FIRSTGROUP PLC
HALF-YEARLY REPORT FOR THE 27 WEEKS TO 30 SEPTEMBER 2023

Growth in profit driven by strong performance in both First Bus and First Rail:

- Group adjusted operating profit increased to £100.6m (H1 2023: £66.1m)
- Increased Adjusted EPS of 8.1p for continuing operations (H1 2023: 4.6p)
- Increase in declared Interim dividend to 1.5p per share (H1 2023: 0.9p per share)
- c.£67m returned to shareholders during H1 2024 via the Group's share buyback programme
- Adjusted net cash at period end of £77.1m

Strategy focused on operational delivery, driving modal shift, targeted investment in adjacent growth opportunities to diversify the Group's portfolio and playing a leading role in environmental and societal sustainability:

- First Bus delivered further margin expansion in H1 2024 to 7.1% from 4.8% in H1 2023 (FY 2023: 6.5%)
- On track to have more than 600 electric buses, over 600 charger heads, and four fully electric depots in England by March 2024
- Nine-year National Rail Contract awarded to West Coast Partnership following improvement in services
- Landmark £100m strategic decarbonisation joint venture with Hitachi
- Group's science-based emissions reduction target approved by Science Based Targets initiative
- c.£75.5m remains of the total £190m being returned to shareholders via buyback programmes

			H1 2024 (£m)			H1 2023 (£m)
	Cont.	**Disc.**	**Total**	Cont.	Disc.	Total
Revenue	**2,207.0**	**-**	**2,207.0**	2,212.4	2.7	2,215.1
Adjusted[1] operating profit/(loss)	**100.6**	**(2.2)**	**98.4**	66.1	(8.4)	57.7
Adjusted operating profit margin	**4.6%**		**4.5%**	3.0%		2.6%
Adjusted profit/(loss) before tax	**73.5**	**(2.2)**	**71.3**	41.0	(8.1)	32.9
Adjusted EPS [2]	**8.1p**	**(0.3)p**	**7.8p**	4.6p	(1.0)p	3.6p
Dividend per share			**1.5p**			0.9p
Adjusted net cash[3]			**77.1**			7.3

			H1 2024 (£m)			H1 2023 (£m)
Statutory	**Cont.**	**Disc.**	**Total**	Cont.	Disc.	Total
Revenue	**2,207.0**	**-**	**2,207.0**	2,212.4	2.7	2,215.1
Operating (loss)/profit	**(41.4)**	**0.1**	**(41.3)**	62.1	(28.6)	33.5
(Loss)/profit before tax	**(68.5)**	**0.1**	**(68.4)**	37.0	(28.3)	8.7
EPS[2]			**(7.9)p**			(0.1)p
Net debt			**(1,144.6)**			(1,475.0)
- Bonds, bank and other debt net of (cash)			***384.4***			*346.3*
- IFRS 16 lease liabilities			***(1,529.0)***			*(1,821.3)*

'Cont.' refers to the Continuing operations comprising First Bus, First Rail, and Group items. 'Disc.' refers to discontinued operations, being First Student, First Transit and Greyhound US.

H1 2024 statutory operating loss of £(41.4)m includes charges of £142.3m relating to the Group's termination of its participation in two Local Government Pension Schemes.

Key developments

First Bus:

- 1.1m passenger journeys a day (H1 2023: 1.0m) and 84m service miles operated in H1 2024 (H1 2023: 87m)
- Passenger volumes (excluding the extra week in H1 2024) increased 8% vs. H1 2023
- Total revenue increased to £504.9m (H1 2023: £427.7m), despite a c.£19m reduction in government funding as the industry moves to a more commercial model
- Operating margin increased to 7.1% (H1 2023: 4.8%) despite ongoing inflationary pressures and lower funding, due to stronger passenger volumes, improved driver availability and data-led operational and commercial efficiencies

- Adjacent Services revenue increased to £116.2m from £65.0m in H1 2023 driven by First Travel Solutions, new contract wins and contribution of Airporter and Ensignbus acquired in FY 2023
- Further progress in electrification of fleet and infrastructure:
  - 166 electric buses delivered in H1 2024 and over 100 charger heads installed
  - third-party B2B charging pilots underway at Caledonia, Scotstoun, Aberdeen and Leicester depots
  - installation of solar panels at 25 depots now completed

First Rail:
- 123.4m passenger journeys in H1 2024 (H1 2023: 114.6m) of which TOCs: 122.1m and open access 1.3m
- Open access operations performance ahead of expectations, underpinned by strong leisure volumes during the summer months; Lumo has now carried over 2 million passengers since launch in October 2021
- Management-fee based contracts financial performance was ahead of expectations due to higher than accrued final fee awards for FY 2023; focus remains on operational delivery for passengers across all our services
- Nine-year National Rail Contract awarded to West Coast Partnership (incorporating Avanti West Coast) with a minimum core three-year term to 18 October 2026, with a further six years until 17 October 2032, subject to ongoing DfT approval

Corporate:
- £10m investment committed to landmark £100m strategic decarbonisation joint venture with Hitachi focusing on increasing bus battery efficiency, to deliver material capital savings through extended battery life and increased residual value
- Initial First Transit earnout proceeds of £48.9m received in H1; receipt of the balance anticipated in H2 2024
- £75m on-market share buyback programme completed and subsequent £115m programme launched in August 2023
- £12.2m of the Group’s 2024 6.875% bonds opportunistically repurchased (£172.0m remain outstanding)
- Total gross pension liability of c.£1bn will be removed from the Group’s balance sheet by H2 2024 following:
  - termination of participation in two First Bus Local Government Pension Schemes on 31 October resulting in an anticipated £2-3m annualised cost saving (c.£1m in FY 2024) and an estimated net cash inflow of £15m after costs
  - Greyhound Canada pension scheme bought in and c.$75m (c.£62m) of Greyhound USA pension liabilities bought out and settled in H1 2024; remaining Greyhound USA pension remains well hedged

FY 2024 outlook
- Despite the ongoing challenging economic and industrial relations environment, current trading and the Group’s outlook for FY 2024 is in line with our expectations as set out in the Trading Update published on 11 October 2023
- First Bus: while clearly sensitive to broader consumer spending and inflation trends, we expect to make some further progress against our expectations in H2 2024, including the impact of the Hitachi JV driven by:
  - management actions taken to transform the business delivering further productivity improvements and enhanced revenues
  - lower operating costs as a result of smart efficiency initiatives and the division’s newer fleet
  - supportive government policies driving increased demand
- First Rail: the Division’s financial performance in H2 2024 is anticipated to be in line with our expectations
- Adjusted net cash position expected to be in the range of £40-50m at the end of FY 2024, assuming completion of the £115m buyback programme and before deployment of potential growth capital
- We will continue to evaluate our pipeline of value-accretive inorganic growth opportunities

Commenting, Chief Executive Officer Graham Sutherland said:
“I am pleased to report another set of very strong results for the first half of our 2024 financial year. First Bus is delivering sustainable revenue growth as we continue to transform the business and our First Rail division also performed well. This is testament to the capabilities and continued hard work of all our teams across the Group.

"We are a resilient and profitable business which is well-positioned to create long-term, value-accretive growth. Leveraging our leading positions in bus and rail, supported by our strong balance sheet enables us to continue to play a critical role in supporting governments' economic, societal and environmental goals."

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A webcast for investors and analysts will be held at 10:30am today – attendance is by invitation. Please email corporate.comms@firstgroup.co.uk in advance of the webcast to receive joining details. To access the presentation to be discussed on the webcast, together with a pdf copy of this announcement, go to www.firstgroupplc.com/investors. A playback facility will also be available there in due course.

Notes
[1] 'Adjusted earnings' are shown before net adjusting items and excludes IFRS 16 impacts in First Rail management fee operations. For definitions of alternative performance measures and other key terms, see the definitions section on pages 18-19.
[2] 'Adjusted EPS' and EPS based on weighted average number of shares in the period of 697.7m (H1 2023: 739.8m) reflecting the current year and prior year share buybacks.
[3] 'Adjusted net cash' is bonds, bank and other debt net of free cash (i.e.excludes IFRS 16 lease liabilities and ring-fenced cash).

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

About FirstGroup
FirstGroup plc (LSE: FGP.L) is a leading private sector provider of public transport services. With £4.8 billion in revenue and around 30,000 employees, we transported more than 1.8m passengers a day in 2022/23. We create solutions that reduce complexity, making travel smoother and life easier. Our businesses are at the heart of our communities and the essential services we provide are critical to delivering wider economic, social and environmental goals. Each of our divisions is a leader in its field: First Bus is the second largest regional bus operator in the UK, serving two-thirds of the country's 15 largest conurbations with a fleet of more than 4,500 buses, and carrying more than a million passengers a day. First Rail is the UK's largest rail operator, with many years of experience running long-distance, commuter, regional and sleeper rail services. We operate a fleet of more than 3,500 locomotives and rail carriages through three management fee-based train operating companies (Avanti West Coast, GWR, SWR) and two open access routes (Hull Trains and Lumo). We are formally committed to operating a zero-emission First Bus fleet by 2035, and First Rail will help support the UK Government's goal to remove all diesel-only trains from service by 2040. In February 2023 FirstGroup was named as one of the world's cleanest 200 public companies for the fourth consecutive year by sustainable business media group Corporate Knights in partnership with US not-for-profit organisation, As You Sow. We provide easy and convenient mobility, improving quality of life by connecting people and communities. Visit our website at www.firstgroupplc.com and follow us @firstgroupplc on X.

CEO review

Introduction

We have delivered another very strong set of results for the first half of our 2024 financial year, despite continued economic challenges. As a result of good performance in both of our divisions, we have significantly increased our Adjusted Earnings per share, which is our underlying earnings from First Bus and First Rail excluding adjusting items and IFRS 16 impacts in the First Rail management fee-based operations, to 8.1p in H1 2024, from 4.6p in H1 2023.

We have also maintained our strong balance sheet, ending the period with adjusted net cash of £77.1m having invested in the electrification of our bus fleet and infrastructure and returned c.£67m to shareholders via our buyback programmes, of which we have c.£75.5m remaining. In line with our disciplined capital policy the Board has recommended an interim dividend of 1.5p per share (H1 2023: 0.9p per share). This will result in a dividend payment of c.£10m, to be paid on 3 January 2024 to shareholders on the register at 1 December 2023. The amount reflects the current policy of c.3x cover against the Group adjusted earnings, to be paid one-third interim and two-thirds final.

Operational summary – First Bus

In First Bus we have seen further sustainable profit growth as we benefit from the management actions to transform the business, as well as the use of our enhanced data to improve operational and cost performance. We have also been assisted by a c.6% increase in the number of drivers during the period, compared to the driver shortages experienced in H1 2023, which has contributed to an improvement in operated vs. scheduled mileage during H1 2024.

We have continued to grow our Adjacent Services business, thanks to a number of contract extensions as well as the inclusion for the full period of Airporter and Ensignbus that we acquired in FY 2023. We also successfully launched a new Aircoach Leicester-Birmingham airport 24-hour express service in September and are seeing demand build steadily. The adjacent bus services market in the UK is considerable, and we are actively reviewing a number of opportunities to grow the business and win further contracts leveraging our national footprint and successful track record in managing large contracts effectively.

Government policy towards the bus sector remains highly supportive and has contributed to the growth in passenger volumes we have seen over the last few months. We welcomed the recent announcements regarding the extension of the £2 fare cap in England to the end of December 2024 and the award of additional Bus Service Improvement Plan funding for bus services in the North of England and the Midlands.

A leader in decarbonisation

We continue to make significant progress in our decarbonisation programme and are on track to have almost 15% of our bus fleet zero emissions and four fully electric depots in England by March 2024, adding to the progress already made in Scotland. This is a great achievement and is rapidly establishing the Group as a leader in public transport decarbonisation.

Whilst we do not yet have full visibility of the impact of running a fully electric depot, we are confident that the electrification of our bus fleet and depots will positively transform our business. Electrification will allow us to standardise our fleet to drive efficiency and lower engineering costs. We will also be able to simplify our operations and reduce the size of our fleet whilst delivering the same mileage. Furthermore, by making use of smart charging software we will optimise our energy use, increase battery efficiency and potentially extend battery life.

The landmark strategic joint venture with Hitachi that we have recently announced will help us to continue the electrification of our fleet and depots with increased efficiency and greater visibility of our financial commitment, and unlike other possible arrangements, we will retain much of the residual value in the batteries as they are replaced and taken off our buses. Looking ahead, we are also excited about the possibilities for future value creation with Hitachi ZeroCarbon as they deliver market-leading decarbonisation solutions to transport operators worldwide, leveraging our joint experience and allowing the Group to capitalise on its market-leading electrification position.

Growth and partnerships

On a recent site visit for analysts and institutional investors to our new electric Leicester bus depot we highlighted Leicester City Council's successful Enhanced Partnership Scheme. The scheme launched in May 2022 and is delivering an optimised, co-ordinated, multi-operator network with integrated timetables, ensuring frequent and reliable services, supported by c.£100m of private and public funding. Patronage on our buses in Leicester was up by just over 20% during H1 2024 and punctuality and frequency have also increased significantly, demonstrating the positive impact of the enhanced partnership model on the communities we serve.

We were also pleased to have been awarded two contracts in Rochdale in July this year as part of the second tranche of Transport for Greater Manchester's ('TfGM') franchise programme and, more recently, franchise contracts to operate services for six schools as part of our Rochdale franchise operation.

A number of cities outside London where we operate have expressed an interest in franchising in recent months, as well as some where we don't currently have operations. Our mission is for more people to use the bus, to deliver great value, to shape networks to suit where and when people want to travel and to serve local communities and grow local economies in a sustainable way. We are committed to working with local authorities and national governments to achieve this, whether through enhanced partnerships or franchising contracts, both of which we believe offer considerable opportunities for our business and our stakeholders.

Operational summary – First Rail
In September, we were very pleased to have been awarded a new nine-year National Rail Contract ('NRC') for the West Coast Partnership ('WCP'). This includes the operation of Avanti West Coast ('Avanti') and acting as the shadow operator for the HS2 programme through West Coast Partnership Development ('WCPD'), which involves the development, mobilisation and the eventual operation of high-speed services under Phase 1 of the HS2 programme. The WCP team have worked extremely hard to deliver improvements for Avanti passengers, including an increase in the number of services in the timetable and improved levels of reliability for customers. The new NRC will allow the team to make full use of its expertise to deliver further improvements including programmes to refurbish the existing fleet and to introduce new, more environmentally friendly trains, which will encourage more passengers to return to the network and help deliver the UK's decarbonisation agenda.

Our two open access rail operations have again outperformed expectations thanks to high levels of leisure travel demand over the summer months. Both operations saw an increase in seat capacity utilisation during H1 2024. Hull Trains reported a c.33% increase in passenger journeys during the period, which included increased business travel, following a targeted marketing campaign. The business has increased capacity to match demand, including running a ten-car operation at peak demand times. Lumo has now carried more than two million passengers and a recent independent study concluded that a London to Edinburgh trip on Lumo results in 95% fewer carbon emissions than flying. Lumo's financial performance is largely driven by yield and the Lumo team has continued to effectively manage this throughout H1 2024 to drive revenue, which increased by over 40%, to £26.1m. Lumo has also recently become the first UK long-distance operator to offer a flexible ticket, Lumo Flex, that allows customers to change or refund a ticket without a fee.

The success of our open access operations has demonstrated that, as the largest rail operator in the UK, we have the experience and entrepreneurial spirit to resolve challenges and innovate in the rail sector for the future and encourage passengers back to train travel.

A key part of our strategy is to make use of our capabilities to drive modal shift and build a diverse and resilient portfolio. We are actively pursuing opportunities to expand our open access operations, through efficiency improvements, adding capacity to existing services and identifying opportunities in new routes and markets. We are also looking to scale up our additional services businesses to further grow and diversify our revenue streams.

We continue to market our additional services products, including Mistral Data, evo-rail and First Customer Contact to other operators both in the UK and internationally. Mistral has also sold a first product to a major international train manufacturer in the period, and we continue to explore further growth opportunities.

The UK rail industry continues to experience challenges as the sector adapts to the different travel patterns and customer choices that have evolved across society since the pandemic, while navigating industrial action which has caused significant disruption for rail passengers and businesses. Across the sector, passenger numbers and revenues remain well below 2019 levels and as a consequence, the industry has been engaged in discussions with Government about changes that can adapt the sector to the differing needs of customers, balanced against these significant financial challenges faced by the national rail networks. This is reflected in new draft rail reform legislation. The industry will continue to explore ways to improve customer experience while delivering value for Government and for all stakeholders, and we continue to advocate for a spectrum of future contract models including public/private partnerships and expanding open access, and for the Government to take steps in the short term to incentivise operators without requiring primary legislation.

Corporate activity
Key corporate activity during the period has included our £10m investment committed to our landmark strategic joint venture with Hitachi as mentioned above. We have also received initial First Transit earnout proceeds of £48.9m and expect to receive the balance in H2 2024 of approximately £21m. In addition, we

will have materially reduced our pension exposure by H2 2024 by removing or fully insuring c.£1bn of gross pension liabilities without requiring any cash from the Group, following the termination of our participation in two First Bus Local Government Pension Schemes on 31 October 2023, and buying in our Greyhound Canada pension scheme and buying out and settling c.$75m (c.£62m) of our Greyhound USA pension liabilities during H1 2024. We have also made good progress with merging our Bus and Group pension schemes to driver further efficiencies. Furthermore, we opportunistically repurchased £12.2m of the Group's 2024 6.875% bonds of which £172.0m remains outstanding.

Building on our strong sustainability credentials

We have continued to progress our sustainability targets and gain further recognition for our strong sustainability foundations during H1 2024. Our near-term science-based emission reduction target aligned with a 1.5C ambition has now been validated and approved by the Science Based Targets Initiative. Our target includes a 63% reduction in our Scope 1 and 2 emissions by FY 2035 from a FY 2020 base year. We were also extremely pleased to have been ranked as the top performing bus and rail operator in the FTSE4Good Index during the period.

FY 2024 outlook

Current trading and the Group's outlook for FY 2024 is in line with our expectations as set out in the Post-Close Trading Update published on 11 October 2023. Positive free cash generation (after c.£115m of net cash capital expenditure in First Bus, as well as capital returns to shareholders) is expected to result in an adjusted net cash position in the range of £40-50m at the end of FY 2024, including the anticipated capex saving resulting from the Hitachi JV and assuming the completion of the share buyback and before investing in potential inorganic growth opportunities.

Although clearly sensitive to broader consumer spending and inflation trends, we expect to make some further progress against our expectations for First Bus in H2 2024 as we continue to benefit from the actions we have taken to transform the business. We are confident of achieving our medium-term 10% operating margin target for First Bus.

In First Rail, we expect the Division's financial performance to be broadly in line with our expectations in H2 2024.

Graham Sutherland
Chief Executive Officer
23 November 2023

Business Review
First Bus

	£m		
	H1 2024	H1 2023	**Change**
Revenue	**504.9**	427.7	77.2
Revenue per mile (£)	**6.01**	4.92	+1.09
Adjusted operating profit	**36.0**	20.7	15.3
Adjusted operating margin	**7.1%**	4.8%	230bps
EBITDA	**68.8**	51.0	17.8
Passenger volumes (m)	**210**	188	+12%
Operational mileage (m)	**84**	87	(3%)
Net operating assets	**512.4**	468.0	44.4
Capital expenditure	**88.7**	46.1	42.6

First Bus revenue increased by 18% to £504.9m (H1 2023: £427.7m) mainly reflecting increased passenger volumes, a positive pricing impact, improved performance and lower lost mileage offsetting a c.£19m reduction in funding. Passenger revenue increased to £377.1m (H1 2023: £322.3m), with revenue per mile up by just over 20%. Revenue from Adjacent Services increased to £116.2m in H1 2024 (H1 2023: £65.0m) reflecting a number of contract extensions and the contribution of Airporter and Ensignbus which were acquired by the Group in FY 2023.

Adjusted operating profit increased by £15.3m to £36.0m (H1 2023: £20.7m) with a profit margin of 7.1% (H1 2023: 4.8%) despite ongoing inflationary pressures, due to stronger passenger volumes, improved driver availability (compared to the shortfall in H1 2023) and data-led operational and commercial efficiencies. The division's financial results for H1 2024 include an extra week which adds c.£1.4m of adjusted operating profit.

Passenger volumes increased by 8% compared with the prior period, with total mileage down 7%, both excluding the extra week. Volumes in H1 2024 benefited from improvements in service reliability and continued to be supported by the free travel for under-22s scheme in Scotland and the £2 fare cap in England. These schemes have encouraged more people, including concessionary travellers to use the bus.

Government policy towards the bus sector remains extremely supportive and has contributed to the growth in passenger volumes we have seen over the last few months. In October 2023 the DfT announced a further £700m of funding for Bus Service Improvement Plans in the North and a £150m investment in the Midlands. The £2 fare cap has also been extended until 31 December 2024.

Operational delivery
The team has continued to work hard to drive operational and cost efficiencies during H1 2024 as we continue the transformation of the business. The division is recruiting more drivers and making use of its industry-leading data to deliver better quality mileage by aligning services to demand, implement smarter fares and drive operational improvements and cost efficiencies.

We have added more drivers into service during H1 2024 (a net increase of just over 600 drivers) which has contributed to an improvement in operated vs. scheduled mileage to 98% (H1 2023: 96%; H2 2023: 97%). We continue to focus on our workforce and have successfully implemented a number of initiatives to not only recruit more drivers but to also retain the existing workforce. As well as the provision of healthcare services for all employees which includes access to GP appointments, we have scheduled driver catch-ups and a programme of health and wellbeing workshops.

Inflationary pressures have remained during the period. Costs increased due to inflation by c.7%, principally in wages (+c.8% on average) but were more than offset by pricing changes of £31m and network and operational efficiencies of £18m. We have fuel and electricity hedging programmes in place to mitigate cost inflation and volatility and these programmes continue to evolve as we transition the First Bus fleet to zero emissions.

Digital innovation
First Bus is a leader in digital transformation in the bus industry and we continue to make use of our enhanced data and digital capabilities to implement smarter pricing strategies, optimise service delivery and drive cost and capital efficiency. We have made further improvements to our service delivery and generated more operational efficiencies during H1 2024 using our data and software tools.

Prospective is an AI platform that enables automated, data-led timetables, allowing us to accurately predict journey times and plan reliable timetables based on granular data. During H1 2024 we rolled out the platform across all of our local business units and our focus during the period has been on prioritising routes where improvements will have the biggest impact on our customers. Where we have made use of the platform, customers are benefitting from an immediate increase in punctuality, with the added benefit of reduced lost mileage with fewer journeys needing to be adjusted, thereby improving reliability too.

We are also using software from Optibus to optimise our bus schedules and driver rosters. Alongside our on-bus technology, data feeds into our operational systems, our customer apps and real time screens, informs our drivers and provides tracking information that allows us to analyse and improve performance. In addition, with Optibus, we have developed a module that allows us to optimise our schedules when we have a mixed fleet of diesel and electric vehicles, reducing diesel mileage more than our expectations.

Adjacent Services
We continue to identify and capitalise on opportunities to make use of our capabilities and assets to grow our Adjacent Services business. In H1 2024 we delivered further growth in revenue to £116.2m (H1 2023: £65.0m) driven by increased services at First Travel Solutions, a number of contract extensions, including within our workplace shuttle services for a number of high-profile brands, and the contribution of Airporter and Ensignbus which were acquired in FY 2023.

We have also successfully launched a new Aircoach Leicester-Birmingham airport 24-hour express service in September and are seeing demand build steadily. The adjacent bus services market in the UK is considerable, and we are actively reviewing a number of opportunities to grow the business and win further contracts leveraging our national footprint and successful track record in managing large customers effectively.

Franchising and partnerships
In July 2023, First Bus was awarded two contracts in Rochdale as part of the second tranche of Transport for Greater Manchester's franchise programme and, more recently, franchise contracts to operate services for six schools as part of our Rochdale franchise operation.

On a recent site visit for analysts and institutional investors to our new electric Leicester bus depot we highlighted Leicester City Council's successful Enhanced Partnership Scheme that since its launch in May 2022 is delivering an optimised, co-ordinated, multi-operator network with integrated timetables, ensuring frequent and reliable services, supported by c.£100m of private and public funding. Patronage on our buses in Leicester was up by just over 20% during H1 2024 and punctuality and frequency have also increased significantly, demonstrating the positive impact of the enhanced partnership model on the communities we serve.

A number of cities outside London where we operate have expressed an interest in franchising in recent months, as well as some where we don't currently have operations. Our mission is for more people to use the bus, to deliver great value, to shape networks to where people want to go and to serve local communities and grow local economies in a sustainable way. We are committed to working with local authorities and national governments to achieve this, whether through enhanced partnerships or franchising contracts, both of which we believe offer considerable opportunities for both our business and our stakeholders.

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

The electrification of bus fleets and infrastructure requires close co-operation between operators and local authorities, and funding from both parties.

We welcomed the announcements earlier this year regarding the second round of the Zero Emission Bus Regional Areas ('ZEBRA2') programme in England that includes up to £129m of funding, and Phase 2 of ScotZEB with up to £58m of funding to support the introduction of zero emission buses and related infrastructure. We have now submitted applications for the second phase of the Scottish Government's ScotZeb funding programme and will shortly submit bids for the ZEBRA2 scheme in England and will provide an update on these applications in due course.

In H1 2024 we took delivery of 166 electric buses, installed more than 100 charger heads and are on track to have over 600 zero emission vehicles by March 2024, as well as four fully electric depots, in York, Leicester, Norwich and Portsmouth, adding to the significant progress we have already made in Scotland. As part of our bus depot infrastructure decarbonisation and cost cutting initiatives, we are also installing solar panels at our depots, with the installations now completed at 25 depots to power the depot buildings and lower their grid energy consumption.

The electrification of our bus fleet and depots will positively transform our business, allowing us to standardise our fleet to drive efficiency and lower engineering costs, simplify our operations, reduce the size of our fleet whilst delivering the same mileage and by making use of smart charging software we will optimise our energy use, increase battery efficiency and potentially extend battery life. Looking further ahead, electrification will unlock new adjacent revenue streams. These include third party charging at our depots while our buses are out in service (successful pilot schemes are already underway at our Caledonia, Scotstoun, Aberdeen and Leicester depots with DPD and other public service providers), opportunities on battery residual value and efficient recycling post commercial use, on-site battery storage and the ability to monetise our experience and expertise as a leader in decarbonisation.

The landmark strategic partnership with Hitachi into which both the Group and Hitachi will commit investment of £10m will assist the Group to continue the electrification of our fleet and depots with increased efficiency, potentially extend battery life and value and give greater visibility of our financial commitment. In addition, unlike other possible arrangements, we will retain much of the residual value in the batteries as they are replaced and taken off our buses.

As detailed in the Group's announcement on 17 November, the partnership will result in a c.£20m saving in the Group's FY 2024 capital expenditure and future savings of c.£40m out to FY 2027. We also anticipate a c.£3m per annum contribution to the Group's earnings by FY 2026, before any potential operational benefits.

In addition, through our option to participate in a small non-controlling interest in Hitachi ZeroCarbon, we will have the opportunity to create future value leveraging our experience in significant fleet electrification as Hitachi ZeroCarbon delivers market-leading decarbonisation solutions to transport operators worldwide, applying our joint experience.

Looking ahead
Whilst the division remains sensitive to consumer spending and inflation trends, we expect to make some further progress against our expectations in H2 2024, including the impact of the Hitachi JV, as we continue to benefit from the management actions we have taken to transform the business.

Looking further ahead, we will continue to grow our Adjacent Services business, evaluate further franchising and enhanced partnership opportunities, and the decarbonisation of our fleet and infrastructure will further transform the business and unlock new revenue streams.

First Rail

	£m	£m	£m, change
	H1 2024	H1 2023	
Revenue from management fee-based operations	**1,662.1**	1,743.3	(81.2)
Revenue from open access and additional services	**105.1**	85.5	+19.6
Intra-divisional eliminations	**(45.3)**	(44.1)	(1.2)
First Rail Revenue	**1,721.9**	1,784.7	(62.8)
Attributable net income from management fee-based operations[1]	**23.2**	19.1	+4.1
Gross up for tax, non-controlling interests and IFRS 16	**31.7**	24.3	+7.4
Adjusted operating profit from open access and additional services	**22.1**	12.0	+10.1
First Rail adjusted operating profit	**77.0**	55.4	+21.6
Passenger journeys (m) – management fee-based operations[2]	**122.1**	113.4	+8.7
Passenger journeys (m) – open access operations	**1.3**	1.1	+0.2
Passenger journeys (m) – Total	**123.4**	114.5	+8.9

1 *Represents the Group's share of the management fee income available for dividend distribution from the GWR, SWR, TPE and WCP (incorporating Avanti West Coast) contracts with DfT on a pre-IFRS 16 basis net of tax and non-controlling interests as described in more detail on pages 13-14. See also note 3 to the financial statements for a reconciliation to the segmental disclosures.*

2 *Totals exclude TPE: H1 2024: 3.3m passenger journeys (H1 2023: 9.3m).*

The First Rail division reported total revenue of £1,721.9m in H1 2024 (H1 2023: £1,784.7m). The division's open access operations contributed £46.3m in revenue for the period (H1 2023: £32.7m). Additional services including Mistral Data, evo-rail and First Customer Contact delivered gross revenue of £59.6m (H1 2023: £52.8m) before intra-divisional eliminations in the period and adjusted operating profit of £6.4m (H1 2023: £5.3m).

During H1 2024 the final variable fee payments due for the management fee-based operations for the FY 2023 fiscal year were agreed with the DfT at a rate ahead of the amounts accrued in the Group's FY 2023 financial statements. As a result, the management fee-based operations reported an increase in adjusted operating profit for the period, to £54.9m (H1 2023: £43.4m). The division reported a statutory operating profit of £77.0m (H1 2023: £55.4m).

From FY 2024, performance fee metrics have been updated to place a greater weighting on quantified, rather than qualitative measures that do not rely on a subjective assessment of an operator's performance and are now assessed on a bi-annual basis by the DfT. The Group does not anticipate a material impact on net income as a result of these changes.

Rail attributable net income from management fee-based operations – being the Group's share of the management fee income available for distribution from the GWR, SWR, TPE (operated by the Group until 28 May 2023) and WCP contracts with the DfT – was £23.2m (H1 2023: £19.1m). The Group receives an annual inter-company remittance from the TOCs reflecting the post-tax net management and performance fees from the prior year. These become payable up to the Group in the second half of the financial year following completion of the management fee-based operations' audited accounts.

The division's two open access operations Lumo and Hull Trains have continued to experience strong demand in H1 2024. As a result of high passenger booking volumes and positive yield management, including inflationary increases in fares, both operations performed ahead of expectations in H1 2024, delivering an adjusted operating profit of £15.7m (H1 2023: £6.7m).

Both Lumo and Hull Trains have seen an increase in seat capacity utilisation during H1 2024, with Lumo's utilisation improving further, to 78% from 74% and Hull's up to 69% from 57%. Hull Trains have also reported an increase in passenger journeys by a third during the period, which has included an increase in business travellers using the service, following a targeted marketing campaign. The business has increased capacity to match demand, including running a ten-car operation at peak demand times. Lumo have now carried more than two million passengers and a recent independent study has found that a London to Edinburgh trip on Lumo results in 95% fewer carbon emissions than flying. The financial performance of Lumo is largely driven by yield and the team have continued to effectively manage yield throughout H1 2024 to drive revenue, which increased by just over 40%, to £26.1m. Lumo has also recently launched Lumo Flex, a flexible discounted ticket that allows customers to change or refund a ticket without a fee.

To address energy cost inflation, our train operating companies and open access operations are members of industry buying groups in order to mitigate the long-term impact of electricity costs. For our open access operations, electricity costs represent a material proportion of their total costs, and these have increased by c.130% in H1 2024. Costs are expected to decrease from these peak levels with recent reductions in energy prices.

National Rail Contracts
Our three management fee-based operations are all now operating under NRCs, under which the DfT retains substantially all revenue and cost risk (including for fuel, energy and wage increases). There is a fixed management fee and the opportunity to earn an additional variable fee. The punctuality and other operational targets required to achieve the maximum level of variable fee under the contracts are designed to incentivise service delivery for customers.

In September 2023, following a notable improvement in performance, we were awarded an NRC for the West Coast Partnership which is a partnership between FirstGroup (70%) and Trenitalia UK Ltd (30%). WCP comprises Avanti West Coast ('Avanti) and West Coast Partnership Development ('WCPD'), the shadow operator for the HS2 programme, which involves the development, mobilisation and eventual operation of high-speed services under Phase 1 of the HS2 programme. The new NRC commenced on 15 October and is for nine years, with a minimum three-year core term to 18 October 2026, following which a further six years until 17 October 2032. WCP will earn a fixed management fee of £5.1m per annum to deliver the contract with the opportunity to earn a variable fee of up to £15.8m per annum based on a number of criteria. Punctuality and other targets required to achieve the maximum variable fee are designed to incentivise the highest level of performance. Fees are also linked to delivery within WCPD's programme.

Innovation and adjacent rail opportunities
During the year we continued to develop, market and deploy our additional rail customer, industry and technology tools and services. These services were initially developed to strengthen our offering to passengers on our large passenger rail operations, but they are being marketed to, and now also used by, third party operators.

Our evo-rail track-to-train superfast rail 5G technology uses trackside antennae to provide a connectivity solution that delivers over 1Gb per second to trains to enable high speed on-board Wi-Fi which we expect will improve the passenger experience and help to encourage modal shift towards rail. The evo-rail technology is generating interest throughout Europe and the USA, with the first commercial installation on the SWR mainline, the first section of which has produced excellent results.

Mistral Data, our analytics business, was launched in 2021 and now has 14 software systems in operation built on native cloud technology, allowing them to be quickly deployed whilst also ensuring security and scalability. In H1 2024 the team has focused on the provision of accurate, timely and targeted information between passengers and employees. They have successfully released various customer service products including an email service that alerts customers when a train is cancelled on the day, with the capability to add more service impacting messages over the coming months and a personalised messaging service for front-line staff that sends operational messages including the location of passengers who may require assistance whilst the train is moving, and any other relevant information. During the period, Mistral has also sold a first product to a major train manufacturer.

In H1 2024 our First Customer Contact passenger service centre continued to support customers, processing delay repay claims and passenger assistance bookings, with quick turnaround times. The shared passenger service centre operates at a lower cost than our previous outsourcing arrangements and provides a single service for customer queries across several rail operations.

Our First Rail Consulting team has experience built up over three decades. During H1 2024, the team continued to support the WCPD on HS2 and other key projects in other train operating companies. First Rail Consulting was also recently one of a small number of consultants appointed by the DfT to its £600m STARThree framework to advise on the delivery of key rail, road and aviation projects.

Customer experience
Our train companies continue to work collaboratively with industry partners and stakeholders to enhance our service offering. GWR undertook a trial with real-time journey planner Whoosh, and SWR partnered with wellbeing app Go Jauntly which offers walking maps starting at various stations on the network. Avanti's innovative low-cost Superfare for flexible travel, offering fares fixed by destination and now starting from £9 for a one-way ticket between London and Birmingham, has seen more than 10,000 tickets sold with two-thirds of users saying they would otherwise not have taken the train. In a separate initiative Avanti, following a successful trial on the Liverpool route, is partnering with the rail upgrade business Seatfrog, offering customers a chance to bid for the company's industry-first Standard Premium as well as first class upgrades at a low price.

In the period GWR opened three new stations at key transport interchanges across their network, working in partnership with local authorities in Reading, Exeter and Bristol. The operator also delivered accessibility improvements during the period including a £1m package at Chippenham station. Working with local partners, GWR offered a tourist-focused all-inclusive ticket including heritage railway and ferry travel in South Devon, and the Devon & Cornwall Railcard became the first regional railcard in the UK to go digital this summer.

SWR have invested more than £1.5m into community initiatives across its network and formed awareness-raising partnerships with Guide Dogs and homeless charity Missing People and it has installed defibrillators at more than 150 staffed stations. The railway on the Isle of Wight has also now fully reopened following a £26m investment.

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

Avanti has taken delivery of the first of its new train fleet following an investment of £350m in ten electric-only trains and 13 bi-mode trains that can run under both electric and diesel power. These will replace Avanti's diesel-only Voyager trains, leading to a 61% reduction in carbon emissions as well as providing a quieter and roomier service, more reliable Wi-Fi, wireless charging and a real-time customer information system. The first trains are undergoing mainline testing ahead of their introduction into customer service. The programme to refurbish Avanti's electric Pendolino fleet through a £117m investment programme has continued and is delivering a step change in onboard customer experience. SWR has taken delivery of 400 Alstom Class 701 trains ahead of a phased introduction of the trains into operation in 2024.

Rail policy
The UK rail industry continues to experience challenges as the sector adapts to the different travel patterns and customer choices that have evolved across society since the pandemic, while navigating industrial action which has caused significant disruption for rail passengers and businesses. Across the sector, passenger numbers and revenues remain well below 2019 levels and as a consequence, the industry has been engaged in discussions with Government about changes that can adapt the sector to the changing needs of customers, balanced against these significant financial challenges. The industry will continue to explore ways to improve customer experience while delivering value for taxpayers and all stakeholders, and we continue to advocate for a spectrum of future contract models including public/private partnerships and fully independent open access, and for the Government to take steps in the short term to incentivise operators without requiring primary legislation. We welcome the Government's new draft rail reform bill, announced in the recent King's Speech, which will frame consultation on future reforms to aid rail recovery and, in the Government's own words, "develop the right commercial conditions to empower the private sector to reinvigorate the industry." We are engaging directly and through industry channels with the Labour Party, which is still developing its rail policy in detail, and we note the Labour leader's commitment at the recent party conference to pursue public-private partnerships.

During the period, a number of trade unions continued to stage industrial action at train operating companies across the UK; notwithstanding the fact that under the management fee-based contracts operators bear no revenue risk and limited cost risk, prolonged industrial action presents enormous challenges for the reputation and recovery of the industry and, most importantly, for our passengers who rely on these services to go about their daily lives. We continue to work closely with our industry partners to do all that we can to minimise the effects of disruption for our passengers. We welcome the RMT's decision to agree a way forward with the Rail Delivery Group and put the offer from operators to its membership, which includes a backdated 2022 pay rise for staff and job security guarantees. We urge those members to accept this deal which would terminate the national dispute mandate, creating a pause and respite from industrial action over the Christmas period and into Spring next year, while allowing for important negotiations on proposed reforms to take place at local train operating company level, through the established collective bargaining structures.

As the largest rail operator in the UK, First Rail will play a significant role in the industry as it evolves, and the success of our open access operations has demonstrated that we have the experience and entrepreneurial spirit to introduce new services, resolve challenges and innovate for the future, encouraging passengers back to rail whilst also growing our business.

Looking ahead
Financial performance is expected to be broadly in line with our expectations in H2 2024, including bid costs, despite the ongoing industrial relations challenges.

In the medium to longer term, we anticipate further growth as we actively pursue opportunities to expand our open access operations through efficiency improvements, adding capacity to existing services and identifying opportunities in new routes and markets. We are also looking to scale up our additional services businesses to further grow and diversify our revenue streams.

Financial review

Revenue

Revenue from continuing operations decreased slightly to £2,207.0m (H1 2023: £2,212.4m). First Bus revenue increased by 18% to £504.9m, principally reflecting strong passenger volumes, service improvements and positive pricing impact, partly offset by lower receipts from government funding. First Rail saw increased revenue across its open access and additional services businesses, although this was more than offset by lower revenue in its management-fee based operations where we take no substantial revenue risk.

Operating performance

Adjusted operating performance by division is as follows:

	27 weeks to 30 September 2023			26 weeks to 24 September 2022			52 weeks to 25 March 2023		
	Revenue £m	**Adjusted operating profit[1] £m**	**Adjusted operating margin[1] %**	Revenue £m	Adjusted operating profit[1] £m	Adjusted operating margin[1] %	Revenue £m	Adjusted operating profit[1] £m	Adjusted operating margin[1] %
First Bus	**504.9**	**36.0**	**7.1**	427.7	20.7	4.8	902.5	58.4	6.5
First Rail	**1,721.9**	**77.0**	**4.5**	1,784.7	55.4	3.1	3,893.2	124.8	3.2
Group items[2]	**(19.8)**	**(12.4)**	**n/a**	-	(10.0)	n/a	(40.7)	(22.2)	n/a
Continuing operations	**2,207.0**	**100.6**	**4.6**	2,212.4	66.1	3.0	4,755.0	161.0	3.4
Discontinued operations[3]	**-**	**(2.2)**	**n/a**	2.7	(8.4)	n/a	4.0	(6.6)	n/a
Total	**2,207.0**	**98.4**	**4.5**	2,215.1	57.7	2.6	4,759.0	154.4	3.2

Statutory operating performance by division is as follows:

	27 weeks to 30 September 2023			26 weeks to 24 September 2022			52 weeks to 25 March 2023		
	Revenue £m	**Operating profit[1] £m**	**Operating margin[1] %**	Revenue £m	Operating profit[1] £m	Operating margin[1] %	Revenue £m	Operating profit[1] £m	Operating margin[1] %
First Bus	**504.9**	**(106.3)**	**(21.1)**	427.7	16.4	3.8	902.5	51.4	5.7
First Rail	**1,721.9**	**77.0**	**4.5**	1,784.7	55.4	3.1	3,893.2	124.8	3.2
Group items[2]	**(19.8)**	**(12.1)**	**n/a**	-	(9.7)	n/a	(40.7)	(22.3)	n/a
Continuing operations	**2,207.0**	**(41.4)**	**(1.9)**	2,212.4	62.1	2.8	4,755.0	153.9	3.2
Discontinued operations[3]	**-**	**0.1**	**n/a**	2.7	(28.6)	n/a	4.0	31.3	n/a
Total	**2,207.0**	**(41.3)**	**(1.9)**	2,215.1	33.5	1.5	4,759.0	185.2	3.9

[1] *'Adjusted' figures throughout this document are before adjusting and certain other items as set out in note 3 to the interim financial statements.*

[2] *Includes elimination of intra-group trading between Bus and Rail divisions (not material in H1 2023), and charges relating to central management and other items.*

[3] *Discontinued operations relates to the Group's residual Greyhound US activities.*

Adjusted operating profit from continuing operations was £100.6m (H1 2023: £66.1m), reflecting strong demand in the First Rail open access operations, and higher than anticipated variable fee payments due to the division's management fee-based contracts for FY 2023 having now been agreed with the Department for Transport. Despite ongoing inflationary pressures, First Bus benefited from strong passenger volumes and productivity improvements. Central costs were £(12.4)m with the increase partly due to costs incurred on strategic projects.

The Group's EBITDA adjusted for First Rail management fees performance measure also increased year-on-year.

	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 £m	52 weeks to 25 March 2023 £m
First Bus EBITDA[1]	**61.4**	42.8	105.0
Attributable net income from First Rail management fee-based operations[2]	**23.2**	19.1	38.7
First Rail EBITDA from open access and additional services[1]	**22.2**	12.6	32.5
Group central costs (EBITDA basis[1])	**(12.0)**	(9.6)	(21.2)
Group EBITDA adjusted for First Rail management fees	**94.8**	**64.9**	**155.0**

1 *Pre-IFRS 16 basis.*
2 *A reconciliation to the segmental disclosures is set out in note 3.*

Adjusted earnings were £56.5m (H1 2023: £34.0m), driven by strong adjusted operating profit performance across the business, partly offset by a higher taxation charge.

	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 £m	52 weeks to 25 March 2023 £m
First Bus adjusted operating profit	**36.0**	20.7	58.4
Adjusted operating profit from rail management fee operations excluding IFRS 16[1]	**35.8**	25.8	54.0
Adjusted operating profit from rail open access and additional service	**22.1**	12.0	31.5
Group central costs (operating profit basis)	**(12.4)**	(10.0)	(22.2)
Group adjusted operating profit excluding IFRS 16 impacts from rail management fee operations	**81.5**	48.5	121.7
Interest excluding IFRS 16 interest from rail management fee operations[1]	**(0.9)**	(6.0)	(8.7)
Taxation	**(20.2)**	(6.4)	(22.1)
Non-controlling interest	**(3.9)**	(2.1)	(5.3)
Group adjusted earnings[1]	**56.5**	**34.0**	**85.6**

1 *The Group has revised its definition of adjusted earnings, to also exclude the impact of IFRS 16 depreciation and interest charges in relation to its rail management fee-based operations given the Group takes no cost risk on these rolling stock leases. The prior year comparatives have also been updated for the revised definition. There has been no other change to the calculation, or to the Group's policy regarding adjusting items.*

Reconciliation to non-GAAP measures and performance
Note 3 to the financial statements sets out the reconciliations of operating profit and profit before tax to their adjusted equivalents.

The principal adjusting items in H1 2024 are as follows:

First Bus pension settlement charge and related items
In September 2023, First Bus concluded a period of consultation with regards to its two Local Government Pension Funds and subsequently terminated its participation in these funds on 31 October 2023, with affected employees enrolled into the First Bus Retirement Savings Plan. Adjusting charges of £142.3m were recognised in the period for the settlement charge and related termination costs. A gain of £160.4m was recognised in Other comprehensive income in relation to the restricted accounting surplus.

Adjusting items – discontinued operations
Following the announcement on 26 October 2022 of EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc, the Group continues to estimate its earnout consideration to be $88.5m (£72.5m). An initial payment of $62.8m (£48.9m) was received during the first half of the year, leaving contingent consideration receivable on the Group's balance sheet of $25.7m (£21.0m). An adjusting credit of £2.3m arose as a result of the hedging of the cash receipt and the retranslation of the US dollar asset into pounds sterling.

Group statutory operating profit
Statutory operating loss (continuing basis) was £(41.4)m (H1 2023: profit of £62.1m), reflecting the charges from adjusting items.

Finance costs and investment income
Net finance costs were £27.1m (H1 2023: £24.8m) with the increase principally due to interest charges on lease liabilities, a result of the new management fee TOC Rail leases entered into during the prior year, offset by higher interest earned on cash balances.

Profit before tax
Statutory loss before tax (continuing basis) was £(68.5)m (H1 2023: profit £37.0m). Adjusted profit before tax (continuing basis) as set out in note 3 to the financial statements was £73.5m (H1 2023: £41.0m). Adjusting items (continuing basis) were a charge of £142.0m, reflecting the First Bus pension settlement charge and related costs. (H1 2023: charge of £4.0m principally reflecting the loss on disposal of the First Scotland East business).

Tax
The tax charge on adjusted profit before tax on continuing operations was £18.4m (H1 2023: £6.1m), representing an effective tax rate of 25.0% (H1 2023: 14.9%). The rate has increased because the corporation tax rate has increased to 25% and the super-deduction for capital expenditure has been withdrawn. There was a tax credit of £35.6m (H1 2023: charge of £2.0m) relating to adjusting items and there were no other adjustments to deferred tax (H1 2023: credit of £0.8m). The total tax credit, including tax on discontinued operations, was £(17.2)m (H1 2023: charge of £7.3m). The actual tax paid during the period was £1.5m (H1 2023: £0.4m).

The ongoing Group's effective tax rate is expected to be broadly in line with UK corporation tax levels (currently 25%).

EPS
Adjusted continuing EPS was 8.1p (H1 2023: 4.6p). Basic EPS was (7.9)p (H1 2023: (0.1)p).

Shares in issue
As at 30 September 2023 there were 662.5m shares in issue (H1 2023: 738.5m), excluding treasury shares and own shares held in trust for employees of 88.2m (H1 2023: 11.9m). Since December 2022, 79.3m shares have been repurchased under the Group’s share buyback programmes. The weighted average number of shares in issue for the purpose of basic EPS calculations (excluding treasury shares and own shares held in trust for employees) in the period was 697.7m (H1 2023: 739.8m).

Capital allocation framework
The Group's capital allocation framework can be summarised as follows:

Investment	• First Bus: £115m net cash capex for FY 2024, mostly on electrification; £10m investment in strategic partnership with Hitachi to purchase up to 1,000 electric bus batteries; estimated capex saving of c.£20m in FY 2024 • First Rail: continues to be cash capital-light, with any capital expenditure required by the management fee-based operations fully funded under the new contracts
Growth	• Actively reviewing adjacent organic and inorganic opportunities where this creates value for shareholders and exceeds the Group’s pre-tax WACC (c.10%)
Returns for shareholders	• Progressive dividend policy currently 3x cover of Group adjusted earnings; paid c.1/3 interim and 2/3 final dividend • Interim dividend of 1.5p per share declared
Balance sheet	• Less than 2.0x Adjusted Net Debt: rail management fee-adjusted EBITDA target in the medium term

Dividend
The Board has declared an interim dividend of 1.5p per share (c.£10m in aggregate), to be paid on 3 January 2024 to shareholders on the register at 1 December 2023.

Adjusted cash flow
The Group's adjusted cash outflow of £(108.0)m (H1 2023: outflow of £(112.1)m) in the period reflects strong underlying cash generated by operations offset by capital outflows relating to investment in First Bus, the impact of the share buyback programmes, lease payments and movement in First Rail ring-fenced cash (£61.0m outflow since FY 2023). The adjusted cash flow is set out below:

	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 £m	52 weeks to 25 March 2023 £m
EBITDA	**342.3**	339.5	755.8
Other non-cash income statement charges	**(134.3)**	1.3	10.9
Working capital	**(74.9)**	(162.8)	(101.3)
Movement in other provisions	**(18.8)**	(8.2)	(33.0)
Decrease in financial assets	**26.0**	-	-
Settlement of foreign exchange hedge	**(1.1)**	(1.8)	(1.2)
Pension payments lower than income statement charge	**113.1**	11.1	13.6

Cash generated by operations	**252.3**	179.1	644.8
Capital expenditure and acquisitions	**(115.6)**	(61.5)	(208.5)
Proceeds from disposal of property, plant and equipment	**17.2**	23.0	147.8
Proceeds from capital grant funding	**55.3**	70.6	144.2
Proceeds from contingent consideration	**48.9**	-	-
Net proceeds from disposal of businesses	**-**	2.0	2.0
Interest and tax	**(31.4)**	(33.2)	(64.6)
Shares purchased for Employee Benefit Trust	**(6.1)**	(10.7)	(15.3)
Share repurchases from buyback programmes, including costs	**(66.6)**	-	(31.6)
Dividends paid, including to non-controlling interests	**(19.7)**	(8.2)	(20.8)
Settlement of foreign exchange hedge	**4.2**	-	(12.5)
Lease payments now in debt/other	**(246.5)**	(273.2)	(557.5)
Adjusted cash flow	**(108.0)**	(112.1)	28.0
Foreign exchange movements	**0.8**	8.6	(4.0)
Net inception of leases	**(14.8)**	(1,029.0)	(1,231.8)
Lease payments in debt	**246.5**	276.5	557.5
Other non-cash movements	**-**	-	0.2
Movement in net debt in the period	**124.5**	(856.0)	(650.1)

Capital expenditure

Non-First Rail cash capital expenditure was £95.2m, which related to First Bus and Group items (H1 2023: £46.8m, all in First Bus). First Rail cash capital expenditure was £20.4m (H1 2023: £14.7m) and is typically matched by receipts from the DfT under current contractual arrangements or other funding.

During the period leases in the non-First Rail divisions were entered into with capital values in First Bus of £5.5m and Group items of £1.3m (H1 2023: Group items £0.2m). First Rail entered into leases with a capital value of £9.0m (H1 2023: £1,015.9m). No asset-backed financial liabilities were entered into during the period (H1 2023: £19.3m, all in First Bus).

Non-First Rail gross capital investment (fixed asset and software additions, plus the capital value of new leases) was £88.8m and comprised First Bus £88.6m and Group items £0.1m (H1 2023: £65.6m, comprising First Bus £65.4m, Group items £0.2m). First Rail gross capital investment was £35.2m (H1 2023: £1,032.2m). The balance between cash capital expenditure and gross capital investment represents new leases, creditor movements and the recognition of additional right of use assets in the period.

Funding

As at the period end, the Group had £581.9m of undrawn committed headroom and free cash (FY 2023: £638.9m), being £300.0m (FY 2023: £300.0m) of committed headroom and £281.9m (FY 2023: £338.9m) of net free cash after offsetting overdraft positions.

Net cash/(debt)

As at 30 September 2023 the Group's adjusted net cash, which excludes IFRS 16 lease liabilities and ring-fenced cash, was £77.1m (FY 2023: adjusted net cash of £109.9m). Reported net debt was £(1,144.6)m (FY 2023: £(1,269.1)m) after IFRS 16 and including ring-fenced cash of £307.3m (FY 2023: £369.6m), as follows:

Analysis of net debt	**30 September 2023 £m**	24 September 2022 £m	25 March 2023 £m
Sterling bond (2024)	**172.0**	199.9	184.2
Bank loans and overdrafts	**96.4**	39.9	82.9
Lease liabilities	**1,529.0**	1,821.3	1,748.6
Asset backed financial liabilities	**32.1**	49.9	44.2
Loan notes	**0.6**	0.6	0.6
Gross debt excluding accrued interest	**1,830.1**	2,111.6	2,060.5
Cash	**(378.2)**	(297.6)	(421.8)
First Rail ring-fenced cash and deposits	**(303.2)**	(315.3)	(364.2)
Other ring-fenced cash and deposits	**(4.1)**	(23.7)	(5.4)
Net debt excluding accrued interest	**1,144.6**	1,475.0	1,269.1
IFRS 16 lease liabilities – rail	**1,492.2**	1,780.9	1,711.2
IFRS 16 lease liabilities – non-rail	**36.8**	40.4	37.4

IFRS 16 lease liabilities – total	**1,529.0**	1,821.3	1,748.6
Net cash excluding accrued interest (pre-IFRS 16)	**(384.4)**	(346.3)	(479.5)
Adjusted net cash (pre-IFRS 16 and excluding ring-fenced cash)	**(77.1)**	(7.3)	(109.9)

Under the terms of the First Rail contractual agreements with the DfT, cash can only be distributed by the TOCs either up to the lower amount of their retained profits or the amount determined by prescribed liquidity ratios. The ring-fenced cash represents that which is not available for distribution or the amount required to satisfy the liquidity ratios at the balance sheet date.

Interest rate risk
Exposure to floating interest rates is managed to ensure that at least 50% (but at no time more than 100%) of the Group's pre-IFRS 16 gross debt is fixed rate for the medium term.

Fuel and electricity price risk
We use a progressive forward hedging programme to manage commodity risk. As at November 2023, 81% of our 'at risk' UK crude requirements for H2 2024 (41.2m litres, which is all in First Bus) was hedged at an average rate of 46p per litre, 62% of our requirements for the year to the end of March 2025 at 51p per litre, and 17% of our requirements for the year to the end of March 2026 at 51p per litre. We also have an electricity hedge programme in place, with 89% of our consumption (based on current consumption forecasts) hedged for H2 2024 at £165/MWh, 67% for FY 2025 at £144/MWh and 21% for FY 2026 at £111/MWh.

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

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

	27 weeks to 30 September 2023		26 weeks to 24 September 2022		52 weeks to 25 March 2023	
	Closing rate	**Effective rate**	Closing rate	Effective rate	Closing rate	Effective rate
US Dollar	**1.22**	**1.26**	1.09	1.12	1.22	1.11
Canadian Dollar	**1.66**	**1.70**	1.48	1.60	1.68	1.76

Pensions
We have updated our pension assumptions for the defined benefit schemes in the UK and North America. The net pension surplus of £27.9m at the beginning of the reporting period moved to a net surplus of £5.6m as at the balance sheet date on 30 September 2023, with the movement principally due to a reduction in asset values which more than offset the impact of increased discount rates on scheme liabilities, as well as the impact of the pension actions detailed below and in note 18. The main factors that influence the balance sheet position for pensions and the principal sensitivities to their movement at 30 September 2023 are set out below:

	Movement	**Impact**
Discount rate	-0.1%	Decrease surplus by £14m
Inflation	+0.1%	Decrease surplus by £11m
Life expectancy	+1 year	Decrease surplus by £37m

On 29 September 2023, and following a period of employee consultation, the Group gave notice of its intention to terminate the participation of the relevant First Bus subsidiaries in certain Local Government Pension Schemes (LGPS) on 31 October 2023, and this was executed at that date. An expense of £142.3m was recognised in H1 2024 as an adjusting income statement item for the settlement charges and other related costs, and a gain of £160.4m was recognised in Other comprehensive income in relation to the restricted accounting surplus.

During the period, the Limited Partnership created following the sale of the North American divisions returned £23.7m to The Bus Pension Scheme, linked to the £500m capital return in December 2021. The amounts held by the Limited Partnership generated interest income of £3.3m during the period which increased the value of the related financial asset on the Group's balance sheet.

The basis on which the Scheme is valued for funding purposes (Technical Provisions) following the next triennial valuation will determine the final distribution of funds from the escrow during 2025, and within that the liabilities are valued by reference to gilt yields. On an agreed low dependency funding basis, First Bus and First Group scheme shortfalls are in aggregate c.£46m lower than at the start of the year (c.£146m at 25 March 2023), with c.£97m remaining in escrow.

Balance sheet

Net assets have decreased by £117.1m since 25 March 2023.

Balance sheets – net assets/(liabilities)	**As at 30 September 2023 £m**	As at 24 September 2022 £m	As at 25 March 2023 £m
First Bus	**512.4**	468.0	511.9
First Rail	**1,240.0**	1,501.0	1,368.3
Greyhound (retained)	**(24.8)**	(21.6)	(21.8)
Divisional net assets	**1,727.6**	1,947.4	1,858.4
Group items	**57.3**	221.7	162.1
Borrowings and cash	**(1,145.0)**	(1,475.2)	(1,275.6)
Taxation	**(6.9)**	18.4	5.3
Held for sale assets	**0.7**	46.0	0.6
Total	**633.7**	758.3	750.8

Legacy North American assets and liabilities on balance sheet

As part of the disposal of First Transit to EQT Infrastructure, FirstGroup was entitled to an 'earnout' consideration of up to $290m (c.£220m). On 26 October 2022, EQT Infrastructure announced its agreement to sell First Transit to Transdev North America, Inc, and as a result the Group estimates its earnout consideration will be around $88.5m (£72.3m). During the first half of the year, an initial payment of $62.8m (£48.9m) was received in relation to the earnout consideration, with a residual asset of $25.7m (£21.0m) held on the balance sheet at 30 September 2023.

Post-balance sheet events

- On 19 September, the Group announced it had agreed a new National Rail Contract (NRC) with the Department for Transport (DfT) for the West Coast Partnership. The new NRC commenced on 15 October 2023 with a duration of nine years, including a core minimum three-year term to 18 October 2026.
- On 19 October, the Group completed the buy-out of the 6% non-controlling interest in Leicester CityBus Limited for consideration of £3.1m.
- On 31 October, the Group terminated the participation of the relevant First Bus subsidiaries in certain Local Government Pension Schemes (LGPS). Details of the accounting impact are provided above, and in note 18 of the financial statements.
- On 17 November, the Group announced it had agreed a strategic partnership with Hitachi as part of the Group's bus fleet and infrastructure decarbonisation programme. The Group and Hitachi have each committed a cash investment of £10m into the strategic partnership.

Going concern

The Board carried out a review of the Group's financial projections for the 18 months to 31 March 2025 and having regard to the risks and uncertainties to which the Group is exposed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the condensed consolidated financial statements in the half-yearly report have been prepared on the going concern basis.

Definitions

Unless otherwise stated, all financial figures for the 27 weeks to 30 September 2023 (the 'first half', the 'period' or 'H1 2024') include the results and financial position of the First Rail business for the period ended 16 September 2023 and the results of all other businesses for the 27 weeks ended 30 September 2023. The figures for the 26 weeks to 24 September 2022 (the 'prior period' or 'H1 2023') include the results and financial position of the First Rail business for the period ended 17 September 2022 and the results of all other businesses for the 26 weeks ended 24 September 2022. Figures for the 52 weeks to 25 March 2023

('FY 2023') include the results and financial position of the First Rail business for the year ended 31 March 2023 and the results of all other businesses for the 52 weeks ended 25 March 2023.

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

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

References to 'adjusted operating profit', 'adjusted profit before tax', and 'adjusted EPS' throughout this document are before the adjusting items as set out in note 3 to the financial statements, and in the case of ‘adjusted EPS’, excluding the impact of IFRS 16 for the Group’s management fee-based Rail operations.

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

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

‘Adjusted earnings' is the Group’s statutory profit for the period attributable to equity holders of the parent, excluding adjusting items as detailed in note 3, and also excluding the impact of IFRS 16 for the Group’s management fee-based Rail operations.

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

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

Forward-looking statements

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

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

Principal risks and uncertainties

The Board has conducted a thorough assessment of the principal risks and uncertainties facing the Group for the remainder of the financial year, including those that would threaten the successful and timely delivery of its strategic priorities, future performance solvency and liquidity.

There are a number of risks and uncertainties facing the Group in the remaining six months of the financial year in addition to those mentioned in the Business and Financial Reviews. The underlying principal risks and uncertainties in our operating businesses remain as set out in detail on pages 67 to 75 of the Annual Report and Accounts 2023, with several of these risks being more elevated currently given the wider political and economic backdrop (impacting cost inflation, driver availability, industrial action, policy uncertainty and passenger demand levels), namely:

- Economic conditions including economic fluctuations
- Geopolitical
- Climate change
- Contracted businesses
- Growth within the sector
- Financial resources
- Safety
- Pension scheme funding
- Regulatory compliance
- Data security and consumer privacy, including cyber security

• Human resources

Risks that are of particular focus in the final six months of the year include changes in the UK economy, particularly the effect of rising inflation on the Group and associated industrial relation challenges across the First Rail business, noting some progress has been made in the period. A change of UK Government transport policy could also lead to the renationalisation of our First Rail operations as the expiry dates of our various agreements with the DfT are reached. Finally, workforce availability, linked to both labour market shortages and staff retention, is a key risk that could impact operational capacity across both our bus and rail operations.

For a full summary of the Principal Risks and Uncertainties facing the Group, please refer to the Annual Report and Accounts 2023 at https://www.firstgroupplc.com/investors/annual-report-2023.aspx.

Graham Sutherland
Chief Executive Officer
23 November 2023

Ryan Mangold
Chief Financial Officer
23 November 2023

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Unaudited 27 weeks to 30 September 2023 £m**	Unaudited 26 weeks to 24 September 2022 £m
Revenue	2, 4	**2,207.0**	2,212.4
Operating costs before LGPS pension settlement and related charges		**(2,106.1)**	(2,150.3)
LGPS pension settlement and related charges		**(142.3)**	-
Total operating costs		**(2,248.4)**	(2,150.3)
Operating (loss)/profit		**(41.4)**	62.1
Investment income	5	**11.0**	1.8
Finance costs	5	**(38.1)**	(26.9)
(Loss)/profit before tax		**(68.5)**	37.0
Tax	6	**17.2**	(5.1)
(Loss)/profit from continuing operations		**(51.3)**	31.9
Profit/(loss) from discontinued operations	4	**0.1**	(30.5)
(Loss)/profit for the period		**(51.2)**	1.4
Attributable to:			
Equity holders of the parent		**(55.1)**	(0.6)
Non-controlling interests		**3.9**	2.0
		(51.2)	1.4
Earnings per share			
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company			
Basic		**(7.9)p**	4.0p
Diluted		**(7.9)p**	3.9p
Earnings per share for loss attributable to the ordinary equity holders of the company			
Basic	7	**(7.9)p**	(0.1)p
Diluted	7	**(7.9)p**	(0.1)p
Adjusted results (from continuing operations)[1]			
Adjusted operating profit	3	**100.6**	66.1
Adjusted profit before tax		**73.5**	41.0
Adjusted EPS	7	**8.1p**	4.6p
Adjusted diluted EPS		**7.8p**	4.5p

[1] *Adjusted for certain items as set out in note 3 and note 7.*

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 27 weeks to 30 September 2023 £m	Unaudited 26 weeks to 24 September 2022 £m
(Loss)/profit for the period	**(51.2)**	1.4
Items that will not be reclassified subsequently to profit or loss		
Actuarial losses on defined benefit pension schemes	**(70.7)**	(117.0)
Gain on termination of LGPS participation from restricted accounting surplus	**160.4**	-
Deferred tax on actuarial (gains)/losses on defined benefit pension schemes	**(22.3)**	30.8
	67.4	(86.2)
Items that may be reclassified subsequently to profit or loss		
Hedging instrument movements	**11.2**	(22.8)
Deferred tax on hedging instrument movements	**(2.2)**	(4.1)
Cumulative profit on hedging instruments reclassified to the income statement	**(2.9)**	-
Exchange differences on translation of foreign operations – continuing operations	**(0.6)**	(4.8)
Exchange differences on translation of foreign operations – discontinued operations	**(1.9)**	21.2
	3.6	(10.5)
Other comprehensive income/(loss) for the period	**71.0**	(96.7)
Total comprehensive income/(loss) for the period	**19.8**	(95.3)
Attributable to:		
Equity holders of the parent	**15.9**	(97.3)
Non-controlling interests	**3.9**	2.0
	19.8	(95.3)
Total comprehensive income/(loss) for the period attributable to owners of FirstGroup plc arises from:		
Continuing operations	**24.5**	(52.1)
Discontinued operations	**(4.7)**	(43.2)
	19.8	(95.3)

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

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 September 2023 £m**	Audited 25 March 2023 £m
Non-current assets			
Goodwill	8	**99.6**	99.6
Other intangible assets		**9.4**	10.8
Property, plant and equipment	9	**2,171.1**	2,329.7
Deferred tax assets		**40.5**	47.0
Retirement benefit assets	18	**28.3**	44.6
Derivative financial instruments	13	**2.2**	0.1
Financial asset	13	**97.2**	117.6
Investments		**2.6**	2.5
		2,450.9	2,651.9
Current assets			
Inventories		**25.4**	26.0
Contingent consideration receivable	10	**21.0**	72.3
Trade and other receivables	10	**981.8**	848.3
Current tax assets		**0.9**	-
Cash and cash equivalents	17	**685.5**	791.4
Derivative financial instruments	13	**6.8**	7.4
		1,721.4	1,745.4
Assets held for sale		**0.7**	8.9
Total assets		**4,173.0**	4,406.2
Current liabilities			
Trade and other payables		**1,442.2**	1,314.4
Tax liabilities – Current tax liabilities		**0.1**	0.3
– Other tax and social security		**48.2**	41.4
Borrowings	11	**702.4**	554.7
Derivative financial instruments	13	**2.4**	2.6
Provisions	14	**75.8**	85.9
Current liabilities		**2,271.1**	1,999.3
Net current liabilities		**(549.7)**	(253.9)
Non-current liabilities			
Borrowings	11	**1,128.1**	1,512.3
Retirement benefit liabilities	18	**22.7**	16.7
Derivative financial instruments	13	**0.6**	1.9
Provisions	14	**116.8**	125.2
		1,268.2	1,656.1
Total liabilities		**3,539.3**	3,655.4
Net assets		**633.7**	750.8
Equity			
Share capital	15	**37.5**	37.5
Share premium		**693.3**	693.2
Hedging reserve		**3.9**	(0.7)
Other reserves		**22.4**	22.4
Own shares		**(11.4)**	(15.4)
Translation reserve		**(18.8)**	(16.3)
Retained earnings		**(107.7)**	19.5
Equity attributable to equity holders of the parent		**619.2**	740.2
Non-controlling interests		**14.5**	10.6
Total equity		**633.7**	750.8

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Hedging reserve £m	Other reserves £m	Own shares £m	Translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 25 March 2023	**37.5**	**693.2**	**(0.7)**	**22.4**	**(15.4)**	**(16.3)**	**19.5**	**740.2**	**10.6**	**750.8**
(Loss)/profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(55.1)**	**(55.1)**	**3.9**	**(51.2)**
Other comprehensive income/(loss) for the period	**-**	**-**	**6.1**	**-**	**-**	**(2.5)**	**67.4**	**71.0**	**-**	**71.0**
Total comprehensive income/(loss) for the period	**-**	**-**	**6.1**	**-**	**-**	**(2.5)**	**12.3**	**15.9**	**3.9**	**19.8**
Derivative hedging instrument movements transferred to balance sheet (net of tax)	**-**	**-**	**(1.5)**	**-**	**-**	**-**	**-**	**(1.5)**	**-**	**(1.5)**
Transactions with owners in their capacity as owners										
Shares issued	**-**	**0.1**	**-**	**-**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Movement in EBT and treasury shares	**-**	**-**	**-**	**-**	**4.0**	**-**	**(10.0)**	**(6.0)**	**-**	**(6.0)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**6.6**	**6.6**	**-**	**6.6**
Deferred tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**(0.6)**	**(0.6)**	**-**	**(0.6)**
Shares bought back but not yet cancelled	**-**	**-**	**-**	**-**	**-**	**-**	**(22.7)**	**(22.7)**	**-**	**(22.7)**
Liability for shares not yet bought back	**-**	**-**	**-**	**-**	**-**	**-**	**(93.1)**	**(93.1)**	**-**	**(93.1)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(19.7)**	**(19.7)**	**-**	**(19.7)**
Balance at 30 September 2023 (unaudited)	**37.5**	**693.3**	**3.9**	**22.4**	**(11.4)**	**(18.8)**	**(107.7)**	**619.2**	**14.5**	**633.7**
Balance at 26 March 2022	37.5	692.8	19.3	22.4	(9.0)	(24.0)	137.6	876.6	8.5	885.1
(Loss)/profit for the period	-	-	-	-	-	-	(0.6)	(0.6)	2.0	1.4
Other comprehensive (loss)/income for the period	-	-	(26.9)	-	-	16.4	(86.2)	(96.7)	-	(96.7)
Total comprehensive (loss)/income for the period	-	-	(26.9)	-	-	16.4	(86.8)	(97.3)	2.0	(95.3)
Hedging instrument movements transferred to balance sheet (net of tax)	-	-	(14.5)	-	-	-	-	(14.5)	-	(14.5)
Transactions with owners in their capacity as owners										
Shares issued	-	0.2	-	-	-	-	-	0.2	-	0.2
Movement in EBT and treasury shares	-	-	-	-	(4.3)	-	(6.3)	(10.6)	-	(10.6)
Share-based payments	-	-	-	-	-	-	1.6	1.6	-	1.6
Dividends paid	-	-	-	-	-	-	(8.2)	(8.2)	-	(8.2)
Balance at 24 September 2022 (unaudited)	37.5	693.0	(22.1)	22.4	(13.3)	(7.6)	37.9	747.8	10.5	758.3

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	**Unaudited 27 weeks to 30 September 2023 £m**	Unaudited 26 weeks to 24 September 2022 (restated) £m
Cash generated by operations		**252.3**	179.1
Tax paid		**(1.5)**	(0.4)
Interest paid		**(39.4)**	(35.0)
Net cash from operating activities	16	**211.4**	143.7
Investing activities			
Interest received		**9.5**	2.2
Proceeds from disposal of property, plant and equipment		**17.2**	23.0
Purchases of property, plant and equipment		**(113.9)**	(60.7)
Purchases of software		**(1.7)**	(0.8)
Proceeds from capital grant funding		**55.3**	70.6
Proceeds from contingent consideration		**48.9**	-
Net proceeds from disposal of subsidiaries (net of cash disposed)		**-**	2.0
Settlement of foreign exchange hedge		**4.2**	(16.3)
Net cash from investing activities		**19.5**	20.0
Financing activities			
Shares purchased by Employee Benefit Trust		**(6.1)**	(10.7)
Treasury shares purchased via share buyback schemes and directly associated costs		**(66.6)**	-
Shares issued		**-**	0.3
External dividends paid		**(19.7)**	(8.2)
Repayment of bond issues		**(12.2)**	-
(Repayment of)/proceeds from asset backed financial liabilities		**(12.1)**	14.4
Repayment of lease liabilities		**(234.4)**	(271.6)
Net cash flow used in financing activities		**(351.1)**	(275.8)
Net decrease in cash and cash equivalents before foreign exchange movements		**(120.2)**	(112.1)
Cash and cash equivalents at beginning of period		**708.5**	700.2
Foreign exchange movements		**0.8**	8.6
Cash and cash equivalents at the end of the period		**589.1**	596.7
Cash flow from discontinued operations			
Net cash (outflow)/inflow from operating activities		**(3.7)**	10.4
Net cash inflow from investing activities		**53.1**	2.4
Net cashflow from financing activities		**-**	-
Net cashflow from discontinued operations		**49.4**	12.8

As disclosed in the Group's 2023 Annual Report, during 2023 management reassessed the classification of cash flows in relation to capital grants received from the Department for Transport and Transport for Scotland, which had previously been reported within net cash from operating activities. As these grants typically relate to the funding of capital investment by the Group, management concluded that these cash flows represented investing activities, rather than operating activities, and accordingly have restated the cash flow for an inflow of £70.6m for the 26 weeks to 24 September 2022.

Cash and cash equivalents are included within current assets on the consolidated balance sheet. Cash and cash equivalents includes ring-fenced cash of £307.3m in H1 2024 (full year 2023: £369.6m). The most significant ring-fenced cash balances are held by the Group's First Rail subsidiaries. All non-distributable cash in franchised Rail subsidiaries is considered ring-fenced under the terms of the National Rail Contracts.

Reconciliation to cash flow statement	Note	**Unaudited 30 September 2023 £m**	Audited 25 March 2023 £m
Cash and cash equivalents – Balance Sheet	17	**685.5**	791.4
Bank overdraft	17	**(96.4)**	(82.9)
Balances per consolidated cash flow statement		**589.1**	708.5

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

	Note	**Unaudited 27 weeks to 30 September 2023 £m**	Unaudited 26 weeks to 24 September 2022 £m
Net decrease in cash and cash equivalents in period		**(120.2)**	(112.1)
Decrease in debt excluding leases		**12.2**	-
Adjusted cash flow		**(108.0)**	(112.1)
Repayment of lease liabilities and asset backed financial liabilities		**246.5**	276.5
Inception of leases		**(14.8)**	(1,029.0)
Foreign exchange movements		**0.8**	8.6
Other non-cash movements		**-**	-
Movement in net debt in period		**124.5**	(856.0)
Net debt at beginning of period		**(1,269.1)**	(619.0)
Net debt at end of period	17	**(1,144.6)**	(1,475.0)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

The half yearly results for the 27 weeks to 30 September 2023 include the results and financial position of the First Rail division for the period ended 16 September 2023 and the results and financial position for the other divisions for the 27 weeks ended 30 September 2023. The comparative figures for the 26 weeks to 24 September 2022 include the results of the First Rail division for the period ended 17 September 2022 and the results of the other divisions for the 26 weeks ended 24 September 2022. The comparative figures for the 52 weeks ended 25 March 2023 include the financial position of the First Rail division at 31 March 2023 and the financial position of the other divisions at 25 March 2023.

These half yearly results do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 25 March 2023 were approved by the board of directors on 8 June 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements for the half year reporting period for the 27 weeks to 30 September 2023 have been prepared in accordance with the UK-adopted International Accounting Standard 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim condensed consolidated interim financial statements do not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 25 March 2023, and any public announcements made by FirstGroup plc during the interim reporting period.

The accounting policies applied are consistent with those described in the Group's latest annual audited financial statements, except for income tax which at the interim is based on applying expected full year effective tax rates to the interim results. There has been no material change as a result of applying these amendments. We have also included certain non-GAAP measures in order to reflect management's reported view of financial performance excluding certain other items.

These results are unaudited but have been reviewed by the auditor. The comparative figures for the 26 weeks to 24 September 2022 are unaudited and are derived from the condensed consolidated interim financial statements for that period, which was also reviewed by the auditor.

Going concern – basis of preparation
The Directors have carried out a review of the Group's financial projections for the 18 months to 31 March 2025, with due regard for the risks and uncertainties to which the Group is exposed, the uncertain economic climate and the impact that this could have on trading performance. The review also considered the Group's net current liabilities position at 30 September 2023, and the bond which matures in September 2024. Based on this review, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the half yearly results have been prepared on the going concern basis in preparing this report.

Evaluation of going concern
The Board evaluated whether it was appropriate to prepare the half yearly results in this report on a going concern basis and in doing so considered whether any material uncertainties exist that cast doubt on the Group's and the Company's ability to continue as a going concern over the going concern period.

1 Basis of preparation (continued)

Consistent with prior years, the Board's going concern assessment is based on a review of future trading projections, including whether banking covenants are likely to be met and whether there is sufficient committed facility headroom to accommodate future cash flows for the going concern period.

Divisional management teams prepared detailed, bottom-up projections for their businesses reflecting the impact of the post-pandemic operating environment, including assumptions on passenger volume recovery and government support arrangements as well as inflationary cost and other macroeconomic pressures. Projections also captured the impact of actions required to address the Group's climate-related targets and ambitions.

Base case scenario
These projections were the subject of a series of executive management reviews and were used to update the base case scenario that was used for the purposes of the going concern assessment at the 2023 year end. The base case assumes a continuing recovery in passenger volumes and yields in FY24 and FY25. The base case assumes the three TOC rail contracts run to their expiry date, should there be a change in government. The macro projections in the updated base case assume that the UK operates in a recovering, post-pandemic economy. The annual budget and medium-term plan also capture the expected financial impact of the actions required to support the Group's climate-related targets and ambitions.

Severe, plausible downside scenario
In addition, a severe but plausible downside case was also modelled which assumes a more protracted post-pandemic recovery profile. In First Bus the severe but plausible downside case assumes slower recovery of passenger revenues in the second half of FY24 and through FY25 and further inflationary cost pressures. In First Rail, the downside case

assumes reduced TOC performance fee awards and lower revenues in Hull Trains and Lumo Open Access. The downside case also assumed a delay in realising proceeds from the Greyhound property portfolio until after the going concern period, lower proceeds from the First Transit earnout, and potential downsides should the Group be impacted by significant climate or cyber security events.

Mitigating actions
If the future operating environment of the Group were to be more challenging than assumed in the base case or downside case scenarios, the Group would reduce and defer planned growth capital expenditure and further reduce costs in line with a lower volume operating environment, to the extent that the essential services we operate in Bus are not required to be run for the governments and communities we support.

Going concern statement
Based on the scenario modelling undertaken, and the potential mitigating actions referred to above, the Board is satisfied that the Group’s liquidity and covenant headroom over the going concern period is sufficient for the business needs.

Operating and financial review
The operating and financial review considers the impact of seasonality on the Group and also the principal risks and uncertainties facing it in the remaining six months of the financial year.

Summary of significant events in the Group
Significant events in relation to the change in the financial position and performance of the Group:

On 26 October 2022, EQT Infrastructure announced its agreement to sell First Transit to Transdev North America, Inc. As part of the First Transit disposal to EQT Infrastructure, FirstGroup is entitled to an earnout consideration. The Group currently estimates the total earnout consideration to be around $88.5m (£72.5m), in line with the 2023 year-end assessment. During the first half of the year, an initial payment of $62.8m (£49.0m) was received in relation to the earnout consideration, with a residual asset of $25.7m (£21.0m) held on the balance sheet at 30 September 2023. An adjusting credit of £2.3m arose as a result of the hedging of the cash receipt and the retranslation of the US dollar asset into pounds sterling.

In September, First Rail agreed a new National Rail Contract (NRC) with the Department for Transport (DfT) for the West Coast Partnership (WCP), comprising Avanti West Coast and the West Coast Partnership Development. The contract is for nine years and has a minimum three-year term to 18 October 2026, and thereafter a further six years until 17 October 2032, subject to ongoing DfT approval. On 11 May 2023, the Department for Transport confirmed that it would not exercise its option to extend FirstGroup’s TransPennine Express NRC, which then duly expired on 28 May 2023.

In First Rail, the final variable fee payments for the division’s management fee-based contracts for the FY 2023 financial year were agreed with the DfT at a rate ahead of the amounts accrued in the FY 2023 financial statements, contributing a further c.£12m to adjusted and statutory operating profit in H1 2024.

First Rail’s open access operations Lumo and Hull Trains continued to be profitable in the period, driven primarily by passenger revenue growth from increased leisure travel during the summer period.

In the First Bus division, first half performance has been underpinned by strong passenger volumes and productivity improvements resulting from management actions taken to transform the business, although these have been partly offset by ongoing inflationary pressures.

The Group has a £300m sustainability-linked Revolving Credit Facility (‘RCF’) with a group of its relationship banks. This committed RCF remains undrawn and matures in August 2026.

The Company’s £75m share buyback programme completed on 3 August 2023 having repurchased 63,868,786 shares for a total consideration of £75.5m including transaction costs. On 8 June 2023, the Company announced a new share buyback programme to purchase up to £115m of ordinary shares. At 30 September 2023, the Company had repurchased 15,438,871 shares for a total consideration of £23.5m including transaction costs.

In September 2023, First Bus concluded a period of consultation with regards to its two Local Government Pension Funds and subsequently terminated its participation in these funds on 31 October 2023, with affected employees enrolled into the First Bus Retirement Savings Plan. Adjusting charges of £142.3m relating to the settlement charge and other costs relating to the termination were recognised during the period. A gain of £160.4m was recognised in Other comprehensive income in relation to the restricted accounting surplus.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of these half yearly results requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results might differ from these estimates.

In preparing these half yearly results, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 25 March 2023.

This half yearly report has been prepared in respect of the Group as a whole and accordingly matters identified as being significant or material are so identified in the context of FirstGroup plc and its subsidiary undertakings taken as a whole.

These condensed consolidated interim financial statements were approved by the Board on 23 November 2023.

2 Revenue

Passenger revenue in First Bus was £377.1m (H1 2023: £322.3m) with the increase mainly reflecting increased passenger volumes, service improvements and positive pricing impact, partly offset by funding reductions. First Rail passenger revenue was £1,405.6m (H1 2023: £1,290.9m).

The principal direct fiscal support recognised during the period comprised £24.5m (H1 2023: £43.7m) of funding and concessions in First Bus. These are recognised within revenue in accordance with IFRS 15 (as per our policy on revenue recognition in the 2023 Annual Accounts), when control of the good or service is transferred to the customer and the Group is entitled to the consideration.

The main direct fiscal support recognised in revenue over time for each division has been as follows:

First Bus: The English, Scottish and Welsh Governments have each supported bus operators, through a variety of funding schemes since March 2020. In England the BRG scheme, which provided funding from September 2021 to June 2023, has been replaced by a new scheme, BSOG+ from July 2023, under which funding is provided through enhanced BSOG rates per litre and an additional payment per km operated for eligible miles. In addition to this the DfT implemented a £2 cap on all single fares across the country in January 2023 and are currently reimbursing operators for any revenue foregone as a result of the reduced ticket prices. The scheme has recently been extended and will now run until at least December 2024. In Scotland, the NSG+ scheme which ran throughout FY23 has now ended with the only remaining funding being provided by the NSG scheme which essentially replaces BSOG. In Wales the BES scheme which funded operators to a pre-agreed margin in order to allow them to maintain the network ended in July 2023 and has been replaced by the Bus Transition Fund (BTF) which operates in an almost identical manner.

First Rail: The Emergency Measures Agreements (EMAs), the Emergency Recovery Measures Agreement (ERMAs) and the National Rail Contracts (NRCs) transferred substantially all revenue and substantially all cost risk to the government and for the current year and prior year periods, our First Rail franchises were operated under the terms of these arrangements.

- EMA in respect of GWR up to 26 June 2022, whereupon GWR transitioned to a new, three-year NRC with an option for the DfT to extend by a further three years to June 2028
- ERMA in respect of WCP / Avanti up to 16 October 2022, whereupon the existing arrangement was extended by a further six months by the DfT to March 2023. That arrangement was again extended to 15 October 2023, and in September, a new NRC was awarded for a nine-year period, with a minimum core three-year term to 18 October 2026
- NRC for SWR throughout both periods
- On 11 May 2023 the DfT confirmed that it would not exercise its option to extend FirstGroup's TPE NRC, and the contract expired on 28 May 2023. On that date the DfT appointed its Operator of Last Resort to take over delivery of passenger services on the TPE network

Under the arrangements, our franchised TOCs are paid a fixed management fee to continue to operate the rail network at a service level agreed with the government. Performance based fees are earned through a combination of scorecards and quantified target methodologies benchmarked off this agreed service level. Net DfT funding including the management and performance fee is recognised as revenue in Rail franchise subsidy receipts, in line with the revenue recognition policy for franchise subsidy receipts from the DfT.

Disaggregated revenue by operating segment is set out in note 4.

3 Reconciliation to non-GAAP measures and performance

In measuring the Group and divisional adjusted operating performance, additional financial measures derived from the reported results have been used by management in order to eliminate factors which distort year-on-year comparisons. The Group's adjusted performance is used to explain year-on-year changes when the effect of certain items are significant, including strategic items (including material M&A and group restructuring projects), costs of acquisitions including aborted acquisitions and impairment of assets. Other items below £5.0m would not normally be considered as adjusting items unless part of a larger strategic project, but items which distort year-on-year comparisons that exceed this amount could potentially be classified as an adjusting item and are assessed on a case by case basis. Such potential adjusting other items include: restructuring and reorganisation costs; property gains or losses; aged legal and self-insurance claims; movements on insurance discount rates; onerous contract provisions; and pension settlement gains or losses. In addition, management assesses divisional performance before other intangible asset amortisation charges (excluding software amortisation), as these are typically a result of Group decisions and therefore the divisions have little or no control over these charges. Management considers that this overall basis more appropriately reflects operating performance and provides a better understanding of the key performance indicators of the business.

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

Reconciliation of operating (loss)/profit to adjusted operating profit on a continuing basis	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 £m
Operating (loss)/profit on a continuing basis	**(41.4)**	62.1
Adjustments for:		
LGPS pension settlement and related charges	**142.3**	-
Loss on sale of Scotland East	**-**	3.7
Strategic items	**-**	1.9
Greyhound Canada	**(0.3)**	(1.6)
Total adjusting operating profit items on a continuing basis	**142.0**	4.0
Adjusted operating profit on a continuing basis	**100.6**	66.1

Reconciliation of operating profit/(loss) to adjusted operating loss on a discontinued basis	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 £m
Operating profit/(loss) from discontinued operations	**0.1**	(28.6)
Adjustments for:		
Transit earnout (credit)/charge	**(2.3)**	27.9
Gain on sale of Greyhound properties	**-**	(7.7)
Total adjusting operating profit items from discontinued operations	**(2.3)**	20.2
Adjusted operating loss from discontinued operations	**(2.2)**	(8.4)

Reconciliation of (loss)/profit before tax to adjusted earnings	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 £m
(Loss)/profit before tax (including discontinued operations)[1]	**(68.4)**	8.7
Adjusting operating profit items – continuing operations	**142.0**	4.0
Adjusting operating profit items – discontinued operations	**(2.3)**	20.2
Adjusting operating profit items – total operations	**139.7**	24.2
Rail management fee-based operations – IFRS 16 adjustment	**7.1**	1.5
Adjusted profit before tax including discontinued operations	**78.4**	34.4
Tax charge on adjusted profit before tax	**(20.2)**	(6.4)
Non-controlling interests[2]	**(3.9)**	(2.1)
Adjusted earnings including discontinued operations	**54.3**	25.9

1 *See note 4.*
2 *Statutory non-controlling interests principally reflects Avanti West Coast and South Western Trains.*

Adjusting items

The principal adjusting items in relation to the operating profit adjustments - continuing operations were as follows:

First Bus pension settlement charge and related items
In September 2023, First Bus concluded a period of consultation with regards to its two Local Government Pension Funds and subsequently terminated its participation in these funds on 31 October 2023, with affected employees enrolled into the First Bus Retirement Savings Plan. Adjusting charges of £142.3m relating to the settlement charge and other costs relating to the termination were recognised during the period. A gain of £160.4m was recognised in Other comprehensive income in relation to the restricted accounting surplus.

The principal adjusting items in relation to the operating profit adjustments - discontinued operations were as follows:

Transit earnout charge
Following the announcement on 26 October 2022 of EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc, the Group continues to estimate its total earnout consideration to be $88.5m (£72.5m). An initial payment of $62.8m (£49.0m) was received during the first half of the year, leaving contingent consideration receivable on the Group's balance sheet of $25.7m (£21.0m). An adjusting credit of £2.3m arose as a result of the hedging of the cash receipt and the retranslation of the US dollar asset into pounds sterling.

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

Group adjusted attributable EBITDA and operating profit

First Bus EBITDA comprises:

	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 £m
Pre-IFRS 16 EBITDA	**61.4**	42.8
IFRS 16 adjustments[1]	**7.4**	8.2
First Bus adjusted EBITDA per segmental results (note 4)	**68.8**	51.0

First Rail EBITDA comprises:

Non-management fees based TOCs	**22.2**	12.6
Group's share of management fee income available for dividends	**23.2**	19.1
Non-controlling interest	**3.9**	2.0
Tax at 25% (H1 2023: 19%)	**8.7**	4.9
IFRS 16 adjustments[1]	**228.8**	267.0
First Rail adjusted EBITDA per segmental results table (note 4)	**286.8**	305.6

Group items EBITDA comprises:

Pre-IFRS 16 EBITDA	**(12.0)**	(9.6)
IFRS 16 adjustments[1]	**0.9**	0.9
Group items adjusted EBITDA per segmental results table (note 4)	**(11.1)**	(8.7)

1 *IFRS 16 adjustments to EBITDA principally reflect the add back of operating lease rental costs charged to the income statement before the adoption of IFRS 16.*

4 Business segments information

For management purposes, the Group is organised into three operating divisions – First Bus, First Rail and Greyhound. The sale of First Student and First Transit was completed on 21 July 2021, and the sale of Greyhound US and Mexico completed on 21 October 2021. The properties related to the retained Greyhound US business were classified as Held for Sale and were therefore treated as discontinued. Greyhound Canada was retained and is categorised as a Continuing Operation, although trading operations have ceased. The divisions are managed separately in line with the differing services that they provide and the geographical markets which they operate in. There is a clear distinction between each division and no judgement is required to identify each reportable segment.

The segment results for the 27 weeks to 30 September 2023 are as follows:

	Continuing Operations					**Discontinued Operations**		
	First Bus £m	**First Rail £m**	**Greyhound £m**	**Group Items[1] £m**	**Total £m**	**Greyhound £m**	**Group Items[1] £m**	**Total £m**
Passenger revenue	377.1	1,405.6	-	-	1,782.7	-	-	1,782.7
Contract revenue	94.2	-	-	(19.8)	74.4	-	-	74.4
Rail franchise subsidy receipts	-	204.9	-	-	204.9	-	-	204.9
Other	33.6	111.4	-	-	145.0	-	-	145.0
Revenue	504.9	1,721.9	-	(19.8)	2,207.0	-	-	2,207.0
Adjusted EBITDA[2]	68.8	286.8	-	(11.1)	344.5	(1.1)	(1.1)	342.3
Depreciation	(36.6)	(229.2)	-	(1.0)	(266.8)	-	-	(266.8)
Software amortisation	(0.7)	(1.1)	-	(0.3)	(2.1)	-	-	(2.1)
Capital grant amortisation	4.5	20.5	-	-	25.0	-	-	25.0
Segment results	36.0	77.0	-	(12.4)	100.6	(1.1)	(1.1)	98.4
Other adjustments (note 3)	(142.3)	-	0.3	-	(142.0)	-	2.3	(139.7)
Operating (loss)/profit	(106.3)	77.0	0.3	(12.4)	(41.4)	(1.1)	1.2	(41.3)
Investment income	1.2	1.3	-	8.5	11.0	-	-	11.0
Finance costs	(1.3)	(28.2)	-	(8.6)	(38.1)	-	-	(38.1)
(Loss)/profit before tax	(106.4)	50.1	0.3	(12.5)	(68.5)	(1.1)	1.2	(68.4)
Tax								17.2
Loss after tax								(51.2)

1 *Group items comprise the elimination of intra-group trading between Bus and Rail divisions (not material in H1 2023) and charges relating to central management and other items.*

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

Balance sheet at 30 September 2023	Total assets £m	Total liabilities £m	Net assets/(liabilities) £m
Greyhound retained	**66.6**	**(91.4)**	**(24.8)**
First Bus	**810.8**	**(298.4)**	**512.4**
First Rail	**2,380.1**	**(1,140.1)**	**1,240.0**
	3,257.5	**(1,529.9)**	**1,727.6**
Group items	**187.9**	**(130.6)**	**57.3**
Borrowings and cash	**685.5**	**(1,830.5)**	**(1,145.0)**
Taxation	**41.4**	**(48.3)**	**(6.9)**
Total	**4,172.3**	**(3,539.3)**	**633.0**
Greyhound (held for sale)	**0.7**	**-**	**0.7**
Grand total	**4,173.0**	**(3,539.3)**	**633.7**

The segment results for the 26 weeks to 24 September 2022 were as follows:

	Continuing Operations					Discontinued Operations		
	First Bus £m	First Rail £m	Greyhound £m	Group Items[1] £m	Total £m	Greyhound £m	Group Items[1] £m	Total £m
Passenger revenue	322.3	1,290.9	-	-	1,613.2	-	-	1,613.2
Contract revenue	54.8	-	-	-	54.8	-	-	54.8
Rail franchise subsidy receipts	-	361.2	-	-	361.2	-	-	361.2
Other	50.6	132.6	-	-	183.2	2.7	-	185.9
Revenue	427.7	1,784.7	-	-	2,212.4	2.7	-	2,215.1
Adjusted EBITDA[2]	51.0	305.6	-	(8.7)	347.9	(8.4)	-	339.5
Depreciation	(33.2)	(310.4)	-	(1.0)	(344.6)	-	-	(344.6)
Software amortisation	(0.8)	(3.2)	-	(0.3)	(4.3)	-	-	(4.3)
Capital grant amortisation	3.7	63.4	-	-	67.1	-	-	67.1
Segment results	20.7	55.4	-	(10.0)	66.1	(8.4)	-	57.7
Other adjustments (note 3)	(4.3)	-	1.6	(1.3)	(4.0)	7.7	(27.9)	(24.2)
Operating profit/(loss)	16.4	55.4	1.6	(11.3)	62.1	(0.7)	(27.9)	33.5
Investment income	-	1.3	-	0.5	1.8	0.4	-	2.2
Finance costs	(1.1)	(19.5)	-	(6.3)	(26.9)	(0.1)	-	(27.0)
Profit/(loss) before tax	15.3	37.2	1.6	(17.1)	37.0	(0.4)	(27.9)	8.7
Tax								(7.3)
Profit after tax								1.4

1 *Group items comprise central management and other items.*
2 *Adjusted EBITDA is adjusted operating profit less capital grant amortisation plus depreciation plus software amortisation.*

4 Business segments information (continued)

Balance sheet at 25 March 2023	Total assets £m	Total liabilities £m	Net assets/(liabilities) £m
Greyhound retained	**79.8**	**(101.6)**	**(21.8)**
First Bus	**775.5**	**(263.6)**	**511.9**
First Rail	**2,460.4**	**(1,092.1)**	**1,368.3**
	3,315.7	**(1,457.3)**	**1,858.4**
Group items	**251.5**	**(89.4)**	**162.1**
Borrowings and cash	**791.4**	**(2,067.0)**	**(1,275.6)**
Taxation	**47.0**	**(41.7)**	**5.3**
Total	**4,405.6**	**(3,655.4)**	**750.2**
Greyhound (held for sale)	**0.6**	**-**	**0.6**
Grand total	**4,406.2**	**(3,655.4)**	**750.8**

Segment assets and liabilities are determined by identifying the assets and liabilities that relate to the business of each segment but excluding intercompany balances, borrowings and cash and taxation.

5 Investment income and finance costs

	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 £m
Investment income		
Bank interest receivable	**(9.5)**	(2.2)
Interest on pensions	**(1.5)**	-

Total investment income (including discontinued operations)	**(11.0)**	(2.2)
Finance costs		
Bonds	**6.5**	6.9
Bank interest and facility fees	**3.2**	1.6
Finance charges payable in respect of lease liabilities	**27.8**	20.0
Finance charges payable in respect of asset backed financial liabilities	**0.6**	0.7
Interest on long term provisions	**-**	0.5
Interest on pensions	**-**	(2.8)
Interest - other	**-**	0.1
Total finance costs (including discontinued operations)	**38.1**	27.0
Total finance costs	**38.1**	27.0
Investment income	**(11.0)**	(2.8)
Net finance costs (including discontinued operations)	**27.1**	24.8

Investment income relating to discontinued operations was £nil (H1 2023: £(0.4)m) and finance costs relating to discontinued operations were £nil (H1 2023: £0.1m).

6 Tax on profit on ordinary activities

	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 £m
Current tax charge	**0.7**	0.5
Deferred tax (credit)/charge	**(17.9)**	6.8
Total tax (credit)/charge (including discontinued operations)	**(17.2)**	7.3
Tax (credit)/charge attributable to:		
(Loss)/profit from continuing operations	**(17.2)**	5.1
Profit from discontinued operations	**-**	2.2

The tax effect of the adjustments disclosed in note 3 was a credit of £35.6m in H1 2024 (H1 2023: charge of £2.0m). In addition, there were no adjustments to brought forward tax balances (H1 2023: net credit of £0.8m).

7 Earnings per share (EPS)

Basic EPS is calculated by dividing the loss attributable to equity shareholders of £(55.1)m in H1 2024 (H1 2023: £(0.6)m) by the weighted average number of ordinary shares in issue of 697.7m (H1 2023: 739.8m). The number of ordinary shares used for the basic and diluted calculations is shown in the table below.

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

	30 September 2023 number m	24 September 2022 number m
Weighted average number of shares used in basic calculation	**697.7**	739.8
Executive share options	**26.0**	24.5
Weighted average number of shares used in the diluted calculation	**723.7**	764.3

The adjusted EPS is intended to highlight the recurring results of the Group before certain other adjustments as set out in note 3, and before IFRS 16 charges relating to the Group's management fee-based Rail operations. A reconciliation is set out below:

	27 weeks to 30 September 2023		26 weeks to 24 September 2022	
	£m	**EPS (p)**	£m	EPS (p)
Basic loss / EPS	**(55.1)**	**(7.9)**	(0.6)	(0.1)
Management fee-based Rail operations – IFRS 16 adjustments	**5.3**	**0.8**	1.1	0.1
Other adjustments (note 3)	**139.7**	**20.0**	24.2	3.3
Tax effect of Other adjustments	**(35.6)**	**(5.1)**	2.0	0.3
Other adjustments to deferred tax assets	**-**	**-**	(0.8)	(0.1)
Adjusted profit and EPS attributable to the ordinary equity holders of the company	**54.3**	**7.8**	25.9	3.5
Adjusted loss from discontinued operations	**(2.2)**	**(0.3)**	(8.1)	(1.1)
Adjusted profit and EPS from continuing operations	**56.5**	**8.1**	34.0	4.6

	27 weeks to 30 September 2023 pence	26 weeks to 24 September 2022 pence
Diluted EPS	**(7.9)**	(0.1)
Adjusted diluted EPS	**7.5**	3.4

1 Adjusted diluted EPS for the prior period reflects the amended definition of adjusted earnings, where it excludes certain adjustments as set out in note 3, and before IFRS 16 charges relating to the Group's management fee-based Rail operations.

8 Goodwill and impairment of assets

	£m
Cost and carrying amount	
At 30 September 2023 and at 26 March 2023	**99.6**

Disclosures including goodwill by cash generating unit (CGU), details of impairment testing and sensitivities thereon are set out on pages 180 to 181 of the 2023 Annual Report.

At 30 September 2023, impairment testing was revisited for each of the First Bus, Hull Trains, and Lumo CGUs. For each of these, it was concluded that there had been no indicators of impairment since March 2023, therefore no adjustment was required to the carrying value of the CGUs at 30 September 2023.

9 Property, plant and equipment

Owned assets

	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost				
At 26 March 2023	213.1	753.5	711.6	1,678.2
Additions	1.5	75.4	29.5	106.4
Transfers to right of use assets	-	(2.7)	-	(2.7)
Disposals	(0.5)	(39.5)	(57.9)	(97.9)
Foreign exchange movements	-	(0.1)	-	(0.1)
At 30 September 2023	**214.1**	**786.6**	**683.2**	**1,683.9**
Accumulated depreciation and impairment				
At 26 March 2023	60.5	432.9	546.1	1,039.5
Charge for period	2.0	26.5	21.7	50.2
Disposals	(0.2)	(33.1)	(56.6)	(89.9)
Impairment	-	-	0.5	0.5
Foreign exchange movements	-	(0.1)	-	(0.1)
At 30 September 2023	**62.3**	**426.2**	**511.7**	**1,000.2**
Carrying amount				
At 30 September 2023	**151.8**	**360.4**	**171.5**	**683.7**
At 25 March 2023	152.6	320.6	165.5	638.7

9 Property, plant and equipment (continued)

Right of use assets

	Rolling stock £m	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost					
At 26 March 2023	3,781.7	71.4	51.7	8.5	3,913.3
Additions and modifications	8.2	2.3	3.8	1.5	15.8
Transfers from owned assets	-	-	2.7	-	2.7
Disposals	(221.6)	(7.4)	(0.5)	(0.1)	(229.6)
At 30 September 2023	**3,568.3**	**66.3**	**57.7**	**9.9**	**3,702.2**
Accumulated depreciation and impairment					
At 26 March 2023	2,144.7	30.9	40.3	6.4	2,222.3
Charge for period	206.5	4.3	5.3	0.7	216.8
Lease impairment	1.6	-	-	-	1.6
Disposals	(220.6)	(4.9)	(0.3)	(0.1)	(225.9)
At 30 September 2023	**2,132.2**	**30.3**	**45.3**	**7.0**	**2,214.8**
Carrying amount					
At 30 September 2023	**1,436.1**	**36.0**	**12.4**	**2.9**	**1,487.4**
At 25 March 2023	1,637.0	40.5	11.4	2.1	1,691.0

The discounted lease liability relating to the right of use assets included above is shown in note 12.

As at 30 September 2023 the Group had entered into contractual capital commitments amounting to £252.0m principally representing purchase of PCVs and TOC commitments.

Owned assets and right of use assets	Rolling stock £m	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Carrying amount					
At 30 September 2023	**1,436.1**	**187.8**	**372.8**	**174.4**	**2,171.1**
At 25 March 2023	1,637.0	193.1	332.0	167.6	2,329.7

The maturity analysis of lease liabilities is presented in note 12.

Amounts recognised in income statement	**27 weeks to 30 September 2023 £m**	26 weeks to 24 September 2022 £m
Depreciation expense on right of use assets	**216.8**	257.9
Interest expense on lease liabilities	**27.8**	20.0
Impairment charge	**1.6**	-
Expense relating to short-term leases	**0.8**	-
Expense relating to leases of low value assets	**0.1**	1.5
	247.1	279.4

10 Trade and other receivables

	30 September 2023 £m	25 March 2023 £m
Amounts due within one year (from discontinued operations)		
Contingent consideration receivable	**21.0**	72.3

Amounts due within one year (from continuing operations)	**30 September 2023 £m**	25 March 2023 £m
Trade receivables	**329.4**	386.1
Loss allowance	**(37.3)**	(49.0)
Trade receivables net	**292.1**	337.1
Other receivables	**188.0**	210.3
Amounts recoverable on contracts	**47.2**	22.5
Prepayments	**47.9**	90.8
Accrued income	**406.6**	187.6
	981.8	848.3

11 Borrowings

	30 September 2023 £m	25 March 2023 £m
On demand or within one year		
Leases (note 12)[1]	**424.7**	447.4
Asset backed financial liabilities (note 12)[2]	**8.3**	17.3
Bank overdraft	**96.4**	82.9
Loan note	**0.6**	0.6
Bond 6.875% (repayable 2024)[3]	**172.4**	6.5
Total current liabilities	**702.4**	554.7
Within one to two years		
Leases (note 12)[1]	**351.6**	381.6
Asset backed financial liabilities (note 12)[2]	**6.0**	5.9
Bond 6.875% (repayable 2024)	**-**	184.2
	357.6	571.7
Within two to five years		
Leases (note 12)[1]	**719.7**	825.9
Asset backed financial liabilities (note 12)[2]	**10.0**	12.1
	729.7	838.0
More than five years		
Leases (note 12)[1]	**33.0**	93.7
Asset backed financial liabilities (note 12)[2]	**7.8**	8.9
	40.8	102.6
Total non-current liabilities	**1,128.1**	1,512.3

1 *The right of use assets relating to lease liabilities are shown in note 9. The maturity analysis of lease liabilities is presented in note 12.*
2 *The maturity analysis of asset backed financial liabilities is presented in note 12.*
3 *Includes £0.4m of accrued interest (FY 2023: £6.5m of accrued interest).*

12 Lease liabilities and asset backed financial liabilities

The Group had the following lease liabilities at the balance sheet dates:

Lease liabilities	30 September 2023 £m	25 March 2023 £m
Due in less than one year	**472.9**	503.1
Due in more than one year but not more than two years	**386.0**	421.5
Due in more than two years but not more than five years	**759.5**	878.8
Due in more than five years	**43.3**	105.0
	1,661.7	1,908.4
Less future financing charges	**(132.7)**	(159.8)
	1,529.0	1,748.6
Comprising:		
Lease liabilities – Rail	**1,492.2**	1,711.2
Lease liabilities – non-Rail	**36.8**	37.4

The Group had the following asset backed financial liabilities at the balance sheet dates:

Asset backed financial liabilities	30 September 2023 £m	25 March 2023 £m
Due in less than one year	**8.6**	17.9
Due in more than one year but not more than two years	**6.4**	6.3
Due in more than two years but not more than five years	**11.4**	13.7
Due in more than five years	**9.6**	10.9
	36.0	48.8
Less future financing charges	**(3.9)**	(4.6)
	32.1	44.2
Comprising:		
Asset backed financial liabilities – non-Rail	**32.1**	44.2
Asset backed financial liabilities – Rail	**-**	-

13 Financial instruments

Non-derivative financial instruments

	30 September 2023 £m	25 March 2023 £m
Total non-derivatives		
Total non-current assets	**97.2**	117.6
Total assets	**97.2**	117.6

Certain pension partnership structures were implemented during 2022. These structures involved the creation of special purpose vehicles (SPVs) to hold cash to fund the Bus and Group pension schemes, if required, based on a designated funding mechanism. Management have concluded that these amounts represent financial assets under IAS 32.

Derivative financial instruments

	30 September 2023 £m	25 March 2023 £m
Derivatives designated and effective as hedging instruments carried at fair value		
Non-current assets		
Fuel derivatives (cash flow hedge)	**2.0**	-
Currency forwards (cash flow hedge)	**0.2**	0.1
	2.2	0.1
Current assets		
Fuel derivatives (cash flow hedge)	**6.0**	3.3
Currency forwards (cash flow hedge)	**0.8**	4.1
	6.8	7.4
Current liabilities		
Fuel derivatives (cash flow hedge)	**1.5**	2.6
Currency forwards (cash flow hedge)	**0.9**	-
	2.4	2.6
Non-current liabilities		
Currency forwards (cash flow hedge)	**-**	0.1
Fuel derivatives (cash flow hedge)	**0.6**	1.8
	0.6	1.9

Fair value of the Group's financial assets and financial liabilities (including trade and other receivables and trade and other payables) on a continuing basis:

					30 September 2023
				Fair value	**Carrying value**
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	**Total £m**
Financial assets and derivatives					
Trade and other receivables	**-**	**783.2**	**-**	**783.2**	**783.2**
Contingent consideration receivable	**-**	**21.0**	**-**	**21.0**	**21.0**
Derivative financial instruments	**-**	**9.0**	**-**	**9.0**	**9.0**
Financial liabilities and derivatives					
Borrowings[1]	**0.6**	**1,733.1**	**-**	**1,733.7**	**1,734.1**
Trade and other payables	**-**	**1,295.9**	**-**	**1,295.9**	**1,295.9**
Derivative financial instruments	**-**	**3.0**	**-**	**3.0**	**3.0**

					25 March 2023
				Fair value	Carrying value
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Total £m
Financial assets and derivatives					
Trade and other receivables	-	596.2	-	596.2	596.2
Contingent consideration receivable	-	72.3	-	72.3	72.3
Derivative financial instruments	-	7.5	-	7.5	7.5
Financial liabilities and derivatives					
Borrowings[1]	0.6	1,984.1	-	1,984.7	1,984.1
Trade and other payables	-	1,198.3	-	1,198.3	1,198.3
Derivative financial instruments	-	4.5	-	4.5	4.5

[1] *Includes lease liabilities as set out in note 12.*

13 Financial instruments (continued)

The estimated fair value of cash and cash equivalents, short term trade and other receivables and short term trade and other payables is a reasonable approximation to the carrying value of these items.

Level 1: Quoted prices in active markets for identical assets and liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Inputs for the asset or liability that are not based on observable market data.

There were no transfers between Level 1 and Level 2 during the current or prior year.

14 Provisions

	Insurance claims £m	Legal and other £m	Total £m
At 26 March 2023	**129.9**	**81.2**	**211.1**
Charged to the income statement	**6.6**	**7.0**	**13.6**
Utilised in the period	**(21.6)**	**(7.4)**	**(29.0)**
Transferred from accruals	**-**	**1.7**	**1.7**
Disposed	**-**	**(5.2)**	**(5.2)**
Foreign exchange movements	**0.3**	**0.1**	**0.4**
At 30 September 2023	**115.2**	**77.4**	**192.6**
Current liabilities	**40.2**	**35.6**	**75.8**
Non-current liabilities	**75.0**	**41.8**	**116.8**
At 30 September 2023	**115.2**	**77.4**	**192.6**
Current liabilities	45.5	40.4	85.9
Non-current liabilities	84.4	40.8	125.2
At 25 March 2023	129.9	81.2	211.1

The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next four years although certain liabilities in respect of lifetime obligations of £1.3m in H1 2024 (full year 2023: £1.3m) can extend for more than 25 years. The utilisation of £21.6m in H1 2024 (full year 2023: £37.1m) represents payments made largely against the current liability of the preceding year as well as the settlement of certain large aged claims.

The insurance claims provisions contain £59.7m in H1 2024 (full year 2023: £73.3m) which is recoverable from insurance companies and is included within other receivables in note 10.

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

15 Called up share capital

	30 September 2023 £m	25 March 2023 £m
Allotted, called up and fully paid		
750.7m ordinary shares of 5p each (25 March 2023: 750.6m)	**37.5**	37.5

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

On 16 December 2022, the Company announced a share buyback programme to purchase up to £75m of ordinary shares. This programme completed on 3 August 2023 having repurchased 63,868,786 shares for a total consideration of £75.5m including transaction costs.

On 8 June 2023, the Company announced a share buyback programme to purchase up to £115m of ordinary shares. At 30 September 2023, the Company had repurchased 15,438,871 shares for a total consideration of £23.5m including transaction costs.

As at 30 September 2023, £75.5m has been deducted from retained earnings in respect of shares and directly associated transaction costs relating to the £75m share buyback programme. A further £115.8m has been deducted from retained earnings in respect of the shares already purchased, directly associated transaction costs and the remaining commitment to purchase up to £115m of ordinary shares relating to the second share buyback programme.

The directors have declared an interim dividend of 1.5p per ordinary share in respect of the period ended 30 September 2023, totalling approximately £10m.

16 Net cash from operating activities

	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 (restated) £m
Operating (loss)/profit from:		
Continuing Operations	**(41.4)**	62.1
Discontinued Operations	**0.1**	(28.6)
Total Operations	**(41.3)**	33.5
Adjustments for:		
Depreciation charges	**266.8**	344.6
Capital grant amortisation	**(25.1)**	(67.1)
Software amortisation charges	**2.1**	4.3
Loss on disposal of subsidiaries	**-**	3.7
Impairment charges	**2.1**	-
Share-based payments	**6.6**	1.6
Profit on disposal of property, plant and equipment	**(0.9)**	(8.0)
Operating cash flows before working capital and pensions	**210.3**	312.6
Decrease/(increase) in inventories	**0.6**	(2.6)
Increase in receivables	**(131.7)**	(95.8)
Increase/(decrease) in payables due within one year	**56.2**	(64.1)
Decrease in contingent consideration receivable	**-**	27.9
Decrease in financial assets	**23.7**	-
Decrease in provisions due within one year	**(9.3)**	(14.2)
(Decrease)/increase in provisions due over one year	**(9.5)**	6.0
Settlement of foreign exchange hedge	**(1.1)**	(1.8)
Aberdeen Local Government Pension Scheme refund	**-**	11.8
Defined benefit pension payments lower than/(greater than) income statement charge	**113.1**	(0.7)
Cash generated by operations	**252.3**	179.1
Tax paid	**(1.5)**	(0.4)
Interest paid[1]	**(39.4)**	(35.0)
Net cash from operating activities	**211.4**	143.7

1 Interest paid includes £27.8m relating to lease liabilities (H1 2023: £20.0m).

As disclosed in the Group's 2023 Annual Report, during 2023 management reassessed the classification of cash flows in relation to capital grants received from the Department for Transport and Transport for Scotland, which had previously been reported within net cash from operating activities. As these grants typically relate to the funding of capital investment by the Group, management concluded that these cash flows represented investing activities, rather than operating activities, and accordingly have restated the cash flow for an inflow of £70.6m for the 26 weeks to 24 September 2022.

17 Analysis of changes in net debt – adjusted cash flow

	At 26 March 2023 £m	Cash flow £m	Foreign Exchange £m	Other £m	**At 30 September 2023 £m**
Components of financing activities:					
Bonds	(184.2)	**12.2**	**-**	**-**	**(172.0)**
Lease liabilities[1]	(1,748.6)	**234.4**	**-**	**(14.8)**	**(1,529.0)**
Asset backed financial liabilities	(44.2)	**12.1**	**-**	**-**	**(32.1)**
Other debt	(0.6)	**-**	**-**	**-**	**(0.6)**
Total components of financing activities	(1,977.6)	**258.7**	**-**	**(14.8)**	**(1,733.7)**
Cash	421.8	**(42.8)**	**(0.8)**	**-**	**378.2**
Bank overdrafts	(82.9)	**(13.3)**	**-**	**(0.2)**	**(96.4)**
Ring-fenced cash	369.6	**(62.3)**	**-**	**-**	**307.3**
Cash and cash equivalents	708.5	**(118.4)**	**(0.8)**	**(0.2)**	**589.1**
Net debt	**(1,269.1)**	**140.3**	**(0.8)**	**(15.0)**	**(1,144.6)**

1 Lease liabilities 'Other' includes £14.8m net inception of new leases.

18 Retirement benefit schemes

The Group supports defined contribution (DC) and defined benefit (DB) schemes for the benefit of employees across the following business areas:

- UK Bus and Group - including The First UK Bus Pension Scheme, The FirstGroup Pension Scheme and two Local Government Pension Schemes
- North America - legacy schemes from operations which have now been sold
- Rail - sponsoring four sections of the Railways Pension Scheme (RPS) relating to the Group's obligations for its TOCs, with an additional section for its Open Access Hull Trains business. Since the obligations to the TOC arrangements are considered to be limited to contributions during the period of the contract, these are fundamentally different to the obligations to the other pension arrangements.

Each of these groups of arrangements have therefore been shown separately. The scheme details are described on pages 211 to 219 of the Annual Report and Accounts for the 52 weeks ended 25 March 2023.

(a) UK Bus and Group (including Hull Trains)

A consultation on terminating participation in the two Local Government Pension Schemes (LGPS) was undertaken during the period. On 29 September 2023, the Group gave notice of its intention to terminate the participation of the relevant First Bus subsidiaries in these schemes on 31 October 2023. An adjusting income statement expense for settlement charges and related costs of £142.3m has been recognised, with a gain of £160.4m recognised in Other comprehensive income in relation to the restricted accounting surplus.

The termination of participation will remove £556.0m and £157.1m of obligations and £691.6m and £162.9m of assets (based on conditions at 30 September 2023) from the Group's balance sheet for the Greater Manchester and Aberdeen schemes respectively during FY 2024.

From a cash perspective, it is expected that there are no payments required in relation to the exit from the Greater Manchester LGPS fund, while a payment of £21.9m is expected to be made from the Aberdeen LGPS fund to the Group.

The closure to accrual and previously held irrecoverable surplus amounts are recognised within the settlement charge disclosed below. Final values will be recognised at the FY 2024 year end to reflect the values of assets and obligations at 31 October 2023.

The table below is set out to show amounts charged/(credited) to the condensed consolidated income statement along with the amounts included in the condensed consolidated balance sheet arising from the fair value of schemes' assets (Assets) and the present value of defined benefit obligations (DBO) (Liabilities) for the UK Bus, Group and Hull Trains DB schemes:

Income statement	**27 weeks to 30 September 2023 £m**	26 weeks to 24 September 2022 £m
Operating		
– Current service and administration cost	**2.2**	4.1
– Past service gain including curtailments	**(5.1)**	-
– Settlement charge in relation to LGPS participation termination	**141.4**	-
Total operating	**138.5**	4.1

Interest income	**(1.4)**	(3.0)
Total income statement	**137.1**	1.1

18 Retirement benefit schemes (continued)

Balance sheet	30 September 2023 £m	25 March 2023 £m
Fair value of scheme assets	**1,110.6**	2,166.9
Present value of defined benefit obligations	**(1,092.5)**	(1,972.5)
Surplus before adjustment	**18.1**	194.4
Impact of shared cost	**(0.5)**	(0.3)
Adjustment for irrecoverable surplus[1]	**-**	(156.7)
Surplus in schemes	**17.6**	37.4
The amount is presented in the condensed consolidated balance sheet as follows:		
Non-current assets	**28.3**	44.6
Non-current liabilities	**(10.7)**	(7.2)
	17.6	37.4

1 *The irrecoverable surplus in the prior year represented the amount of the surplus that the Group could not recover through reducing future Company contributions to LGPS.*

The balances in the table above at 30 September 2023 exclude the fair value of scheme assets and present value of defined benefit obligations relating to the LGPS arrangements, following termination of participation in these schemes. If the LGPS arrangements were to be included in the table, the fair value of scheme assets would be £1,965.0m, and the present value of defined benefit obligations would be £(1,947.0)m.

(b) North America

Greyhound pension arrangements

The Group has retained certain responsibilities for the provision of retirement benefits for some legacy schemes.

The Group operates a single legacy DB arrangement in the US, while in Canada, there is a single legacy plan with a DB and DC section and a small unfunded supplementary executive retirement plan (SERP).

On 6 July 2023, the Greyhound Employees Retirement Income Plan (‘the Canadian Scheme’) was fully bought-in with an insurer (i.e. a bulk annuity policy was purchased in respect of all members of the Canadian Scheme). There are two items in the financial statements as a result of the annuitisation of the Canadian Greyhound Plan – the transaction itself and the requirement to distribute surplus to members. The buy-in transaction resulted in an investment gain of C$14.3m, reflected in the OCI; the surplus distribution has been valued at C$15.8m and has been reflected in the OCI as a change in assumption. The obligations remain on the Group’s balance sheet.

In the US, the Group conducted both a lump sum exercise and partial buy-out for the plan. Under the lump sum exercise, certain members of the plan were offered the opportunity to convert their pension into a lump sum, resulting in an income statement charge of US$0.1m. The partial buy-out was completed on 24 August and removed US$71.3m of obligations and US$71.7m of assets from the Group’s balance sheet, resulting in an income statement charge of US$0.4m. Both of these transactions for the Greyhound ATU plan resulted in costs of US$0.5m (£0.4m in the table below) being recognised.

The table below is set out to show amounts charged/(credited) to the condensed consolidated income statement along with the amounts included in the condensed consolidated balance sheet arising from the fair value of schemes' assets (Assets) and the present value of DBO (Liabilities) for the North American DB schemes:

Income statement	27 weeks to 30 September 2023 £m	26 weeks to 24 September 2022 £m
Operating		
– Current service and administration cost	**1.3**	0.9
– Past service charge including curtailments and settlements	**0.4**	-
Total operating	**1.7**	0.9
Interest (income)/cost	**(0.1)**	0.2
Total income statement	**1.6**	1.1

Balance sheet	30 September 2023 £m	25 March 2023 £m
Fair value of schemes' assets	**273.0**	366.8
Present value of defined benefit obligations	**(285.0)**	(369.5)
Deficit before adjustment	**(12.0)**	(2.7)
Opening irrecoverable surplus	**-**	(14.6)
Change in irrecoverable surplus	**-**	7.0
Currency loss on irrecoverable surplus	**-**	0.8
Deficit in schemes	**(12.0)**	(9.5)

The amount is presented in the condensed consolidated balance sheet as follows:		
Non-current assets	**-**	-
Non-current liabilities	**(12.0)**	(9.5)
	(12.0)	(9.5)

18 Retirement benefit schemes (continued)

First Transit management contracts

The Group retained ten First Transit Management Contracts following the sale of First Transit in 2021. As at the balance sheet date, the Group had ceased to sponsor any Transit Management pension arrangements following the expiry of the last remaining contracts.

Details of the assets and liabilities of these schemes are as follows:

	30 September 2023 £m	25 March 2023 £m
Assets	**-**	14.0
Liabilities	**-**	(21.8)
Deficits in schemes	**-**	(7.8)
Amounts recoverable from contracting authorities	**-**	7.8
Net deficits in schemes	**-**	-

(c) Rail contracts

The Railways Pension Scheme (RPS)

The Group is responsible for collecting and paying contributions for a number of sections of the Railways Pension Scheme (RPS) as part of its obligations under the contracts which it holds for its TOCs. These responsibilities continue for the periods of the TOCs and are passed to future contract holders when those TOCs terminate. Management of the RPS is not the responsibility of the Group, nor is it liable to benefit from any future surplus or fund any deficit of those funds.

The Group currently sponsors four sections of the RPS, relating to its contracting obligations for its TOCs. The RPS is managed by the Railways Pension Trustee Company Limited, and is subject to regulation from the Pensions Regulator and relevant UK legislation. The RPS is a shared cost arrangement. All costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. For the TOC sections, under the contractual arrangements with the DfT, the employer's responsibility is to pay the contributions following triennial funding valuations while it operates the contracted services. These contributions are subject to change on consideration of future statutory valuations. At the end of the franchise, any deficit or surplus in the scheme section passes to the subsequent train operating company with no compensating payments from or to the outgoing TOC.

The statutory funding valuations of the various Rail Pension Scheme sections in which the Group is involved (last finalised with an effective date of 31 December 2013) and the IAS 19 actuarial valuations are carried out for different purposes and may result in materially different results. The IAS 19 valuation is set out in the disclosures below. The accounting treatment for the time-based risk-sharing feature of the Group's participation in the RPS is not explicitly considered by IAS 19 Employee Benefits (Revised). The contributions currently committed to being paid to each TOC section are lower than the share of the service cost (for current and future service) that would normally be calculated under IAS 19 (Revised) and the Group does not account for uncommitted contributions towards the sections' current or expected future deficits. Therefore, the Group does not need to reflect any deficit on its balance sheet. A TOC adjustment (asset) exists that exactly offsets any section deficit that would otherwise remain after reflecting the cost sharing with the members. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current franchise and committed contributions. The TOC adjustment on the balance sheet date reflects the extent to which the Group is not currently committed to fund the deficit.

The table below is set out to show amounts charged/(credited) to the condensed consolidated income statement along with the amounts included in the condensed consolidated balance sheet arising from the fair value of schemes' assets (Assets) and the present value of defined benefit obligations (DBO) (Liabilities) for the TOC defined benefit schemes:

Income statement	**27 weeks to 30 September 2023 £m**	26 weeks to 24 September 2022 £m
Operating		
– Current service cost	**39.3**	69.6
– Administrative cost	**1.7**	0.7
– Impact of franchise adjustment on operating cost	**(13.8)**	(43.7)
Total operating	**27.2**	26.6
Interest cost	**0.6**	9.0
Impact of franchise adjustment on net interest income	**(0.6)**	(9.0)
Total income statement	**27.2**	26.6

18 Retirement benefit schemes (continued)

Balance sheet	**30 September 2023 £m**	25 March 2023 £m
Fair value of schemes' assets	**3,454.8**	3,684.3
Present value of defined benefit obligations	**(3,317.7)**	(3,814.5)
Surplus/(deficit) before adjustment	**137.1**	(130.2)
Franchise adjustment (60%)	**(82.3)**	78.1
Adjustment for employee share of RPS deficits (40%)	**(54.8)**	52.1
Surplus in schemes	**-**	-

(d) Valuation assumptions
The valuation assumption used for accounting purposes have been made uniform to Group standards, as appropriate, when each scheme is actuarially valued.

The key assumptions were as follows:

	30 September 2023			25 March 2023		
	First Bus %	**First Rail %**	**North America %**	First Bus %	First Rail %	North America %
Key assumptions used:						
Discount rate	**5.50**	**5.35**	**5.67 - 5.82**	4.67 - 4.69	4.80	4.66 - 4.92
Expected rate of salary increases	**3.70**	**3.20**	**n/a**	3.51	3.22	n/a
Inflation – CPI	**2.70**	**2.70**	**2.00**	2.51 - 2.56	2.72	2.00
Future pension increases	**2.70**	**2.70**	**n/a**	2.53	2.72	n/a
Post-retirement mortality (life expectancy in years)						
Current pensioners at 65:	**19.3**	**20.7**	**19.7 - 21.6**	19.4	20.7	19.7 - 21.6
Future pensioners at 65 aged 45 now:	**19.7**	**22.2**	**21.3 - 22.6**	19.8	22.2	21.3 - 22.6

19 Contingent liabilities

To support subsidiary undertakings in their normal course of business, the FirstGroup plc and certain subsidiaries have indemnified certain banks and insurance companies who have issued performance bonds for £59.9m (25 March 2023: £55.0m) and letters of credit for £170.4m (25 March 2023: £169.9m). The performance bonds primarily relate to First Rail franchise operations of £56.7m and residual North American obligations of £3.3m. The letters of credit relate substantially to insurance arrangements in the UK and North America. The parent company has committed further support facilities of up to £103.4m to First Rail Train Operating Companies of which £78.5m remains undrawn. Letters of credit remain in place to provide collateral for legacy Greyhound insurance and pension obligations.

The Group is party to certain unsecured guarantees granted to banks for overdraft and cash management facilities provided to itself and subsidiary undertakings. The Company has given certain unsecured guarantees for the liabilities of its subsidiary undertakings arising under certain HP contracts, finance leases, operating leases and certain pension scheme arrangements. It also provides unsecured cross guarantees to certain subsidiary undertakings as required by VAT legislation. First Bus subsidiaries have provided unsecured guarantees on a joint and several basis to the Trustees of The First Bus Pension Scheme. Two of the Company's North American subsidiaries participated in multi-employer pension plans in which their contributions were pooled with the contributions of other contributing employers. The funding of those plans is reliant on the ongoing involvement of third parties.

In its normal course of business the Group has ongoing contractual negotiations with Government and other organisations. The Group is party to legal proceedings and claims which arise in the normal course of business, including but not limited to employment and safety claims. The Group takes legal advice as to the likelihood of success of claims and counterclaims. No provision is made where due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings can be determined.

The Group's operations are required to comply with a wide range of regulations, including environmental and emissions regulations. Failure to comply with a particular regulation could result in a fine or penalty being imposed on that business, as well as potential ancillary claims rooted in non-compliance.

19 Contingent liabilities (continued)

First MTR South Western Trains Limited ('FSWT'), a subsidiary of the Company and the operator of the South Western railway contract, is a defendant to collective proceedings before the UK Competition Appeal Tribunal (the 'CAT') in respect of alleged breaches of UK competition law. Stagecoach South Western Trains Limited ('SSWT') (the former operator of the South Western network) is also a defendant to these proceedings. Separate sets of proceedings have been issued against London & South Eastern Railway Limited and related entities ('LSER') and against Govia Thameslink Railway Limited and related entities ('GTR') in respect of the operation of other rail services. The three sets of proceedings are being heard together. The class representative ('CR') alleges that FSWT, SSWT, LSER and GTR breached their obligations under UK competition law by not making boundary fares sufficiently available for sale, and/or by failing to ensure that customers were aware of the existence of boundary fares and/or bought an appropriate fare in order to avoid being charged twice for part of a journey. A collective proceedings order ('CPO') has been made by the CAT in respect of the proceedings. 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. In March 2022, FSWT, the Company and the CR executed an undertaking under which the Company has agreed to pay to the CR any sum of damages and/or costs which FSWT fails to pay, and which FSWT is legally liable to pay to the CR in respect of the claims (pursuant to any judgment, order or award of a court or tribunal), including any sum in relation to any settlement of the claims.

20 Related party transactions

There are no related party transactions or changes since the Group's 2023 Annual Report which could have a material effect on the Group's financial position or performance of the Group in the 27 weeks to 30 September 2023.

21 Events after the reporting period

- On 19 September, the Group announced it had agreed a new National Rail Contract (NRC) with the Department for Transport (DfT) for the West Coast Partnership. The new NRC commenced on 15 October 2023 with a duration of nine years, including a core minimum three-year term to 18 October 2026.
- In September, First Bus concluded a period of consultation with regards to its two Local Government Pension Funds and subsequently terminated its participation in these funds on 31 October, with affected employees enrolled into the First Bus Retirement Savings Plan. Adjusting charges of £142.3m were recognised in the period for the settlement charge and related termination costs. A gain of £160.4m was recognised in Other comprehensive income in relation to the restricted accounting surplus.
- On 19 October, the Group completed the buy-out of the 6% non-controlling interest in Leicester CityBus Limited for consideration of £3.1m.
- On 17 November, the Group announced it had agreed a strategic partnership with Hitachi as part of the Group's bus fleet and infrastructure decarbonisation programme. The Group and Hitachi have each committed a cash investment of £10m into the strategic partnership.

Responsibility statement

The directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first 27 weeks and their impact on the half yearly results, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and
- material related-party transactions in the first 27 weeks and any material changes in the related-party transactions described in the last annual report.

The Directors of FirstGroup plc are listed on the Group's website at www.firstgroupplc.com.

Graham Sutherland
Chief Executive Officer
23 November 2023

Ryan Mangold
Chief Financial Officer
23 November 2023

Independent review report to FirstGroup plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed FirstGroup plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half-Yearly Report of FirstGroup plc for the 27 week period ended 30 September 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Balance Sheet as at 30 September 2023;
- the Condensed Consolidated Income Statement for the period then ended;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half-Yearly Report of FirstGroup plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half-Yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half-Yearly Report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half-Yearly Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half-Yearly Report, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half-Yearly Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Watford
23 November 2023