

FIRSTGROUP PLC

RESULTS FOR THE 52 WEEKS TO 25 MARCH 2023

- Strong financial performance driven by growth in First Bus and First Rail open access operations:
 - Group adjusted attributable profit more than doubled, to £82.1m ahead of expectations (FY 2022: £36.2m)
 - adjusted EPS of 10.6p for continuing operations (FY 2022: 1.6p)
 - year end adjusted net cash of £109.9m ahead of expectations
- Strategy remains focused on continuous improvement in operational delivery, continued investment in growth opportunities, delivering value to shareholders and playing a leading role in the decarbonisation of UK public transport
- In line with this strategy delivered targeted deployment of capital including:
 - c.£37m of capital deployed on value accretive acquisitions in First Bus
 - accelerated investment in First Bus decarbonisation following successful applications for government co-funding; c.£43m gross investment in electric buses and depot infrastructure before funding
 - final dividend of 2.9p recommended in line with progressive growth and dividend policy
 - launch of £75m on-market share buyback programme in December 2022; £52.6m completed as at 7 June 2023
 - additional buyback of £115m proposed following receipt of proceeds resulting from North America exit

	FY 2023 (£m)			FY 2022 (£m)			Change (£m)		
	Cont.	Disc.	Total	Cont.	Disc.	Total	Cont.	Disc.	Total
Revenue	4,755.0	4.0	4,759.0	4,591.1	996.9	5,588.0	163.9	(992.9)	(829.0)
Adjusted ¹ operating profit	161.0	(6.6)	154.4	106.7	120.1	226.8	54.3	(126.7)	(72.4)
Group adjusted attributable profit ²	82.1	-	82.1	36.2	-	36.2	45.9	-	45.9
Adjusted EPS	10.6p	(0.9)p	9.7p	1.6p	8.6p	10.2p	9.0p	(9.5p)	(0.5)p
Dividend per share			3.8p			1.1p			2.7p
Adjusted Net Cash /(Debt)			109.9			(3.9)			113.8

Statutory	FY 2023 (£m)			FY 2022 (£m)			Change (£m)		
	Cont.	Disc.	Total	Cont.	Disc.	Total	Cont.	Disc.	Total
Revenue	4,755.0	4.0	4,759.0	4,591.1	996.9	5,588.0	163.9	(992.9)	(829.0)
Operating profit	153.9	31.3	185.2	122.8	683.3	806.1	31.1	(652.0)	(620.9)
Profit before tax			128.7			654.1			(525.4)
EPS			11.8p			60.2p			(48.4)p
Net debt			1,269.1			619.0			650.1
- Bonds, bank and other debt net of (cash)			(479.5)			(464.2)			(15.3)
- IFRS 16 lease liabilities			1,748.6			1,083.2			665.4

¹'Cont.' refers to the Continuing operations comprising First Bus, First Rail and Group items. ²'Disc.' refers to discontinued operations, being First Student, First Transit and Greyhound. Statutory operating profit from discontinued operations of £683.3m in FY 2022 includes the gains on sale of First Student, First Transit and Greyhound US.

Key developments

First Bus:

- 1.1m passenger journeys a day (FY 2022: 0.9m); 168m service miles operated in FY 2023 (FY 2022: 185m)
- Passenger volumes increased 20% vs. FY 2022 levels, with commercial and concessionary volumes up 21% and 19%
- Total passenger revenue increased to £660.0m (FY 2022: £570.0m), more than offsetting the reduction in government funding, which decreased by £42.8m to £86.5m
- Improvement in operating margin in H2 2023 to 7.9% despite ongoing inflationary pressures due to:
 - increased passenger demand
 - improved driver availability and operational improvements

- network and fare realignments to better match services to demand
- regional management restructure completed to drive further operational efficiencies
- Acquisition of Ensignbus in Essex, Airporter in Northern Ireland and the Metrobus service in Bristol
- Disposal of First Scotland East and closure of Southampton-based operations
- Accelerated investment in electrification of fleet and infrastructure:
 - gross investment of c.£43m on electric buses and depot infrastructure before funding
 - 83 electric buses delivered in FY 2023 and 58 ultra-fast chargers installed
 - installation of solar panels at 20 depots completed in FY 2023
 - net investment of c.£105m committed in FY 2024 on First Bus decarbonisation, including the installation of 143 ultra-fast chargers, supported by government co-funding of £82m

First Rail:

- 263m passenger journeys in FY 2023 (FY 2022: 201m); TOCs: 261m and open access 2.2m
- Open access operations performance ahead of expectations, underpinned by strong leisure volumes
- Management-fee based contracts aggregate financial performance broadly in line with expectations; focus remains on operational delivery for passengers across all our services
- Great Western Railway awarded National Rail Contract to June 2025 with an option for the DfT to extend it to June 2028
- South Western Railway contract extended to May 2025
- West Coast Partnership (incorporating Avanti West Coast) contract extended to October 2023; discussions with the Department for Transport ('DfT') on a National Rail Contract for WCP are ongoing
- TPE contract not extended by DfT; operations were handed to the Operator of Last Resort on 28 May 2023

Corporate:

- Delivered a further c.£5m in annual central cost savings as previously guided
- £122m realised from sale of almost all remaining legacy Greyhound properties
- First Transit earnout crystallised following completion of sale of First Transit business by EQT Infrastructure in March 2023, with estimated proceeds of c.\$89m anticipated in H1 FY 2024
- £32m of the £75m on-market share buyback programme completed by year end
- £15.7m of the Group's 2024 6.875% bonds repurchased in Bank of England bond auction

Current trading and FY 2024 outlook

- Although the economic and industrial relations backdrop remains challenging, current trading and our outlook for FY 2024 is in line with our expectations
- First Bus: while clearly sensitive to broader consumer spending and inflation trends, we expect further sequential progress in FY 2024:
 - management actions taken to transform the business will deliver further productivity improvements and enhanced revenues
 - lower operating costs thanks to smart efficiency initiatives and the division's newer fleet
 - the full year contribution of both Airporter and Ensignbus
 - supportive government policies driving demand
- First Rail: financial performance is anticipated to be in line with our expectations despite the TPE contract not being extended:
 - profit from our open access and rail additional services expected to be at least in line with FY 2023 despite the reversal of the positive effect of one-off settlement claims in FY 2023 and higher costs in FY 2024
 - our management fee-based operations (which have no passenger revenue risk and limited cost risk) are forecast to deliver aggregate financial performance broadly in line with management expectations despite ongoing industrial relations challenges
- Adjusted net cash position expected to be in the range of £10-20m at the end of FY 2024, following investment of c.£130m principally on the electrification of the First Bus fleet and infrastructure and assuming completion of announced capital returns to shareholders, and before deployment of potential growth capital
- We will continue to evaluate our pipeline of value accretive inorganic growth opportunities

Commenting, Chief Executive Officer Graham Sutherland said:

“We have delivered a strong financial performance in FY 2023. In First Rail, our teams have worked extremely hard on our service objectives, and the notable success of our open access operations is further recognition of the considerable expertise and ambition of our team. In First Bus, we are seeing the benefits of actions we have taken to transform the business, and we are establishing ourselves as leaders in decarbonisation as we accelerate the electrification of our bus fleet to deliver value not just for FirstGroup but for all our stakeholders.

“Our leading positions in bus and rail, together with the strength of our balance sheet, will allow FirstGroup to create long-term shareholder value while delivering the vital services and innovation that are key to achieving society’s sustainability and economic goals.”

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A webcast for investors and analysts will be held at 9:00am today – attendance is by invitation. Please email corporate.comms@firstgroup.co.uk in advance of the webcast to receive joining details. To access the presentation to be discussed on the webcast, together with a pdf copy of this announcement, go to www.firstgroupplc.com/investors. A playback facility will also be available there in due course.

Notes

- ¹ ‘Adjusted’ figures throughout this document are before adjusting items. For definitions of alternative performance measures and other key terms, see the definitions section on page 23.
- ² ‘Group Adjusted Attributable Profit’ is First Bus and First Rail adjusted operating profit from open access and additional services, plus First Rail attributable net income from management fee-based operations, minus central costs, minus cash interest, minus tax.

Legal Entity Identifier (LEI): 549300DEJZCPWA4HKM93. Classification as per DTR 6 Annex 1R: 1.1.

About FirstGroup

FirstGroup plc (LSE: FGP.L) is a leading private sector provider of public transport services. With £4.7 billion in revenue and almost 30,000 employees, our UK divisions transported nearly 1.9m passengers a day in the last financial year. First Bus is the second largest regional bus operator in the UK, serving two-thirds of the UK’s 15 largest conurbations with a fleet of c.4,600 buses. First Rail is the UK’s largest rail operator, with many years of experience running long-distance, commuter, regional and sleeper rail services. We operate a fleet of c.3,600 rail vehicles through three management fee-based train operating companies (Avanti West Coast, GWR, SWR) and two open access routes (Hull Trains and Lumo). We create solutions that reduce complexity, making travel smoother and life easier. Our businesses are at the heart of our communities and the essential services we provide are critical to delivering wider economic, social and environmental goals. We are formally committed to operating a zero-emission First Bus fleet by 2035, and First Rail will help support the UK Government’s goal to remove all diesel-only trains from service by 2040. In February 2023 FirstGroup was named as one of the world’s cleanest 200 public companies for the fourth consecutive year by sustainable business media group Corporate Knights in partnership with US not-for-profit organisation, As You Sow. Visit our website at www.firstgroupplc.com and follow us @firstgroupplc on Twitter.

Chief Executive Officer's Review

Introduction

I am pleased to report a strong financial performance by the Group in FY 2023, despite the ongoing economic and industrial relations challenges. Growth in First Bus in the second half of the year and the outperformance of our open access rail operations have resulted in the Group more than doubling its adjusted attributable profit for the year, to £82.1m.

We ended the year with adjusted net cash of £109.9m, after deploying growth capital of £37m and capital expenditure of £94m in First Bus and launching a £75m on-market share buyback programme. Both of these are in line with our strategy of investing in growth and decarbonisation in Bus and returning value to our shareholders. The Board is also recommending a final dividend of 2.9p (FY 2022: 1.1p) resulting in a full year dividend of 3.8p (FY 2022: 1.1p).

In First Bus, as the regional bus market gradually returns to a more commercial model and we continue the transformation of the business, our performance in the second half of FY 2023 has reinforced our confidence in the scope for significant earnings growth and margin enhancement over time, and we are working hard to deliver this.

Our First Rail open access operations have reported excellent progress during the year, with both Hull Trains and Lumo delivering revenue and profits ahead of our expectations, underpinned by strong leisure passenger demand. In its first year of operation, Lumo carried more than a million customers, many of whom would otherwise have flown between London and Edinburgh at a far greater environmental cost. The notable success of our open access operations has reinforced that, as the largest private sector rail operator in the UK, we have the experience and entrepreneurial spirit to resolve challenges and innovate in the rail sector for the future and encourage passengers back to the railway.

The DfT management fee-based contracts experienced significant industrial relations challenges, most notably at Avanti and TPE. Our teams have worked extremely hard to address the issues they have faced and deliver their agreed plans to restore services to the levels that our passengers rightly expect.

The past three years have been among the most challenging in the history of the UK's rail industry, with it adapting to post pandemic travel patterns and continued industrial action which has caused significant disruption for rail passengers and businesses across the country. We welcomed the recent position articulated by the Secretary of State highlighting that going forward, there will be an enhanced role for the private sector, to reinvigorate the rail industry, drive innovation and attract more customers to the railway and we urge the Government to engage with the industry on the steps that can be taken, without primary legislation, in order to achieve this. First Rail has been a market leader in UK rail for many years and we will play a significant role in the industry as it evolves; we remain committed to working closely with government and our partners to deliver a successful railway that serves the needs of our customers and communities.

Operational highlights – First Bus

The overall performance of our First Bus business is predicated on running better quality mileage by using our enhanced data to align services to demand, implement smarter fares, and drive efficiencies across our operations. The division's strong performance in FY 2023 has demonstrated that we are achieving this.

The division's total revenue increased significantly in FY 2023, to £902.5m, from £789.9m in FY 2022. Total passenger revenue increased by £90.0m to £660.0m, more than offsetting the reduction in government funding, which decreased by £42.8m to £86.5m. The division reported an adjusted operating profit of £58.4m for the full year (FY 2022: £45.2m) and its operating margin of 7.9% in the second half of the year was well ahead of our full year margin of 5.7% in FY 2022.

Total passenger volumes increased by 20% from FY 2022 levels during the year. The £2 fare cap scheme in England that was introduced in January 2023 and recently extended to November 2024, with an increase in the cap to £2.50 from November 2023, and the free travel for Under 22s scheme in Scotland, in place since January 2022, have both positively impacted volumes.

We have also benefited from improved driver recruitment in many of our locations, the yield and pricing actions we made during the year as permitted under the continued government funding, further realignment of our network to better align services to demand and the implementation of our regional management structure to deliver further operational efficiencies.

Our enhanced data and digital capabilities are a key part of the transformation of our business. They are providing unprecedented granular insight that is now driving our commercial decisions, allowing us to deliver

our pricing strategy and to have more informed conversations with our local authority partners. Around 80% of our ticket transactions are now digital and we recently became the first major UK bus operator to install 'tap on tap off' technology on an entire bus fleet, allowing for improved customer convenience and distance-based fares, as well as enhanced data for the business.

We have also successfully diversified and increased our revenues from our adjacent services. These businesses reported a good financial performance in FY 2023, aided by the first full year of our 100% ownership of Somerset Passenger Solutions ('SPS') and the acquisition of Airporter in Northern Ireland in October 2022. The adjacent bus services market in the UK is considerable, and we are actively reviewing a pipeline of opportunities to increase our presence in the market, including the recent award of additional contracts for a large logistics provider and for East Midlands Airport and of course, through the recently completed acquisition of Ensignbus.

Regional bus operators have welcomed the DfT's recent two-year funding settlement for operators in England, demonstrating a strong recognition of the value of buses to the economy and to local communities. It will also enable bus operators and local authorities to plan, promote and grow services with greater confidence and with an extended period of clarity.

The Scottish Government has also recently announced the launch of a second phase of zero emissions funding for bus operators and in Wales, the government continues to work with bus operators and local authorities on a detailed strategy to deliver on its long-term ambitions for bus to support climate change and economic strategy.

There is no doubt that First Bus is a more agile business today, and following its outperformance in the second half of FY 2023 we remain confident that we will deliver further, sustainable revenue growth and continue our progression towards a 10% operating margin in bus as the business returns to a more commercial model.

Accelerating our investment in our bus fleet and infrastructure

As a major UK regional bus operator, we have a key role to play in the decarbonisation of public transport in the UK and we are rapidly establishing ourselves as a leader in bus fleet and infrastructure electrification as we progress towards our commitment of a 100% zero emission bus fleet by 2035.

The electrification of bus fleets and infrastructure requires close co-operation between operators and local authorities, and funding from both parties. We have committed net investment of c.£105m in FY 2024, supported by government co-funding of £82m.

In FY 2023 we took delivery of 83 electric buses and we have c.400 electric buses on order for delivery in FY 2024, which means that we will have over 600 zero emission vehicles by March 2024, as well as four fully electric depots, in York, Leicester, Norwich and Hampshire, the first outside of London. As part of our bus depot infrastructure decarbonisation and cost cutting initiatives, we are installing solar panels at our depots. We made good progress in this regard in FY 2023, installing panels at 20 of our depots.

The electrification of our bus fleet and depots will also create significant opportunities for the creation of adjacent revenue streams and sustainable value for all of our stakeholders. We are already conducting trials with third party businesses making use of our ultra-fast chargers when our buses are in service during the day at our Caledonia depot in Glasgow and in Aberdeen and we plan to replicate this at other depots in the future.

Operational highlights – First Rail

The management-fee based operations reported revenue of £3,805.6m in FY 2023 (FY 2022: £3,762.2m and adjusted operating profit of £93.3m (FY 2022: £97.5m).

In June 2022 we were awarded a National Rail Contract for GWR to June 2025 with an option for the DfT to extend it to June 2028. As well as working on the introduction of three new stations on the network that are due to open in FY 2024, GWR introduced a new timetable in May this year that has resulted in a 5% increase in train services a day.

In February, we welcomed the DfT's decision to exercise their option to continue the current contractual arrangements for SWR for the full two year extension period. The NRC will now run until 25 May 2025 and will allow the SWR team to build on its achievements during the first two years of the contract, and to continue to improve the customer offering on the network, with a new fleet of Arterio trains starting to be introduced in H2 FY 2024.

We subsequently announced in March 2023 that we had agreed an extension of the current contractual arrangements for WCP with the DfT, to 15 October 2023 and we continue discussions with the DfT regarding

a longer-term NRC for WCP. The agreement to extend the contract has allowed our team to continue their focus on delivering their robust plans to improve services for our customers, including further progress on our train upgrade and refurbishment programme, and we also continue to work closely with HS2 Limited in our role as shadow operator. Performance at Avanti is much improved. Since the introduction of the new timetable in mid-December, the number of services has increased by more than 40% compared to last summer, with more seats and better frequencies, and during the most recent period Avanti operated around 98% of scheduled services. We have also continued to roll out the £117m refurbishment programme of the Pendolino fleets with all trains being fully refurbished this year.

In May 2023 the DfT announced its decision not to exercise its option to extend TPE's NRC and its Operator of Last Resort has now taken over the delivery of passenger services on the network. The decline in TPE's service levels was due to circumstances largely out of our control, mainly the challenging industrial relations environment including the withdrawal of longstanding industry-standard overtime arrangements when TPE was undertaking unprecedented driver training requirements due to infrastructure upgrades. The loss of the contract was a huge disappointment for our team which has worked extremely hard to improve services and to successfully recruit and train more drivers than ever before. We had also worked closely with the DfT and Transport for the North on an agreed recovery plan, which had led to a c.40% reduction in cancellations in May 2023. The decision has not altered our belief in the important role of private rail operators in the delivery of vital, environmentally friendly transport for customers and communities across the UK.

Our open access operations Lumo and Hull Trains had a very successful year and performed ahead of our expectations, supported by high leisure passenger volumes. For FY 2023 they delivered an adjusted operating profit of £19.6m compared to a loss of £(16.6)m in FY 2022 (which reflected Hull Trains' recovery from the pandemic and the start up costs for Lumo). This is a remarkable achievement and reinforces our belief in the ability of the private operators to provide the expertise, innovation and investment to bring more passengers back to rail and deliver profitable operations. Our additional services businesses, including Mistral Data, evo-rail and First Customer Contact delivered adjusted operating profit of £11.9m in FY 2023, up from £6.9m in the prior year.

Corporate activity

We have made significant progress in monetising the contingent values from exiting North America. In December 2022 the Group received net proceeds of £122m from the sale of all but two of its remaining Greyhound US properties. Following the receipt of these funds we launched a £75m on-market share buyback programme on 19 December 2022 and by the end of FY 2023 we had completed £32m of the programme. We were also able to buy back £15.7m of our 6.785% September 2024 bonds as part of the Bank of England's bond auction in November 2022. In March, EQT Infrastructure completed the sale of First Transit and we anticipate receipt of the First Transit earnout consideration currently estimated at \$89m in H1 FY 2024.

In line with our strategy of investing in value accretive growth opportunities, in First Bus we have deployed growth capital of c.£37m in FY 2023, most notably Ensignbus in Essex and Airporter in Northern Ireland. The acquisition of Ensignbus, a long-established, high-performing business, will not only provide a number of synergies and value accretive growth opportunities in adjacent services contracts and the bus vehicle dealership market, but it will also enhance our local commercial bus operations in Essex. The addition of Airporter has expanded our footprint in Ireland and created an enhanced service.

Capital allocation and dividends

In light of the Group's financial performance for FY 2023 and in line with its progressive dividend policy, the Board has proposed a final dividend of 2.9p per share, resulting in a final dividend payment of c.£20m, to be paid on 18 August 2023 to shareholders on the register at 14 July 2023, subject to approval of shareholders at the 2023 AGM. The total dividend for the year paid and recommended is 3.8p per share (FY 2022: 1.1p per share). We have also announced today that the Board has proposed an additional buyback of up to £115m, subject to renewal of the usual buyback authority at the AGM and following the receipt of the proceeds from exiting North America.

Progressing our sustainability credentials and social value contributions

I am very pleased to report that for the fourth consecutive year, we have been included in the Clean200 Report, which ranks the world's largest publicly listed companies by their total clean energy revenues from products and services that provide solutions for the planet and define a clean energy future.

We have also received the Green Economy Mark on the London Stock Exchange in recognition of our contribution to the global green economy. We were also the only UK public transport operator to be included in the 2022 S&P Sustainability Yearbook and our score improved to B on the Carbon Disclosure Project ('CDP') global disclosure programme this year. In addition, we were ranked third out of the world's 90 most influential

transport companies in the World Benchmarking Alliance's recently published Transport Benchmark that uses publicly available information to assess companies on their progress towards decarbonisation and their contributions to a just transition and social transformation.

The Group has worked hard over many years to establish its safety culture and our focus remains on our commitment to the safety of our customers and employees. In FY 2023 we continued to invest in technology systems and introduced a number of initiatives and awareness campaigns to reduce incidents and to effectively monitor and manage our performance.

In September 2022 we published our first social value report, working with the Centre for Economics and Business Research to identify in a clear, robust and evidence-based way how exactly we add value, and how much we contribute in a given year. We create social value by supporting prosperity, growth and jobs in the communities we serve, for example through local employment (direct and in our supply chain), local procurement and community engagement programmes. We also play a critical role in reducing congestion on the roads, improving air quality and facilitating the transition to a zero-carbon world. The report highlighted that during FY 2022 we generated £1.44bn of gross value added ('GVA') contribution to the UK economy and spent £2.44bn on goods and services provided by UK firms. Our bus and rail services were estimated to have saved the UK economy £1.3bn in congestion costs in FY 2022 and in terms of employment benefits, for every 10 jobs directly generated by FirstGroup in the UK, a further 13.1 jobs are supported in the wider economy and our aggregate employment compensation was £2.9bn for the year.

Looking ahead

Whilst the broader economic and industrial relations backdrop remains challenging, current trading is in line with our expectations and the Group anticipates financial performance in line with our expectations for FY 2024. Positive free cash generation after investment of c.£130m principally in the electrification of the First Bus fleet and infrastructure, as well as capital returns to shareholders, is expected to result in an adjusted net cash position in the range of £10-20m at the end of FY 2024, assuming the completion of the returns to shareholders and before investing in potential inorganic growth opportunities.

Although clearly sensitive to broader consumer spending and inflation trends, we do expect sequential progress in First Bus in FY 2024 as we continue to benefit from the actions we have taken to transform the business as well as the first full year contribution of both Airporter and Ensignbus.

In First Rail, financial performance is expected to be in line with our expectations despite the TPE contract not being extended by the DfT. We expect profit from our open access and rail additional services to be at least in line with FY 2023, with continued strong passenger demand offsetting increased electricity prices and track access costs. We expect our management fee-based operations to deliver aggregate financial performance broadly in line with management expectations.

Looking further ahead, it is anticipated that First Bus will deliver further earnings growth as it continues its transition to a more commercial and efficient model, and from the targeted deployment of growth capital in both commercial and adjacent services opportunities, including over time, additional revenue streams resulting from the electrification of our fleet and infrastructure.

In First Rail, we expect a broadly consistent level of contribution from the management fee-based operations, and we anticipate further growth from both our open access operations as we look at ways to expand our customer offering, and our additional services businesses. We also continue to actively review a broad pipeline of growth opportunities where we can make use of our extensive experience and expertise.

In line with its disciplined capital allocation policy, the Board remains committed to its progressive dividend policy as well as reviewing the potential for further additional distributions to shareholders over time.

Conclusion

Our performance in FY 2023 in the face of the ongoing industry wide challenges has demonstrated the value and increasing diversity of our revenue streams, which together with our strong balance sheet and breadth of capabilities underpin our robust platform to deliver further growth and value. It is also testament to the expertise, dedication and resilience of our employees at all levels across the Group, and I am extremely proud and grateful to all of our employees for their hard work in support of our customers and communities especially during the cost of living crisis.

I look forward to working with all of our teams to capitalise on the considerable opportunities that lie ahead for FirstGroup to create substantial and sustainable value for all of our stakeholders and support the UK's social, economic and environmental ambitions.

Graham Sutherland
Chief Executive Officer
8 June 2023

Divisional review

First Bus

	£m		
52 weeks to 25 March	FY 2023	FY 2022	£m, change
Revenue	902.5	789.9	+112.6
Revenue per mile (£)	5.36	4.27	+1.09
Adjusted operating profit	58.4	45.2	+13.2
Adjusted operating margin	6.5%	5.7%	+80bps
EBITDA	120.9	104.4	+16.5
Passenger volumes	390.0	323.8	+66.2
Operated mileage	168.2	185.1	(16.9)
Net operating assets	511.9	626.4	(114.5)
Capital expenditure	121.8	63.2	+58.6

First Bus reported revenue of £902.5m (FY 2022: £789.9m) principally due to a 15.8% increase in passenger revenue, mainly reflecting increased passenger volumes in the second half of the year. Total passenger revenue increased to £660.0m (FY 2022: £570.0m), more than offsetting the £42.8m decrease in government funding. Our adjacent services' revenue increased to £175.1m from £120.9m in the prior year.

Adjusted operating profit increased to £58.4m (FY 2022: £45.2m). Statutory operating profit was £51.4m (FY 2022: £45.2m) with £7.0m of adjusting charges relating to the restructuring of the business including the sale of First Scotland East and the closure of our Southampton-based operations.

Overall passenger volumes increased by 20% in FY 2023 relative to FY 2022 equivalent levels, with commercial passenger volumes up 21% and concessions up 19%. Passenger volumes have benefited from the £2 fare cap scheme in England and the free travel for under-22s scheme in Scotland that has already funded over 50 million free bus journeys since its launch in January 2022. By stimulating passenger demand these schemes have both encouraged a modal shift to bus travel and increased social mobility. Under the £2 fare cap scheme in England, operators agree a reimbursement schedule in advance with the DfT based on the projected cost to the operator for charging a flat £2 fare for journeys that would otherwise have cost more. In Scotland, under the free travel for under-22s scheme, operators are reimbursed a proportion of the cost of a full adult fare.

First Bus operated 168 million service miles in FY 2023 compared with 185 million miles in the equivalent period in FY 2022 on a like for like basis following the network changes implemented in FY 2023 to better align services to demand.

Since September 2021, the delivery of local bus services across England has been reinforced by the DfT's £226.5m Bus Recovery Grant ('BRG') package which was allocated to regional bus operators based on mileage and volumes. The scheme was extended from April to July 2023 with £80m to support bus services through operators and local transport authorities, and £70m to support the £2 fare cap scheme.

In May 2023, bus operators and local authorities welcomed the DfT's announcement of a two-year funding settlement for operators in England which includes £300m of further funding to protect bus services until 2025, and £200m funding to extend the £2 fare cap until the end of October 2023 and then at £2.50 until November 2024. Currently, just over three quarters of First Bus commercial revenue is covered by the £2 fare cap scheme which reimburses operators using a shadow fare that includes an uplift in line with CPI. The new funding package will support passenger volume growth and provides increased certainty for us, and importantly, an extended period of clarity for us to plan the business around.

Optimising our business and delivering increased margins

The actions we have taken over the last few years to transform our business have resulted in a significant improvement in revenue and profit margins in the second half of FY 2023. These included net fare increases, initiatives to improve driver availability, as well as operational improvements, cost efficiencies and network realignments to better align services to demand. Revenue per mile increased by 25% in FY 2023, to £5.36 per mile.

We have also continued to successfully develop our pricing and yield management strategy, focused on the implementation of shorter term products such as lower entry single and return fares and updated weekly and monthly discounts. Having been prohibited from doing so under the earlier pandemic funding regime, we implemented fare increases in October 2022 and have since made further interventions within the CPI cap

permitted under current funding schemes. These increases have been designed to better match our new ticketing products to evolving travel trends, whilst at the same time recognising the potential impact of the cost of living crisis on discretionary passenger journeys by retaining low single fares.

We have a clear focus on delivering data-led, smart efficiency initiatives across our operations. We have delivered annualised cost savings of c.£20m since 2019 and we continue to identify and progress additional efficiency initiatives through the further modernisation of our business processes.

In H2 2023 our driver recruitment, retention and training initiatives resulted in an easing of driver resource pressures and increased operational efficiencies. Higher than anticipated inflation impacted a number of our key input costs during the year, including pay, fuel and utility costs. The vast majority of our local wage agreements (a number of which are multi-year) were concluded in FY 2023, broadly in line with CPI. Our fuel hedge programme has allowed us to offset higher fuel costs; we currently have 85% of our FY 2024 exposure hedged at 46p per litre and FY 2025 is currently 55% hedged at 50p per litre. We also have an electricity hedge programme in place, with 69% of our consumption (based on current consumption forecasts) hedged for FY 2024 at £172/MWh and 60% for FY 2025 at £146/MWh.

We have also continued to implement energy efficiency measures during the year, such as aligning electricity usage with building occupancy, awareness campaigns to encourage behavioural change and we are accelerating our investment in the self-generation of power. This has included the installation of new energy efficient lighting, bus washes and energy management systems, and the installation of solar panels. To date, we have installed panels at 20 of our depots generating c.2million kWh of electricity, partially offsetting energy usage.

As part of our initiatives to address underperforming locations and optimise our portfolio, we completed the sale of our First Scotland East operations to McGill's Group in September 2022 and in February 2023 we closed our Southampton-based operations. We have also completed a reorganisation of our regional management structure in the period to deliver further operational efficiencies.

Digital innovation

First Bus remains at the forefront of the digital transformation of the bus industry, thanks to our investment in real-time passenger volume data capture, GPS functionality and ticketing. We have significantly more actionable data which is transforming our ability to understand and assess passenger flows and make commercial decisions more efficiently. We are now able to accurately observe how passenger demand patterns are evolving, which is allowing us to optimise our networks, timetables and pricing strategies to align with passenger needs, improve our overall yield and attract new customers.

Ticket sales using digital payment methods now account for around 80% of our ticket transactions, and we recently became the first regional bus operator in the UK to install 'tap on tap off' capped payment technology on its entire fleet. This will allow for improved customer convenience and distance-based fares, as well as enhanced data for the business.

We are also successfully using data to increase our operational performance and efficiencies. In FY 2023 we rolled out the Prospective data-led timetabling and scheduling platform at a number of our operating companies. The software allows us to predict journey times and plan our schedules based on granular data. We have already seen significant improvements in punctuality and service reliability throughout the day and more resource efficient operations resulting in lower lost mileage and positive feedback from both customers and drivers.

Adjacent Services

Our adjacent services reported an increase in overall revenue, to £175.1m in FY 2023 (FY 2022: £120.9m), aided by the first full year contribution of our 100% ownership of SPS and the acquisition of Airporter during the year.

Having acquired the 50% of SPS we did not already own in FY 2022, in H1 2023 we agreed a five-year extension to our contract to provide passenger transport for the construction workers employed at the EDF Hinkley Point C nuclear power station. SPS employs around 450 staff running a 145 vehicle operation, delivering shuttle services seven days a week to and from the Hinkley Point site, with annual revenues of c.£31m.

The addition of Northern Ireland based Airporter to our business in October 2022 has expanded our footprint in Ireland and increased our daily routes to seven with the new route connecting the North-West to Belfast International Airport, Dublin Airport and Dublin city centre.

The acquisition of Ensignbus, with two high performing adjacent services segments that include rail replacement and private hire contract operations, has also boosted our adjacent services portfolio. In addition, the business has a young vehicle fleet that will require limited capital expenditure for several years and its vehicle refurbishment and re-sale division will provide synergies for First Bus as it sells its older fleet and replaces them with zero emission vehicles. The wider UK bus industry will also benefit, as the oldest, most polluting diesel buses are taken out of service. It is anticipated that the market for the resale of lower emission used diesel vehicles will continue to remain robust in the medium term, followed by the emergence of a similar market for the resale of zero emission vehicles.

During the period we have also been active with regards to bus franchising opportunities. First West of England took over the running of the m1 metrobus service in Bristol, a rapid transit contract serving more than 50,000 passengers a week, and we continue to participate in the bidding for franchise operations in Greater Manchester.

The adjacent bus services market in the UK is considerable and we continue to actively review a pipeline of opportunities to increase our presence in the market, including a recent contract win for East Midlands Airport.

Fleet decarbonisation

We are a leader in sustainable mobility and are fully aligned and working closely with central and local governments and our local authority partners across the UK to support the delivery of national decarbonisation ambitions and commitments, including zero emission bus fleets. In 2020 we announced our commitment to operate a fully zero emission fleet by 2035.

As an early mover in the sector, and an operator who strives to deliver innovation for customers, we are leading the industry in trialling and deploying various modes of vehicles and technologies across our fleet and at our depots.

The electrification of bus fleets and infrastructure requires close co-operation between operators and local authorities and funding from both parties. To date, we have worked with our local authority and government partners to secure government co-funding assistance for 552 zero emission vehicles and associated infrastructure under the Zero Emission Buses Regional Area (ZEBRA) funding in England, and Transport Scotland's Scottish Zero Emission Bus Phase 1 (ScotZEB) funding scheme, alongside committed net investment from the Group of £105m in FY 2024. We have welcomed the recent announcement by the Scottish Government regarding the launch of the second phase of its ScotZEB fund, through which up to £58m of funding to be made available to fund zero emission buses and infrastructure, reinforcing its commitment to drive forward a fully decarbonised future for Scotland's buses.

In FY 2023 we took delivery of 83 electric buses and we now have a total of 58 ultra-fast charging sockets already installed and fully operational. We anticipate that four of our depots (York, Leicester, Norwich and Hampshire) will be operating a fully electric fleet by the end of March 2024.

The electrification of our bus fleet and depots will also create significant opportunities for the creation of adjacent revenue streams and sustainable value for all of our stakeholders. We are already conducting trials with third party businesses, including courier company DPD and a number of public service vehicles, making use of our fast chargers at our Caledonia depot in Glasgow and our Aberdeen depot when our buses are out in service during the day. We plan to replicate this at other depots in the future.

In order to support our ambitious decarbonisation targets, we are also working to attract and retain talent and grow the future skills we know the industry will need. As part of First Bus's apprenticeship programme, we have partnered with Reaseheath College in Cheshire to establish the UK's first bus and coach engineering academy delivering tailored training to First Bus apprentice engineering technicians in the maintenance of next generation, zero emission transport vehicles.

Looking ahead

The overall performance of our First Bus business is predicated on running better quality mileage by using our enhanced data to align services to demand, implement smarter fares and stimulate passenger demand, and drive efficiencies across our operations. The division's performance in FY 2023 has demonstrated that the management actions we have taken to transform the business have achieved this, and we are confident that this is sustainable going forward.

Although clearly sensitive to broader consumer spending and inflation trends, we expect further sequential progress in FY 2024. This will result from further data-led efficiencies and network optimisation, lower operating costs as we reduce the average age of the fleet, continued improvement in driver resources, as well as the full year contribution of both Airporter and Ensignbus.

We will continue to invest in decarbonisation and to deploy growth capital, including to create additional revenue streams from the electrification of our fleets and depots and to develop our adjacent services businesses, including participation in franchising opportunities. First Bus is a more agile business today, and following its outperformance in the second half of FY 2023 we remain confident that we will deliver further revenue growth and continue our progression towards a 10% operating margin in bus.

First Rail

	£m		
Twelve months to 31 March	FY 2023	FY 2022	£m, change
Revenue from management fee-based operations	3,805.6	3,762.2	+43.4
Revenue from open access and additional services	190.8	119.2	+71.6
Inter-divisional eliminations	(103.2)	(80.2)	(23.0)
First Rail revenue	3,893.2	3,801.2	+92.0
Attributable net income from management fee-based operations ¹	38.7	45.5	(6.8)
Gross up for tax, minorities and IFRS 16	54.6	52.0	+2.6
Adjusted operating profit/(loss) from open access and additional services	31.5	(9.7)	+41.2
First Rail adjusted operating profit	124.8	87.8	+37.0
Passenger journeys (m) – management fee-based operations	261	200	+61
Passenger journeys (m) – open access operations	2.2	0.9	+1.3
Passenger journeys (m) – Total	263	201	+62

¹ Represents the Group's share of the management fee income available for dividend distribution from the GWR, SWR, TPE and WCP (incorporating Avanti) contracts with DfT on a pre-IFRS 16 basis net of tax and minority interests as described in more detail on pages 16 and 17. See also note 4 to the financial statements for a reconciliation to the segmental disclosures.

The First Rail division reported total revenue of £3,893.2m in FY 2023 (FY 2022: £3,801.2m), with increased passenger volumes offset by lower funding in the management fee-based operations. The division's open access operations contributed £70.8m in revenue for the period (FY 2022: £26.6m). Additional services including Mistral Data, evo-rail and First Customer Contact delivered gross revenue of £120.0m (FY 2022: £92.6m) before inter-divisional eliminations in the period and adjusted operating profit of £11.9m (FY 2022: £6.9m).

The management fee-based operations have delivered overall performance metrics broadly in line with our expectations in FY 2023 and have accordingly recorded actual performance fees and accrued for the remaining performance fees, that comprise fixed and variable elements, as a result. From FY 2024, performance fee metrics have been updated to place a greater weighting on quantified, rather than qualitative measures that don't rely on a subjective assessment of an operator's performance. The Group does not anticipate a material impact on net income as a result of these changes. Rail attributable net income from management fee-based operations – being the Group's share of the management fee income available for distribution from the GWR, SWR, TPE and WCP (incorporating Avanti West Coast) contracts with the DfT – was £38.7m (FY 2022: £45.5m). The Group receives an annual inter-company remittance from the TOCs reflecting the post-tax net management and performance fees from the prior year. These become payable up to the Group in the second half of the financial year following completion of the TOC audited accounts.

Our two open access operations Lumo and Hull Trains primarily serve leisure passengers, which as a segment has seen good demand throughout FY 2023. As a result of high volumes of passenger bookings and positive yield management including inflationary increases in fares, both operations performed ahead of expectations in FY 2023, delivering an adjusted operating profit of £19.6m compared to a loss of £(16.6)m in FY 2022 (which reflected Hull Trains' recovery from the pandemic and the start up costs for Lumo).

To address energy cost inflation, our train operating companies are members of industry buying groups in order to mitigate the long-term impact of electricity costs. For our open access operations, electricity costs represent a material proportion of their total costs, and these are expected to increase in FY 2024 before reducing in line with reductions in energy prices.

The First Rail division's adjusted operating profit increased to £124.8m (FY 2022: £87.8m), which principally reflects the increase in open access contribution, the settlement of one-off claims relating to prior reporting periods, as well as higher impact from IFRS 16 following the award of the new GWR contract in June 2022, which increased adjusted profit by £8.8m in FY 2023. The division reported a statutory operating profit of £124.8m (FY 2022: £91.8m).

Transition to longer term National Rail Contracts

Under the NRCs, the DfT retains substantially all revenue and cost risk (including for fuel, energy and wage increases). There is a fixed management fee and the opportunity to earn an additional performance fee. The punctuality and other operational targets required to achieve the maximum level of performance fee under the contracts are designed to incentivise service delivery for customers.

In June 2022 GWR was awarded an NRC with a core three-year term to 21 June 2025, with an option for the DfT to extend it by up to three further years to June 2028. The NRC also includes the operation of the Heathrow Express service.

In February we announced that the DfT had exercised their option to continue the current contractual arrangements for SWR for the full two year extension period. The NRC will now run until 25 May 2025 and will allow the SWR team to build on their achievements during the first two years of the contract, and to continue to improve the customer offering on the network.

In March we agreed an extension of the current contractual arrangements for WCP with the DfT, to 15 October 2023. The WCP contract comprises operation of Avanti West Coast and acting as shadow operator to the HS2 programme. The agreement to extend the contract has allowed our team to continue their focus on delivering their robust plans to enhance services for our customers, including further progress on our £117m train upgrade and refurbishment programme. Performance at Avanti is much improved. Since the introduction of the new timetable in mid-December, the number of services has increased by more than 40% compared to last summer, with more seats and better frequencies, and during the most recent period Avanti operated around 98% of scheduled services. Discussions with the DfT regarding a longer-term NRC for WCP continue.

In May 2023 the DfT announced their decision not to exercise its option to extend TPE's NRC and its Operator of Last Resort has now taken over the delivery of passenger services on the network. The decline in TPE's service levels was due to circumstances largely outside of our control, mainly the challenging industrial relations environment including the withdrawal of longstanding industry-standard overtime arrangements whilst undertaking unprecedented levels of driver training due to infrastructure upgrades. The loss of the contract was a huge disappointment for our team who have worked extremely hard to improve services, and to successfully recruit and train more drivers than ever before. We had also worked closely with the DfT and Transport for the North on an agreed recovery plan, which had led to a c.40% reduction in cancellations in May 2023.

Innovation and adjacent rail opportunities

During the year we continued to develop, market and deploy our additional rail customer, industry and technology tools and services. Most of these were initially developed to strengthen our offering to passengers on our large passenger rail operations but are increasingly being marketed to third party operators.

Our evo-rail track-to-train superfast rail-5G technology uses trackside poles to provide a connectivity solution that we expect will improve the passenger experience and help to encourage modal shift towards rail. The evo-rail technology is generating interest, and the installation of the technology across the SWR main line continues, with the first of six sections now completed and the remaining sections due in the second half of 2023. A number of trials and negotiations are also underway in the UK and abroad.

Mistral Data, our analytics business, was launched in 2021 and now has 14 software systems in operation built on native cloud technology, allowing them to be quickly deployed whilst also ensuring security and scalability. They include revenue and operational analysis and reporting tools that enable real-time integration and the sharing of complex data needed to operate services. This is enabling our teams to identify and resolve problems before they develop further, using live data pulled from several systems. The software also provides real-time information and messaging to our customers via website and mobile app channels on the formation and facilities available on each train, as well as any changes their train times in advance, allowing them to plan their journey with confidence. Also in FY 2023, a new Mistral safety application was successfully developed and deployed on the SWR network, to identify areas of potentially low rail-wheel adhesion, based on real-time wheel slip reported data.

Our First Customer Contact passenger service centre was established in 2019 and built based on scalability and the state-of-the-art customer service and data analytics systems appropriate for servicing rail customers. In FY 2023 the centre supported customers, processing delay repay claims and passenger assistance bookings, with quick turnaround times. The shared passenger service centre operates at a lower cost than our previous outsourcing arrangements and provides a single service for customer queries across several First Rail operations.

Our WCP Development team continued to support the HS2 infrastructure project during FY 2023. We worked closely with HS2 Ltd, DfT, Network Rail, Avanti West Coast, our stakeholders and customers to drive consistent, high-quality delivery of the programme and maximise the benefits of the Government's very significant HS2 infrastructure investment. We completed more than 35 project deliverables on time and within budget, led by our technical leadership team.

Customer experience

Our operations continue to make use of their industry knowledge and expertise to work collaboratively with industry partners and stakeholders to enhance our service offering and ensure that our services are as accessible as possible for all passengers. In FY 2023 we introduced a number of accessibility tools; these included the launch of My Station View and GoodMaps Explore on TPE and Travel Companion on Avanti. A number of innovative ticketing schemes were also introduced in FY 2023. Avanti introduced a low-cost Superfare for flexible travel, with fares fixed by destination and starting from £12 for a one-way ticket between London and Birmingham and GWR launched a Long Weekender leisure ticket in response to changing customer habits, offering savings of more than 60% on a number of routes. Ticket sales for Avanti's Standard Premium service which celebrated two years in May 2023, have exceeded expectations, with our 1.5 million tickets already sold.

Fleet upgrades

First Rail has an important contribution to make in meeting the challenges of climate change, and we are working with our partners to reduce carbon emissions through a number of initiatives including the introduction of electric trains to replace diesel where possible.

Avanti will be taking delivery of its first new Hitachi trains following an investment of £350m in ten electric only trains and 13 and bi-mode trains that can run under both electric and diesel power. The new trains are set to replace Avanti's diesel-only Voyager trains, leading to a 61% reduction in carbon emissions as well as providing a quieter and roomier service, more reliable Wi-Fi, wireless charging and a real-time customer information system. The first trains are expected to enter service later in FY 2024. In FY 2023 Avanti also continued the refurbishment of its electric Pendolino fleet through a £117m investment programme financed by the fleet owners Angel Trains. The first fully refurbished Avanti Pendolino entered service in April 2022 and the upgrade programme will be completed in CY 2024.

SWR have taken delivery of 400 Alstom Class 701 trains and it is anticipated that a phased introduction of the trains into operation will commence in H2 FY 2024.

In 2019 five Hitachi Class 802 Paragon trains were introduced into passenger service at Hull Trains, following a £60m investment programme, resulting in a growth in revenue thanks to more seats and better reliability. A recent report has also shown that the new trains have reduced the Hull Trains fleet's CO₂ emissions by almost 60%.

In February, GWR completed the purchase of a number of assets from emission-free battery and hybrid trains manufacturer Vivarail, which entered into administration in December 2022. GWR had been working closely with Vivarail for some time and the purchase of assets has secured the future of the planned trials of the technology between West Ealing and Greenford in London.

During FY 2023 GWR has been working on the introduction of three new stations (Reading Green Park, Marsh Barton in Exeter and Portway Park and Ride in Bristol) to better serve its communities. These stations are all due to open in FY 2024. We have also continued to work to improve our station facilities and deliver increased connectivity with other transport modes in FY 2023. More than 500 additional bike parking spaces and 30 electric bike spaces were completed at various SWR stations and in FY 2024 SWR plan to create a 700 space Cycle Hub at Richmond Station, adding almost 500 additional spaces to existing facilities. GWR completed 72 bike parking spaces at Bristol Parkway and an additional 56 spaces across Avonmouth, Severn Beach and Truro stations and Avanti introduced secure bike shelters at ten stations during the year.

Rail policy

The Government's plans for rail published in May 2021 set out their aims to put the expertise, innovation and experience of private sector rail operators at the heart of the new model for the industry in the coming years. We welcomed the recent position articulated by the Secretary of State highlighting that going forward, there will be an enhanced role for the private sector, to reinvigorate the rail industry, drive innovation and attract more customers to the railway. We urge the Government to engage with the market on the steps that can be taken, without primary legislation, in order to achieve this. This could include activating revenue incentives in current contracts, working with the sector to finalise the form new Passenger Service Contracts will take and setting out a timeline and framework for bringing those contracts to markets, including those currently operated by the public sector.

The UK's rail sector is embarking on a period of reform necessary to modernise industry practices and secure the long-term future of the industry, after some of the most challenging years in its history. A number of trade unions continue to stage industrial action at train operating companies across the UK; notwithstanding the fact that under the management fee-based contracts operators bear no revenue risk and limited cost risk, prolonged industrial action presents enormous challenges for everyone, and most importantly for our passengers who rely on these services to go about their daily lives. We are working closely with our industry partners to do all that we can to minimise the effects of disruption for our passengers.

With approximately a quarter of the UK rail market, First Rail will play a significant role in the industry as it evolves, and the success of our open access operations has further reinforced that we have the experience and entrepreneurial spirit to resolve challenges, fix problems and innovate for the future, encouraging passengers back to the railway whilst also growing our business.

Looking ahead

Financial performance is expected to be in line with our expectations in FY 2024 despite the TPE contract not being extended by the DfT. We expect profit from our open access and rail additional services to be at least in line with FY 2023 despite increased electricity prices and track access costs and the reversal of positive effect of one-off settlement claims in FY 2023. We anticipate a broadly consistent level of financial contribution from First Rail's management fee-based operations in FY 2024 despite the ongoing industrial relations challenges.

In the medium to longer term, we anticipate further growth from our open access operations, as we look at ways to expand our customer offering, and from our additional rail services businesses. We also continue to actively review a broad pipeline of growth opportunities where we can make use of our extensive experience and expertise.

Financial review

FY 2024 financial outlook and financial policy framework

The financial outlook and financial policy framework for the ongoing Group for the financial year ending in March 2024 (FY 2024) and beyond can be summarised as follows:

FY 2024 outlook	<ul style="list-style-type: none"> Although the economic and industrial relations backdrop remains challenging, current trading for FY 2024 is in line with expectations First Bus: although clearly sensitive to broader consumer spending and inflation trends, we expect further sequential progress in FY 2024 through continued passenger volume recovery and as management actions taken to transform the business, as well as the full year contribution of both Airporter and Ensignbus, will deliver further productivity improvements and increased revenues First Rail: despite the loss of the TPE contract we expect profit from our open access and additional rail services to be at least in line with FY 2023 despite increased costs and the reversal of the positive effect of one-off settlement claims in FY 2023. The management fee-based operations (which have no passenger revenue risk and limited cost risk) are forecast to deliver aggregate financial performance broadly in line with management expectations despite ongoing industrial relations challenges Adjusted net cash¹ position expected to be in the range of £10-20m at the end of FY 2024, following investment of c.£130m, principally on the electrification of the First Bus fleet and infrastructure and assuming the completion of announced capital returns to shareholders The TPE National Rail Contract expired on 28 May 2023. TPE had ring-fenced cash of £41.8m at the year end and its IFRS 16 lease liability on the Group's balance sheet at year end was £10.1m. Management and performance fees for the period April 2022 to end of May 2023 will be paid to FirstGroup through the normal mechanism following completion of the audited accounts (expected in H2 FY 2024 and H1 FY 2025)
Investment	<ul style="list-style-type: none"> First Bus: c.£130m in net cash capex, principally transition of bus fleet to 100% zero emissions by 2035 First Rail: continues to be cash capital-light, with any capital expenditure required by the management fee-based operations fully funded under the new contracts Growth: actively reviewing adjacent organic and inorganic opportunities where this creates value for shareholders and exceeds the Group's pre-tax WACC
Balance sheet	<ul style="list-style-type: none"> Less than 2.0x Adjusted Net Debt: rail management fee-adjusted EBITDA² target in the medium term Significant balance sheet strength
Returns for shareholders	<ul style="list-style-type: none"> Dividends: final dividend of 2.9p per share proposed Targeting progressive dividend 3x covered by Group adjusted attributable profit³ Additional £115m buyback programme proposed

¹ Adjusted Net Debt/Cash¹ excludes ring-fenced cash and IFRS 16 lease liabilities from net debt as shown in the table on page 21.

² First Bus and First Rail EBITDA from open access and additional services, plus First Rail attributable net income from management fee-based operations, minus central costs (see also page 35).

³ First Bus and First Rail adjusted operating profit from open access and additional services, plus First Rail attributable net income from management fee-based operations, minus central costs, minus cash interest, minus tax (see also page 35).

Revenue

Revenue from continuing operations increased to £4,755.0m (FY 2022: £4,591.1m), principally reflecting improving passenger volumes in First Bus partially offset by lower receipts from government grant funding and increased revenue in First Rail.

	52 weeks to 25 March 2023			52 weeks to 26 March 2022		
	Revenue £m	Adjusted operating profit ¹ £m	Adjusted operating margin ¹ %	Revenue £m	Adjusted operating profit ¹ £m	Adjusted operating margin ¹ %
First Bus	902.5	58.4	6.5	789.9	45.2	5.7
First Rail	3,893.2	124.8	3.2	3,801.2	87.8	2.3
Group items/eliminations ²	(40.7)	(22.2)		-	(26.3)	
Continuing operations	4,755.0	161.0	3.4	4,591.1	106.7	2.3
Discontinued operations	4.0	(6.6)	n/a	996.9	120.1	12.0
Total	4,759.0	154.4	3.2	5,588.0	226.8	4.1

¹ 'Adjusted' figures throughout this document are before list adjusting and certain other items as set out in note 4 to the financial statements. The statutory operating profit including discontinued operations for the year was £185.2m (FY 2022: £806.1m) as set out in note 3.

² Includes elimination of intra-group trading between Bus and Rail divisions. Prior year elimination was immaterial. Central management and other items.

Adjusted operating performance

Adjusted operating profit from continuing operations was £161.0m (FY 2022: £106.7m). First Bus benefited from the improving passenger volumes and yields, which were partly offset by lower grant receipts and the impact of inflationary cost headwinds. In First Rail, management fee-based operations saw adjusted operating profits below the prior year as a result of lower performance fee expectations, although these were more than offset by the outperformance in open access (Hull Trains and Lumo) as they transitioned from loss to profit. Central costs were lower than the prior year, reflecting the actions to resize the organisation following the North American disposals. The net impact to operating profit of IFRS 16 in the year was £41.9m (FY 2022: £37.3m), further improving the reported result.

The Group's adjusted attributable profit alternative performance measure is calculated as follows and more than doubled in the year, mainly as a result of the strong operational performance across the business:

	52 weeks to 25 March 2023 £m	52 weeks to 26 March 2022 £m
First Bus adjusted operating profit	58.4	45.2
Attributable net income from First Rail management fee-based operations ¹ – Group's share of the management fee income available for dividend distribution from GWR, SWR, TPE and WCP contracts	38.7	45.5
First Rail adjusted operating profit from open access and additional services	31.5	(9.7)
Group central costs (operating profit basis)	(22.2)	(26.3)
Treasury interest ²	(14.1)	(20.7)
Tax ³	(10.2)	2.2
Group adjusted attributable profit	82.1	36.2

¹ A reconciliation to the segmental disclosures is set out in note 4.

² Interest charge excluding notional interest and IFRS 16 lease interest.

³ Pro forma taxation at 19%.

A reconciliation of the Group's adjusted attributable profit measure to adjusted earnings after tax is shown below:

	FY 2023 Group adjusted attributable profit £m	Movements			FY 2023 Adjusted earnings after tax £m
		Adjusted First Rail earnings to IFRS 16 basis £m	Gross up tax and minority interests £m	Actual interest and tax £m	
First Bus adjusted operating profit	58.4	-	-	-	58.4
Attributable net income from First Rail management fee-based operations ¹	38.7	39.3	15.3	-	93.3

First Rail adjusted operating profit from open access and additional services	31.5	-	-	-	31.5
Group central costs (operating profit basis)	(22.2)	-	-	-	(22.2)
Subtotal	106.4	39.3	15.3	-	161.0
Treasury interest ²	(14.1)	(50.6)	-	7.9	(56.8)
Tax ³	(10.2)	-	(10.2)	-	(20.4)
Minority interest	-	-	(5.1)	-	(5.1)
Total	82.1	(11.3)	-	7.9	78.7

¹ A reconciliation to the segmental disclosures is set out in note 4.

² Pro forma interest charge excluding notional interest and IFRS 16 lease interest.

³ Pro forma taxation at 19%.

The Group's EBITDA adjusted for First Rail management fees performance measure also increased materially year-on-year and is calculated as follows:

	52 weeks to 25 March 2023 £m	52 weeks to 26 March 2022 £m
First Bus EBITDA ¹	105.0	87.6
Attributable net income from First Rail management fee-based operations ² – Group's share of the management fee income available for dividend distribution from GWR, SWR, TPE and WCP contracts	38.7	45.5
First Rail EBITDA from open access and additional services ¹	32.5	(9.7)
Group central costs (EBITDA basis ¹)	(21.2)	(24.8)
Group EBITDA adjusted for First Rail management fees	155.0	98.6

¹ IAS 17 basis.

² A reconciliation to the segmental disclosures is set out in note 4.

Reconciliation to non-GAAP measures and performance

Note 4 to the financial statements sets out the reconciliations of operating profit/(loss) and loss before tax to their adjusted equivalents.

The principal adjusting items in the year are as follows:

First Bus restructuring

As part of the restructuring of the First Bus division to exit loss-making markets and to align networks with post-pandemic demand, the Group completed the sale of its First Scotland East business in September 2022, realising a loss on disposal of £(3.7)m, and closed the Southampton depot resulting in closure costs and a release of prior impairment for a net credit of £2.3m. In line with this transition plan, the Group also incurred costs of £(5.6)m relating to surplus vehicle write-downs and other reorganisation charges in the division.

Other restructuring costs

A final net credit of £1.4m was recognised, being costs incurred in relation to the Group's central functions as part of its ongoing cost efficiency initiatives, offset by the release of accruals following the disposal of North America and the execution of the strategy.

Greyhound Canada

Net restructuring and closure costs of £1.5m relating to the continued winding down of Greyhound Canada operations were incurred during the year.

Adjusting items – discontinued operations

Following the announcement on 26 October 2022 of EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc., the Group now estimates its earnout consideration to be around c.\$89m (c.£72m) based on the information received on the sale by EQT. This gives rise to a non-cash, adjusting charge of £33.8m relative to the carrying value of the earnout of £106.1m as at 26 March 2022.

A gain of £71.4m arose on the completion of the sale of the majority of the remaining Greyhound US properties in December 2022.

In the prior year, the principal adjusting items in relation to the continuing business were as follows:

Gain on disposal of properties

An overall gain of £13.8m was realised in the prior year on the disposal of Greyhound Canadian properties.

Greyhound Canada closure

£1.7m in relation to Greyhound Canada restructuring and closure costs were incurred during the prior year.

First Rail termination sums net of impairment reversal

A £4.0m credit was recognised in the prior year, representing final adjustments of residual matters regarding the TPE and SWR termination sums.

The principal adjusting items in relation to the discontinued operations for 2022 were as follows:

Other intangible asset amortisation charges

The amortisation charge for the prior year was £0.4m.

Gain on sale of First Student and First Transit

As a result of the disposal of First Student and First Transit, a gain on sale of £501.1m was realised in the prior year.

Other costs associated with the disposal of First Student and First Transit

£32.7m of costs were incurred in the prior year associated with the disposal of First Student and First Transit that were not directly attributable to the sale and were therefore not included in the gain on disposal calculation.

Gain on sale and partial reversal of prior year impairments of Greyhound

As a result of the terms of the disposal of the Greyhound US business, there was a gain on disposal in the prior year of £109.0m and a credit of £55.4m representing the partial reversal of the prior years' impairment charges.

Other costs associated with the disposal of Greyhound

There was a charge of £11.1m in the prior year principally comprising legal and professional costs.

Employment taxes relating to First Student and First Transit

There was a charge of £6.6m during the prior year for a one-off charge for accelerated state and federal employment taxes.

North American insurance provisions and Greyhound insurance de-risking

There was a prior year charge of £31.5m for insurance costs due to deteriorations in respect of prior years' claims, and for the de-risking of legacy Greyhound insurance liabilities.

Gain on disposal of properties and impairment of land and buildings

An overall gain on disposal of Greyhound US properties of £6.5m was realised in the prior year. There was also an impairment charge of £7.2m for properties where market value was less than the book value.

The adjusting items in relation to finance cost adjustments – continuing operations for 2022 were as follows:

Total make-whole costs (bonds and facilities)

Costs of £50.0m in the prior year comprised a charge of £30.4m for the early repayment of the \$275m US Private Placement (USPP) and a charge of £19.6m for the early repayment of the £325m 2022 bond.

Write-off of unamortised bridge, bond and facility costs

There was a charge of £8.6m in the prior year for unamortised fees for various facilities which were cancelled on completion of the sale of First Student and First Transit.

Discontinued operations

In FY 2023, the Group's residual Greyhound US activities are disclosed as discontinued operations. The Group completed the sale of First Student and First Transit to EQT Infrastructure on 21 July 2021, and the sale of Greyhound Lines Inc. to a wholly owned subsidiary of FlixBus on 21 October 2021. All three are reported as discontinued operations in the prior year.

Group statutory operating profit

Statutory operating profit from continuing operations was £153.9m (FY 2022: £122.8m).

Finance costs and investment income

Net finance costs from continuing operations were £56.8m (FY 2022: £140.5m) with the decrease principally due to the adjusting finance costs in the prior year (£58.6m), lower finance costs on bonds and bank borrowings following the deleveraging in FY 2022 resulting from the sale of First Student and First Transit in July 2021,

and increased interest income on cash deposits. IFRS 16 interest costs were £50.6m (FY 2022: £41.0m) and increased mainly in Rail due to new leases for the management fee-based operations.

Profit before tax

Statutory profit before tax was £97.1m (FY 2022: loss before tax of £(17.7)m). Adjusted profit before tax as set out in note 4 to the financial statements was £97.9m (FY 2022: £133.4m) including discontinued operations. In the prior year there was an overall credit of £520.7m (including £58.6m of adjusting items in net finance costs) for adjustments principally reflecting the profit on sale of the North American businesses and partial reversal of impairment charges on Greyhound, resulted in a total profit before tax of £654.1m.

Tax

The tax charge, on adjusted profit before tax on continuing operations for the year was £20.4m (FY 2022: £2.7m), representing an effective tax rate of 19.6% (FY 2022: 10.9%). The rate has increased in the current year because the significant increase in profit before tax in the current year leads to certain reconciling items having less of an impact on the rate. The total tax charge, including tax on discontinued operations, was £33.4m (FY 2022: £12.1m). The actual tax paid during the year was £1.0m (FY 2022: £21.4m).

The ongoing Group's effective tax rate is expected to be broadly in line with UK corporation tax levels, being 25% from 1 April 2023).

EPS

Total adjusted EPS from continuing operations was 10.6p (FY 2022: 1.6p). Basic EPS was 11.8p (FY 2022: 60.2p).

Shares in issue

29.5m shares had been repurchased by year-end, as part of the £75m share buyback programme announced on 16 December 2022. As at 25 March 2023 there were 707.8m shares in issue (FY 2022: 740.7m), excluding treasury shares and own shares held in trust for employees of 42.8m (FY 2022: 9.5m). The weighted average number of shares in issue for the purpose of basic EPS calculations (excluding treasury shares and own shares held in trust for employees) in the period was 739.5m (FY 2022: 1,057.5m).

Dividend

The Board is proposing that a final dividend of 2.9p per share, resulting in a total dividend payment of c.£20m, be paid on 18 August 2023 to shareholders on the register at 14 July 2023, subject to approval of shareholders at the 2023 AGM.

Adjusted cash flow

The Group's adjusted cash flow of £28.0m (FY 2022: £1,008.9m) in the year reflects positive operational cash flow from the continuing divisions as well as the disposal proceeds from Greyhound properties and collection of deferred consideration and other receivables, offset by the repayment of debt and de-risking of certain retained liabilities. Underlying operational cash flow under IFRS 16 before capital expenditure and lease payments in the year was £644.8m (FY 2022: £185.8m), ahead of expectations due to better business performance and timing of certain working capital flows. The adjusted cash flow is set out below:

	52 weeks to 25 March 2023 £m	52 weeks to 26 March 2022 £m
EBITDA	755.8	862.1
Other non-cash income statement charges	10.9	3.8
Working capital	(101.3)	(89.2)
Movement in other provisions	(33.0)	(27.4)
Increase in financial assets/contingent consideration receivable	-	(223.1)
Settlement of foreign exchange hedge	(1.2)	-
Pension payments in excess of income statement charge/LGPS refund	13.6	(340.4)
Cash generated by operations	644.8	185.8
Capital expenditure and acquisitions	(208.5)	(262.9)
Proceeds from disposal of property, plant and equipment	147.8	23.1
Proceeds from capital grant funding	144.2	77.6
Net proceeds from disposal of businesses	2.0	2,320.0
Interest and tax	(64.6)	(196.6)
Shares purchased for Employee Benefit Trust	(15.3)	(23.5)
Share repurchases from buyback programme including costs (FY 2022: tender offer)	(31.6)	(506.0)

Dividends paid including to non-controlling interests	(20.8)	-
Settlement of foreign exchange hedge	(12.5)	-
Lease payments now in debt/other	(557.5)	(608.6)
Adjusted cash flow	28.0	1,008.9
Foreign exchange movements	(4.0)	(3.8)
(Inception)/termination of leases	(1,231.8)	184.1
Lease payments now in debt	557.5	609.8
Other non-cash movements	0.2	207.8
Movement in net debt in the period	(650.1)	2,006.8

Capital expenditure

Non-First Rail cash capital expenditure was £121.3m (FY 2022: £194.3m), comprising First Bus £120.3m and Group items £1.0m (FY 2022: £194.3m, comprising First Bus £61.1m, Group items £1.7m, First Student £72.6m, First Transit £21.8m and Greyhound £37.1m). In the year, the First Bus average fleet age was 9.1 years (FY 2022: 10.1 years). First Rail capital expenditure was £56.6m (FY 2022: £57.3m) and is typically matched by receipts from the DfT under current contractual arrangements or other funding.

During the year asset backed financial liabilities were entered into in First Bus of £19.3m (FY 2022: £22.4m, comprising First Bus £11.3m, Group items £0.8m, First Student £8.4m, First Transit £1.7m and Greyhound £0.2m).

In addition, during the year the Group entered into leases with a right of use value of £1,219.0m comprising First Rail £1,213.8m, First Bus £4.2m and Group items £1.0m (FY 2022: £116.6m, comprising First Rail £94.6m, First Bus £11.3m, Group items £0.8m, First Student £8.4m, First Transit £1.3m and Greyhound £0.2m).

Gross capital investment (fixed asset and software additions plus right of use asset additions) was £1,426.9m (FY 2022: £374.8m) and comprised First Bus £154.3m, First Rail £1,270.5m and Group items £2.1m (FY 2022: First Bus £74.5m, First Rail £147.6m, Group items £5.9m, First Student £96.1m, First Transit £13.5m and Greyhound £37.2m). The balance between cash capital expenditure and gross capital investment represents new leases, creditor movements and the recognition of additional right of use assets in the year.

Funding

During the second half of FY 2023, the Group completed the sale of its Greyhound property portfolio for net proceeds of £122m. Following the receipts of these proceeds, the Group announced a £75m share buyback programme, and the repurchase of £15.7m of its 2024 6.875% bonds. At 25 March 2023, the Group had repurchased 29.5m shares for an amount of £31.6m (including costs) under the share buyback programme.

As at the year end, the Group had £638.9m of undrawn committed headroom and free cash, being £300.0m (FY 2022: £300.0m) of undrawn committed RCF and £338.9m (FY 2022: £232.1m) of net free cash after offsetting overdraft positions.

Net cash/(debt)

The Group's adjusted net cash as at 25 March 2023, which excludes IFRS 16 lease liabilities and ring-fenced cash was £109.9m (FY 2022: adjusted net debt of £(3.9)m). Reported net debt was £(1,269.1)m (FY 2022: reported net debt of £619.0m) after IFRS 16 and including ring-fenced cash of £369.6m (FY 2022: £468.1m), as follows:

	25 March 2023	26 March 2022
	Total Group £m	Total Group £m
Analysis of net debt/(cash)		
Sterling bond (2024)	184.2	199.9
Bank loans and overdrafts	82.9	87.5
Lease liabilities	1,748.6	1,083.2
Asset backed financial liabilities	44.2	35.5
Loan notes	0.6	0.6
Gross debt excluding accrued interest	2,060.5	1,406.7
Cash	(421.8)	(319.6)
First Rail ring-fenced cash and deposits	(364.2)	(440.4)
Other ring-fenced cash and deposits	(5.4)	(27.7)
Net debt excluding accrued interest	1,269.1	619.0

IFRS 16 lease liabilities – rail	1,711.2	1,031.2
IFRS 16 lease liabilities – non-rail	37.4	52.0
IFRS 16 lease liabilities – total	1,748.6	1,083.2
Net (cash)/debt excluding accrued interest (pre-IFRS 16)	(479.5)	(464.2)
Adjusted net (cash)/debt (pre-IFRS 16 and excluding ring-fenced cash)	(109.9)	3.9

Under the terms of the First Rail contractual agreements with the DfT, cash can only be distributed by the TOCs either up to the lower amount of their retained profits or the amount determined by prescribed liquidity ratios. £48.7m has been paid in dividends from the TOCs after finalisation of their statutory accounts to the Group during the year. The ring-fenced cash represents that which is not available for distribution or the amount required to satisfy the liquidity ratio at the balance sheet date.

Interest rate risk

We seek to manage our exposure to floating interest rates by ensuring that at least 50% (but at no time more than 100%) of the Group's gross debt is fixed rate for the medium term.

Based on the current adjusted net debt profile, the variable rate RCF is undrawn with only finance leases and the 2024 6.875% £184.2m fixed rate bond outstanding.

Fuel and electricity price risk

We use a progressive forward hedging programme to manage commodity risk. As at June 2023, 85% of our 'at risk' UK crude requirement for FY 2024 (81.4m litres, which is all in First Bus) was hedged at an average rate of 46p per litre, and 55% of our requirements for the year to the end of March 2025 at 50p per litre. We also have an electricity hedge programme in place, with 69% of our consumption (based on current consumption forecasts) hedged for FY 2024 at £172/MWh and 60% for FY 2025 at £146/MWh.

Foreign currency risk

'Certain' and 'highly probable' foreign currency transaction exposures including fuel purchases for the UK divisions may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group does not hedge the translation of earnings into the Group reporting currency (pounds Sterling) but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the Group does business, although this exposure is materially reduced following the sales of the North American divisions. During the year, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant.

Foreign exchange

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

	52 weeks to 25 March 2023		52 weeks to 26 March 2022	
	Closing rate	Effective rate	Closing rate	Effective rate
US Dollar	1.22	1.11	1.32	1.40
Canadian Dollar	1.68	1.76	1.64	1.73

Pensions

We have updated our pension assumptions as at 25 March 2023 for the defined benefit schemes in the UK and North America. The net pension surplus of £186.7m at the beginning of the year moved to a net surplus of £27.8m at the end of the year. The movement is principally due to the impacts of the high yield environment. Whilst the significant increase in discount rates was the main contributor to gains from changes in financial assumptions, the corresponding reduction in the value of bond and liability-matching assets, together with a modest fall in the value of growth-seeking assets and higher than expected inflation led to an overall loss. The main factors that influence the balance sheet position for pensions and the principal sensitivities to their movement at 25 March 2023 are set out below:

	Movement	Impact
Discount rate	+1.0%	Increase surplus by £202m
Inflation	+1.0%	Decrease surplus by £151m
Life expectancy	+1 year	Decrease surplus by £52m

Following the exceptional gilt yield movements in FY 2023, the Group agreed to make £95m from the Limited Partnership created following the sale of the North American divisions (the escrow) available to the Bus Pension Scheme to assist with liquidity management. The loan was repaid in February 2023. The funding shortfall (the basis which will determine the final distribution of funds from the escrow following the next triennial valuation) remains materially lower than it was at the beginning of the period. The Company has now started the formal process of removing the legacy North American pension obligations from the balance sheet by giving notice of its intention to terminate the pension plan in Canada.

During FY 2023, £11.8m of excess funding was returned to the Group by a Local Government Pension Scheme in Scotland. This had been made possible by the transfer of assets and liabilities held within the Strathclyde Pension Fund into the North East Scotland Pension Fund and a subsequent annuity purchase.

On an agreed low-dependency funding basis, Bus and Group Scheme shortfalls are in aggregate c.£60m lower than at the start of the year, to c.£146m at year-end (with £117.6m remaining in escrow).

Balance sheet

Net assets have decreased by £134.3m since 26 March 2022. The principal reasons are the impact of the profit for year, which is more than offset by the reduction in the pension surplus, as well as the share buyback programme.

Balance sheets – Net assets/(liabilities)	As at 25 March 2023 £m	As at 26 March 2022 £m
First Bus	511.9	626.4
First Rail	1,368.3	597.3
Greyhound	(21.8)	33.7
Divisional net assets	1,858.4	1,257.4
Group items	162.1	245.8
Borrowings and cash	(1,275.6)	(619.0)
Taxation	5.3	0.9
Greyhound – Held for sale	0.6	–
Total	750.8	885.1

Legacy North American assets and liabilities on balance sheet

As part of the disposal of First Transit to EQT, FirstGroup was entitled to an 'earnout' consideration of up to \$290m (c.£220m). On 26 October 2022, EQT Infrastructure announced its agreement to sell First Transit to Transdev North America, Inc., and as a result the Group currently estimates the earnout consideration to be c.\$88.5m (£72.3m). During the year this gave rise to a non-cash, adjusting charge of £33.8m relative to the carrying value of the earnout of £106.1m at 26 March 2022.

Events after the reporting period

- On 11 May 2023, the Department for Transport (DfT) confirmed that it would not exercise its option to extend the existing arrangements for FirstGroup's TransPennine Express (TPE) National Rail Contract, which was due to expire on 28 May 2023. On that date the DfT appointed its Operator of Last Resort to take over delivery of passenger services on the TPE network.
- The sale of the Bus division's depot at Empress Road, Southampton, which was disclosed as held for sale at 25 March 2023, completed on 3 April 2023 with proceeds in line with the held for sale valuation.
- First Transit earnout crystallised following completion of sale of First Transit business by EQT Infrastructure in March 2023, with estimated proceeds of c.\$89m anticipated in H1 FY 2024.
- In May 2023, the DfT announced a two-year funding settlement for bus operators in England which includes £300m of further funding to protect bus services until 2025, and £200m funding to extend the £2 fare cap until the end of October 2023 and then at £2.50 until November 2024.

Going concern

The Board carried out a review of the Group's financial projections for the 18 months to 30 September 2024 and having regard to the risks and uncertainties to which the Group is exposed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the 12-month period from the date on which the financial statements were approved. Accordingly, they continue to adopt a going concern basis of accounting in preparing the consolidated financial statements in this full year report.

Definitions

Unless otherwise stated, all financial figures for the 52 weeks to 25 March 2023 (the 'year' or 'FY 2023') include the results and financial position of the First Rail business for the year ended 31 March 2023 and the results of all other businesses for the 52 weeks ended 25 March 2023. The figures for the 52 weeks to 26 March 2022 (the 'prior year' or 'FY 2022') include the results and financial position of the First Rail business for the year ended 31 March 2022 and the results and financial position of all other businesses for the 52 weeks ended 26 March 2022. Results for the 53 weeks to 30 March 2024 ('FY 2024') will include the results and financial position for First Rail for the year ending 31 March 2024 and the results and financial position of all the other businesses for the 53 weeks ending 30 March 2024.

'Cont.' or the 'Continuing operations' refer to First Bus, First Rail and Group items.

'Disc.' or the 'Discontinued operations' refer to First Student, First Transit and Greyhound US.

References to 'adjusted operating profit', 'adjusted profit before tax', and 'adjusted EPS' throughout this document are before the adjusting items as set out in note 4 to the financial statements.

'EBITDA' is adjusted operating profit less capital grant amortisation plus depreciation.

The Group's 'EBITDA adjusted for First Rail management fees' is First Bus and First Rail EBITDA from open access and additional services on a pre-IFRS 16 basis, plus First Rail attributable net income from management fee-based operations, minus central costs.

'Group adjusted attributable profit' is First Bus and First Rail adjusted operating profit from open access and additional services, plus First Rail attributable net income from management fee-based operations, minus central costs, minus cash interest, minus tax.

'Net cash/(debt)' is the value of Group external borrowings, excluding accrued interest, less cash balances.

'Adjusted net cash/(debt)' excludes ring-fenced cash and IFRS 16 lease liabilities from net cash/(debt).

Forward-looking statements

Certain statements included or incorporated by reference within this document may constitute 'forward-looking statements' with respect to the business, strategy and plans of the Group and our current goals, assumptions and expectations relating to our future financial condition, performance and results. By their nature, forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors that cause actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No statement in this document should be construed as a profit forecast for any period. Shareholders are cautioned not to place undue reliance on the forward-looking statements.

Except as required by the UK Listing Rules and applicable law, the Group does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this document.

Graham Sutherland
Chief Executive
8 June 2023

Ryan Mangold
Chief Financial Officer
8 June 2023

Consolidated income statement

For the 52 weeks ended 25 March

Continuing Operations	Notes	2023 £m	2022 £m
Revenue	2	4,755.0	4,591.1
Operating costs		(4,601.1)	(4,468.3)
Operating profit		153.9	122.8
Investment income	5	12.3	1.1
Finance costs	5	(69.1)	(141.6)
Profit/(loss) before tax		97.1	(17.7)
Tax	6	(10.4)	11.9
Profit/(loss) from continuing operations		86.7	(5.8)
Profit from discontinued operations	13	8.6	647.8
Profit for the year		95.3	642.0
Attributable to:			
Equity holders of the parent		87.1	636.4
Non-controlling interests		8.2	5.6
		95.3	642.0
Earnings per share			
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share		10.6p	(1.1)p
Diluted earnings per share		10.3p	(1.1)p
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	7	11.8p	60.2p
Diluted earnings per share	7	11.4p	60.2p
Adjusted results (from continuing operations)¹			
Adjusted operating profit	3	161.0	106.7
Adjusted profit before tax		104.2	24.8
Adjusted EPS	7	10.6p	1.6p
Adjusted diluted EPS		10.3p	1.5p

1 Adjusted for certain items as set out in note 4.

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

Consolidated statement of comprehensive income

For the 52 weeks ended 25 March

	2023 £m	2022 £m
Profit for the year	95.3	642.0
Items that will not be reclassified subsequently to profit or loss		
Actuarial (losses)/gains on defined benefit pension schemes	(150.9)	122.3
Deferred tax on actuarial losses/(gains) on defined benefit pension schemes	37.2	(22.1)
	(113.7)	100.2
Items that may be reclassified subsequently to profit or loss		
Derivative hedging instrument movements	(6.3)	43.9
Deferred tax on derivative hedging instrument movements	(1.3)	(10.8)
Cumulative loss on hedging instruments reclassified to the income statement	10.9	–
Exchange differences on translation of foreign operations – continuing operations	0.9	(5.6)
Exchange differences on translation of foreign operations – discontinued operations	6.8	0.3
Non-controlling interests share of loan waived	–	35.4
Reclassification of foreign currency translation reserve on discontinued operations	–	(543.4)
	11.0	(480.2)
Other comprehensive loss for the year	(102.7)	(380.0)
Total comprehensive (loss)/income for the year	(7.4)	262.0
Attributable to:		
Equity holders of the parent	(15.6)	221.0
Non-controlling interests	8.2	41.0
	(7.4)	262.0
Total comprehensive (loss)/income for the year attributable to owners of FirstGroup plc arises from:		
Attributable to:		
Continuing operations	(22.6)	149.1
Discontinued operations	15.2	112.9
	(7.4)	262.0

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

Consolidated balance sheet

As at 25 March

	Notes	2023 £m	2022 £m
Non-current assets			
Goodwill	8	99.6	93.5
Other intangible assets	9	10.8	12.4
Property, plant and equipment	10	2,329.7	1,692.7
Contingent consideration receivable	11	–	106.1
Deferred tax assets	17	47.0	36.1
Retirement benefit assets		44.6	203.0
Derivative financial instruments	16	0.1	4.2
Financial assets	16	117.6	117.0
Investments		2.5	2.2
		2,651.9	2,267.2
Current assets			
Inventories		26.0	28.9
Trade and other receivables	11	848.3	682.3
Contingent consideration receivable	11	72.3	–
Current tax assets		–	3.1
Cash and cash equivalents		791.4	787.7
Derivative financial instruments	16	7.4	26.2
		1,745.4	1,528.2
Assets held for sale – continuing operations		8.3	–
Assets held for sale – discontinued operations		0.6	38.5
Total assets		4,406.2	3,833.9
Current liabilities			
Trade and other payables	12	1,314.4	1,245.1
Tax liabilities – Current tax liabilities		0.3	–
– Other tax and social security		41.4	38.3
Borrowings	14	554.7	677.0
Derivative financial instruments	16	2.6	–
Provisions	18	85.9	114.6
Current liabilities		1,999.3	2,075.0
Net current liabilities		(253.9)	(546.8)
Non-current liabilities			
Borrowings	14	1,512.3	736.8
Derivative financial instruments	16	1.9	–
Retirement benefit liabilities		16.7	16.3
Provisions	18	125.2	120.7
		1,656.1	873.8
Total liabilities		3,655.4	2,948.8
Net assets		750.8	885.1
Equity			
Share capital	19	37.5	37.5
Share premium		693.2	692.8
Hedging reserve		(0.7)	19.3
Other reserves		22.4	22.4
Own shares		(15.4)	(9.0)
Translation reserve		(16.3)	(24.0)
Retained earnings		19.5	137.6
Equity attributable to equity holders of the parent		740.2	876.6
Non-controlling interests		10.6	8.5
Total equity		750.8	885.1

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

Ryan Mangold

8 June 2023

Consolidated statement of changes in equity

For the 52 weeks ended 25 March

	Share capital (note 19) £m	Share premium £m	Hedging reserve £m	Other reserves £m	Own shares £m	Trans- lation reserve £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
Balance at 28 March 2021	61.1	689.6	(3.4)	4.6	(9.0)	524.7	(89.6)	1,178.0	(23.9)	1,154.1
Profit for the year	–	–	–	–	–	–	636.4	636.4	5.6	642.0
Other comprehensive income/(loss) for the year	–	–	33.1	–	–	(548.7)	100.2	(415.4)	35.4	(380.0)
Total comprehensive income/(loss) for the year	–	–	33.1	–	–	(548.7)	736.6	221.0	41.0	262.0
Derivative hedging instrument movements transferred to balance sheet (net of tax)	–	–	(10.4)	–	–	–	–	(10.4)	–	(10.4)
Transactions with owners in their capacity as owners										
Shares issued	0.2	3.2	–	–	–	–	–	3.4	–	3.4
Shares bought back and cancelled	(23.8)	–	–	17.8	–	–	(500.0)	(506.0)	–	(506.0)
Disposal of non-controlling interest in First Transit	–	–	–	–	–	–	–	–	(0.7)	(0.7)
Dividends paid/other	–	–	–	–	–	–	2.0	2.0	(7.9)	(5.9)
Movement in EBT and treasury shares	–	–	–	–	–	–	(16.8)	(16.8)	–	(16.8)
Share-based payments	–	–	–	–	–	–	5.4	5.4	–	5.4
Balance at 26 March 2022	37.5	692.8	19.3	22.4	(9.0)	(24.0)	137.6	876.6	8.5	885.1
Balance at 27 March 2022	37.5	692.8	19.3	22.4	(9.0)	(24.0)	137.6	876.6	8.5	885.1
Profit for the year	–	–	–	–	–	–	87.1	87.1	8.2	95.3
Other comprehensive income/(loss) for the year	–	–	3.3	–	–	7.7	(113.7)	(102.7)	–	(102.7)
Total comprehensive income/(loss) for the year	–	–	3.3	–	–	7.7	(26.6)	(15.6)	8.2	(7.4)
Derivative hedging instrument movements transferred to balance sheet (net of tax)	–	–	(23.3)	–	–	–	–	(23.3)	–	(23.3)
Transactions with owners in their capacity as owners										
Shares issued	–	0.4	–	–	–	–	–	0.4	–	0.4
Shares bought back but not yet cancelled	–	–	–	–	–	–	(31.6)	(31.6)	–	(31.6)
Liability for shares not yet bought back	–	–	–	–	–	–	(43.9)	(43.9)	–	(43.9)
Dividends paid	–	–	–	–	–	–	(14.7)	(14.7)	(6.1)	(20.8)
Movement in EBT and treasury shares	–	–	–	–	(6.4)	–	(8.6)	(15.0)	–	(15.0)
Share-based payments	–	–	–	–	–	–	6.4	6.4	–	6.4
Deferred tax on share-based payments	–	–	–	–	–	–	0.9	0.9	–	0.9
Balance at 25 March 2023	37.5	693.2	(0.7)	22.4	(15.4)	(16.3)	19.5	740.2	10.6	750.8

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

Consolidated cash flow statement

For the 52 weeks ended 25 March

	Notes	2023 £m	2022 restated £m
Cash generated by operations	21	644.8	185.8
Tax paid		(1.0)	(21.4)
Interest paid		(70.0)	(176.6)
Net cash from operating activities	21	573.8	(12.2)
Investing activities			
Interest received		6.4	1.4
Proceeds from disposal of property, plant and equipment		147.8	23.1
Purchases of property, plant and equipment		(173.7)	(241.9)
Purchases of software		(4.2)	(9.7)
Proceeds from capital grant funding		144.2	77.6
Net proceeds from disposal of subsidiaries (net of cash disposed) ¹		2.0	2,320.0
Settlement of foreign exchange hedge		(12.5)	–
Acquisition of businesses	20	(30.6)	(11.3)
Net cash used in investing activities		79.4	2,159.2
Financing activities			
Shares purchased by Employee Benefit Trust		(15.3)	(23.5)
Treasury shares purchased via share buyback scheme and directly associated costs (2022: tender offer)		(31.6)	(506.0)
External dividends paid		(14.7)	–
Dividends paid to non-controlling shareholders		(6.1)	–
Shares issued		–	2.9
Repayment of CCFF		–	(298.2)
Repayment of bond issues		(15.7)	(674.4)
Repayment of senior unsecured loans		–	(200.0)
Repayment of bank facilities		–	(579.3)
Repayment of lease liabilities		(546.9)	(600.4)
Repayment of asset backed financial liabilities		(10.6)	(9.4)
Fees for finance facilities		–	(1.7)
Net cash flow used in financing activities		(640.9)	(2,890.0)
Net increase/(decrease) in cash and cash equivalents before foreign exchange movements		12.3	(743.0)
Cash and cash equivalents at beginning of year		700.2	1,443.4
Foreign exchange movements		(4.0)	(0.2)
Cash and cash equivalents at end of year		708.5	700.2

¹ 2023 amount of £2.0m comprises cash consideration received of £7.2m less cash and cash equivalent sold of £5.2m. (2022: £2,320.0m comprises cash consideration of £2,478.7m less cash and cash equivalents sold of £158.7m).

Cash flows of discontinued operations are shown in note 13.

	2023 £m	2022 £m
Reconciliation to cash flow statement		
Cash and cash equivalents – Balance Sheet	791.4	787.7
Bank overdraft	(82.9)	(87.5)
Cash and cash equivalents at end of year per consolidated balance sheet	708.5	700.2

Note to the consolidated cash flow statement – reconciliation of net cash flow to movement in net debt

	2023 £m	2022 £m
Net increase/(decrease) in cash and cash equivalents in year	12.3	(743.0)
Decrease in debt excluding leases	15.7	1,751.9
Adjusted cash flow	28.0	1,008.9
Payment of lease liabilities	557.5	609.8
(Inception)/termination of leases	(1,231.8)	184.1
Foreign exchange movements	(4.0)	(3.8)
Other non-cash movements	0.2	207.8
Movement in net debt in year	(650.1)	2,006.8
Net debt at beginning of year	(619.0)	(2,625.8)
Net debt at end of year	(1,269.1)	(619.0)

Other non-cash movements consist of movements in supplier financing of £nil (2022: £159.2m), transfer of asset backed financial liabilities of £nil (2022: £61.0m) on sale of disposal First Student and First Transit, amortisation of debt issue fees of £(0.6)m (2022: £(12.4)m) and other non-cash movements of £0.8m (2022: £nil).

Management considers that adjusted cash flow is an appropriate measure for assessing the Group cash flow as it is the measure that is used to assess both Group and divisional cash performance against budgets and forecasts. Adjusted cash flow is stated prior to cash flows in relation to debt excluding leases.

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

Notes to the consolidated financial statements

1 General information

The financial information set out above does not constitute the Company's Statutory Accounts for the 52 weeks ended 25 March 2023 or 26 March 2022, but is derived from those accounts. Statutory Accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting. The auditors have reported on both sets of account; their reports were unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not in itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in June 2023. Copies of the Statutory Accounts for the 52 weeks ended 25 March 2023 will be available to all shareholders in June and will also be available thereafter at the Registered Office of the Company at 395 King Street, Aberdeen, AB24 5RP.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006, in addition to complying with international accounting standards in conformity with requirements of the Companies Act 2006.

The consolidated financial statements of FirstGroup plc comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. These financial statements are also prepared in accordance with IFRSs as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRSs as issued by the IASB for the periods presented. There were no unendorsed standards effective for the period ended 25 March 2023 affecting these consolidated and separate financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and on a going concern basis.

The Group has undertaken detailed reviews of a range of severe but plausible financial and operational scenarios using financial outlook modelling. Based on their review of the financial forecasts and having regard to the risks and uncertainties to which the Group is exposed, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for at least a 12-month period from the date on which the financial statements were approved. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements for the 52 weeks ended 25 March 2023 include the results and financial position of the First Rail business for the year ended 31 March 2023 and the results and financial position of all the other businesses for the 52 weeks ended 25 March 2023. The financial statements for the 52 weeks ended 26 March 2022 include the results and financial position of the First Rail businesses for the year ended 31 March 2022 and the results and financial position of all the other businesses for the 52 weeks ended 26 March 2022.

Restatements

During the year, management reassessed the classification of cash flows in relation to capital grants received from the Department for Transport (DfT) and Transport Scotland, which had previously been reported within net cash from operating activities. As these grants typically relate to the funding of capital investment by the Group, management concluded that these cash flows represented investing activities, rather than operating activities, and accordingly have classified them as such in the FY 2023 financial statements and restated the FY 2022 presentation. The consolidated cash flow statement and the net cash from operating activities note (note 21) have been updated to reclassify the capital grant funding. In the FY 2022 restatement, an inflow of £77.6m was reclassified from operating activities to investing activities.

Adoption of new and revised standards

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

The following amended standards and interpretations were adopted by the Group during the year.

- Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020

There has been no material change as a result of applying these amendments and no significant impact is expected from any of the future standards and amendments that are visible.

2 Revenue

	2023 £m	2022 £m
Services rendered	3,483.0	2,537.0
First Rail contract subsidy receipts	893.0	1,662.1
Other revenues	379.0	392.0
Revenue from continuing operations	4,755.0	4,591.1
Discontinued operations	4.0	996.9
Revenue	4,759.0	5,588.0

3 Business segments and geographical information

For management purposes, the Group was organised into five operating divisions – First Bus, First Rail, First Student, First Transit and Greyhound. First Student and First Transit were categorised as Discontinued Operations at 27 March 2021 and the sale of these completed on 21 July 2021. Greyhound US and Mexico were categorised as Discontinued Operations at 25 September 2021 and the sale of this completed on 21 October 2021. The properties relating to the retained Greyhound US business were classified as held for sale and treated as discontinued up to their disposal in December 2022. Greyhound Canada was retained and was categorised as a Continuing Operation however, trading operations have ceased. The divisions are managed separately in line with the differing services that they provide and the geographical markets which they operate in. There is a clear distinction between each division and no judgement is required to identify each reportable segment.

The segment results for the 52 weeks ended 25 March 2023 are as follows:

	Continuing Operations					Discontinued Operations		Total £m	
	First Bus £m	First Rail £m	Grey- hound £m	Group items ¹ £m	Intra-group Elimination £m	Continuing Operations £m	Grey- hound £m		Group items ¹ £m
Passenger revenue	660.0	2,713.8	-	-	-	3,373.8	-	-	3,373.8
Contract revenue	149.9	-	-	-	(40.7)	109.2	-	-	109.2
Rail contract subsidy receipts	-	893.0	-	-	-	893.0	-	-	893.0
Other revenues	92.6	286.4	-	-	-	379.0	4.0	-	383.0
Revenue	902.5	3,893.2	-	-	(40.7)	4,755.0	4.0	-	4,759.0
EBITDA²	120.9	661.0	-	(19.5)	-	762.4	(6.6)	-	755.8
Depreciation	(68.6)	(651.2)	-	(2.1)	-	(721.9)	-	-	(721.9)
Software amortisation	(1.7)	(6.3)	-	(0.6)	-	(8.6)	-	-	(8.6)
Capital grant amortisation	7.8	121.3	-	-	-	129.1	-	-	129.1
Segment results	58.4	124.8	-	(22.2)	-	161.0	(6.6)	-	154.4
Other adjustments (note 4)	(7.0)	-	(1.5)	1.4	-	(7.1)	71.7	(33.8)	30.8
Operating profit/(loss)³	51.4	124.8	(1.5)	(20.8)	-	153.9	65.1	(33.8)	185.2
Investment income	-	2.0	-	10.3	-	12.3	0.5	-	12.8
Finance costs	(2.5)	(49.4)	-	(17.2)	-	(69.1)	(0.2)	-	(69.3)
Profit before tax	48.9	77.4	(1.5)	(27.7)	-	97.1	65.4	(33.8)	128.7
Tax									(33.4)
Profit after tax									95.3

1 Group items comprise central management and other items.

2 EBITDA is adjusted operating profit less capital grant amortisation plus depreciation plus software amortisation.

3 Although the segment results are used by management to measure performance, statutory operating profit by operating division is also disclosed for completeness.

3 Business segments and geographical information (continued)

The segment results for the 52 weeks ended 26 March 2022 are as follows:

	Continuing Operations					Discontinued Operations				Total £m
	First Bus £m	First Rail £m	Grey- hound £m	Group items ¹ £m	Continuing Operations £m	First Student £m	First Transit £m	Grey- hound £m	Group items ¹ £m	
Passenger revenue	570.0	1,886.4	–	–	2,456.4	–	–	150.4	–	2,606.8
Contract revenue	80.6	–	–	–	80.6	450.3	203.2	–	–	734.1
Charter/private hire	–	–	–	–	–	21.8	0.1	0.9	–	22.8
Rail contract subsidy receipts	–	1,662.1	–	–	1,662.1	–	–	–	–	1,662.1
Other revenues	139.3	252.7	–	–	392.0	7.4	96.4	66.4	–	562.2
Revenue	789.9	3,801.2	–	–	4,591.1	479.5	299.7	217.7	–	5,588.0
EBITDA²	104.4	649.9	–	(23.1)	731.2	88.2	15.6	27.1	–	862.1
Depreciation	(63.3)	(669.5)	–	(2.6)	(735.4)	–	–	(11.0)	–	(746.4)
Software amortisation	(1.6)	(2.1)	–	(0.6)	(4.3)	–	–	(0.4)	–	(4.7)
Capital grant amortisation	5.7	109.5	–	–	115.2	–	–	0.6	–	115.8
Segment results	45.2	87.8	–	(26.3)	106.7	88.2	15.6	16.3	–	226.8
Other intangible asset amortisation charges	–	–	–	–	–	–	–	(0.4)	–	(0.4)
Other adjustments (note 4)	–	4.0	12.1	–	16.1	(14.8)	(6.5)	28.7	556.2	579.7
Operating profit/(loss)³	45.2	91.8	12.1	(26.3)	122.8	73.4	9.1	44.6	556.2	806.1
Investment income	–	0.6	–	0.5	1.1	–	–	0.4	–	1.5
Finance costs	(2.8)	(37.6)	(1.1)	(100.1)	(141.6)	(7.5)	(0.7)	(3.7)	–	(153.5)
Profit before tax	42.4	54.8	11.0	(125.9)	(17.7)	65.9	8.4	41.3	556.2	654.1
Tax	–	–	–	–	–	–	–	–	–	(12.1)
Profit after tax										642.0

1 Group items comprise central management and other items.

2 EBITDA is adjusted operating profit less capital grant amortisation plus depreciation plus software amortisation.

3 Although the segment results are used by management to measure performance, statutory operating profit by operating division is also disclosed for completeness.

4 Reconciliation to non-GAAP measures and performance

In measuring the Group and divisional adjusted operating performance, additional financial measures derived from the reported results have been used by management in order to eliminate factors which distort year-on-year comparisons. The Group's adjusted performance is used to explain year-on-year changes when the effect of certain items is significant, including strategic items (including material M&A and group restructuring projects), costs of acquisitions including aborted acquisitions, and impairment of assets. Other items below £5.0m would not normally be considered as adjusting items unless part of a larger strategic project, but items which distort year-on-year comparisons that exceed this amount could potentially be classified as an adjusting item and are assessed on a case-by-case basis. Such potential adjusting other items may include: restructuring and reorganisation costs; property gains or losses; aged legal and self-insurance claims; movements on insurance discount rates; onerous contract provisions; pension settlement gains or losses; and other items which management has determined as not being relevant to an understanding of the Group's underlying business performance. Subsequent remeasurements of adjusting items are also recognised as an adjusting item in the future period in which the remeasurement occurs.

	2023 £m	2022 £m
Reconciliation of operating profit to adjusted operating profit on a continuing basis		
Operating profit on a continuing basis	153.9	122.8
Adjustments for:		
First Bus divisional restructuring costs	7.0	–
Strategic items	(1.4)	–
Greyhound Canada	1.5	1.7
Rail termination sums net of impairment reversal	–	(4.0)
Gain on disposal of properties	–	(13.8)
Total operating profit adjustments on a continuing basis	7.1	(16.1)
Adjusted operating profit on a continuing basis (note 3)	161.0	106.7

	2023 £m	2022 £m
Reconciliation of operating profit/(loss) to adjusted operating profit on a discontinued basis		
Operating profit from discontinued operations	31.3	683.3
Gain on sale of First Student and First Transit	–	(501.1)
Gain on sale of Greyhound	–	(109.0)
Operating profit from discontinued operations (excluding gain on sale of First Student, First Transit and Greyhound)	31.3	73.2
Adjustments for:		
Transit earnout charge	33.8	–
Gain on disposal of Greyhound properties	(71.4)	(6.5)
Strategy costs	(0.3)	–
Other intangible asset amortisation charges	–	0.4
Other costs associated with the disposal of First Student and First Transit	–	32.7
Other costs associated with the disposal of Greyhound	–	11.1
Greyhound insurance de-risking	–	19.3
Employment taxes relating to First Student and First Transit	–	6.6
Partial reversal of prior year impairments of Greyhound	–	(55.4)
Impairment of land and buildings	–	7.2
North America insurance provisions	–	31.5
Total operating profit adjustments from discontinued operations (excluding gain on sale of First Student, First Transit and Greyhound)	(37.9)	46.9
Adjusted operating (loss)/profit from discontinued operations	(6.6)	120.1

	2023 £m	2022 £m
Reconciliation of profit/(loss) before tax to adjusted profit before tax and adjusted earnings		
Profit before tax (including discontinued operations)	128.7	654.1
Adjusting operating profit adjustments – continuing operations	7.1	(16.1)
Adjusting operating profit adjustments – discontinued operations excluding gain on sale	(37.9)	46.9
Gain on sale of First Student and First Transit	–	(501.1)
Gain on sale of Greyhound	–	(109.0)
Operating profit adjustments – total operations	(30.8)	(579.3)
Adjusting finance cost items – continuing operations	–	58.6
Adjusted profit before tax including discontinued operations	97.9	133.4
Adjusted tax charge	(20.7)	(20.4)
Non-controlling interests ¹	(5.1)	(5.6)
Adjusted earnings including discontinued operations	72.1	107.4

¹ Statutory non-controlling interests in 2023 and 2022 principally reflect Avanti West Coast and South Western Railway.

4 Reconciliation to non-GAAP measures and performance (continued)

	2023 £m	2022 £m
Reconciliation of tax charge to adjusted tax charge		
Tax charge (note 6)	33.4	12.1
Tax effect of adjusting items (note 7)	(12.7)	21.8
Adjustments attributable to changes in tax rates and laws (note 7)	1.4	1.4
Write back of previously unrecognised deferred tax assets (note 7)	–	25.7
Write down of previously recognised deferred tax assets (note 7)	(1.4)	(40.6)
Adjusted tax charge (including discontinued)	20.7	20.4
Adjusted tax charge continuing operations	20.4	2.7
Adjusted tax charge discontinued operations	0.3	17.7

Adjusting items - 2023

The principal adjusting items in the year are as follows:

First Bus restructuring

As part of the restructuring of the First Bus division to exit loss-making markets and to align networks with post-pandemic demand, the Group completed the sale of its First Scotland East business in September 2022, realising a loss on disposal of £(3.7)m, and closed the Southampton depot resulting in closure costs and a release of prior impairment for a net credit of £2.3m. In line with this transition plan, the Group also incurred costs of £(5.6)m relating to surplus vehicle write-downs and other reorganisation charges in the division.

Strategic items

A final net credit of £1.4m was recognised, being costs incurred in relation to the Group's central functions as part of its ongoing cost efficiency initiatives following the exit from North America, offset by the release of accruals following the disposal of North America and the execution of the strategy.

Greyhound Canada

Net restructuring and closure costs of £(1.5)m relating to the continued winding down of Greyhound Canada operations were incurred during the year.

Adjusting items – discontinued operations

First Transit earnout

Following the announcement on 26 October 2022 of EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc., the Group now estimates its earnout consideration to be around \$88.5m (£72.3m) based on the information received on the sale by EQT. This gives rise to a non-cash, adjusting charge of £33.8m relative to the carrying value of the earnout of £106.1m as at 26 March 2022.

Gain on disposal of properties

A gain of £71.4m arose on the completion of the sale of the majority of the remaining Greyhound US properties in December 2022.

Adjusting items - 2022

The principal adjusting items in relation to the continuing business for 2022 were as follows:

Gain on disposal of properties

An overall gain of £13.8m was realised in the prior year on the disposal of Greyhound Canadian properties.

Greyhound Canada closure

£1.7m in relation to Greyhound Canada restructuring and closure costs were incurred during the prior year.

First Rail termination sums net of impairment reversal

A £4.0m credit was recognised in the prior year, representing final adjustments of residual matters regarding the TPE and SWR termination sums.

The principal adjusting items in relation to the discontinued operations for 2022 were as follows:

Other intangible asset amortisation charges

The amortisation charge for the prior year was £0.4m.

Gain on sale of First Student and First Transit

As a result of the disposal of First Student and First Transit, a gain on sale of £501.1m was realised in the prior year.

Other costs associated with the disposal of First Student and First Transit

£32.7m of costs were incurred in the prior year associated with the disposal of First Student and First Transit that were not directly attributable to the sale and were therefore not included in the gain on disposal calculation.

Gain on sale and partial reversal of prior year impairments of Greyhound

As a result of the terms of the disposal of the Greyhound US business, there was a gain on disposal in the prior year of £109.0m and a credit of £55.4m representing the partial reversal of the prior years' impairment charges.

Other costs associated with the disposal of Greyhound

There was a charge of £11.1m in the prior year principally comprising legal and professional costs.

Employment taxes relating to First Student and First Transit

There was a charge of £6.6m during the prior year for a one-off charge for accelerated state and federal employment taxes.

4 Reconciliation to non-GAAP measures and performance (continued)**North American insurance provisions and Greyhound insurance de-risking**

There was a prior year charge of £31.5m for insurance costs due to deteriorations in respect of prior years' claims, and for the de-risking of legacy Greyhound insurance liabilities.

Gain on disposal of properties and impairment of land and buildings

An overall gain on disposal of Greyhound US properties of £6.5m was realised in the prior year. There was also an impairment charge of £7.2m for properties where market value was less than the book value.

The adjusting items in relation to finance cost adjustments – continuing operations for 2022 were as follows:

Total make-whole costs (bonds and facilities)

Costs of £50.0m in the prior year comprised a charge of £30.4m for the early repayment of the \$275m US Private Placement (USPP) and a charge of £19.6m for the early repayment of the £325m 2022 bond.

Write-off of unamortised bridge, bond and facility costs

There was a charge of £8.6m in the prior year for unamortised fees for various facilities which were cancelled on completion of the sale of First Student and First Transit.

Other measures**First Bus EBITDA comprises:**

	2023 £m	2022 £m
Pre-IFRS 16 EBITDA	105.0	87.6
IFRS 16 adjustments ¹	15.9	16.8
First Bus adjusted EBITDA per note 3	120.9	104.4

First Rail EBITDA comprises:

Non-management fees-based TOCs pre-IFRS 16 EBITDA	32.5	(9.7)
Group's share of management fee income available for dividends (net of tax and minority interest)	38.7	45.5
Tax on management fee income	10.2	12.0
Minority interest at management fee TOCs	5.1	5.8
Other adjustments	–	3.0
IFRS 16 adjustments ¹	574.5	593.3
First Rail adjusted EBITDA per note 3	661.0	649.9

Group items EBITDA comprises:

Pre-IFRS 16 EBITDA	(21.2)	(24.8)
IFRS 16 adjustments ¹	1.7	1.7
Group items adjusted EBITDA per note 3	(19.5)	(23.1)

First Rail adjusted operating profit comprises:

	2023 £m	2022 £m
Non-management fees based TOCs	31.5	(9.7)
Group's share of management fee income available for dividends (net of tax and minority interest)	38.7	45.5
Tax on management fee income	10.2	12.0
Minority interest at management fee TOCs	5.1	5.8
IFRS 16 adjustments/other ¹	39.3	34.2
First Rail adjusted operating profit per note 3	124.8	87.8

Group adjusted attributable profit comprises:

	2023 £m	2022 £m
First Bus operating profit	58.4	45.2
Attributable net income from First Rail management fee-based operations	38.7	45.5
First Rail adjusted operating profit from open access and additional services	31.5	(9.7)
Group central costs (operating profit basis)	(22.2)	(26.3)
Treasury interest ²	(14.1)	(20.7)
Tax ³	(10.2)	2.2
Group adjusted attributable profit	82.1	36.2

¹ IFRS 16 adjustments to EBITDA principally reflect the add back of operating lease rental costs charged to the income statement before the adoption of IFRS 16. IFRS 16 adjustments to operating profit reflect operating lease rental costs less depreciation charges on Right of Use Assets.

² Interest charge excluding notional interest and IFRS 16 lease interest.

³ Pro forma taxation at 19%.

5 Investment income and finance costs

	2023 £m	2022 £m
Investment income		
Bank interest receivable	(6.3)	(1.5)
Interest on pensions	(6.5)	–
Total investment income (including discontinued operations)	(12.8)	(1.5)
Finance costs		
Bonds	13.5	22.2
Bank borrowings	3.5	14.1
Total make-whole costs (bonds and facilities)	–	50.0
Write off of unamortised bridge, bond and facility costs	–	8.6
CCFF funding	–	0.7
Supplier financing	–	1.5
Senior unsecured loan notes	–	3.2
Finance charges payable in respect of lease liabilities	50.6	41.0
Finance charges payable in respect of asset backed financial liabilities	1.5	2.3
Interest on long-term provisions	0.2	4.9
Interest on pensions	–	2.6
Interest – other	–	2.4
Total finance costs (including discontinued operations)	69.3	153.5
Finance costs before adjustments	69.3	153.5
Investment income	(12.8)	(1.5)
Net finance cost before adjustments	56.5	152.0
<i>Split:</i>		
Adjusted net finance costs	56.5	93.4
Other adjustments (note 4)	–	58.6
	56.5	152.0

Finance costs are stated after charging fee expenses of £0.6m (2022: £4.2m). There was no interest capitalised into qualifying assets in either the 52 weeks ending 25 March 2023 or 26 March 2022.

Investment income of £0.5m (2022: £0.4m) and finance costs of £0.2m (2022: £11.9m) relate to discontinued operations (note 13).

6 Tax on profit/(loss) on ordinary activities

	2023 £m	2022 £m
Current tax	1.1	2.9
Adjustments with respect to prior years	1.7	1.2
Total current tax charge (including discontinued operations)	2.8	4.1
Origination and reversal of temporary differences	40.9	5.2
Adjustment in respect of prior years	(10.3)	(10.7)
Adjustments attributable to changes in tax rates and laws	(1.4)	(1.4)
Writing down of previously recognised deferred tax assets	1.4	40.6
Write back of previously unrecognised deferred tax assets	–	(25.7)
Total deferred tax charge (note 17)	30.6	8.0
Total tax charge (including discontinued operations)	33.4	12.1
Tax charge attributable to:		
Profit/(loss) from continuing operations	10.4	(11.9)
Profit from discontinued operations	23.0	24.0

7 Earnings per share (EPS)

EPS is calculated by dividing the profit attributable to equity shareholders of £87.1m (2022: profit £636.4m) by the weighted average number of ordinary shares of 739.5m (2022: 1,057.5m). The number of ordinary shares used for the basic and diluted calculations are shown in the table below.

The difference in the number of shares between the basic calculation and the diluted calculation represents the weighted average number of potentially dilutive ordinary share options.

	2023 Number m	2022 Number m
Weighted average number of shares used in basic calculation	739.5	1,057.5
Executive share options	24.0	35.6
Weighted average number of shares used in the diluted calculation	763.5	1,093.1

The adjusted EPS is intended to highlight the recurring operating results of the Group before amortisation charges and certain other adjustments as set out in note 4. A reconciliation is set out below:

	2023		2022	
	£m	EPS (pence)	£m	EPS (pence)
Basic profit/EPS	87.1	11.8	636.4	60.2
Amortisation charges (note 4)	–	–	0.4	–
Other adjustments (note 4)	(30.8)	(4.2)	(579.7)	(54.7)
Non-controlling interest on SWR	3.1	0.4	–	–
Adjusting finance costs (note 4)	–	–	58.6	5.5
Tax effect of above adjustments	12.7	1.7	(21.8)	(2.1)
Adjustments attributable to changes in tax rates and laws	(1.4)	(0.2)	(1.4)	(0.1)
Write down of previously recognised deferred tax assets	1.4	0.2	40.6	3.8
Write back of previously unrecognised deferred tax assets	–	–	(25.7)	(2.4)
Adjusted profit and EPS attributable to the ordinary equity holders of the Company	72.1	9.7	107.4	10.2
Adjusted (loss)/profit/EPS from discontinued operations	(6.6)	(0.9)	90.9	8.6
Adjusted profit/EPS from continuing operations	78.7	10.6	16.5	1.6

	2023 pence	2022 pence
Diluted EPS	11.4	60.2
Adjusted diluted EPS	9.4	9.8

The adjusted EPS on a continuing basis is set out below:

	2023		2022	
	£m	EPS (pence)	£m	EPS (pence)
Basic profit/(loss)/EPS	78.5	10.6	(11.4)	(1.1)
Other adjustments (note 4)	7.1	1.0	(16.1)	(1.4)
NCI on SWR	3.1	0.4	–	–
Adjusting finance costs (note 4)	–	–	58.6	5.5
Tax effect of above adjustments	(10.0)	(1.4)	(7.1)	(0.7)
Adjustments attributable to changes in tax rates and laws	(1.4)	(0.2)	(1.4)	(0.1)
Write back of previously unrecognised deferred tax assets	1.4	0.2	(6.1)	(0.6)
Adjusted profit/(loss)/EPS from continuing operations	78.7	10.6	16.5	1.6

	2023 pence	2022 pence
Diluted EPS	10.3	(1.1)
Adjusted diluted EPS	10.3	1.5

8 Goodwill

	2023 £m
Cost	
At 27 March 2022	93.5
Additions ¹	6.1
At 25 March 2023	99.6
Accumulated impairment losses	
At 27 March 2022	–
At 25 March 2023	–
Carrying amount	
At 25 March 2023	99.6
At 26 March 2022	93.5

¹ Additions of £4.3m relates to goodwill on the acquisition of Ensign Bus Company Ltd and £1.8m relates to goodwill on the acquisition of Airporter Ltd.

Goodwill in the above table primarily relates to First Bus.

9 Other intangible assets

	Greyhound brand and trade name £m	Software £m	Total £m
Cost			
At 27 March 2021	68.4	60.1	128.5
Acquisitions (note 20)	–	0.2	0.2
Additions	–	9.7	9.7
Transfers to held for sale – discontinued operations	(57.7)	(39.4)	(97.1)
Disposals	(14.0)	(0.3)	(14.3)
Foreign exchange movements	3.3	1.7	5.0
At 26 March 2022	–	32.0	32.0
At 27 March 2022	–	32.0	32.0
Additions	–	4.2	4.2
Transfers from property, plant and equipment	–	3.6	3.6
At 25 March 2023	–	39.8	39.8
Accumulated amortisation and impairment			
At 27 March 2021	60.8	51.5	112.3
Charge for year	0.3	6.1	6.4
Impairment ¹	1.6	–	1.6
Impairment reversal ²	(3.4)	(0.8)	(4.2)
Transfers to held for sale – discontinued operations	(48.2)	(38.7)	(86.9)
Disposals	(14.0)	(0.3)	(14.3)
Foreign exchange movements	2.9	1.8	4.7
At 26 March 2022	–	19.6	19.6
At 27 March 2022	–	19.6	19.6
Charge for year	–	8.6	8.6
Transfers from property, plant and equipment	–	0.8	0.8
At 25 March 2023	–	29.0	29.0
Carrying amount			
At 25 March 2023	–	10.8	10.8
At 26 March 2022	–	12.4	12.4

¹ Impairment relates to the closure of the Greyhound business in Canada.

² The impairment reversal of £4.2m relates to Greyhound prior to disposal.

10 Property, plant and equipment

	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Owned assets				
Cost				
At 28 March 2021	275.4	1,026.9	634.6	1,936.9
Additions	3.7	92.6	51.7	148.0
Transfers from right of use assets	–	50.8	–	50.8
Disposals	(5.4)	(42.2)	(6.8)	(54.4)
Reclassified as assets held for sale	(47.6)	(10.3)	–	(57.9)
Transfers	10.3	–	16.8	27.1
Transferred to held for sale – discontinued operations	(36.7)	(326.9)	(36.6)	(400.2)
Foreign exchange movements	3.9	8.2	3.1	15.2
At 26 March 2022	203.6	799.1	662.8	1,665.5
At 27 March 2022	203.6	799.1	662.8	1,665.5
Acquisitions ²	20.2	7.6	0.5	28.3
Additions	16.1	80.1	79.2	175.4
Disposals	(8.2)	(134.0)	(23.8)	(166.0)
Reclassified as assets held for sale	(18.4)	–	(2.7)	(21.1)
Transfers	(0.2)	0.7	(4.4)	(3.9)
At 25 March 2023	213.1	753.5	711.6	1,678.2
Accumulated depreciation and impairment				
At 28 March 2021	77.5	720.2	389.9	1,187.6
Charge for year	6.0	44.2	106.6	156.8
Transfers from right of use assets	–	6.3	–	6.3
Disposals	(2.5)	(42.5)	(4.0)	(49.0)
Impairment ¹	7.3	(34.8)	(2.6)	(30.1)
Reclassified as assets held for sale	(9.5)	(10.3)	–	(19.8)
Transfers	2.6	–	16.5	19.1
Transferred to held for sale – discontinued operations	(5.8)	(209.6)	(60.3)	(275.7)
Foreign exchange movements	1.3	10.7	1.9	13.9
At 26 March 2022	76.9	484.2	448.0	1,009.1
At 27 March 2022	76.9	484.2	448.0	1,009.1
Charge for year	3.6	48.3	119.5	171.4
Disposals	(2.4)	(104.1)	(22.9)	(129.4)
Impairment ¹	(4.3)	4.5	2.0	2.2
Reclassified as assets held for sale	(11.3)	–	(1.6)	(12.9)
Transfers	(2.0)	–	1.1	(0.9)
At 25 March 2023	60.5	432.9	546.1	1,039.5
Carrying amount				
At 25 March 2023	152.6	320.6	165.5	638.7
At 26 March 2022	126.7	314.9	214.8	656.4

¹ The impairment reversal of £4.3m relates to Southampton properties, which were subsequently transferred to assets held for sale (2022: impairment reversal of £37.4m relating to Greyhound). The impairment charge of £6.5m primarily relates to the write down of passenger carrying vehicles as a result of fleet resizing (2022: £7.3m relating to retained Greyhound properties, which were subsequently transferred to assets held for sale).

² Acquisitions of £28.3m relate to continuing operations (see note 20).

An amount of £0.8m (2022: £0.8m) in respect of assets under construction is included in the carrying amount of land and buildings, plant and equipment.

At 25 March 2023/31 March 2023 the Group had entered into contractual capital commitments amounting to £125.0m (2022: £32.2m), principally representing purchase of PCVs, electrical infrastructure and TOC commitments.

10 Property, plant and equipment (continued)

	Rolling stock £m	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Right of use assets					
Cost					
At 28 March 2021	2,597.5	115.7	145.0	6.9	2,865.1
Additions	93.1	3.2	9.4	1.0	106.7
Transfer to owned assets ¹	–	–	(50.8)	–	(50.8)
Disposals	(105.0)	(3.7)	(1.9)	–	(110.6)
Transferred to held for sale – discontinued operations	–	(62.2)	(42.2)	(0.4)	(104.8)
Foreign exchange movements	–	2.9	0.7	–	3.6
At 26 March 2022	2,585.6	55.9	60.2	7.5	2,709.2
At 27 March 2022	2,585.6	55.9	60.2	7.5	2,709.2
Additions	1,200.2	16.2	1.3	1.3	1,219.0
Disposals	(4.1)	(0.9)	(9.8)	(0.3)	(15.1)
Foreign exchange movements	–	0.2	–	–	0.2
At 25 March 2023	3,781.7	71.4	51.7	8.5	3,913.3
Accumulated depreciation and impairment					
At 28 March 2021	1,059.6	61.4	45.8	3.9	1,170.7
Transfer to owned assets ¹	–	–	(6.3)	–	(6.3)
Charge for period	553.2	10.9	17.0	1.6	582.7
Impairment ²	–	(10.4)	(3.4)	–	(13.8)
Disposals	(3.1)	(1.6)	(1.0)	–	(5.7)
Transferred to held for sale – discontinued operations	–	(39.9)	(17.3)	(0.4)	(57.6)
Foreign exchange movements	–	2.1	0.8	–	2.9
At 26 March 2022	1,609.7	22.5	35.6	5.1	1,672.9
At 27 March 2022	1,609.7	22.5	35.6	5.1	1,672.9
Charge for period	528.7	8.5	11.8	1.5	550.5
Lease impairment ²	7.1	–	–	–	7.1
Disposals	(0.8)	(0.3)	(7.1)	(0.2)	(8.4)
Foreign exchange movements	–	0.2	–	–	0.2
At 25 March 2023	2,144.7	30.9	40.3	6.4	2,222.3
Carrying amount					
At 25 March 2023	1,637.0	40.5	11.4	2.1	1,691.0
At 26 March 2022	975.9	33.4	24.6	2.4	1,036.3

1 Transfers to owned assets represents lease buyouts.

2 The impairment of £7.1m relates to GWR (2022: reversal of £13.8m relating to Greyhound).

The discounted lease liability relating to the right of use assets included above is shown in note 15.

	Rolling stock £m	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Owned assets and right of use assets					
Carrying amount					
At 25 March 2023	1,637.0	193.1	332.0	167.6	2,329.7
At 26 March 2022	975.9	160.1	339.5	217.2	1,692.7

The maturity analysis of lease liabilities is presented in note 15.

	2023 £m	2022 £m
Amounts recognised in income statement (including discontinued operations)		
Depreciation expense on right of use assets	550.5	582.7
Interest expense on lease liabilities	50.6	41.0
Impairment charge	7.1	–
Expense relating to short-term leases	2.0	–
Expense relating to leases of low value assets	2.1	3.4
	612.3	627.1

11 Trade and other receivables

	2023 £m	2022 £m
Amounts due within one year (from discontinued operations)		
Contingent consideration receivable	72.3	–
Amounts due after more than one year (from discontinued operations)		
Contingent consideration receivable	–	106.1

	2023 £m	2022 ¹ restated £m
Amounts due within one year (from continuing operations)		
Trade receivables	386.1	295.2
Loss allowance	(49.0)	(15.2)
Trade receivables net	337.1	280.0
Other receivables	210.3	194.7
Amounts recoverable on contracts	22.5	22.5
Prepayments	90.8	69.4
Accrued income	187.6	115.7
	848.3	682.3

¹ The prior year comparatives for trade receivables, amounts recoverable on contracts and accrued income have been amended for a more accurate presentation of comparative data.

12 Trade and other payables

	2023 £m	2022 £m
Amounts falling due within one year (from continuing operations)		
Trade payables	338.8	253.3
Other payables	210.8	165.9
Accruals	621.6	703.2
Deferred income	125.5	109.8
Season ticket deferred income	17.7	12.9
	1,314.4	1,245.1

13 Discontinued operations

First Student and First Transit

The sale of First Student and First Transit was approved by a shareholder majority on 27 May 2021 and was reported as a discontinued operation in the financial statements for the 52 weeks ended 26 March 2022 for the period to the sale completion on 21 July 2021. Financial information relating to the discontinued operation for the period to the date of the disposal is set out below in (a).

Greyhound

The disposal of Greyhound Lines, Inc to a wholly owned subsidiary of FlixBus GmbH was announced and completed on 21 October 2021. Greyhound US was therefore reported as a discontinued operation for the period to the sale completion in the financial statements for the 52 weeks to 26 March 2022. The properties relating to the Greyhound US business were classified as held for sale at 26 March 2022, and in 2023 were treated as discontinued for the period to their disposal in December 2022.

(a) Financial performance and cash flow information

The financial performance and cash flow information presented are for the 52 weeks ending 25 March 2023, and the prior year information includes the results of First Student and First Transit to the period before disposal on 21 July 2021, and the results of Greyhound US to the period before disposal on 21 October 2021.

	2023 £m	2022 £m
Discontinued operations		
Revenue	4.0	996.9
Operating income/(costs)	27.3	(313.6)
Operating profit	31.3	683.3
Investment income	0.5	0.4
Finance costs	(0.2)	(11.9)
Profit before tax	31.6	671.8
Tax	(23.0)	(24.0)
Profit for the year after tax	8.6	647.8
Attributable to:		
Equity holders of the parent	8.6	647.8
Non-controlling interests	–	–
	8.6	647.8

	2023 pence	2022 pence
EPS		
Basic EPS	1.2	61.3
Diluted EPS	1.1	61.3

	2023 £m	2022 £m
Cash flow		
Net cash (outflow)/inflow from operating activities	(139.7)	233.4
Net cash inflow/(outflow) from investing activities	126.9	(286.6)
Net cash outflow from financing activities	–	(20.3)
Net decrease in cash generated	(12.8)	(73.5)

Other comprehensive income/loss

	2023 £m	2022 £m
Actuarial gains on defined benefit pension schemes	0.2	12.1
Hedging instrument movements	(0.4)	2.7
Deferred tax on hedging instrument movements	–	(0.7)
Exchange differences on translation of discontinued operations	6.8	(5.6)
Total	6.6	8.5

14 Borrowings

	2023 £m	2022 £m
On demand or within one year		
Lease liabilities (note 15) ^{2,3}	447.4	573.4
Asset backed financial liabilities (note 15) ³	17.3	9.0
Bank overdraft	82.9	87.5
Loan notes	0.6	–
Bond 6.875% (repayable 2024) ¹	6.5	7.1
Total current liabilities	554.7	677.0
Within one to two years		
Lease liabilities (note 15) ^{2,3}	381.6	167.8
Asset backed financial liabilities (note 15) ³	5.9	15.7
Loan notes	–	0.6
Bond 6.875% (repayable 2024)	184.2	–
	571.7	184.1
Within two to five years		
Lease liabilities (note 15) ^{2,3}	825.9	294.4
Asset backed financial liabilities (note 15) ³	12.1	10.5
Bond 6.875% (repayable 2024)	–	199.9
	838.0	504.8
Over five years		
Lease liabilities (note 15) ^{2,3}	93.7	47.6
Asset backed financial liabilities (note 15) ³	8.9	0.3
	102.6	47.9
Total non-current liabilities at amortised cost	1,512.3	736.8

1 Includes accrued interest only.

2 The right of use assets relating to lease liabilities are shown in note 10.

3 The maturity analysis of lease liabilities and asset backed financial liabilities is presented in note 15.

15 Lease liabilities and asset backed financial liabilities

The Group had the following lease liabilities and asset backed financial liabilities at the balance sheet dates, excluding liabilities relating to the discontinued operations:

	Lease liabilities		Asset backed financial liabilities	
	2023 £m	2022 £m	2023 £m	2022 £m
Maturity analysis				
Due in less than one year	503.1	593.0	17.9	9.3
Due in more than one year but not more than two years	421.5	179.4	6.3	16.6
Due in more than two years but not more than five years	878.8	304.4	13.7	11.9
Due in more than five years	105.0	59.8	10.9	0.5
	1,908.4	1,136.6	48.8	38.3
Less future financing charges	(159.8)	(53.4)	(4.6)	(2.8)
	1,748.6	1,083.2	44.2	35.5

Lease liabilities have a fair value of £1,748.6m and asset backed financial liabilities have a fair value of £43.3m (2022: lease liabilities £1,083.2m, asset backed financial liabilities £36.4m).

The total cash outflow for the lease liabilities and asset backed financial liabilities recorded on the balance sheet amounted to £546.9m and £10.6m respectively (2022: £600.4m and £9.4m).

The right of use assets related to the lease liabilities is presented in note 10.

16 Financial instruments

Non-derivative financial instruments

	2023 £m	2022 £m
Total non-derivatives		
Total non-current assets	117.6	117.0
Total assets	117.6	117.0

Derivative financial instruments

	2023 £m	2022 £m
Total derivatives		
Total non-current assets	0.1	4.2
Total current assets	7.4	26.2
Total assets from continuing operations	7.5	30.4
Total current liabilities	2.6	–
Total non-current liabilities	1.9	–
Total liabilities from continuing operations	4.5	–

Derivatives designated and effective as hedging instruments carried at fair value

Non-current assets

Fuel derivatives (cash flow hedge)	–	4.0
Currency forwards (cash flow hedge)	0.1	0.2
	0.1	4.2

Current assets

Fuel derivatives (cash flow hedge)	3.3	25.6
Currency forwards (cash flow hedge)	4.1	0.6
	7.4	26.2

Current liabilities

Fuel derivatives (cash flow hedge)	2.6	–
	2.6	–

Non-current liabilities

Currency forwards (cash flow hedge)	0.1	–
Fuel derivatives (cash flow hedge)	1.8	–
	1.9	–

17 Deferred tax

The major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the current and prior reporting periods are as follows:

	Accelerated tax depreciation £m	Retirement benefit schemes £m	Other temporary differences £m	Tax loses £m	Total £m
At 27 March 2021	10.7	(32.4)	(13.3)	–	(35.0)
Charge/(credit) to income statement	1.2	39.0	(39.7)	7.5	8.0
Charge to other comprehensive income and equity	–	22.1	5.8	–	27.9
Transferred to held for sale – discontinued operations	(16.6)	20.6	1.3	(43.0)	(37.7)
Foreign exchange and other movements	(1.4)	(0.7)	1.0	1.8	0.7
At 26 March 2022	(6.1)	48.6	(44.9)	(33.7)	(36.1)
Charge/(credit) to income statement	28.0	(2.8)	10.6	(5.2)	30.6
Credit to other comprehensive income and equity	–	(37.2)	(7.4)	–	(44.6)
Acquisitions and disposals of subsidiaries	4.7	–	0.3	–	5.0
Foreign exchange and other movements	(1.9)	–	–	–	(1.9)
At 25 March 2023	24.7	8.6	(41.4)	(38.9)	(47.0)

With respect to the total net deferred tax asset of £47.0m, UK net deferred tax assets of £46.1m have been recognised as the Group forecasts sufficient taxable profits in future periods and a deferred tax asset of £0.9m relating to the US is recognised because it is probable that book gains will arise on the remaining US property portfolio.

No deferred tax has been recognised on deductible temporary differences of £1.3m (2022: £105.1m) and tax losses of £460.8m (2022: £95.6m) as there are insufficient future profits forecast in North America and some UK entities may cease to trade before their tax losses can be utilised.

18 Provisions

	Insurance claims £m	Legal and other £m	Pensions £m	Total £m
At 26 March 2022	148.0	86.0	1.3	235.3
Charged to the income statement	11.6	20.4	(1.3)	30.7
Utilised in the year	(37.1)	(26.8)	-	(63.9)
Notional interest	0.2	-	-	0.2
Foreign exchange movements	7.2	1.6	-	8.8
At 25 March 2023	129.9	81.2	-	211.1
Current liabilities	45.5	40.4	-	85.9
Non-current liabilities	84.4	40.8	-	125.2
At 25 March 2023	129.9	81.2	-	211.1
Current liabilities	51.8	62.7	0.1	114.6
Non-current liabilities	96.2	23.3	1.2	120.7
At 26 March 2022	148.0	86.0	1.3	235.3

The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next four years although certain liabilities in respect of lifetime obligations of £1.3m (2022: £8.9m) can extend for more than 25 years. The utilisation of £37.1m (2022: £43.0m) represents payments made against the current liability of the preceding year as well as the settlement of certain large aged claims.

The insurance claims provisions, of which £78.6m (2022: £96.0m) relates to legacy Greyhound claims, includes £73.3m (2022: £88.5m) which is recoverable from insurance companies and a receivable is included within other receivables in note 11.

Legal and other provisions relate to estimated exposures for cases filed or thought highly likely to be filed for incidents that occurred prior to the balance sheet date. It is anticipated that most of these items will be settled within ten years. Also included are provisions in respect of costs anticipated on the exit of surplus properties which are expected to be settled over the remaining terms of the respective leases and dilapidation, other provisions in respect of contractual obligations under rail franchises and restructuring costs. The dilapidation provisions are expected to be settled at the end of the respective franchise.

The pensions provision related to unfunded obligations that arose on the acquisition of certain First Bus companies.

19 Called up share capital

	Number of shares million	2023 £m
Allotted, called up and fully paid (ordinary shares of 5p each)		
Balance as at 27 March 2022	750.2	37.5
SAYE/BAYE exercises	0.4	-
Balance as at 25 March 2023 (ordinary shares of 5p each)	750.6	37.5

The Company has one class of ordinary shares which carries no right to fixed income.

In December 2022, the Company announced a share buyback programme to purchase up to £75m of ordinary shares, and at 25 March 2023, the Company had repurchased 29,515,396 shares for an amount of £31.6m, including transaction costs of £0.3m. As at 25 March 2023, £75.5m has been deducted from retained earnings in respect of the shares already purchased and remaining commitment to purchase up to £75m of ordinary shares.

During the year 0.4m shares were issued to satisfy principally SAYE and BAYE exercises.

20 Acquisition of businesses and subsidiary undertakings

	2023 £m	2022 £m
Provisional fair value of net assets acquired:		
Property, plant and equipment	28.3	1.4
Other intangible assets	–	0.2
Current assets	11.8	4.7
Other liabilities	(8.0)	(4.2)
	32.1	2.1
Goodwill	6.1	11.0
Satisfied by cash paid and payable	38.2	13.1

Acquisitions in 52 weeks to 25 March 2023

On 9 March 2023, the Group completed the acquisition of Ensign Bus Company Ltd, which has strong positions in business-to-business and regional commercial bus operations in Essex, as well as a vehicle refurbishment and re-sale operation.

The total consideration of £35.7m represents £34.7m paid during the period and £1.0m to be paid in future periods, and includes cash acquired of £6.6m included in current assets.

The business acquired during the year contributed £1.2m to Group revenue from continuing operations and £0.1m profit to Group operating profit from continuing operations from the date of acquisition.

If the acquisition of the business had been completed on the first day of the financial year, Group revenue from the acquisition for the year would have been £28.4m and Group operating profit would have been £3.0m.

On 26 October 2022, the Group completed the acquisition of Airporter Ltd, a provider of bus services and supplier of coaches, mini buses and private vehicles for hire.

The total consideration of £2.5m was fully paid in the year.

The business acquired during the year contributed £0.3m to Group revenue from continuing operations and £0.2m profit to Group operating profit from continuing operations from the date of acquisition.

If the acquisition of the business had been completed on the first day of the financial year, Group revenue from the acquisition for the year would have been £1.8m and Group operating profit would have been £1.0m.

21 Net cash from operating activities

	2023 £m	2022 restated £m
Operating profit from:		
Continuing operations	153.9	122.8
Discontinued operations	31.3	683.3
Total operations	185.2	806.1
Adjustments for:		
Depreciation charges	721.9	746.4
Capital grant amortisation	(129.1)	(115.8)
Software amortisation charges	8.6	4.7
Other intangible asset amortisation charges	–	0.4
Loss/(gain) on disposal of subsidiaries and businesses	3.7	(66.7)
Recycling of translation reserve	–	(543.4)
Impairment	13.6	–
Reversal of impairment	(4.3)	(48.1)
Share-based payments	6.4	5.4
Profit on disposal of property, plant and equipment	(71.7)	(22.1)
Operating cash flows before working capital and pensions	734.3	766.9
Decrease/(increase) in inventories	2.9	(6.4)
(Increase)/decrease in receivables	(159.4)	95.5
Increase/(decrease) in payables due within one year	53.8	(130.0)
Increase in financial assets	–	(117.0)
Decrease/(increase) in contingent consideration receivable	33.8	(106.1)
(Decrease)/increase in provisions due within one year	(31.8)	36.5
Decrease in provisions due over one year	(1.2)	(13.2)
Settlement of foreign exchange hedge	(1.2)	–
Local Government Pension Scheme refund	11.8	–
Defined benefit pension payments in excess of income statement charge	1.8	(340.4)
Cash generated by operations	644.8	185.8
Tax paid	(1.0)	(21.4)
Interest paid ¹	(70.0)	(176.6)
Net cash from operating activities²	573.8	(12.2)

¹ Interest paid includes £50.6m relating to lease liabilities (2022: £41.0m).

² Net cash from operating activities is stated after an inflow of £35.1m (2022: inflow of £9.1m) in relation to financial derivative settlements.