

Carousel Buses Limited
Registered No: 04062073

Carousel Buses Limited

Annual Report and Financial Statements

Year ended 27 June 2020



Carousel Buses Limited
Registered No: 04062073

Directors

D Brown
P R Southall
L Marion
P Hennigan
E Brian

Company Secretary

C Ferguson

Auditor

Deloitte LLP
Statutory Auditor
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United Kingdom

Bankers

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Solicitors

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Carousel Buses Limited

Strategic report

The directors present their strategic report for the year ended 27 June 2020.

Carousel Buses Limited (the “Company”) is a wholly owned subsidiary of The Go-Ahead Group plc (the “Group”).

Business Review

The profit for the year, after taxation, amounted to £38,000 (2019: loss of £54,000). No dividends were paid or proposed in the year. The directors do not recommend a final ordinary dividend for the year.

Key Performance Indicators

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

	2020 £000	2019 £000	Change %
Revenue	4,716	4,596	2.6
Operating profit / (loss)	128	(51)	(351.0)
Profit/(Loss) for the financial year	38	(54)	(170.4)
Customer satisfaction	92%	92%	0.0
Passenger journeys, ‘000	1,609	1,953	(17.6)
Miles operated, ‘000	1,679	1,591	5.6
Average number of employees	75	72	4.2

Principal activities and review of the business

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

The company continued to make positive progress during 2019/20. The smartcard ticketing scheme introduced in the prior year was expanded to include a multi-operator ticketing product “Wycombe SmartZone,” which was deployed in the High Wycombe urban area from January 2020. This scheme included the first multi-operator QR coded m-ticket products deployed by the Go-Ahead Group, and helped to drive a continued shift of revenue to off-bus channels, improving bus boarding times.

In addition, the company launched a major improvement to its contactless payment system in February 2020, with the new “Freeflow” system introducing tap-on, tap-off functionality and daily zonal capping.

From a route development perspective, the High Wycombe Park & Ride service was amended in partnership with Buckinghamshire Council to incorporate the service to Cressex business park from July 2019. This, and other network developments helped passenger numbers to reach 12.4% year on year growth by the end of February 2020. Miles operated grew 5.6% to support these network developments.

From March 2020 the company’s operations were impacted by the COVID-19 pandemic. The measures introduced by central government to combat the pandemic led to a collapse in passenger demand, as well as temporary reductions in mileage operated to reflect the “lockdown” conditions.

The company was very grateful to central government for the financial support provided through the Coronavirus Bus Services Support Grant and Coronavirus Job Retention scheme and these enabled services to continue to be provided at a generous level for those who needed to use them throughout the peak of the crisis period.

However, the impact of the pandemic saw an overall reduction in patronage of 17.6%. Revenue grew by 2.6%, primarily due to £339k from the Coronavirus Bus Services Support Grant Scheme noted above.

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Strategic report (continued)

By the year end the company had returned miles operated to virtually 100% of normal levels and had seen patronage begin to rebound.

Employee numbers have increased by 4.2%, with a slight improvement seen in the company's ability to recruit and retain staff compared to prior years.

Future Developments

Carousel Buses Limited continues to monitor UK Government advice and continue to work closely with Local Authorities to ensure that the provision of services is appropriate and allows for social distancing, for example by monitoring passenger levels per service and reviewing school service operating arrangements. We have invested in a new tool, "When2Travel" which allows passengers to see how busy our services are and advises on quieter times of the day when passengers may prefer to travel. We continue to be in receipt of the CBSSG payments available to the industry. Most colleagues have now returned to work to meet government aspirations to return to pre-COVID service levels. Marketing activities are focused on our "Time To" campaign to inform customers about how to use our services in safety.

The Company will continue to develop its commercial strategy by investing in vehicles and routes where a return can be made on the investment and by seeking to improve margins on existing services. The Company will continue to invest in IT and has implemented an upgrade to Windows 10 to ensure greater cyber security.

With respect of Brexit, the Directors will continue to monitor any changes in our supply chain, potential increased or decreased prices for rolling stock and fuel, and for changes in passenger trends as a result of Brexit.

Principal Risks and Uncertainties

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

Interest rate risk

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

Commodity Price risk

There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates. The Company is exposed to commodity price risk as a result of fuel usage. The Company closely monitors fuel prices and uses fuel derivatives to hedge its exposure to increases in fuel prices, when it deems this to be appropriate.

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

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

Credit risk

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

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Strategic report (continued)

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

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

Liquidity risk

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

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

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

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

Risks associated with the UK's exit from the European Union (continued)

The majority of the Company's major suppliers are based in the UK and both the revenue and cost base of the Company is therefore primarily denominated in sterling. However, the Company is exposed to some indirect currency risk from suppliers based in the European Union whose cost base is wholly or partly denominated in

Euro, primarily in relation to engineering materials used to maintain vehicles. The Company manages this risk through regularly re-tendering contracts for the supply of these parts and ensuring these contracts are denominated in sterling.

Risks associated with COVID-19

The Company reduced vehicle mileage in response to the COVID-19 situation and as a result, fuel usage reduced. Due to the timing of the reduction in volumes, hedging volumes were altered in advance of year end and in respect of the forthcoming year based upon revised assumptions as outlined in our going concern scenarios. The COVID-19 situation means that there is greater estimation uncertainty in our forecast fuel consumption; however, the Government's current support via CBSSG and its desire to operate as close to 100% of existing services during this period of support, mitigates and reduces the commodity price risk and sensitivity.

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



E Brian
Director

12 February 2021

Carousel Buses Limited

Directors' report

The directors present their annual report, together with the financial statements and auditors report.

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

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

Directors

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

D Brown
R Woodhouse (resigned 28 November 2019)
L Marion
P Southall
P Hennigan
E Brian

D Brown and E Brian were directors of the ultimate parent company, The Go-Ahead Group plc during the year.

Dividends

Dividends of £nil were paid during the year (2019: £nil). The directors do not recommend a final ordinary dividend for the year.

Management and staff

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

The Company also encourages employee involvement in the Company's performance through a number of share schemes including a Share Incentive Plan and Savings-Related Share Option Scheme. Details of these schemes can be found in the notes to the financial statements.

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

Going concern

The Company is a wholly owned subsidiary of The Go-Ahead Group plc (the Group). The going concern status of the Company is therefore intrinsically linked with the operational existence of the Group and on the continued provision of Group support. The Group's Annual Report and Financial statements for the year ended 27 June 2020 were prepared on a going concern basis and full details of the going concern assessment can be found on pages 60-62 of this report.

The directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Details of the going concern assessment are as follows:

Background

The COVID-19 pandemic has had a significant impact on the business of the Company.

During the crisis, the Company has had three priorities: to safeguard the health and wellbeing of our colleagues and customers; to play our role in society in challenging times; and to protect our business. The business is a key part of the communities it serves and has played a fundamental role in supporting them through this crisis.

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Directors' report (continued)

The Government recognised that it was critical to maintain essential services for key workers to get to their places of work and to provide appropriate funding to sustain services. This funding is testament to the importance of our business and wider industry.

In response to COVID-19, we have taken decisive action to protect our business by reducing our cost base, reducing our capital expenditure and reducing the effect of the revenue downturn on our cashflow. Where possible, we have frozen capital expenditure to reduce cash outflows.

Cost reduction actions included the use of the UK Government's Coronavirus Job Retention Scheme and a freeze on all discretionary expenditure.

While it has been necessary to reduce supplier orders in line with our own service reductions, we have adopted a structured and fair process, in line with our Sustainable Supply Chain Charter. We have taken active steps to protect our essential supply chain, including continuing to pay suppliers in line with the Prompt Payment Code. All short term decisions have been taken with consideration for the longer term impacts they may have. Uncertainties remain around government guidelines and restrictions as well as their impact on public transport usage. The quantum and duration of government support measures, also remains uncertain and will evolve throughout the coming months.

It is unclear how and when these support measures will be withdrawn and, if the crisis persists for a much longer period, the extent to which the Government will continue to have the ability to provide financial and contractual support.

Going concern assessment

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

As part of this assessment, the Company has also considered the FRC Company Guidance (updated 20 May 2020) (COVID-19), which has encouraged companies to assess current forecasts (corporate plans) with more vigour, consider the impact of different potential scenarios along with a likelihood assessment, and consider both the uncertainty and the likely success of any realistic mitigations.

The directors have recognised the challenges around reliably estimating and forecasting the effects of COVID-19 on our business.

Key areas of forecasting uncertainty include:

- the extent and duration of COVID-19 restrictions in the UK and across the world;
- the duration and scale of government support measures to the bus sector, including the COVID-19 Bus Services Support Grant for eligible local bus services in England; and
- recovery rates in regional bus revenue, including airline and coach services, and the size of the network required to support that level of passenger demand.

In particular, regional bus passenger demand assumptions reflect the consideration of a number of competing factors including:

- COVID-19 accelerating trends of increased home working, online shopping, telemedicine, home education and the impact of these trends on travel patterns;
- the opportunity to secure the long term economic, social, health and environmental benefits brought by the reduced volume of car traffic and lower carbon emissions seen during COVID-19;
- the modal shift from private cars to active travel and more sustainable public transport, tackling climate change with strong government action to reduce car use, including as part of the committed £3bn government funding package. There is evidence of a modal shift towards bus travel in difficult economic circumstances; and
- the growing trend in favour of "staycation" and increase in local leisure journeys as international or long-distance travel is constrained by travel restrictions and health-related concerns; post-lockdown sense of community and sense of loneliness in lockdown driving more local journeys and a trend towards the flattening of the peak in passenger demand.

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Directors' report (continued)

The forecasts were modelled using the base case described below and based on the Company's three-year corporate plan.

The base case

At the time of preparation of the Group's going concern assessment, the forecast assumed that:

- regional bus would operate 100 per cent of core weekday mileage from July 2020 with adjustments for ad hoc "out of scope" services (Park & Ride, airport, tourism, universities, etc.);
- passenger levels would return to c.50 per cent in September 2020, gradually ramping up to c.90 per cent by January 2021, with passenger demand back to pre-COVID-19 levels by July 2021; and
- the UK Government's Coronavirus Job Retention Scheme ("CJRS") would cease at the end of October 2020, as per plans at that time, and the COVID-19 Bus Services Support Grant ("CBSSG") would continue to the end of December 2020, although the Government has committed to the continuation of this funding for as long as it is required.

Subsequent to the completion of this forecast, the CJRS was further extended to April 2021 and, as at January 2021 CBSSG funding is continuing with Government commitment of support as long as it is needed. Passenger numbers in January 2021 were much lower than forecasted due to ongoing lockdown restrictions across the country. However, owing to the ongoing levels of Government support, this does not have a negative impact on the Group going concern assessment.

In reaching its conclusion on the going concern assessment, the directors considered the findings of the work performed and the impact of the updated position to support the statement on the long term viability of the Company.

Reasonable worst case scenario

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

The reasonable downside scenario assumptions used in the Group year end going concern assessment were:

A)

- Slower recovery of passenger demand in regional bus with passenger demand increasing to only 80 per cent of pre-COVID-19 levels and service levels commensurate with that demand.
- The ceasing of government support from December 2020 except for the Bus Services Operators Grant (BSOG) and concessionary travel income.
- Under this scenario mitigating actions are required via cost reductions.

B)

- Passenger demand remains below 85 per cent of pre-COVID-19 levels;
- CBSSG support remaining in place until June 2021.
- Under this scenario no mitigating actions are required as service levels would be held at constant levels.

The CBSSG funding scenario ensures operators broadly break even. The alternative (Scenario A) of a slower recovery offset with mitigations via cost reductions if passenger demand does not return gives a broadly similar expected outcome.

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

Following the newly identified variants of COVID-19 and the additional lockdown restrictions imposed in the UK in early 2021, these forecasts have been revised and updated to consider the impact of the slower recovery in passenger numbers and a potential reduction in or removal of CBSSG funding. After consideration of the revised forecasts, the directors have concluded that it is appropriate to apply the going concern assumption to these financial statements.

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Directors' report (continued)

Liquidity and covenant testing

The Group has provided a letter of Group support to the Company, assuring financial support for a period of at least 12 months from the date of approval of the financial statements. The Group has a strong balance sheet and good liquidity with no debt maturities ahead of 2024. At 27 June 2020, the adjusted net debt to EBITDA ratio was 1.96 times, comfortably within the target range and allowing adequate headroom on our primary bank covenant of 3.5 times. Further information is given in the section on liquidity and covenant testing in the Group Annual Report and Accounts.

Mitigating action

At a Group level, the Board has considered all mitigations that would be within their control if faced with a short-term material EBITDA reduction that would reduce covenant headroom. These include cost efficiencies, additional restructuring, reduction or postponement of capital expenditure, extended suspension of dividend payments, and sale of other assets.

Other mitigations could be considered in more severe circumstances, including requests for amendments or waivers of covenants, raising further equity, sale and leaseback of vehicles, disposal of properties and disposal of investments or other assets.

Restructuring

A review of operations of the Company to address the challenge on longer term reductions in passenger demand was considered. The business developed optimal solutions in a scenario where passenger demand only built back up to between 80 and 90 per cent of pre-COVID levels, delivering variable cost reductions along with specific targeted restructures of parts of the business. These reductions would include reduction in service levels across the network to match demand, cessation of operation of marginal cost routes, back office and discretionary spend reductions and specific items such as depot closures, all of which are within the control of the business.

Going concern statement

The directors have assessed, in light of current and anticipated economic conditions, the Company's ability to continue as a going concern. As outlined above, the Company is expecting to receive government support in the foreseeable future. We have obtained confirmation from The Go-Ahead Group plc that they will continue to provide financial support for a period of at least twelve months from the date of approval of the balance sheet. The directors are satisfied that the group is both willing and able to provide such support as may be necessary. Based on the group's financial position as discussed above, the directors are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, the directors continue to adopt the going concern basis in preparing these financial statements.

Events since the balance sheet date

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

Directors indemnities

The Go-Ahead Group plc ("Group") maintains directors' and officers' liability insurance, for both the plc and its subsidiaries, which gives appropriate cover for any legal action brought against its directors. The Group has also granted indemnities to each of its, and its subsidiaries, directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 27 June 2020 and remain in force, in relation to certain losses and liabilities that the directors may incur to third parties in the course of acting as directors or employees of the Group or of any associated company. Neither the Group's indemnity nor its insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

Auditor

A resolution to re-appoint Deloitte LLP as auditor will be put to the members at the Company's Annual General Meeting.

Carousel Buses Limited

Directors' report (continued)

Directors' responsibilities for audit information

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

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

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

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



E Brian
Director
12 February 2021

Directors' responsibilities statement

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

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

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

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

Carousel Buses Limited

Independent auditor's report to the members of Carousel Buses Limited

Report on the audit of the financial statements

In our opinion the financial statements of Carousel Buses Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 27 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 22.

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

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Carousel Buses Limited

Independent auditor's report (continued)

to the members of Carousel Buses Limited

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Anthony Matthews FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP, Statutory Auditor
London, United Kingdom
12 February 2021

Carousel Buses Limited
Income statement
for the year ended 27 June 2020

		2020 £000	2019 £000
	<i>Notes</i>		
Revenue	3	4,716	4,596
Operating costs	4	(4,588)	(4,647)
Operating profit/(loss) before exceptional items		<u>128</u>	<u>(51)</u>
Exceptional items	9	(53)	-
Operating profit/(loss) after exceptional items		<u>75</u>	<u>(51)</u>
Interest payable and similar expenses	8	(3)	(7)
Profit/(Loss) before taxation		<u>72</u>	<u>(58)</u>
Tax	10	(34)	4
Profit/(Loss) for the period from continuing operations		<u><u>38</u></u>	<u><u>(54)</u></u>

Statement of comprehensive income
for the year ended 27 June 2020

	2020 £000	2019 £000
Profit/(Loss) for the year from continuing operations	38	(54)
Other comprehensive income		
<i>Items that may subsequently be reclassified to profit or loss</i>		
Unrealised gains/(losses) on cashflow hedges	(63)	(12)
(Gains)/Losses on cashflow hedges taken to income statement – operating costs	14	(22)
Tax relating to items that may be reclassified	9	6
Other comprehensive income for the year, net of tax	<u>(40)</u>	<u>(28)</u>
Total comprehensive Loss for the year	<u><u>(2)</u></u>	<u><u>(82)</u></u>

Statement of changes in equity
for the year ended 27 June 2020

	<i>Share capital</i> £000	<i>Hedging Reserve</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £000
At 30 June 2018	-	37	(45)	(8)
Loss for the year	-	-	(54)	(54)
Net movement on hedges, net of tax	-	(28)	-	(28)
Loss and total comprehensive income	<u>-</u>	<u>(28)</u>	<u>(54)</u>	<u>(82)</u>
Share based payments	-	-	-	-
At 29 June 2019	<u>-</u>	<u>9</u>	<u>(99)</u>	<u>(90)</u>
Profit for the year	-	-	38	38
Net movement on hedges, net of tax	-	(40)	-	(40)
Loss and total comprehensive income	<u>-</u>	<u>(40)</u>	<u>38</u>	<u>(2)</u>
Share based payments	-	-	-	-
At 27 June 2020	<u><u>-</u></u>	<u><u>(31)</u></u>	<u><u>(61)</u></u>	<u><u>(92)</u></u>

Carousel Buses Limited
Balance sheet
as at 27 June 2020

	<i>Notes</i>	<i>2020</i> £000	<i>2019</i> £000
Assets			
<i>Non-current assets</i>			
Tangible assets	11	2,189	2,670
Debtors: amounts due after one year	13	1,985	2
		<u>4,174</u>	<u>2,672</u>
<i>Current assets</i>			
Inventories	12	40	41
Debtors: amounts due within one year	13	451	373
Current tax asset	10	-	119
Cash at bank		69	93
		<u>560</u>	<u>626</u>
Total assets		<u>4,734</u>	<u>3,298</u>
Liabilities			
<i>Current liabilities</i>			
Creditors: amounts falling due within one year	14	(2,306)	(2,598)
Current Tax liabilities	10	(46)	-
		<u>(2,352)</u>	<u>(2,598)</u>
<i>Net current liabilities</i>		<i>(1,792)</i>	<i>(1,972)</i>
<i>Total assets less current liabilities</i>		<i>2,382</i>	<i>700</i>
<i>Non-current liabilities</i>			
Creditors: amounts falling due after one year	14	(14)	-
Deferred tax liabilities	10	(99)	(113)
Provisions	15	(2,361)	(677)
		<u>(2,474)</u>	<u>(790)</u>
Total liabilities		<u>(4,826)</u>	<u>(3,388)</u>
Net liabilities		<u>(92)</u>	<u>(90)</u>
Capital and reserves			
Share capital	18	-	-
Hedging Reserve	21	(31)	9
Retained earnings		(61)	(99)
Total deficit		<u>(92)</u>	<u>(90)</u>

Approved by the Board and signed on its behalf by:



E Brian
Director
12 February 2021

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

1. Authorisation of financial statements and statement of compliance with FRS101

The financial statements of Carousel Buses Limited (the “Company”) for the year ended 27 June 2020 were authorised for issue by the board of directors on 12 February 2021 and the balance sheet was signed on the board’s behalf by E Brian. The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company’s registered office is shown on page 1.

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

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

2. Accounting policies

2.1 Basis of preparation

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

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

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

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

- the requirements of IFRS 7 *Financial Instruments: Disclosures*
- the requirements in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of:
 - a) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - b) paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 111 and 134 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirement of paragraph 17 of IAS 24 *Related Party Transactions*;
- the requirements of IAS 24 *Related Party Transactions* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based payments*;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j)-(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66, B67 of IFRS3 *Business Combinations*;
- the requirements of paragraphs 134 (d)-(f) and 135(c)-(e) of IAS 36 *Impairment of Assets*;
- the requirements of paragraphs 110 (2nd sentence), 113(a), 114, 115, 118, 119(a)-119(c), 120-127 and 129 of IFRS 15 *Revenue from Contracts with Customers*; and
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based payments*;

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j)-(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66, B67 of IFRS3 Business Combinations;
- the requirements of paragraphs 134 (d)-(f) and 135(c)-(e) of IAS 36 Impairment of Assets;
- required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- the requirements of paragraphs 110 (2nd sentence), 113(a), 114, 115, 118, 119(a)-119(c), 120-127 and 129 of IFRS 15 *Revenue from Contracts with Customers*; and
- the requirements of paragraph 52, 89 (2nd sentence), 90, 91 and 93 of IFRS 16 Leases and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

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

New standards

The following new standards or interpretations are mandatory for the first time for the financial year ended 27 June 2020:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment features with negative compensation
- Amendment to IAS 28 Long term interests in associates and joint ventures
- Amendments to IAS 19 Plan amendment, curtailment or settlement

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

Other new standards

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

2.2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies

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

- **Going concern**

During the financial year, and up to the date of signing the annual report and accounts, the COVID-19 pandemic has had a significant impact on the Company. Whilst the Company has seen positive trends emerging in the past few weeks, it is difficult to assess what the long-term impact of the pandemic will be to the wider economy and, in particular, the transport section in which the Company operates. Owing to this, the going concern assessment

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

2. Accounting policies (continued)

is considered a critical accounting judgement. However the directors' have considered the Company's current and future prospects and continue to adopt the going concern basis of preparation as they are satisfied that the Company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Please refer to the directors' report for the Company's going concern statement.

- **Exceptional operating items**

In certain years the Company presents as exceptional operating items on the face of the income statement material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance. The determination of whether items merit treatment as exceptional in a particular year is therefore a matter of judgement.

During the year, the following strategic reviews took place and resulted in material, one-off costs arising. A review of the regional bus operation was initiated during the financial year, following a decline in the operational performance which resulted in restructuring in some operations with certain routes being terminated due to them no longer being financially viable. In addition, the impact of COVID-19 brought about further challenges which led to asset impairments. Further details are given in note 9.

Key sources of estimation uncertainty

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

In the regional bus division, government support has been received in the form of the COVID-19 Bus Services Support Grant (CBSSG) from 17 March 2020. This is a grant payable to bus operators in respect of commercial services in return for making available sufficient capacity to run an agreed level of commercial miles.

In the year ended 27 June 2020, the Company has recognised revenue of £339,000, being the amount the Company considers it is reasonably certain to receive in line with the terms and conditions of this scheme. This grant income has been recognised within other revenue in the income statement.

Estimating the amount receivable for the year ended 27 June 2020 involves significant estimation uncertainty.

The scheme is subject to a cap on the level of funding available for the scheme and therefore the extent to which that budget cap is sufficient to cover the relevant shortfalls of revenue versus costs of all eligible operators is a function of all those operators' revenues and costs.

While the Company has visibility of its own revenues and costs, it does not have visibility of other operators' revenues and costs and the grant mechanism is subject to interpretation. As such, estimating the extent to which the budget cap will limit the Company's CBSSG grant income involves estimation uncertainty.

The Company has initially estimated that should the budget cap not be applicable, they are potentially entitled to CBSSG of £385,000 for the year ended 27 June 2020, £46,000 higher than the amount recognised in the financial statements.

2.3 Significant accounting policies

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the period of at least 12 months from the date of the approval of the financial statements date and continue to meet its liabilities as they fall due.

The Company has net current liabilities of £1,792,000 (2019: £1,972,000) including net amounts due to other Group undertakings of £1,817,000 (2019: £2,071,000).

Company meets its day to day working capital requirements through inter-company funding and continuing financial support from the ultimate parent undertaking. In view of the circumstances referred to above, the directors are satisfied that financial support will be available to the Company for the foreseeable future. Accordingly, the directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements. Further detailed information is provided in the going concern statement in the directors' report and is therefore not replicated here.

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

2. Accounting policies (continued)

Revenue

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

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

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

Passenger revenue

Passenger revenue mainly relates to revenue from ticket sales.

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

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

Contract revenue

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

Other revenue

Other revenue mainly relates to revenue for ancillary services, such as rail replacement, private hire and advertising. Other operating income also includes rental income which is generated from rental of surplus properties.

Other revenue is recognised in the period to which it relates, for the transaction price specified in the contract.

Revenue in relation to the COVID-19 Bus Services Support Grant (CBSSG) has been recognised within other revenue and is recognised in the period in which the operational revenue and costs it is supporting relates to: CBSSG requires that a minimum level of service is operated, revenue is variable and includes areas of estimation when determining the transaction price with the actual revenue not confirmed until the reconciliation process is complete. The Company have recognised revenue where the amount can be measured reliably and it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Given the uncertainty of the outcome of the reconciliation process, no reliable estimate for recognition can be made for any additional potential receipts that may be due.

Interest receivable and similar income

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

Fixed assets and depreciation

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

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

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

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

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

Impairment of assets

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

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

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

Inventories

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

Taxation

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

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

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

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

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

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the income statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Operating lease agreements

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term.

Provisions

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

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

Insurance

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

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

Financial instruments

Financial assets

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

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

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

Financial instruments (continued)

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

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

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

Financial liabilities

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

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

Derivative financial instruments

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

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

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

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

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

Loans and receivables

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

Pensions

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

Government grants

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

Government grants have also been recognised in relation to the ongoing COVID-19 pandemic. These comprise amounts receivable under the Coronavirus Job Retention Scheme (CJRS). CJRS comprises grants receivable in relation to the costs incurred by the Company for furloughed employees and is recognised in the income statement, within operating costs, in the same period as the related costs and when there is reasonable assurance that the grant will be received.

Exceptional operating items

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

Uninsured liabilities

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

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

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

Share based payment transactions

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

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

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

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

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

3. Revenue

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

	2020 £000	2019 £000
Passenger revenue	3,462	3,797
Contract revenue	878	769
COVID-19 Bus Services Support Grant ("CBSSG")	339	-
Other revenue	37	30
	<u>4,716</u>	<u>4,596</u>

The amounts recognised in relation to CBSSG of £339k (2019: £nil) reflect the funding receivable in respect of the year ended 27 June 2020 to the extent that it is reasonably certain that the cash will be received.

An analysis of revenue by geographical market is given below:

	2020 £000	2019 £000
United Kingdom	<u>4,716</u>	<u>4,596</u>

4. Operating costs

	2020 £000	2019 £000
Materials and external charges	1,598	1,503
Staff costs	2,755	2,790
Depreciation of tangible fixed assets	450	489
Government grants – COVID-19	(153)	(135)
Other operational income	(62)	-
	<u>4,588</u>	<u>4,647</u>

Government grant income in relation to the COVID-19 pandemic of £153,000 (2019: £nil) primarily relates to the Coronavirus Job Retention Scheme (CJRS). The amounts recognised reflect the grants receivable in respect of the year ended 27 June 2020 and relate to the costs reclaimable for furloughed employees to the extent that it is reasonably certain that the grant will be received.

5. Operating loss

This is stated after charging:

	2020 £000	2019 £000
Auditor remuneration – audit fee for the audit of the financial statements	6	6
Depreciation of owned fixed assets	450	489
Operating lease rentals – land and buildings	3	3
Operating lease rentals – other	4	4
Loss on disposal of tangible fixed assets	-	1
	<u>463</u>	<u>503</u>

Carousel Buses Limited

Notes to the financial statements

for the year ended 27 June 2020

6. Staff costs

	2020 £000	2019 £000
Wages and salaries	2,458	2,496
Social security costs	246	246
Other pension costs – defined contribution	51	48
	<u>2,755</u>	<u>2,790</u>

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

	2020 No.	2019 No.
Bus operations and other activities	59	61
Maintenance and Engineering	11	9
Administration	5	2
	<u>75</u>	<u>72</u>

7. Directors' emoluments

No directors received emoluments from the Company in the year (2019: £nil).

Certain directors are also directors of The City of Oxford Motor Services Limited. These directors received total remuneration of £377,000 (2019: £384,000) from The City of Oxford Motor Services Limited during the year, but it is not practical to allocate this between their services as directors of The City of Oxford Motor Services Limited and their services to the Company.

Certain directors are also directors of The Go-Ahead Group plc and are remunerated by The Go-Ahead Group plc. It is not practical to allocate their remuneration between their services as directors of The Go-Ahead Group plc and their services to the Group's subsidiaries. For details on the remuneration of the directors of The Go-Ahead Group plc please refer to the Go-Ahead Group plc's consolidated financial statements, available as described in note 22.

8. Interest payable and similar expenses

	2020 £000	2019 £000
Unwinding of discount factor applied to insurance provisions	3	7
	<u>3</u>	<u>7</u>

Carousel Buses Limited
Notes to the financial statements
for the year ended 27 June 2020

9. Exceptional items

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

The exceptional items are made up as follows:

	2020 £000	2019 £000
Impairment of tangible fixed assets	53	-
	<u>53</u>	<u>-</u>

During the year ended 27 June 2020 a strategic review was carried out following the impact of COVID-19. As a result of the review the directors assessed the carrying value of rolling stock with reference to its remaining useful economic life and cash generating potential based on value in use calculations. As a result, a diminution in value of £53,000 was recognised. For accounting policies in relation to this see 'Impairment of assets' in note 2.3.

There were no exceptional items in year ended 29 June 2019.

10. Tax on profit/(loss)

(a) Tax recognised in the income statement

The tax charge is made up as follows:

	2020 £000	2019 £000
<i>Current tax:</i>		
UK corporation tax in respect of current year	40	(1)
UK corporation tax in respect of prior years	6	(1)
Total current tax	<u>46</u>	<u>(2)</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(26)	(7)
Adjustments in respect of deferred tax in prior year	1	-
Effect of rate change on opening deferred tax balance	13	5
Total deferred tax	<u>(12)</u>	<u>(2)</u>
Tax reported in the income statement (note 10(c))	<u>34</u>	<u>(4)</u>

(b) Income recognised in other comprehensive income

	2020 £000	2019 £000
Tax relating to items that may be reclassified	9	(6)
Total tax recognised in comprehensive income	<u>9</u>	<u>(6)</u>

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

(c) Reconciliation

A reconciliation of income tax applicable to accounting loss before tax at the statutory tax rates for the years ended 27 June 2020 and 29 June 2019 is as follows:

The tax assessed on the loss for the year is lower than the standard rate of corporation tax in the UK. The standard rate of corporation tax for the year ended 27 June 2020 was 19% (2019: 19%).

	2020 £000	2019 £000
Profit/(loss) before tax	72	(58)
At United Kingdom tax rate of 19% (2019: 19%)	14	(11)
Effect of rate change on opening deferred tax balance	13	5
Difference between deferred tax and corporation tax rates	-	1
Adjustments in respect of current tax of previous years	6	-
Other timing differences	1	1
Tax reported in the income statement	34	(4)

(d) Current tax (liabilities)/assets

	2020 £000	2019 £000
Current tax asset at start of year	119	254
Corporation tax reported in income statement (note 10(a))	(34)	4
Paid/(credited) in the year	(131)	(135)
Current tax (liabilities)/asset at end of year	(46)	119

(e) Deferred tax assets and liabilities

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

Deferred tax liability:

	2020 £000	2019 £000
Accelerated capital allowances	(99)	(111)
On cashflow hedges	-	(2)
Deferred tax liability	(99)	(113)

Deferred tax asset:

	2020 £000	2019 £000
On cashflow hedges	7	-
Deferred tax asset	7	-

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

(e) Deferred tax assets and liabilities (continued)

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

	<i>30 June 2018</i>	<i>Recognised</i>	<i>Recognised in</i>	<i>29 June 2019</i>
	<i>£000</i>	<i>in income</i>	<i>equity</i>	<i>£000</i>
		<i>£000</i>	<i>£000</i>	
Accelerated capital allowances	(113)	2	-	(111)
On cashflow hedges	(8)	-	6	(2)
	<u>(121)</u>	<u>2</u>	<u>6</u>	<u>(113)</u>
	<i>29 June 2019</i>	<i>Recognised</i>	<i>Recognised in</i>	<i>27 June 2020</i>
	<i>£000</i>	<i>in income</i>	<i>equity</i>	<i>£000</i>
		<i>£000</i>	<i>£000</i>	
Accelerated capital allowances	(111)	12	-	(99)
On cashflow hedges	(2)	-	9	7
	<u>(113)</u>	<u>12</u>	<u>9</u>	<u>(92)</u>

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

(f) Factors affecting future tax charges

The standard rate of UK corporation tax reduced from 20% to 19% from 1 April 2017. A rate of 19% therefore applies to the current tax charge arising during the year ended 27 June 2020.

Finance Bill 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year ended 27 June 2020.

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11. Tangible fixed assets

	<i>Leasehold Property £000</i>	<i>Plant & equipment £000</i>	<i>Rolling Stock £000</i>	<i>Total £000</i>
Cost:				
At 29 June 2019	-	527	6,215	6,742
Additions	12	4	5	21
Transfers from other Group undertakings	-	-	158	158
At 27 June 2020	<u>12</u>	<u>531</u>	<u>6,378</u>	<u>6,921</u>
Depreciation:				
At 29 June 2019	-	288	3,784	4,072
Provided during the period	1	81	368	450
Impairment	-	-	53	53
Transfers from other Group undertakings	-	-	157	157
At 27 June 2020	<u>1</u>	<u>369</u>	<u>4,362</u>	<u>4,732</u>
Net book value:				
At 27 June 2020	<u>11</u>	<u>162</u>	<u>2,016</u>	<u>2,189</u>
At 29 June 2019	<u>-</u>	<u>239</u>	<u>2,431</u>	<u>2,670</u>

Capital commitments

	<i>2020 £000</i>	<i>2019 £000</i>
Contracted but not provided for in the financial statements	<u>-</u>	<u>-</u>

The net book value of assets above includes an amount of £nil (2019: £ nil) in respect of assets held under hire purchase contracts.

12. Inventories

	<i>2020 £000</i>	<i>2019 £000</i>
Raw materials and consumables	<u>40</u>	<u>41</u>

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

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13. Debtors

	2020 £000	2019 £000
<i>Amounts due within one year</i>		
Trade debtors	69	57
Other debtors	5	98
Central Government	167	-
Prepayments	21	86
Accrued income	185	123
Deferred tax asset relating to financial instruments (note 10)	4	-
Other financial assets (note 21)	-	9
	<u>451</u>	<u>373</u>
	2020 £000	2019 £000
<i>Amounts due after one year</i>		
Insurance reimbursement asset (note 15)	1,982	-
Deferred tax asset relating to financial instruments (note 10)	3	-
Other financial assets (note 21)	-	2
	<u>1,985</u>	<u>2</u>

During the financial year £nil (2019: £nil) was recognised in respect of impairment losses arising from contracts with customers.

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

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

14. Creditors: amounts falling due within one year

	2020 £000	2019 £000
<i>Amounts due within one year</i>		
Trade creditors	161	286
Other taxation and social security	52	72
Amounts owed to Group undertakings	1,817	2,071
Other creditors	35	2
Accruals	170	116
Deferred income	47	51
Other financial liabilities (note 21)	24	-
	<u>2,306</u>	<u>2,598</u>
<i>Amounts due after one year</i>		
Other financial assets (note 21)	14	-
	<u>14</u>	<u>-</u>

Amounts owed to Group undertakings are repayable on demand and non-interest bearing.

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

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15. Provisions

	<i>Uninsured claims £000</i>
At 29 June 2019	677
Provided in year	2,196
Utilised	(377)
Released in the year	(145)
Unwinding of discounting	10
At 27 June 2020	<u>2,361</u>

Uninsured claims represent the cost to the Company to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported to the Company by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within the next six years. Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historic trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Uninsured claims are provided on a gross basis and a separate reimbursement asset, for amounts due back from the insurance providers, of £1,982,000 is included within other debtors (note 13).

16. Bus operating charges

Future minimum rentals payable under non-cancellable operating leases at as 27 June 2020 and 29 June 2019 were as follows:

	<i>2020</i>		<i>2019</i>	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Within one year	3	-	3	-
In two to five years	4	-	10	-
	<u>7</u>	<u>-</u>	<u>13</u>	<u>-</u>

Lease income from lease contracts in which the company acts as a lessor is as below:

	<i>2020</i>		<i>2019</i>	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Within one year	146	-	31	-
In two to five years	476	-	-	-
	<u>622</u>	<u>-</u>	<u>31</u>	<u>-</u>

The company leases out its property and has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the year end.

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17. Pension commitments

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

Defined contribution:

During the year ended 27 June 2020, the Company participated in The Go-Ahead Group Pension Plan (Go-Ahead Plan). The defined contribution section of the Go-Ahead Plan is not contracted-out of the State Second Pension Scheme. The Money Purchase Section is now closed to new entrants, except by invitation from the Company, and has been replaced by the Workplace Saving Section, which is also defined contribution.

The expense recognised for the Money Purchase Sections of the Go-Ahead Plan is £nil (2019: £nil), being the contributions paid and payable. At the balance sheet date contributions of £Nil were outstanding to the scheme (2019: £Nil).

The expense recognised for the Workplace Saving Scheme is £51,000 (2019: £48,000), being the contributions paid and payable. At the balance sheet date contributions of £nil were outstanding to the scheme (2019: £Nil).

Defined benefit:

During the year 27 June 2020, the Company participated in a scheme which is part of The Go-Ahead Group Pension Plan (Go-Ahead Plan).

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

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

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

The Go-Ahead Plan is governed by a Trustee Company in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the Go-Ahead Plan and the Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the Go-Ahead Plan had an effective date of 31 March 2018, and the next will have an effective date of 31 March 2021.

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

As the scheme is closed for future accrual, no contributions have been made by the Company (2019: £nil). As it is not possible to identify the Company's share of the net assets and liabilities of the scheme on a consistent and reasonable basis due to the high volume of members/pensioners and the historic interaction between Group companies, and there is no contractual agreement or stated policy for charging to individual Group entities, the assets and liabilities are fully accounted for within the financial statements of The Go-Ahead Group plc. Further details of the Group defined benefit scheme are disclosed in the consolidated financial statements of the ultimate parent company, which are available as disclosed in note 22.

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18. Share capital and reserves

	No.	<i>Allotted, called up and fully paid</i>	
		2020 £000	2019 £000
Ordinary shares of £1 each	100	-	-

Hedging reserve

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

19. Related party transactions

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

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

	2020 Group subsidiaries £000	2019 Group subsidiaries £000
Amounts due to related parties	1,817	2,071
	<u>1,817</u>	<u>2,071</u>

20. Share-Based Payments

Share Incentive Plan

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

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

Sharesave scheme

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

The Sharesave scheme is open to all full time and part-time employees (including executive directors) who have completed at least six months of continuous service with a Go-Ahead Group company at the date they are invited to participate in a scheme launch. To take part, qualifying employees have to enter into a savings contract for a period of three years under which they agree to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the group at the time of invitation. For the February 2016 launch (Sharesave

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20. Share-Based Payments(continued)

2016), the maximum monthly savings limit set by the group was £50. Participants were given the choice of taking their money back, or to purchase Go- Ahead Group Shares at a 20% discount of the market price set at the date of invitation. Sharesave 2016 participants have six months from the maturity date to exercise their options. Sharesave 2016 matured on 1 May 2019. There are currently no active Sharesave schemes in place.

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

There are no savings-related options at 27 June 2020.

The expense recognised for the scheme during the year to 27 June 2020 was £nil (2019: £nil).

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

	<i>No.</i>	<i>2020 WAEP (£)</i>	<i>No.</i>	<i>2019 WAEP (£)</i>
Outstanding at the beginning of the year	37	19.11	37	19.11
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(37)	19.11	-	19.11
Outstanding at the end of the year	<u>-</u>	<u>-</u>	<u>37</u>	<u>19.11</u>

The options outstanding at the end of the year have a weighted average remaining contracted life of nil years (2019: nil years). These options are exercisable at a weighted average exercise price of £nil (2019: £19.11). This represents an exercise price of £nil (2019: £19.11).

21. Derivatives and Financial Instruments

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

(a) Fair values

The fair value of the Company's financial instruments carried in the financial statements have been reviewed as at 27 June 2020 and 29 June 2019, and are as follows:

	<i>2020 £000</i>	<i>2019 £000</i>
Current assets	-	9
Non-current assets	-	2
Current liabilities	(24)	-
Non-current liabilities	(14)	-
Total asset	<u>(38)</u>	<u>11</u>

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

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21. Derivatives and Financial Instruments (continued)

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 27 June 2020, the Company has used a level 2 valuation technique to determine the fair value of all financial instruments.

During the year ended 27 June 2020, there were no transfers between valuation levels.

(b) Hedging activities

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

As at 27 June 2020 the Company had derivatives against bus fuel for the three years ending June 2023. The fair value of the asset or liability has been recognised on the balance sheet. The value has been generated since the date of the acquisition of the instruments due to the movement in market fuel prices.

As at 27 June 2020 the Companies external hedging profile is as follows:

	2021	2022	2023
Actual percentage hedged	100%	50%	25%
Litres hedged (million)	1	1	1
Averages hedged rate (pence per litre)	35.3	36.2	34.7

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

	2020 £000	2019 £000
Changes in fair value of hedged item	49	34
Changes in fair value of hedging instrument	(49)	(34)
Changes in fair value through the hedging reserves (net of tax)	40	28

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

	2020 £000	2019 £000
Balance in the cashflow hedging reserve for continuing hedges	(31)	9
Balance in the cashflow hedging reserve arising from hedging relationships for which hedge accounting is no longer applied	-	1

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22. Ultimate parent company and controlling party

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

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