganés, Madrid (28914)
(cd)	Alameda de Mazarredo, 21, Bilbao
(ce)	Gran Vía de D. Ingacio de Haro, 81, Bilbao
(cf)	C/Pepe Cosmen, (Estación de Autobuses), Oviedo (33001)
(cg)	Plaza Coca Piñera, s/n (Estación de Autobuses), Jaén
(ch)	Avda Candina, 35-37, Santander (39011)
(ci)	C/ Investigación. Nº 2 – Getafe (Madrid)
(cj)	Pol. Ind. Espírtiu Santo, Oviedo (33010)
(ck)	Paraje de la Asomada, Cartagena (Murcia)
(cl)	Avda Juan Carlos I, s/n. Ronda del Ingeniero, Vélez Málaga (Málaga)
(cm)	Polígono Industrial del Henares, Calle Livorno, 55, Marchamalo, Guadalajara (19180)
(cn)	Avenida de Cádiz, número 70, 1º-B, Granada
(co)	Avda José León de Carranza, nº20, Cádiz
(cp)	Glorieta de las Tres Culturas, Córdoba
(cq)	C/ Ruiz Perelló, 15, Madrid
(cr)	Muelle de Poniente, Alicante
(cs)	S' Hort den Serral (San Agustín) Sant Josep de sa Talaia, Illes Balears
(ct)	8 Chemin de Morglas, 1214, Genève
(cu)	Rue du Mont Blanc 14, 1201, Genève
(cv)	Chemin de Morglas, 8 – Vernier
(cw)	Chemin Des Aulx 9 – Plan Les Ouates – Switzerland
(cx)	9 Capitol Street, Concord, NH 03301

Notes to the Consolidated Accounts continued For the year ended 31 December 2021

40 Subsidiary undertakings and other significant holdings continued

Key	Address
(cy)	1200 Pine Island Road, Plantation, FL 33324
(cz)	820 Bear Tavern Road, West Trenton, NJ 08628
(da)	289 Culver Street, Lawrenceville, GA 30046
(db)	3867 Plaza Tower Drive, Baton Rouge, LA 70816
(dc)	334 North Senate Avenue, Indianapolis, IN 46204
(de)	208 S. LaSalle Street, Chicago, County of Cook, IL 60604
(df)	8020 Excelsior Drive, Suite 200, Madison, WI 53717
(dg)	600 N. 2nd Street, Suite 401, Harrisburg, PA 17101-1071
(dh)	1209 Orange Street, Corporation Trust Center, New Castle County, Wilmington, DE 19801-1120
(di)	4701 Cox Road, Glen Allen, County of Henrico, VA 23060
(dj)	3800 North Central Avenue, Ste. 460 Phoenix, AZ 85012
(dk)	155 Federal Street, Suite 700, Boston, MA 02110
(dl)	4400 Easton Commons Way, Suite 125, Columbus, County of Franklin, OH 43219
(dm)	40600 Ann Arbor Road E., Suite 201, Plymouth, MI 48170-4675
(dn)	301 S. Bedford St., Suite 1, Madison, WI 53703
(do)	28 Liberty Street, New York, NY 10005
(dp)	40 West Lawrence, Suite A, Helena, Montana 59601
(dq)	2405 York Road, Ste. 201, Lutherville Timonium, MD 21093-2264
(dr)	3800 North Central Avenue, Suite 460, Phoenix, AZ 85012
(ds)	4624 13th St., Wyandotte, MI 48192
(dt)	2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833
(du)	300 Montvue Road, Knoxville, TN 37919
(dv)	40 King Street West, Suite 5800, Toronto, ON M5H 3S1 Canada

41 Post balance sheet events

Although considered a non-adjusting post balance event, the recent events in Ukraine are still unfolding with the knock on effects at this stage uncertain and unquantifiable. Whilst the events are impacting on current fuel prices, as at the 9 March 2022 the Group is fully hedged for 2022 and around 65% hedged for 2023, which will help mitigate against such volatility.