6 December 2023

Stagecoach Group Limited
Interim results for the half-year ended 28 October 2023

Financial summary

	"Adjusted" results Results excluding separately disclosed items*		**"Statutory" results**	
	H1 2024	H1 2023 (restated)	**H1 2024**	H1 2023 (restated)
Revenue (£m)	**773.2**	669.6	**773.2**	669.6
Total operating profit (£m)	**43.3**	46.9	**51.1**	33.1
Non-operating separately disclosed items (£m)	**-**	-	**-**	1.5
Net finance costs (£m)	**(2.1)**	(10.3)	**(3.5)**	(10.0)
Profit before taxation (£m)	**41.2**	36.6	**47.6**	24.6

*See definitions in note 21 to the condensed financial statements

Strategic and operational highlights

- Implementation of simpler, leaner organisational structure completed
    - Appointment of Claire Miles as Chief Executive Officer effective October 2023
- Growth in regional passenger demand with a 5.3% increase in regional bus passenger journeys in the half-year ended 28 October 2023 compared to the equivalent prior year period
- Supportive government policy continued through the £2 bus fare cap in England underpinning the increase in regional passenger demand
- Recruited and trained more than 2,300 new bus drivers to deliver our services during the half-year ended 28 October 2023

Financial highlights

- Good financial results reflecting business initiatives and continued strength of regional bus operations
- Revenue from regional bus operations grew by 15.1% to £584.7m in the half-year ended 28 October 2023 compared to the comparative prior year period
- Net debt increased by £60.4m from £241.1m at 29 April 2023 to £301.5m as at 28 October 2023 reflecting net capital expenditure of £62.3m in the period, supporting the transition of our bus fleet to zero emission vehicles
- No change to our outlook for the year ending 27 April 2024

For further information, please contact:

Stagecoach Group Limited www.stagecoachgroup.com

Investors and analysts
Bruce Dingwall, Chief Financial Officer 07917 555293

Notes to editors

Stagecoach Group

- Stagecoach is one of Britain's leading public transport businesses, helping connect communities for over 40 years.
- Stagecoach is Britain's biggest bus and coach operator, and it runs the Supertram light rail network in Sheffield.
- Our team of around 23,000 people and our c.8,300 buses, coaches and trams are part of the fabric of daily life in England, Scotland and Wales.
- We connect people with jobs, skills and training. We bring customers to our high streets, link tourists with visitor attractions, and draw families, friends and communities together.
- Our impact is about far more than transport – we support the economy, help cut congestion on our roads, protect our environment and air quality, boost safety on our roads, and contribute to a healthier nation.

Interim management report

The Directors of Stagecoach Group Limited are pleased to present their report on the Company for the half-year ended 28 October 2023.

Description of the business

Stagecoach Group Limited is a private limited company, limited by shares. It is incorporated, domiciled and has its registered office in Scotland. The Company is a wholly owned subsidiary of Inframobility UK Bidco Limited, which is indirectly owned by an international infrastructure fund managed and advised by DWS Infrastructure. Throughout this document, we refer to Stagecoach Group Limited as “the Company” and we refer to the group headed by it as “Stagecoach” or “the Group”.

Overview

Introduction

We have delivered a positive set of financial results for the half-year ended 28 October 2023 as we work in partnership with national and local government to maximise the opportunities from public transport for consumers and the country while navigating the current economic environment.

There has been a further recovery in demand for our public transport services, with growth in regional bus passenger journeys of 5.3% compared to the equivalent prior year period.

UK Bus (regional operations)

Bus services continue to benefit from a supportive policy environment from national and local government. In England, recovery funding expired at the end of July 2023 and has been replaced by an enhanced operating grant, with forward visibility until the end of March 2025. Further funding has also been allocated to local authorities to support commercial and tendered bus services over the same period. Since its launch in January 2023, the £2 bus fare cap scheme has driven an increase in bus patronage, particularly from existing bus users, and the scheme has now been extended until December 2024. In Scotland, the under-22 concessionary scheme continues to support increased patronage, offsetting suppressed demand within the old age and disabled concessionary scheme. In Wales, emergency COVID support ended in July 2023, with ongoing transitionary funding confirmed in place until March 2024.

The Department of Transport and Scottish Government have allocated significant funding for bus transformation projects in England and Scotland, including the delivery of bus priority schemes. These projects are expected to deliver significant customer benefits in future years through improved punctuality and reliability.

The Department for Transport has launched the second phase of the Zero Emission Bus Regional Areas (“ZEBRA2”) programme in England, with up to £129m of funding available to support the introduction of zero emission buses, and we are supporting local authority bids for this scheme. The Scottish Government launched the second phase of the Scottish Zero Emission Bus Challenge Fund (“ScotZEB2”) earlier this year, and we were disappointed to be recently informed that those bids, in their current form, were unsuccessful.

We are pleased with the professional and constructive manner in which we managed the demobilisation of our Wigan depot prior to the commencement of Transport for Greater Manchester’s new franchising system. Our plans are well advanced for the mobilisation of the services we will operate on behalf of Transport for Greater Manchester from the Middleton, Oldham and Queens Road depots from March 2024.

UK Bus (London)

Similar to the experience of other operators, trading in our London bus operations has been challenging with the losses incurred in the period reflecting the impact of upward wage pressure and elevated levels of staff turnover and staff shortages. The impact of lost mileage has resulted in significant contractual penalties and lost quality incentive income. Road works and traffic congestion are a continuing challenge for operators in the London market, which is adversely affecting service delivery. Engagement is ongoing with Transport for London on these issues. However, we expect profitability to improve as we address labour market challenges, benefit from lagged inflationary increases in contract revenues and seek to re-price contracts as they are tendered.

Macro-economic factors

We are actively managing the current inflationary environment by taking a balanced approach to protecting our customers and employees from the cost-of-living pressures as far as possible, while ensuring we maintain properly funded and sustainable bus networks.

Ensuring we recruit and retain sufficient staff to provide a reliable level of service for customers remains an overriding priority for this business. During the half-year ended 28 October 2023, we have recruited and trained more than 2,300 new bus drivers to deliver our services. The business has delivered a net increase of more than 500 drivers compared to the start of the year. We remain grateful for the huge commitment and professionalism of our people who are delivering services safely in our communities day in, day out.

Operational structure

Following the acquisition of the Group in May 2022, a detailed review of the Group's structure and operations was undertaken. We have simplified our leadership organisational structure, providing greater clarity on decision-making and more focused support to enhance lines of communication and collaboration. We were delighted to appoint Claire Miles as our Chief Executive Officer effective October 2023.

Financial results

In the half-year to 28 October 2023, revenue grew to £773.2m (H1 2023: £669.6m) and adjusted total operating profit fell slightly to £43.3m (H1 2023: £46.9m). Revenue excludes COVID-19 grant income from government, which is reported as other operating income. The growth in revenue reflects a continuation of recovering passenger demand across our regional bus and tram services, impact of favourable pricing and the effect of the new London businesses acquired in the prior year. The modest reduction in adjusted total operating profit in the period is principally attributable to the higher losses in London, which stem from the elevated levels of staff shortages in that part of the business. Unadjusted operating profit was £51.1m (H1 2023: restated £33.1m), with the increase due to non-recurring separately disclosed gains in the current year and significant transaction costs reported in the prior year period related to the two offers to acquire the Company.

During the half-year, net debt increased from £241.1m to £301.5m, reflecting increased capital investment and loan to shareholders, partly offset by underlying cash generation. We expect our net capital expenditure for the year ending 27 April 2024 to be in excess of £250m, which reflects our continued commitment to invest in the future of the business, supporting the transition of our bus fleet to zero emission vehicles.

Outlook

We remain positive on the long-term outlook for the Group. Public transport delivers the sustainable connectivity people need to access work, education, healthcare, shopping, leisure, and meeting family and friends. As we transition towards a post-pandemic world, we are focused on further rebuilding profitability and adapting our services to meet new and emerging travel patterns.

Whilst the next General Election may lead to some change in the detail of transport policy, there is broad cross-party support for the role that buses play in delivering government objectives on social equity and inclusion, economic development and levelling-up, and in transport decarbonisation. We have worked closely with local and national government in maintaining bus services through the pandemic and into recovery. We anticipate that this close partnership will be a continuing feature of transport policy, including through an expansion of bus service franchising, and we are engaging closely with national and local policy-makers to maximise the opportunities that this will offer.

While there remains some uncertainty around the wider economic environment, there is no change to our expected outlook for the year ending 27 April 2024.

Summary of financial results

Revenue, split by segment, is summarised below:

REVENUE	**H1 2024**	H1 2023	Growth
	£m	£m	%
UK Bus (regional operations)	**584.7**	508.1	15.1%
UK Bus (London)	**179.8**	154.4	16.5%
UK Rail	**8.7**	7.1	22.5%
Group revenue	**773.2**	669.6	

Operating profit, split by segment, is summarised below:

OPERATING PROFIT	**H1 2024**		H1 2023	
	£m	% margin	£m	% margin
UK Bus (regional operations)	**52.3**	**8.9%**	50.4	9.9%
UK Bus (London)	**(5.8)**	**(3.2)%**	(1.5)	(1.0)%
UK Rail	**(1.5)**		(0.5)	
Group overheads	**(4.5)**		(5.0)	
Restructuring costs	**-**		(0.1)	
Operating profit before joint ventures and separately disclosed items	**40.5**		43.3	
Joint ventures – share of profit after tax				
WCT Group	**-**		0.1	
Citylink	**2.4**		2.9	
Crown Sightseeing	**0.4**		0.6	
Total operating profit before separately disclosed items	**43.3**		46.9	
Separately disclosed items	**7.8**		(13.8)	
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	**51.1**		33.1	

Financial Review

UK Bus (regional operations)

Summary
• Good growth in revenue and operating profit reflecting continued recovery in passenger demand • Supportive government funding to maintain continuing bus services

Financial performance

The financial performance of UK Bus (regional operations) for the half-year ended 28 October 2023 is summarised below:

	H1 2024 £m	H1 2023 £m	Change
Revenue	**584.7**	508.1	15.1%
Like-for-like revenue	**584.2**	497.0	17.5%
Operating profit	**52.3**	50.4	3.8%
Operating margin	**8.9%**	9.9%	(100)bp

We have been pleased with the recovery in passenger demand for our services, which has contributed to the rise in operating profit from the prior year. The growth in passenger demand has been underpinned by supportive government initiatives, notably the £2 fare cap schemes and under-22 free bus travel in Scotland. The rise in revenue also reflects the impact of having selectively increased fares to reflect increased staff costs, as we continue to focus on recruiting and retaining sufficient staff to deliver a reliable service across the country.

The operating profit for the year includes £24.2m of COVID-related bus support scheme grant income from governments (H1 2023: £45.9m), reflecting the moderation of the funding of these schemes during the period.

Like-for-like vehicle miles operated in the year were 0.2% lower than the equivalent prior year period, reflecting adjustments to our network to take account of customer demand and staff shortages. Like-for-like revenue per vehicle mile increased 17.8% and like-for-like revenue per journey increased by 11.7%.

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

	H1 2024 £m	H1 2023 £m	Change
Commercial on and off bus revenue	**307.9**	281.1	9.5%
Concessionary revenue	**165.5**	121.9	35.8%
Commercial and concessionary revenue	**473.4**	403.0	17.5%
Tendered and school revenue	**75.3**	56.7	32.8%
Contract and other revenue	**35.5**	37.3	(4.8)%
Like-for-like revenue	**584.2**	497.0	17.5%

The year-on-year recovery in passenger demand for our bus services is reflected in the growth in commercial revenue.

The vast majority of the rise in concessionary revenue during the period reflects the revenue received from the Department for Transport and combined authorities in respect of £2 fare cap schemes, in addition to the continued growth in the under-22 free bus travel scheme in Scotland, all of which are encouraging more people to travel by bus.

The substantial increase in tendered and school revenue reflects some previously commercial services being converted to tendered services, supported by additional central government funding provided to local authorities for these services.

As expected, contract and other revenue has reduced from the prior year due to the non-recurring work undertaken for the 2022 Commonwealth Games.

Outlook

Although we see ongoing forecasting uncertainty in relation to passenger demand and cost inflation, we currently forecast continued good regional bus profitability for the second half of the year ending 27 April 2024. We are looking forward to commencing the new franchised contracts that we will operate on behalf of Transport for Greater Manchester from the Middleton, Oldham and Queens Road depots from March 2024, with our mobilisation plans well underway.

We continue to see positive long-term prospects for the business, and believe the current economic environment is helping to demonstrate the good value of our public transport services and encourage modal shift away from the car.

UK Bus (London)

Summary
• Operationally challenging period with adverse traffic conditions • Disappointing financial performance arising from continued impact of staff shortages

Financial performance

The financial performance of UK Bus (London) for the half-year ended 28 October 2023 is summarised below:

	H1 2024 £m	H1 2023 £m	Change
Revenue	**179.8**	154.4	16.5%
Like-for-like revenue	**143.5**	137.0	4.7%
Operating loss	**(5.8)**	(1.5)	
Operating margin	**(3.2)%**	(1.0)%	(220)bp

The financial performance of our London business in the period was disappointing. The losses incurred in the period reflect the impact of upward wage pressure and increased staff turnover and staff shortages. The impact of lost mileage has resulted in significant contractual penalties and lost quality incentive income. Road works and traffic congestion are a continuing challenge for operators in the London market, which is adversely affecting service delivery. Engagement is ongoing with Transport for London on these issues. We expect profitability to improve as we address labour market challenges, benefit from lagged inflationary increases in contract revenues and seek to re-price contracts as they are tendered.

We are pleased with our tender results in the period, and we continuously review our bid models, contract pricing and cost efficiency to identify opportunities to further improve our performance on tenders for Transport for London contracts. We plan to continue to bid for new contract opportunities at prices we believe would deliver appropriate rates of return.

Outlook

We currently expect our operating losses to moderate in the second half of the financial year, as we continue to focus our efforts on recruiting and retaining sufficient bus drivers to reliably provide the contracted bus services. We believe the business will recover its profitability over the medium-term, and we see good prospects for growth with our expanded garage footprint following last year's acquisitions.

UK Rail

Summary
• Strong growth in passenger demand and revenue at Sheffield Supertram

Financial performance

The financial performance of UK Rail for the half-year ended 28 October 2023 is summarised below:

	H1 2024 £m	H1 2023 £m	Change
Revenue	**8.7**	7.1	22.5%
Like-for-like revenue	**8.7**	6.7	29.9%
Operating loss	**(1.5)**	(0.5)	

The like-for-like revenue is in respect of the ongoing Sheffield Supertram business. We are pleased with the performance of the business during the period, where a continued strong recovery in passenger demand, combined with good cost control, has moderated the underlying trading losses, as we continue to fulfil our obligations under the contract.

Outlook

In October 2022, South Yorkshire Mayoral Combined Authority decided to transition the Supertram system in Sheffield to a publicly owned operator when the Group's concession ends in 2024. We are proud of the service we have delivered over our period of operation and will continue to work hard to deliver a safe, high quality and professional service to our customers, meet our obligation and ensure a smooth transition to the new operator. We continue to hold an onerous contract provision for the estimated net costs of fulfilling our contractual obligation. The level of provision has reduced from 29 April 2023, reflecting the moderation in operating losses arising from the strong performance in the first half of this year.

Adjusted EBITDA, depreciation and intangible asset amortisation

Earnings before interest, taxation, depreciation, software amortisation and separately disclosed items ("adjusted EBITDA") increased to £97.9m (H1 2023 restated: £100.5m). Adjusted EBITDA can be reconciled to the financial statements as follows:

	H1 2024 £m	H1 2023 £m Restated	Year to 28 Oct 2023 £m
Total operating profit	**51.1**	33.1	65.5
Separately disclosed items	**(7.8)**	13.8	8.7
Software amortisation	**0.5**	0.5	1.0
Depreciation	**53.3**	52.3	107.9
Impairment losses	**-**	-	3.3
Add back joint venture tax	**0.8**	0.8	1.3
Adjusted EBITDA	**97.9**	100.5	187.7

The year-on-year increase in adjusted EBITDA principally reflects the recovery in passenger demand for public transport in response to the easing of COVID-19 restrictions.

Depreciation and software amortisation of £53.8m is higher than the £52.8m for the equivalent prior year period, and principally reflects our recommencement of capital expenditure following constraint during the COVID-19 pandemic.

Separately disclosed items

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

Non-software intangible asset amortisation

Non-software intangible asset amortisation of £0.6m (H1 2023: £0.4m) was recorded in the half-year ended 28 October 2023 in relation to intangible assets arising from the two London bus acquisitions made in the year to 29 April 2023.

Reassessment of onerous contract provision

As at 29 April 2023, an onerous contract provision of £8.9m was held in respect of the Sheffield Supertram concession. We have recalculated the onerous contract provision, reflecting our latest forecast for the business, and recorded a separately disclosed credit for Sheffield Supertram of £4.4m (H1 2023: £0.3m charge) in the half-year ended 28 October 2023.

Restructuring and associated costs

Following the acquisition of the Group in the year ended 29 April 2023, a detailed review of the Group's structure and operations was undertaken. This included the use of an external consultancy agency along with the management experience of the new owner. The Group expects to implement the remaining actions arising from that review during the remainder of this year. In the half-year ended 28 October 2023 the Group incurred redundancy and related costs of £2.3m (H1 2023: £Nil).

Expired rail franchises

As part of concluding matters in relation to its former involvement in the UK train operating market, the Group has recorded a separately disclosed gain of £1.4m (H1 2023: £Nil). The gain is presented as a separately disclosed item as it relates to costs that were previously recorded as separately disclosed items.

Property disposal

Following the demobilisation of our Wigan depot prior to the commencement of Transport for Greater Manchester's new franchising system the depot was sold generating a gain on its disposal of £4.9m.

Changes in the fair value of Deferred Payment Instrument

We received a Deferred Payment Instrument as deferred consideration for the sale of the North American business. The instrument, which is accounted for at fair value through profit or loss, has a maturity date of October 2024 and due to the credit and other recoverability risks associated with the instrument, it carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind the secured lenders. The carrying value of the instrument was £3.5m as at 29 April 2023. We estimated the carrying value of the instrument to be £2.1m as at 28 October 2023, resulting in a loss of £1.4m (H1 2023: gain of £0.3m) recognised in finance costs (H1 2023: finance income) in the half-year ended 28 October 2023.

Tax

The separately disclosed taxation charge of £1.6m (H1 2023: credit of £0.8m) is in relation to the taxation effect of the pre-tax separately disclosed items.

Net finance costs

Net finance costs, excluding separately disclosed items, for the half-year ended 28 October 2023 were £2.1m (H1 2023 restated: £10.3m) and are further analysed below. The decrease in net finance costs is principally due to the higher pensions finance income arising from the prior year reduction in the pension deficit, in addition to higher interest received on surplus cash balances.

	H1 2024 £m	H1 2023 (restated) £m
Finance costs		
Interest payable and facility costs on bank loans, overdrafts and trade finance	**0.5**	0.7
Lease interest payable	**1.9**	1.7
Interest payable and other finance costs on bonds	**8.4**	8.4
Effect of interest rate swaps	**2.1**	0.8
Unwinding of discount on provisions	**1.1**	0.5
	14.0	12.1
Finance income		
Interest receivable on cash and money market deposits	**(3.7)**	(1.6)
Interest receivable on parent company loans	**(0.9)**	-
Interest income on defined benefit pension schemes	**(7.3)**	(0.2)
	(11.9)	(1.8)
Net finance costs, excluding separately disclosed items ("adjusted net finance costs")	**2.1**	10.3

Taxation

The tax charge for the half-year to 28 October 2023 has been calculated on the basis of the estimated annual effective rate for the year ending 27 April 2024.

The tax charge on profit can be analysed as follows:

Half-year to 28 October 2023	Pre-tax profit £m	Tax £m	Rate %
Excluding separately disclosed items	42.0	(9.0)	21.4%
Separately disclosed items	6.4	(1.6)	
With joint venture taxation gross	48.4	(10.6)	
Reclassify joint venture taxation for reporting purposes	(0.8)	0.8	
Reported in income statement	47.6	(9.8)	

The effective tax rate, excluding separately disclosed items, of 21.4% is lower than the standard rate of tax of 25% for the year to 27 April 2024, principally due to tax relief on additional pension contributions in respect of defined benefit schemes which are in surplus.

The cash tax paid in the half-year ended 28 October 2023 of £Nil (H1 2023: £16.8m) compares to the tax charge for Group companies of £9.8m (H1 2023: £5.1m). The difference reflects the availability of capital allowances (given the high level of capital investment in the year coupled with the availability of full expensing) which impacts cash tax but not effective tax rate.

The separately disclosed tax charge of £1.6m (H1 2023: credit of £0.8m) is explained earlier in the section headed "Separately disclosed items".

Cash flows and net debt

The Group has continued to maintain strong available liquidity. During the half-year ended 28 October 2023, net debt increased by £60.4m from £241.1m to £301.5m and net debt plus net train operating company liabilities increased by £59.9m from £265.8m to £325.7m. We recognise that the increase in net debt largely reflects the loans to shareholders and an increase in capital expenditure that was constrained during the COVID-19 period. Our capital expenditure is weighted to the second half of the year ending 27 April 2024, partly reflecting further investment in the transition to zero-emission vehicles.

By the half-year end date of 29 October 2022, all of the major rail franchises previously operated by Group subsidiaries had ended. However, the settlement of the train operating company assets, liabilities and contractual positions continues for some time following the end of the relevant franchises. As at 28 October 2023, the consolidated net assets included net liabilities (excluding cash) of £24.2m (29 April 2023: £24.7m) in respect of such items. Accordingly, if all items were settled at their 28 October 2023 carrying values, consolidated net debt would increase by that amount. Consolidated net debt plus outstanding train operating company net liabilities as at 28 October 2023 was £325.7m (29 April 2023: £265.8m).

Net cash from operating activities before tax for the half-year ended 28 October 2023 was £62.2m (H1 2023 restated: £103.5m) and can be further analysed as follows:

	H1 2024 £m	H1 2023 (restated) £m
EBITDA of Group companies before separately disclosed items	**94.3**	96.1
Cash effect of current period separately disclosed items	**4.5**	(8.2)
Loss/(gain) on disposal of property, plant and equipment	**0.4**	(1.0)
Capital grant amortisation	**(2.4)**	(1.2)
Share based payment movements, excluding separately disclosed items	**-**	0.2
Working capital movements	**(15.9)**	33.7
Net interest paid	**(19.0)**	(17.9)
Dividends received from joint ventures	**0.3**	1.8
Net cash flows from operating activities before taxation	**62.2**	103.5

Net debt (as analysed in note 16 to the condensed financial statements) increased from £241.1m as at 29 April 2023 to £301.5m as at 28 October 2023. The movement in net debt was:

Half-year to 28 October 2023	£m
Net cash flows from operating activities before taxation	62.2
Tax paid	-
Investing activities	(72.2)
Financing activities	(50.0)
Other	(0.4)
Movement in net debt in the half-year	(60.4)
Opening net debt	(241.1)
Closing net debt	(301.5)

Net cash flows from operating activities were lower than the equivalent prior period, principally due to a £15.9m working capital outflow in the half-year ended 28 October 2023 relating to a decrease in provisions following the settlement of certain insurance claims and a slight increase in receivables. In comparison, there was a favourable working capital inflow of £33.7m in the half-year ended 29 October 2022 which included inflows of approximately £12.3m in relation to COVID-19 related payments from governments and inflows of approximately £11.1m in relation to a refund from the Teesside Local Government Pension Scheme, following the cessation of the Group's participation in the prior year. The inflow of COVID-19 related payments was a timing difference which reversed in the second half of the year ended 29 April 2023.

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

	H1 2024 £m	H1 2023 £m
UK Bus (regional operations)	**40.4**	17.7
UK Bus (London)	**21.9**	4.4
Net capital expenditure	**62.3**	22.1

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

	H1 2024 £m	H1 2023 £m
Cash flow from:		
- Purchase of property, plant and equipment	**74.4**	26.5
- Disposal of property, plant and equipment (including separately disclosed items)	**(8.6)**	(3.5)
- Capital grants received	**(12.8)**	(6.6)
Decrease in net debt from negotiated early termination of lease	**-**	(0.3)
Increase in net debt from new leases in period	**9.3**	6.0
	62.3	22.1

In addition to the amounts shown in the table above, the impact of purchases of intangible assets was £0.9m (H1 2023: £1.0m).

Financial position and liquidity

The Group maintains a good financial position, as evidenced by:

- We have available liquidity of over £400m.
- We have comfortably complied with all applicable debt covenants for the year ended 28 October 2023.
- The ratio of net debt as at 28 October 2023 to adjusted EBITDA for the year ended 28 October 2023 was 1.6 times (year ended 29 October 2022: 1.0 times).
- Adjusted EBITDA for the half-year ended 28 October 2023 was 46.6 times (H1 2023: restated 9.8 times) adjusted net finance charges.
- Two major credit rating agencies – S&P and Moody's – continue to assign investment grade credit ratings to the Group's £400m bonds.

Financial position of the Group

Net assets

Net assets at 28 October 2023 were £519.7m (29 April 2023: £497.8m). The increase in the net assets principally reflects the profit for the half-year ended 28 October 2023.

Retirement benefits

The reported net assets of £519.7m (29 April 2023: £497.8m), that are shown on the consolidated balance sheet are after taking account of net pre-tax retirement benefit assets, net of withholding tax payable on surpluses, of £175.5m (29 April 2023: £195.9m net retirement benefit liabilities) and associated deferred tax assets of £3.2m (29 April 2023: £3.5m).

The Group recognised pre-tax actuarial losses of £30.7m, net of withholding tax, in the half-year ended 28 October 2023 (H1 2023: £191.4m gain) on Group defined benefit schemes.

The discount rate used to determine pension scheme liabilities as at 28 October 2023 was 5.7%, compared to 4.9% as at 29 April 2023.

The Stagecoach Group Pension Scheme is the Group's largest defined benefit pension scheme exposure. The Scheme's latest formal valuation was as at 31 October 2022 and showed a surplus on a scheme funding basis of £87.3m. As a result of the improved funding position, the Scheme Trustees and employers agreed amendments to the long term Funding Agreement providing for the employers to make deficit payments to the Scheme of £4.4m spread over 12 months from 1 May 2023. Further to this, the employers have agreed in principle to make payments into an escrow account of £4.1m for each of the years to 3 May 2025 and 2 May 2026, to be used underpin the funding position of the Scheme through to April 2031, when the escrow funds may be released back to the employers or paid into the scheme depending on the funding position of the Scheme.

Principal risks and uncertainties

Like most businesses, there is a range of risks and uncertainties facing the Group. A brief summary is given below of those specific risks and uncertainties that the Directors believe could have the most significant impact on the Group's financial position and/or future financial performance. Pages 9 to 15 of the Group's 2023 Annual Report set out specific risks and uncertainties in more detail.

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

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

Use of non-GAAP measures

Our reported interim financial information is prepared in accordance with UK-adopted International Accounting Standard 34, *Interim Financial Reporting*. In measuring our financial performance and position, the financial measures that we use include those that we have derived from our reported results in order to eliminate factors that distort period-on-period comparisons and/or provide useful information to stakeholders. These are non-GAAP financial measures and include measures such as like-for-like revenue, adjusted EBITDA and net debt. We believe this information, along with comparable GAAP measurements, is useful to shareholders and analysts in providing a basis for measuring our financial performance and position. Note 21 to the condensed financial statements provides further information on these non-GAAP financial measures.

Going concern

On the basis of current financial projections and the facilities available, the Directors are satisfied that the Group has adequate resources to continue for the foreseeable future and, accordingly, consider it appropriate to adopt the going concern basis in preparing the condensed financial statements for the half-year ended 28 October 2023. We have not identified a material uncertainty regarding the Group's ability to continue as a going concern for a period of not less than 12 months. Further detail of our going concern assessment is explained in note 1(c) to the condensed financial statements.

Ray O'Toole
Executive Chairman
6 December 2023

Responsibility Statement

We confirm that to the best of our knowledge:

(a) the condensed consolidated interim financial information contained in this document has been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the UK;

(b) the interim management report contained in this document includes a fair review of the information required by the Financial Conduct Authority's Disclosure and Transparency Rules ("DTR") 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) as the Company does not issue listed shares, DTR 4.2.8R in respect of related party transactions has not been applied.

By order of and on behalf of the Board

Ray O'Toole
Executive Chairman
6 December 2023

Bruce Dingwall
Chief Financial Officer
6 December 2023

Cautionary statement

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

CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

		Unaudited			Unaudited		
		Half-year to 28 October 2023			Half-year to 29 October 2022 (Restated)		
		Performance excluding separately disclosed items	Separately disclosed items (note 4)	Results for the period	Performance excluding separately disclosed items	Separately disclosed items (note 4)	Results for the period
	Notes	£m	£m	£m	£m	£m	£m
CONTINUING OPERATIONS							
Revenue	3(a)	**773.2**	**-**	**773.2**	669.6	-	669.6
Operating costs and other operating income		**(732.7)**	**7.8**	**(724.9)**	(626.3)	(13.8)	(640.1)
Operating profit of Group companies	3(b)	**40.5**	**7.8**	**48.3**	43.3	(13.8)	29.5
Share of profit of joint ventures after taxation	3(c)	**2.8**	**-**	**2.8**	3.6	-	3.6
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	3(b)	**43.3**	**7.8**	**51.1**	46.9	(13.8)	33.1
Non-operating separately disclosed item	4	**-**	**-**	**-**	-	1.5	1.5
Profit before interest and taxation		**43.3**	**7.8**	**51.1**	46.9	(12.3)	34.6
Finance costs		**(14.0)**	**(1.4)**	**(15.4)**	(12.1)	-	(12.1)
Finance income		**11.9**	**-**	**11.9**	1.8	0.3	2.1
Profit before taxation		**41.2**	**6.4**	**47.6**	36.6	(12.0)	24.6
Taxation		**(8.2)**	**(1.6)**	**(9.8)**	(5.9)	0.8	(5.1)
Profit for the period, all attributable to equity holders of the parent		**33.0**	**4.8**	**37.8**	30.7	(11.2)	19.5

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Half-year to 28 October 2023 £m	Unaudited Half-year to 29 October 2022 (Restated) £m
Profit for the period	**37.8**	19.5
Items that may be reclassified to profit or loss		
Cash flow hedges:		
- Net fair value gains on cash flow hedges	**33.9**	30.0
- Reclassified and reported in profit for the period	**(13.7)**	(43.7)
- Tax effect of cash flow hedges	**(5.1)**	2.7
Total items that may be reclassified to profit or loss	**15.1**	(11.0)
Items that will not be reclassified to profit or loss		
Actuarial gains on Group defined benefit pension schemes, excluding withholding tax	**(30.7)**	191.4
Tax effect of actuarial gains on Group defined benefit pension schemes	**(0.3)**	(18.5)
Total items that will not be reclassified to profit or loss	**(31.0)**	172.9
Other comprehensive income for the period	**(15.9)**	161.9
Total comprehensive income for the period, all attributable to equity holders of the parent	**21.9**	181.4

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	Notes	**Unaudited** **As at** **28 October 2023** **£m**	Audited As at 29 April 2023 £m
ASSETS			
Non-current assets			
Goodwill	7	**92.5**	92.1
Other intangible assets	8	**7.1**	7.1
Property, plant and equipment:	9	**734.2**	711.3
Right-of-use assets	9	**76.3**	80.2
Interests in joint ventures	10	**14.5**	12.0
Derivative instruments at fair value		**11.7**	11.5
Retirement benefit assets – net of withholding tax payable	12	**178.8**	199.4
Other receivables		**12.7**	15.4
		1,127.8	1,129.0
Current assets			
Inventories		**14.0**	12.3
Trade and other receivables		**193.6**	112.1
Derivative instruments at fair value		**22.8**	13.9
Current tax recoverable		**-**	0.4
Cash and cash equivalents		**180.5**	245.6
Assets classed as held for sale		**1.7**	3.4
		412.6	387.7
Total assets	3(d)	**1,540.4**	1,516.7
LIABILITIES			
Current liabilities			
Trade and other payables		**262.9**	248.3
Current tax liabilities		**0.5**	-
Borrowings:			
- Lease liabilities		**22.1**	25.0
- Other borrowings		**-**	1.8
Derivative instruments at fair value		**0.5**	9.1
Provisions	18	**45.9**	56.4
		331.9	340.6
Non-current liabilities			
Other payables		**62.0**	51.7
Borrowings:			
- Lease liabilities		**59.9**	60.3
- Other borrowings		**401.4**	407.1
Derivative instruments at fair value		**4.6**	12.4
Deferred tax liabilities		**74.9**	59.8
Provisions	18	**82.7**	83.5
Retirement benefit obligations	12	**3.3**	3.5
		688.8	678.3
Total liabilities	3(d)	**1,020.7**	1,018.9
Net assets	3(d)	**519.7**	497.8
EQUITY			
Ordinary share capital	13	**3.2**	3.2
Share premium account		**8.4**	8.4
Retained earnings		**133.6**	126.8
Capital redemption reserve		**422.8**	422.8
Own shares		**(69.6)**	(69.6)
Cash flow hedging reserve		**21.2**	6.1
Total equity, all attributable to the parent		**519.6**	497.7
Non-controlling interest		**0.1**	0.1
Total equity		**519.7**	497.8

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £m	Share premium account £m	Retained earnings £m	Capital redemption reserve £m	Own shares £m	Cash flow hedging reserve £m	**Total Equity attributable to parent £m**	**Non-controlling interest £m**	**Total equity £m**
Balance at 29 April 2023	3.2	8.4	126.8	422.8	(69.6)	6.1	**497.7**	**0.1**	**497.8**
Profit for the period	-	-	37.8	-	-	-	**37.8**	**-**	**37.8**
Other comprehensive income/(loss), net of tax	-	-	(31.0)	-	-	15.1	**(15.9)**	**-**	**(15.9)**
Total comprehensive income	**-**	**-**	6.8	**-**	**-**	15.1	**21.9**	**-**	**21.9**
Balance at 28 October 2023	**3.2**	**8.4**	133.6	**422.8**	**(69.6)**	21.2	**519.6**	**0.1**	**519.7**
Balance at 30 April 2022 (restated)	3.2	8.4	(38.2)	422.8	(69.6)	75.4	**402.0**	**0.1**	**402.1**
Profit for the period	-	-	19.5	-	-	-	**19.5**	**-**	**19.5**
Other comprehensive income/(loss), net of tax	-	-	172.9	-	-	(11.0)	**161.9**	**-**	**161.9**
Total comprehensive income/(loss)	**-**	**-**	**192.4**	**-**	**-**	**(11.0)**	**181.4**	**-**	**181.4**
Credit in relation to equity-settled share based payments	-	-	3.9	-	-	-	**3.9**	**-**	**3.9**
Effect of tax deduction on share based payments in excess of cumulative income statement expense	-	-	0.4	-	-	-	**0.4**	**-**	**0.4**
Balance at 29 October 2022 (restated)	**3.2**	**8.4**	**158.5**	**422.8**	**(69.6)**	**64.4**	**587.7**	**0.1**	**587.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Unaudited** **Half-year to 28 October 2023** **£m**	Unaudited Half-year to 29 October 2022 (Restated) £m
Cash flows from operating activities			
Cash generated by operations	14	**80.9**	119.5
Interest paid		**(23.6)**	(19.4)
Interest received		**4.6**	1.6
Dividends received from joint ventures		**0.3**	1.8
Net cash flows from operating activities before tax		**62.2**	103.5
Tax paid		**-**	(16.8)
Net cash from operating activities after tax		**62.2**	86.7
Cash flows from investing activities			
Acquisition of subsidiaries	6	**(1.9)**	(13.6)
Purchase of property, plant and equipment		**(74.4)**	(26.5)
Disposal of property, plant and equipment		**1.5**	3.5
Receipt of capital grants		**12.8**	6.6
Purchase of intangible assets		**(0.9)**	(1.0)
Net cash outflow from investing activities		**(62.9)**	(31.0)
Cash flows from financing activities			
Loan to parent company		**(50.0)**	-
Payments of principal portion of lease liabilities		**(12.6)**	(14.4)
Net cash flow from financing activities		**(62.6)**	(14.4)
Net (decrease)/increase in cash and cash equivalents		**(63.3)**	41.3
Cash and cash equivalents at beginning of period		**243.8**	248.9
Cash and cash equivalents at end of period		**180.5**	290.2

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

NOTES

1 BASIS OF PREPARATION

(a) Basis of preparation

The condensed consolidated interim financial information for the half-year ended 28 October 2023 has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and UK-adopted International Accounting Standard 34, *Interim Financial Reporting*. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 29 April 2023, which have been prepared in accordance with UK-adopted International Accounting Standards. The accounting policies and methods of computation applied in the consolidated interim financial information are the same as those of the annual financial statements for the year ended 29 April 2023, as described on pages 64 to 78 of the Group's 2023 Annual Report which can be found on the Stagecoach Group website at http://www.stagecoachgroup.com/investors/financial-analysis/reports/.

The figures for this half-year include the results for all segments for the 26 weeks to 28 October 2023. The comparative figures for the half-year ended 29 October 2022 include the results for all segments for the 26 weeks ended 29 October 2022.

This condensed consolidated interim financial information for the half-year ended 28 October 2023 has not been audited or reviewed by the auditors. The comparative financial information presented in this announcement for the year ended 29 April 2023 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and does not reflect all of the information contained in the Company's annual financial statements. The annual financial statements for the year ended 29 April 2023 were approved by the Board of Directors on 29 June 2023. They received an unqualified audit report from the auditors, did not contain an emphasis of matter paragraph, did not contain a statement under section 498 of the Companies Act 2006 and have been filed with the Registrar of Companies.

The Board of Directors approved this announcement, including the condensed consolidated interim financial information, on 6 December 2023. This announcement will be available on the Group's website at http://www.stagecoachgroup.com/investors/financial-analysis/reports/.

Change in the accounting policy for the treatment of Battery Contracts

As disclosed in the annual report for the year ended 30 April 2022 the Group leases electric buses. In some cases, the Group enters into separate agreements for the provisions of batteries to power the buses (the "Battery Contracts"). Some judgement is involved in determining whether each Battery Contract is, or contains, a lease.

The Battery Contracts are separate legal agreements from any leases of buses and contain separate terms and conditions. In the years ended 1 May 2021 and 30 April 2022, the Directors had formed the view that the Battery Contracts did not meet the IFRS definition of leases as in the Directors' view the battery provider had control of the battery assets and had substantive rights of substitution for the batteries. This matter was disclosed as a critical accounting judgement in both of those years.

On 29 November 2022, the IFRS Interpretations Committee ("IFRIC") met and discussed the definition of a lease. Following the publication of the decision of IFRIC, the Group reviewed its accounting treatment of the Battery Contracts. In light of the IFRIC decision, the Group has decided that it would be more appropriate for the Group to treat the Battery Contracts as leases.

The Group has restated its results for the half-year ended 29 October 2022 to reflect this change in accounting policy. A summary of the impact of the change in policy is summarised in the tables on pages 18 and 19.

Change in accounting for the Group's participation in Local Government Pension Schemes ("LGPSs")

Certain of the Company's subsidiaries participate in LGPSs, which are all closed to new members from the Group. Where a private sector employer ceases to have any employees who are active members in a LGPS, that automatically triggers the employer's exit from the LGPS except where the employer agrees alternative arrangements with the relevant LGPS. When an exit from an LGPS is triggered, an amount may be payable or receivable by the employer to or from the administering authority of the relevant scheme.

In prior years, the Group had accounted for its participation in LGPSs in the same way as its other pension arrangements, by:

- measuring the relevant assets in respect of LGPS participations at fair value;
- measuring the obligations to pay pensions through to the expected deaths of the relevant members/their dependents at discounted present value;
- where applicable, restricting the net asset recognised (i.e. the gross assets less the gross obligations) to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme.

In the year ended 30 April 2022, the Directors were of the view, having taken independent expert advice on the accounting, that the Group's accounting was appropriate and was consistent with other major groups with UK public transport operations that have LGPS participations.

1 BASIS OF PREPARATION (CONTINUED)

The Group's auditors, Ernst & Young, reached a different conclusion to the Directors on the basis of accounting for the Group's participation in LGPSs that are closed to new members from the Group. In particular that:

- the measurement of the defined benefit obligation should reflect the expected cash flows payable under the scheme rules through to the expected exit by the employer (for example, on the retirement of the last active member) and including any expected exit payment or credit; and
- there should be no additional IFRIC 14 restriction to the LGPS net asset, given the right of the Group to receive a refund from the scheme is limited only to the extent of the actuarially determined surplus at the point of exit or any discretion applied by the administering authority.

Notwithstanding the different interpretation of the Group's auditors, the Directors had concluded that the Group's accounting for its participation in LGPSs remained appropriate and was a reasonable interpretation of the relevant standards. Accordingly, the Group's auditors qualified their audit opinion in relation to the accounting for the Group's participation in Local Government Pension Schemes that are closed to new members.

Subsequent to the acquisition of the Group by Inframobility UK Bidco Limited, the Directors have reassessed the Group's approach to the accounting in this area in the year ended 29 April 2023.

The policy applied by the Group has been revised such that where a section of the LGPS is closed to new members, the defined benefit obligation is calculated taking into consideration the specific rules set out in The Local Government Pension Scheme Regulations 2013 ("the Regulations") and reflects the estimated cash flows required to eliminate the Company's obligations from these schemes, including the estimated cash flows arising on an exit. No additional IFRIC 14 restriction is applied to any LGPS net asset, given the right of the Group to receive a refund from the scheme is limited only to the extent of the actuarially determined surplus at the point of exit or any discretion applied by the administering authority.

Comparative amounts have been restated accordingly. The effect of the restatement, together with the effect of the change in policy with respect to the treatment of battery contracts, is set out below.

	Unaudited half-year to 29 October 2022			
CONSOLIDATED INCOME STATEMENT	As reported	Effect of LGPS accounting	Effect of battery contracts	Restated
	£m	£m	£m	£m
Operating costs and other operating income excluding separately disclosed items	(626.4)	-	0.1	(626.3)
Operating costs and other operating income	(640.2)	-	0.1	(640.1)
Profit before interest and taxation	34.5	-	0.1	34.6
Finance costs	(12.0)	-	(0.1)	(12.1)
Finance income	1.9	0.2	-	2.1
Profit before taxation	24.4	0.2	-	24.6
Taxation	(5.1)	-	-	(5.1)
Profit for the period	19.3	0.2	-	19.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	As reported	Effect of LGPS accounting	Effect of battery contracts	Restated
	£m	£m	£m	£m
Profit for the year	19.3	0.2	-	19.5
Total items that may be reclassified to profit or loss	(11.0)	-	-	(11.0)
Items that will not be reclassified to profit or loss	172.9	-	-	172.9
Total comprehensive income for the period	181.2	0.2	-	181.4

CONSOLIDATED STATEMENT OF CASH FLOWS	As reported	Effect of LGPS accounting	Effect of battery contracts	Restated
	£m	£m	£m	£m
Cash generated by operations	118.7	-	0.8	119.5
Net cash flows from operating activities before tax – interest paid	(19.3)	-	(0.1)	(19.4)
Net cash flows from operating activities before tax	102.8	-	0.7	103.5
Net cash flows from operating activities after tax	86.0	-	0.7	86.7
Cash flows from financing activities – Payments of principal portion of lease liabilities	(13.7)	-	(0.7)	(14.4)
Net cash outflow from financing activities	(13.7)	-	(0.7)	(14.4)

1 BASIS OF PREPARATION (CONTINUED)

CONSOLIDATED BALANCE SHEET	Audited – as at 30 April 2022			
	As reported	Effect of LGPS accounting	Effect of battery contracts	Restated
	£m	£m	£m	£m
Non-current assets				
Property, plant and equipment – Right-of-use assets	68.6	-	6.3	74.9
Retirement benefit assets	45.3	10.5	-	55.8
Non-current assets	966.0	10.5	6.3	982.8
Total assets	1,424.3	10.5	6.3	1,441.1
Current liabilities				
Lease liabilities	(22.1)	-	(1.4)	(23.5)
Current liabilities	(347.7)	-	(1.4)	(349.1)
Non-current liabilities				
Lease liabilities	(52.3)	-	(5.1)	(57.4)
Retirement benefit obligations	(75.1)	0.3	-	(74.8)
Non-current liabilities	(685.1)	0.3	(5.1)	(689.9)
Total liabilities	(1,032.8)	0.3	(6.5)	(1,039.0)
Net assets	391.5	10.8	(0.2)	402.1
Retained earnings	(48.8)	10.8	(0.2)	(38.2)
Total equity attributable to parent	391.5	10.8	(0.2)	402.1

(b) New accounting standards adopted during the period

From 30 April 2023, the following standards and amendments are effective in the Group's consolidated financial statements:

- IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules
- IFRS 17 Insurance Contracts
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policy, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The application of these amendments has not had any material impact on the disclosures or net assets of the Group.

(c) Going concern

(i) Going concern assessment
During the half-year ended 28 October 2023, we have delivered another positive set of financial results and made progress on delivering our key objectives. We have seen a continued recovery in passenger demand, as we work in partnership with national and local government to maximise the opportunities from public transport for consumers and the country while navigating the current economic environment.

The Board considered the liquidity position and covenant headroom in the Group's financial forecasts which cover the period of 12 months from the date of this announcement ("the going concern period"), recognising the challenges around reliably estimating and forecasting the effects of the wider economic environment on our business.

The key areas of forecasting uncertainty include:

- The timing and extent of the recovery in demand for regional bus journeys;
- Availability and cost of staff; and
- The nature and extent of payments from government for continuing regional bus services, including available funding to support the £2 fare cap scheme in England.

Our base case forecast assumes that regional bus commercial revenue returns to 98% of pre-COVID levels for the year ending 3 May 2025, reflecting consistent patronage with that achieved in the year ended 29 April 2023 along with inflationary fare increases already implemented. Concessionary revenue for the year ending 27 April 2024 is forecast at 100% of pre-COVID levels, increasing to 102% pre-COVID levels for the year ending 3 May 2025.

Our base case forecast reflects the two-year funding settlement for bus operators in England, which included £300m of further funding for the wider bus sector to protect bus services until 2025, in addition to further funding for the £2 fare cap to 31 December 2024.

1 BASIS OF PREPARATION (CONTINUED)

(c) Going concern (continued)

(i) Going concern assessment (continued)
Our severe and plausible downside scenarios contemplate lower regional bus commercial revenue over the forecast period, in addition to more cautious assumptions around our levels of cost increases and government funding support. The downside scenario considered in the going concern period was:

- passenger numbers at 75%-76% of pre-COVID levels in the going concern period;
- commercial revenue at 90%-91% of pre-COVID levels in the going concern period;
- concessionary revenue at 91% of pre-COVID levels for the remainder of the going concern period;
- no additional government funding of zero emission buses, beyond awards already made; and
- failure to win the majority of its bus franchise bids resulting in the loss of services in a number of its depots.

(ii) Mitigating actions
To the extent any severe downside scenarios materialised, we consider that the Group would have sufficient controllable, mitigating actions to avoid a breach of the covenant tests in our committed bank facilities.

Having constrained the Group's capital expenditure during the period of COVID, our base case forecast assumes we increase our investment in capital expenditure, as we progress our plans to transition to a zero emission bus fleet. Accordingly, reducing or deferring this capital expenditure would be the key mitigation available. In addition, we would be able to further reduce the Group's cost base, in particular reducing vehicle mileage to better match customer demand, which would result in variable cost savings. These mitigations are within the Group's control and do not have any associated penalties.

(iii) Covenant headroom
Under the base case and downside scenarios, the Group remains in compliance with the covenant tests in our committed core bank facilities which expire in March 2026. In the reverse stress test scenario, headroom against the covenant tests exists throughout the going concern period, after taking account of controllable, mitigating actions.

(iv) Going concern conclusion
Accordingly, the condensed consolidated interim financial information for the half-year ended 28 October 2023 has been prepared on a going concern basis. Taking account of the economic background in the UK, and other relevant factors, the Directors concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated interim financial information, with no material uncertainties identified. The Directors have a reasonable expectation that the Group will continue to operate as a going concern for at least a period of 12 months from the date of approval of this announcement.

2 SEASONALITY

We do not expect significant seasonal demand fluctuations to affect the phasing of the Group's revenue and profit for the year ending 27 April 2024.

3 SEGMENTAL ANALYSIS

The Group is managed, and reports internally, on a basis consistent with its three continuing operating segments, being UK Bus (regional operations), UK Bus (London), and UK Rail. The Group's accounting policies are applied consistently, where appropriate, to each segment.

The segmental information provided in this note is on the basis of those three operating segments as follows:

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

The basis of segmentation and the basis on which segment profit/(loss) is measured are consistent with the Group's last annual financial statements for the year ended 29 April 2023.

The Group has interests in three joint ventures: WCT Group that operates in UK Rail, Citylink that operates in UK Bus (regional operations) and Crown Sightseeing that operates in UK Bus (London). The results of these joint ventures are shown separately in note 3(c).

3 SEGMENTAL ANALYSIS (CONTINUED)

(a) Revenue

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

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

Revenue split by class and segment, was as follows:

	Unaudited				
	Half-year to 28 October 2023				
	Commercial passenger revenue £m	Concessionary revenue £m	Tendered & school revenue £m	Contract & other revenue £m	Total £m
UK Bus (regional operations)	307.9	165.5	75.8	35.5	**584.7**
UK Bus (London)	-	-	-	179.8	**179.8**
Total bus operations	307.9	165.5	75.8	215.3	**764.5**
UK Rail	7.9	-	-	0.8	**8.7**
Reported Group revenue	315.8	165.5	75.8	216.1	**773.2**

	Unaudited				
	Half-year to 29 October 2022				
	Commercial passenger revenue £m	Concessionary revenue £m	Tendered & school revenue £m	Contract & other revenue £m	Total £m
UK Bus (regional operations)	292.2	121.9	56.7	37.3	508.1
UK Bus (London)	-	-	-	154.4	154.4
Total bus operations	292.2	121.9	56.7	191.7	662.5
UK Rail	6.8	-	-	0.3	7.1
Reported Group revenue	299.0	121.9	56.7	192.0	669.6

(b) Operating profit

Operating profit split by segment, was as follows:

	Unaudited			Unaudited		
	Half-year to 28 October 2023			Half-year to 29 October 2022 (Restated)		
	Performance excluding separately disclosed items £m	Separately disclosed items (note 4) £m	Results for the period £m	Performance excluding separately disclosed items £m	Separately disclosed items (note 4) £m	Results for the period £m
UK Bus (regional operations)	**52.3**	**2.6**	**54.9**	50.4	(2.5)	47.9
UK Bus (London)	**(5.8)**	**(0.6)**	**(6.4)**	(1.5)	(0.8)	(2.3)
Total bus operations	**46.5**	**2.0**	**48.5**	48.9	(3.3)	45.6
UK Rail	**(1.5)**	**5.8**	**4.3**	(0.5)	(0.8)	(1.3)
	45.0	**7.8**	**52.8**	48.4	(4.1)	44.3
Group overheads	**(4.5)**	**-**	**(4.5)**	(5.0)	(9.7)	(14.7)
Restructuring costs	**-**	**-**	**-**	(0.1)	-	(0.1)
Total operating profit of Group companies	**40.5**	**7.8**	**48.3**	43.3	(13.8)	29.5
Share of joint ventures' profit after taxation	**2.8**	**-**	**2.8**	3.6	-	3.6
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	**43.3**	**7.8**	**51.1**	46.9	(13.8)	33.1

(c) Joint ventures

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

	Unaudited	Unaudited
	Half-year to 28 October 2023 £m	Half-year to 29 October 2022 £m
WCT Group (UK Rail)		
Operating profit	**-**	0.1
Citylink (UK Bus, regional operations)		
Operating profit	**3.0**	3.6
Finance income	**0.1**	
Taxation	**(0.7)**	(0.7)
	2.4	2.9
Crown Sightseeing (UK Bus, London)		
Operating profit	**0.5**	0.7
Taxation	**(0.1)**	(0.1)
	0.4	0.6
Share of profit of joint ventures after taxation	**2.8**	3.6

3 SEGMENTAL ANALYSIS (CONTINUED)

(d) Gross assets and liabilities

Assets and liabilities split by segment were as follows:

	Unaudited			Audited		
	As at 28 October 2023			As at 29 April 2023		
	Gross assets £m	**Gross liabilities £m**	**Net assets/ (liabilities) £m**	Gross assets £m	Gross liabilities £m	Net assets/ (liabilities) £m
UK Bus (regional operations)	**1,050.0**	**(309.0)**	**741.0**	1,029.5	(303.1)	726.4
UK Bus (London)	**200.3**	**(88.2)**	**112.1**	192.7	(80.1)	112.6
UK Rail	**8.2**	**(33.3)**	**(25.1)**	6.8	(38.9)	(32.1)
	1,258.5	**(430.5)**	**828.0**	1,229.0	(422.1)	806.9
Central functions	**86.9**	**(31.4)**	**55.5**	29.7	(42.7)	(13.0)
Joint ventures	**14.5**	**-**	**14.5**	12.0	-	12.0
Borrowings and cash equivalents	**180.5**	**(483.4)**	**(302.9)**	245.6	(494.3)	(248.7)
Taxation	**-**	**(75.4)**	**(75.4)**	0.4	(59.8)	(59.4)
Total	**1,540.4**	**(1,020.7)**	**519.7**	1,516.7	(1,018.9)	497.8

The UK Rail net liabilities of £25.1m (29 April 2023: £32.1m) shown above include £24.2m (29 April 2023: £24.7m) of train operating company net liabilities in relation to major rail franchises previously operated by the Group.

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

4 SEPARATELY DISCLOSED ITEMS

(a) Summary of separately disclosed items

The Group highlights amounts before certain “separately disclosed items” as defined in note 21.

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

	Unaudited	Unaudited
	Half-year to 28 October 2023 £m	Half-year to 29 October 2022 £m
Operating costs and other operating income		
Non-software intangible asset amortisation	**(0.6)**	(0.4)
Reassessment of onerous contract provision	**4.4**	(0.3)
Restructuring and associated costs	**(2.3)**	-
Expired rail franchises	**1.4**	-
Property disposal	**4.9**	-
Transaction costs	**-**	(12.9)
Acquisition costs	**-**	(0.2)
	7.8	(13.8)
Non-operating separately disclosed item		
Disposal of Megabus retail and Falcon	**-**	1.5
Finance (costs) / income		
Change in fair value of Deferred Payment Instrument	**(1.4)**	0.3
Separately disclosed items before taxation	**6.4**	(12.0)
Taxation effect	**(1.6)**	0.8
Separately disclosed items after taxation	**4.8**	(11.2)

(b) Reassessment of onerous contract provision

As at 29 April 2023, an onerous contract provision of £8.9m was held in respect of the Sheffield Supertram. We have recalculated the Sheffield Supertram onerous contract provision, reflecting our latest forecast for the business. That re-assessment resulted in a £4.8m decrease (H1 2023: £0.4m increase) in the level of the provision, with the increase, net of the £0.4m (H1 2023: £0.1m) of Sheffield Supertram’s other operating loss (H1 2022: profit) in the half-year, charged (H1 2023: credited) to the consolidated income statement for the half-year ended 29 October 2023 and presented as a separately disclosed item.

4 SEPARATELY DISCLOSED ITEMS (CONTINUED)

(b) Reassessment of onerous contract provision (continued)

The estimate of the Supertram onerous contract provision involves estimation uncertainty, particularly in relation to forecast passenger revenue, albeit the level of estimation uncertainty is reducing as we approach the contract expiry date of March 2024. Underlying passenger revenue has been normalised to take account of changes in the timing of infrastructure work on the tram system.

No specific assumptions have been made regarding climate change in estimating the Supertram onerous contract provision. Taking account of the remaining term of the Supertram concession being less than a year and that the trams are electrically (rather than diesel) powered, we do not consider that climate change considerations materially affect the estimate of the provision as at 28 October 2023.

(c) Restructuring and associated costs

Following the acquisition of the Group in the year to 29 April 2023, a detailed review of the Group's structure and operations was undertaken. This included the use of an external consultancy agency along with the management experience of the new owner. In the half-year ended 28 October 2023, the Group incurred redundancy and related costs of £2.3m (H1 2023: £Nil).

(d) Expired rail franchises

As part of concluding matters in relation to its former involvement in the UK train operating market, the Group has recorded a separately disclosed gain of £1.4m in the half-year ended 28 October 2023 (H1 2023: £Nil). The gain is presented as a separately disclosed item as it relates to costs that were previously recorded as separately disclosed items.

(e) Property disposal

Following the demobilisation of our Wigan depot, prior to the commencement of Transport for Greater Manchester's new franchising system, the depot was sold, generating a gain on its disposal of £4.9m. Due to the size of the profit on the disposal this has been presented as a separately disclosed item.

(f) Transaction costs

No transaction costs were incurred in the half-year ended 28 October 2023.

In the half year to 29 October 2022 the Group recorded expenses of £12.9m, predominantly professional fees, accelerated shared based payment expenses (see below) and accelerated management incentives, in relation to the offer from DWS Infrastructure and the lapsed all-share combination with National Express Group plc. Due to the non-recurring nature of the expenses, the Directors consider that it is helpful for understanding the Group's financial performance to disclose separately the expenses incurred.

The change of control triggered the early vesting of certain share based awards. As a result, share based payment expenses that were previously expected to arise in future periods were immediately expensed and are classified within separately disclosed items for the half-year ended 29 October 2022.

(g) Acquisition costs

No acquisition costs were incurred in the half-year ended 28 October 2023. £0.2m of costs incurred in connection with the acquisition of two London bus businesses in the half-year ended 29 October 2022 have been presented as a separately disclosed item, because the costs are not related to the ongoing trading of the Group and due to the irregularity of business acquisitions.

(h) Disposal of megabus retail and Falcon

In August 2022, the Group disposed of the following businesses to its joint venture, Scottish Citylink Coaches Limited:

- the megabus retail platform and customer-service business, which sells and markets inter-city coach services in England and Wales
- Falcon South-West, which retails tickets for the coach route between Plymouth and Bristol Airport.

We have assessed the assets transferred to Scottish Citylink Coaches and consider them to constitute a business as defined in International Financial Reporting Standard 3 ("IFRS 3"), *Business Combinations*. The carrying value of the Group's interest in Scottish Citylink has been increased by the cost of the additional investment, being the estimated fair value of the business transferred to Scottish Citylink. The gain resulting from the sale of the business to Scottish Citylink has been recognised in full in the half-year ended 29 October 2022 and has not been restricted to the extent of the other investor's interest in the joint venture.

4 SEPARATELY DISCLOSED ITEMS (CONTINUED)

(h) Disposal of megabus retail and Falcon (continued)

The consideration received in respect of the disposal was an increase in the Group's share of Scottish Citylink Coaches Limited, from 35% to 37.5%, which has resulted in a gain on disposal of £1.5m being recognised during the half-year ended 29 October 2022. Due to the irregular occurrence of business disposals, the Directors consider that it is helpful for understanding the Group's financial performance to disclose separately the gain realised in respect of the business disposal.

(i) Change in fair value of Deferred Payment Instrument

The Group received a Deferred Payment Instrument as deferred consideration for the sale of the North American business in April 2019. The instrument, which is accounted for as fair value through profit or loss, has a maturity date of October 2024 and due to credit and other recoverability risks associated with the instrument, it carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind all of the secured lenders. The carrying value of the instrument was £3.5m as at 29 April 2023. We estimated the carrying value of the instrument to be £2.1m as at 28 October 2023, resulting in a loss of £1.4m (H1 2023: gain of £0.3m) recognised in finance costs (H1 2023: finance income) in the half-year ended 28 October 2023.

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

(j) Taxation effect

The separately disclosed taxation charge of £1.6m (H1 2023: credit of £0.8m) is in relation to the taxation effect of the pre-tax separately disclosed items.

5 DIVIDENDS

No dividends have been paid during, or declared in respect of, the half-year ended 28 October 2023 or in respect of the half-year ended 29 October 2022.

6 BUSINESS COMBINATIONS AND DISPOSALS

No material business combinations or business disposals were completed by the Group in the half-year to 28 October 2023.

Details of acquisitions and disposals completed in earlier periods are given in the Group's annual reports for the relevant periods.

7 GOODWILL

The movements in goodwill were as follows:

	Unaudited Half-year to 28 October 2023 £m	Unaudited Half-year to 29 October 2022 £m	Audited Year to 29 April 2023 £m
Net book value at beginning of period	**92.1**	51.9	51.9
Goodwill arising through acquisitions of businesses	**0.4**	35.1	40.2
Net book value at end of period	**92.5**	87.0	92.1

8 OTHER INTANGIBLE ASSETS

The movements in other intangible assets were as follows:

	Unaudited Half-year to 28 October 2023 £m	Unaudited Half-year to 29 October 2022 £m	Audited Year to 29 April 2023 £m
Cost at beginning of period	**36.0**	33.2	33.2
Acquired through business combinations	**0.2**	3.5	2.2
Additions	**0.9**	1.0	2.9
Disposals	**-**	(1.4)	(2.3)
Cost at end of period	**37.1**	36.3	36.0
Accumulated amortisation at beginning of period	**(28.9)**	(28.9)	(28.9)
Amortisation charged to income statement	**(1.1)**	(0.9)	(1.9)
Impairment charged to income statement	**-**	-	(0.3)
Disposals	**-**	1.4	2.2
Accumulated amortisation at end of period	**30.0**	(28.4)	(28.9)
Net book value at beginning of period	**7.1**	4.3	4.3
Net book value at end of period	**7.1**	7.9	7.1

9 PROPERTY, PLANT AND EQUIPMENT

(a) Owned assets

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

	Unaudited Half-year to 28 October 2023 £m	Unaudited Half-year to 29 October 2022 £m	Audited Year to 29 April 2023 £m
Cost at beginning of period	**1,574.5**	1,582.6	1,582.6
Additions	**65.0**	8.8	66.5
Acquired through business combinations	**0.4**	1.0	0.8
Transfers from right-of-use assets	**-**	-	0.1
Transferred to assets held for sale	**(0.8)**	(0.1)	(2.4)
Disposals	**(35.9)**	(17.8)	(73.1)
Cost at end of period	**1,603.2**	1,574.5	1,574.5
Depreciation at beginning of period	**(863.2)**	(850.5)	(850.5)
Depreciation charged to income statement	**(40.2)**	(38.5)	(78.2)
Impairment charged to income statement	**-**	-	(3.0)
Transfers from right-of-use assets	**-**	-	(0.1)
Transferred to assets held for sale	**0.3**	-	0.1
Disposals	**34.1**	16.4	68.5
Depreciation at end of period	**(869.0)**	(872.6)	(863.2)
Net book value at beginning of period	**711.3**	732.1	732.1
Net book value at end of period	**734.2**	701.9	711.3

(b) Movements in right-of-use assets

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

	Unaudited Half-year to 28 October 2023 £m	Unaudited Half-year to 29 October 2022 (Restated) £m	Audited Year to 29 April 2023 £m
Cost at beginning of period	**148.0**	126.7	126.7
Additions	**9.3**	6.0	13.5
Acquired through business combinations	**-**	20.8	20.8
Transfers to owned property, plant and equipment	**-**	-	(0.1)
Disposals	**(14.9)**	(5.8)	(12.9)
Cost at end of period	**142.4**	147.7	148.0
Depreciation at beginning of period	**(67.8)**	(51.8)	(51.8)
Depreciation charged to income statement	**(13.1)**	(13.8)	(28.7)
Transfers to owned property, plant and equipment	**-**	-	0.1
Disposals	**14.8**	5.5	12.6
Depreciation at end of period	**(66.1)**	(60.1)	(67.8)
Net book value at beginning of period	**80.2**	74.9	74.9
Net book value at end of period	**76.3**	87.1	80.2

10 INTERESTS IN JOINT VENTURES

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

	Unaudited Half-year to 28 October 2023 £m	Unaudited Half-year to 29 October 2022 £m	Audited Year to 29 April 2023 £m
Net book value at beginning of period	**12.0**	7.2	7.2
Increase in investment (see note 4(h))	**-**	1.7	5.6
Share of recognised profit	**2.8**	3.6	1.7
Dividends received in cash	**(0.3)**	(1.8)	(2.5)
Net book value at end of period	**14.5**	10.7	12.0

A loan payable to joint venture, Scottish Citylink Coaches Limited, of £7.8m (29 April 2023: £7.8m) is included within current liabilities under the caption "Trade and other payables".

11 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

These condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Group's consolidated financial statements for the year ended 29 April 2023. There have been no material changes in any of the Group's significant financial risk management policies since 29 April 2023.

Liquidity risk

There have been no material changes since 29 April 2023 in the contractual undiscounted cash outflows for financial liabilities.

Fair value estimation

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

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

The following table represents the Group's financial assets and liabilities that are measured at fair value within the hierarchy at 28 October 2023.

		Unaudited	
	Level 2 £m	**Level 3 £m**	**Total £m**
Assets			
Deferred Payment Instrument from disposal of subsidiaries	-	2.1	**2.1**
Financial derivatives	34.5	-	**34.5**
Total assets	34.5	2.1	**36.6**
Liabilities			
Deferred consideration for acquisition of businesses	-	(7.2)	**(7.2)**
Financial derivatives	(5.1)	-	**(5.1)**
Total liabilities	(5.1)	(7.2)	**(12.3)**

The following table represents the Group's financial assets and liabilities that are measured at fair value within the hierarchy at 29 April 2023.

		Audited	
	Level 2 £m	Level 3 £m	Total £m
Assets			
Deferred Payment Instrument from disposal of subsidiaries	-	3.5	3.5
Financial derivatives	25.4	-	25.4
Total assets	25.4	3.5	28.9
Liabilities			
Deferred consideration for acquisition of businesses	-	(9.6)	(9.6)
Financial derivatives	(21.5)	-	(21.5)
Total liabilities	(21.5)	(9.6)	(31.1)

11 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

There were no transfers between levels during the half-year ended 28 October 2023.

The Level 2 assets shown in the above tables comprise financial derivatives. The fair value of each financial derivative is determined by the third-party financial institution with which the Group holds the instrument, in line with the market value of similar financial instruments.

The Group applies relevant hedge accounting to all financial derivatives outstanding as at 28 October 2023 and 29 April 2023. All designated hedge relationships were effective under International Financial Reporting Standard 9 ("IFRS 9"), *Financial Instruments*.

The consideration for the sale of the North American business in April 2019 included a Deferred Payment Instrument of US$65m. The Deferred Payment Instrument carries a term of 66 months and a compounding payment in kind interest rate of 6% per annum. It falls due for payment only on (a) 16 October 2024 or (b) in part, after distributions of US$30m have been made to the purchaser and is secured by a pledge of shares held in the underlying investment vehicle. Early repayment provisions apply in the event that the purchaser sells all of its shareholding, albeit still subject to the US$30m shareholder distribution priority and in such circumstances, all or part of the Deferred Payment Instrument may never be repaid. If the purchaser sells down below 50% but retains some shares, the whole outstanding amount becomes immediately payable. The instrument is accounted for as fair value through profit or loss and due to credit and other recoverability risks associated with the instrument, its carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind all of the secured lenders. As a result, the discount rate applied to the Group's exposure on this instrument is higher than the cost of the Group's secured funding. The cost of second lien/mezzanine debt has been considered a more approximate estimate for the credit risk of the instrument. This has led to the carrying value of the instrument being estimated to be £2.1m as at 28 October 2023 (29 April 2023: £3.5m).

The North America business continues to operate a variety of different types of transportation services over a wide area of North America. The Group has no control or significant influence over the North America business following its disposal on 16 April 2019.

The financial performance of the North America business is influenced by various different factors, many of which are specific to the individual markets and locations in which it operates. Factors that can affect financial performance include the extent and timing of how demand recovers from the COVID-19 situation; changes in local economies, local competition, fuel prices, working patterns, shopping patterns, traffic conditions; cost pressures including the availability of sufficient staff; and regulatory change. The performance of the North America business has a direct impact on the purchaser's ability to settle the instrument. The initial contractual value of the instrument was for US$65m and the range of values that the Group could recover over the 66 months of its term varies from US$Nil up to US$65m plus interest.

No specific assumptions have been made regarding climate change in valuing the Deferred Payment Instrument. While climate change does present both opportunities and risks to the North America business, we do not consider that climate change considerations materially affect the fair value of the instrument as at 28 October 2023, taking account of the approximate remaining one-year term of the instrument.

11 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

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

	Carrying value		Fair value	
	28 October 2023 Unaudited £m	29 April 2023 Audited £m	**28 October 2023 Unaudited £m**	29 April 2023 Audited £m
Financial assets				
Financial assets measured at fair value through profit or loss				
– Non-current assets				
– Other receivables - Deferred Payment Instrument	**-**	3.5	**-**	3.5
– Current assets				
– Other receivables - Deferred Payment Instrument	**2.1**	-	**2.1**	-
Financial assets measured at amortised cost				
– Non-current assets				
– Insurance claim receivables	**10.6**	8.9	**10.6**	8.9
– Other receivables		-		-
– Current assets				
– Accrued income	**44.4**	29.9	**44.4**	29.9
– Trade receivables, net of impairment	**35.4**	29.2	**35.4**	29.2
– Other receivables	**51.4**	2.7	**51.4**	2.7
– Cash and cash equivalents	**180.5**	245.6	**180.5**	245.6
Total financial assets	**324.4**	319.8	**324.4**	319.8
Financial liabilities				
Financial liabilities measured at amortised cost				
– Non-current liabilities				
– Borrowings	**(461.3)**	(467.4)	**(440.6)**	(445.3)
– Deferred consideration for business combinations	**(5.5)**	(8.0)	**(5.5)**	(8.0)
– Current liabilities				
– Trade payables	**(33.1)**	(37.0)	**(33.1)**	(37.0)
– Deferred consideration for business combinations	**(1.7)**	(1.6)	**(1.7)**	(1.6)
– Payables for purchase of property, plant and equipment	**(3.5)**	(9.3)	**(3.5)**	(9.3)
– Interest payable	**(0.1)**	(0.4)	**(0.1)**	(0.4)
– Accruals	**(144.8)**	(135.3)	**(144.8)**	(135.3)
– Loan from joint venture	**(7.8)**	(7.8)	**(7.8)**	(7.8)
– Borrowings	**(22.1)**	(26.8)	**(22.1)**	(26.8)
Total financial liabilities	**(679.9)**	(693.6)	**(659.2)**	(671.5)
Net financial liabilities	**(355.5)**	(373.8)	**(334.8)**	(351.7)

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

The fair values of financial assets and financial liabilities shown in the table are determined as follows:

- The determination of the fair value of the Deferred Payment Instrument is described earlier in this note 11.
- The carrying value of cash and cash equivalents, accrued income, trade receivables, insurance claim receivables and other receivables is considered to be a reasonable approximation of fair value. Given the short average time to maturity, no specific assumptions on discount rates have been made. The effect of credit losses not already reflected in the carrying value as impairment losses is assumed to be immaterial.
- The fair value of contingent consideration payable in respect of business combinations is estimated with reference to the applicable contractual terms and the expected outcomes on the contingent elements, then discounted to present value.
- The carrying value of trade payables, payables for purchase of property, plant and equipment, interest payable, accruals and loans to/from joint ventures is considered a reasonable approximation of fair value. Given the relatively short average time to maturity, no specific assumptions on discount rates have been made.
- The fair value of fixed-rate notes (included in borrowings) that are quoted on a recognised stock exchange is determined with reference to the “bid” price at the balance sheet date.
- The fair value of leases is presented above as being equal to their carrying value as International Financial Reporting Standard 7 (“IFRS 7*”), Financial Instruments: Disclosure*, does not require the disclosure of fair values for leases.

12 RETIREMENT BENEFITS

(a) Overview

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

- The Stagecoach Group Pension Scheme ("SPS"); and
- Two UK Local Government Pension Schemes ("LGPS").

In addition, the Group contributes to a number of defined contribution schemes.

(b) Presentation in consolidated balance sheet

Where a scheme has a net asset (i.e. gross assets exceeds gross liabilities and any asset ceiling) at the balance sheet date, the net asset is shown within retirement benefit assets on the consolidated balance sheet. Where a scheme has a net liability, that is shown within retirement benefit obligations on the consolidated balance sheet. The amounts presented are:

	Unaudited	Audited
	As at 28 October 2023 £m	As at 29 April 2023 £m
Retirement benefit assets	**178.8**	199.4
Retirement benefit obligations	**(3.3)**	(3.5)
	175.5	195.9

(c) Gross pension scheme assets and obligations

The gross pension scheme assets and the present value of obligations as at 28 October 2023 were as follows:

	Unaudited				
	Funded schemes				
	SPS £m	**LGPS £m**	**Other £m**	**Unfunded plans £m**	**Total £m**
Fair value of scheme assets	1,277.7	143.9	16.0	-	**1,437.6**
Present value of obligations	(1,047.4)	(121.3)	(9.5)	(3.3)	**(1,181.5)**
Pension asset/(liability) before withholding tax	230.3	22.6	6.5	(3.3)	**256.1**
Withholding tax payable on surplus	(80.6)	-	-	-	**(80.6)**
Net asset/(liability)	149.7	22.6	6.5	(3.3)	**175.5**

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

The movements for the half-year ended 28 October 2023 in the net pre-tax retirement benefit assets/liabilities (excluding withholding tax on surpluses) recognised in the balance sheet were as follows:

Unaudited	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded plans £m**	**Total £m**
Asset/(liability) at beginning of period	162.9	29.7	6.8	(3.5)	**195.9**
Current service cost	(1.4)	(0.1)	-	-	**(1.5)**
Administration costs	(0.4)	-	-	-	**(0.4)**
Net interest income	6.0	0.7	0.6	-	**7.3**
Employers' contributions	4.3	0.2	0.1	0.2	**4.8**
Recognised in the consolidated statement of comprehensive income	(21.8)	(7.9)	(1.0)	-	**(30.7)**
Asset/(liability) at end of period	149.7	22.6	6.5	(3.3)	**175.5**

12 RETIREMENT BENEFITS (CONTINUED)

(e) Scheme valuations

The Stagecoach Group Pension Scheme (“SPS”) is the Group’s largest defined benefit scheme exposure comprising almost 90% of the total retirement benefit obligations. In the prior year, the Trustees took advantage of the exceptional rise in gilt yields to transition from its equity and multi-asset led growth strategy to a liability-driven investment (“LDI”) strategy, locking in an overall funding surplus with hedging ratios achieved of 96-97% of interest and inflation liabilities.

To update and to align to its new investment and funding strategies, the Scheme undertook an out-of-cycle valuation as at 31 October 2022. This showed a funding surplus of £87.3m, being a further improvement on the 30 September 2021 out-of-cycle valuation surplus of £48.7m. At 28 October 2023, taking the various sections in aggregate, the Scheme was fully funded at around 109% against its long term self-sufficiency target using a gilts plus 0.5% discount rate.

The latest actuarial valuations of the relevant LGPS schemes were completed as at 31 March 2022. The combined surplus across those schemes on the funding basis agreed by each of the Administering Authorities was £0.3m, comprising scheme assets of £197.8m less benefit obligations of £197.5m.

13 ORDINARY SHARE CAPITAL

At 28 October 2023, there were 576,099,960 ordinary shares in issue (29 April 2023: 576,099,960). This figure includes 14,143,274 (29 April 2023: 14,143,274) ordinary shares held in treasury, which are treated as a deduction from equity in the Group’s financial statements. The shares held in treasury do not qualify for dividends.

14 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

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

	Unaudited	Unaudited
	Half-year to 28 October 2023	Half-year to 29 October 2022 (Restated)
	£m	£m
Operating profit of Group companies	**48.3**	29.5
Separately disclosed items	**(7.8)**	13.8
Depreciation	**53.3**	52.3
Software amortisation	**0.5**	0.5
EBITDA of Group companies before separately disclosed items (“Adjusted EBITDA from Group companies”)	**94.3**	96.1
Cash effect of current period separately disclosed items	**4.5**	(8.2)
Loss/(gain) on disposal of property, plant and equipment	**0.4**	(1.0)
Capital grant amortisation	**(2.4)**	(1.2)
Share based payment movements (excluding separately disclosed items)	**-**	0.2
Operating cashflows before working capital movements	**96.8**	85.9
Increase in inventories	**(1.7)**	(0.6)
(Increase)/decrease in receivables	**(25.8)**	12.2
Increase in payables	**22.8**	31.2
Decrease in provisions	**(8.2)**	(3.4)
Differences between employer contributions and pension expense in operating profit	**(3.0)**	(5.8)
Cash generated by operations	**80.9**	119.5

15 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

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

	Notes	**Unaudited Half-year to 28 October 2023 £m**	Unaudited Half-year to 29 October 2022 £m
(Decrease)/increase in cash and cash equivalents		**(63.3)**	41.3
Cash flow from movement in borrowings		**12.6**	13.7
		(50.7)	55.0
New leases in period		**(9.3)**	(6.0)
Lease additions from business combinations		**-**	(20.8)
Negotiated early termination of lease		**-**	0.3
Other movements		**(0.4)**	(0.4)
(Increase)/decrease in net debt		**(60.4)**	28.1
Net debt at beginning of period	16	**(241.1)**	(224.3)
Net debt at end of period	16	**(301.5)**	(196.2)

16 NET DEBT AND CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in net debt (as defined in note 21) are summarised below:

	Unaudited Half-year to 28 October 2023				
	Opening £m	**Cashflows £m**	**New leases £m**	**Charged to income statement £m**	**Closing £m**
Cash and cash equivalents	243.8	(63.3)	-	-	**180.5**
Gross debt – see split in following table	(484.9)	12.6	(9.3)	(0.4)	**(482.0)**
Net debt	(241.1)	(50.7)	(9.3)	(0.4)	**(301.5)**

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

The liabilities arising from financing activities presented in the consolidated balance sheet are as follows:

	Unaudited As at 28 October 2023 £m	Audited As at 29 April 2023 £m
Current liabilities: borrowings	**(22.1)**	(26.8)
- Less bank overdrafts shown in cash and cash equivalents in this note	**-**	1.8
Non-current liabilities: borrowings	**(461.3)**	(467.4)
Current liabilities: interest rate derivatives included in financial derivatives	**-**	(4.7)
Current liabilities: loan from joint venture	**(7.8)**	(7.8)
Total liabilities arising from financing activities	**(491.2)**	(504.9)

16 NET DEBT AND CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

Changes in liabilities from financing activities are presented in the table below.

	Unaudited Half-year to 28 October 2023					
	Opening £m	**Cashflows £m**	**New leases £m**	**Fair value movements on hedge £m**	**Charged to income statement £m**	**Closing £m**
Lease liabilities	(85.3)	12.6	(9.3)	-	-	**(82.0)**
Bonds						
- Principal	(400.0)	-	-	-	-	**(400.0)**
- Unamortised costs & discounts on issue	0.4	-	-	-	(0.4)	**-**
Gross debt	(484.9)	12.6	(9.3)	-	(0.4)	**(482.0)**
Loan from joint venture	(7.8)	-	-	-	-	**(7.8)**
Accrued interest on bonds	(9.4)	16.0	-	-	(8.0)	**(1.4)**
Effect of fair value hedges on carrying value of borrowings	1.9	-	-	(1.9)	-	**-**
Interest rate derivatives that hedge liabilities from financing activities	(4.7)	4.9	-	1.9	(2.1)	**-**
Total liabilities arising from financial activities	(504.9)	33.5	(9.3)	-	(10.5)	**(491.2)**

17 NON-CASH TRANSACTION

As explained in note 4(h), the Group disposed of businesses in the half-year ended 29 October 2022 in exchange for non-cash consideration in the form of shares in its joint venture, Scottish Citylink Coaches Limited. The estimated fair value of the shares received by the Group was £1.7m.

18 PROVISIONS

The Group's provisions at each of 29 April 2023 and 28 October 2023 principally relate to claims provisions for estimated liabilities on incurred incidents up to the balance sheet date.

The total claims provisions of £99.7m (29 April 2023: £100.6m) have decreased during the half-year, reflecting the latest assessment of the required provision for claims on major incidents. These provisions contain £11.6m (29 April 2023: £8.9m) which is recoverable from insurance companies and is included within other receivables. The Group engages with third party actuarial professionals to assist in the calculation of these provisions.

19 COMMITMENTS AND CONTINGENCIES

(i) *Capital commitments*

Capital commitments contracted for the purchase of property, plant and equipment but not provided for at 28 October 2023 were £181.4m (29 April 2023: £42.6m) and primarily relate to the commitment to purchase zero emission electric buses. The figure of £181.4m excludes the benefit of any government funding expected to be received in respect of these committed purchases.

(ii) *Legal actions*

On 27 February 2019, an application for a collective proceedings order (a form of class action) was filed with the UK Competition Appeal Tribunal ("CAT") against Stagecoach South Western Trains Limited ("SSWT"), a subsidiary of the Company that formerly operated train services under franchise. Equivalent claims have been brought against First MTR South Western Trains Limited, which succeeded SSWT as the operator of the South Western franchised train services, and London & South Eastern Railway Limited (the "Defendants"). It is alleged that SSWT and the other Defendants breached their obligations under competition law, by (i) failing to make sufficiently available, or (ii) restricting the practical availability of, boundary fares for Transport for London ("TfL") Travelcard holders wishing to travel outside the TfL fare zones in which the Travelcard was valid. The claim seeks compensation for all those who have allegedly been affected by the train operating companies' allegedly anti-competitive behaviour. The total sought from SSWT is estimated at around £38m (excluding interest).

In October 2021, the CAT granted the collective proceedings order ("CPO") sought by the proposed class representative. The proceedings have been split into three trials, the first two of which have been set for June 2024 and June 2025 respectively, with no date currently set for the final trial.

The claim is disputed in respect of its technical merits. No provision is held as at 28 October 2023 (29 April 2023: £Nil) for any damages or settlement payable in respect of this matter

The Group and the Company are from time to time party to other legal actions arising in the ordinary course of business. Liabilities have been recognised in the financial statements for the best estimate of the expenditure required to settle obligations arising under such legal actions. As at 28 October 2023, the liabilities in the consolidated financial statements for such matters total £0.5m (29 April 2023: £0.6m) in addition to those covered by the claims provisions.

19 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

As explained in note 28(iii) to the Group's consolidated financial statements for the year ended 29 April 2023, the Group has certain contingent liabilities in respect of claims from third parties against its former North American business. The estimated amount of those contingent liabilities has reduced from £19.1m as at 29 April 2023 to £14.4m as at 28 October 2023.

20 RELATED PARTY TRANSACTIONS

During the half-year ended 28 October 2023 the Group made a loan of £50.0m to its immediate parent, Inframobility UK Bidco Limited. The loan is interest bearing with an interest rate of 7.4% and is repayable in May 2024. At 28 October 2023 the loan of £50.0m is outstanding along with related interest receivable of £1.1m.

21 DEFINITIONS

(a) Alternative performance measures

The Group uses a number of alternative performance measures in this document to help explain the financial performance and financial position of the Group. More information on the definition of these alternative performance measures and how they are calculated is provided below. All of the alternative performance measures explained below have been calculated consistently for the half-year ended 28 October 2023 and for comparative amounts shown in this document for prior periods.

Like-for-like amounts

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

Like-for-like revenue growth for the half-year ended 28 October 2023 is calculated by comparing the revenue for the current and comparative periods, each adjusted as described above. The revenue of each segment is shown in note 3(a) to the condensed financial statements. Where applicable, the reconciliation to the adjusted revenue figures for the purposes of calculating like-for-like revenue growth is shown below:

		Unaudited				
		Half-year to 28 October 2023				
		Reported revenue	Exclude effect of acquisitions	Exclude effect of disposals	Exclude expired rail franchises	Like-for-like revenue
UK Bus (regional operations)	£m	584.7	(0.5)	-	-	584.2
UK Bus (London)	£m	179.8	(36.3)	-	-	143.5
UK Rail	£m	8.7	-	-	-	8.7

		Unaudited				
		Half-year to 29 October 2022				
		Reported revenue	Exclude effect of acquisitions	Exclude effect of disposals	Exclude expired rail franchises	Like-for-like revenue
UK Bus (regional operations)	£m	508.1	-	(11.1)	-	497.0
UK Bus (London)	£m	154.4	(17.4)	-	-	137.0
UK Rail	£m	7.1	-	-	(0.4)	6.7

Liquidity

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

Operating profit

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

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

21 DEFINITIONS (CONTINUED)

(a) Alternative performance measures (continued)

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

Operating margin
Operating margin for a particular business unit or segment within the Group means operating profit (or loss) as a percentage of revenue. The revenue and operating profit (or loss) for each segment is directly identifiable from the financial statements – see notes 3(a) and 3(b) to the condensed financial statements. The revenue, operating profit (or loss) and operating margin for each segment are also shown on page 4 of this document.

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

A reconciliation of adjusted EBITDA for the half-year ended 28 October 2023, and the comparative prior year period, to the condensed financial statements is shown on page 6 of this document.

Adjusted EBITDA is also presented for the year to 28 October 2023. That, and the constituent elements of the reconciliation for that year, are determined by adding the amounts for the half-year ended 28 October 2023 to the amounts for the year ended 29 April 2023, and deducting the amounts for the half-year ended 29 October 2022.

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

Adjusted EBITDA from Group companies is directly identifiable from the condensed financial statements – see note 14 to the condensed financial statements.

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

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

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

The components of gross debt are shown in note 16 to the condensed financial statements.

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

The components of net debt are shown in note 16 to the condensed financial statements.

Net capital expenditure
Net capital expenditure is the impact of purchases, new leases, lease disposals and sales of property, plant and equipment, and the impact of capital grants received, on net debt. Its reconciliation to the condensed financial statements is explained on page 8 of this document.

Net debt plus train operating company liabilities
Net debt plus train operating company liabilities is the aggregate of net debt (see above) and net liabilities (excluding cash) in relation to major rail franchises previously operated by the Group. The reconciliation to the consolidated financial statements is shown below:

	As at 28 October 2023 £m	As at 29 April 2023 £m
Net debt as shown in note 16	**301.5**	241.1
Net train operating company liabilities as shown in note 3(d)	**24.2**	24.7
Net debt plus train operating company liabilities	**325.7**	265.8

21 DEFINITIONS (CONTINUED)

(b) Other definition

The following other definition is also used in this document:

Separately disclosed items
Separately disclosed items means:

- Non-software intangible asset amortisation;
- Items which individually or, if of a similar type, in aggregate need to be separately disclosed by virtue of their nature, size or incidence in order to allow a proper understanding of the underlying financial performance of the Group; and
- Changes in the fair value of the Deferred Payment Instrument received in relation to the sale of the North America Division in April 2019 (see note 4(i)).

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

Separately disclosed items can include both pre-tax and tax-related items.