Stagecoach Group Annual Report and Financial Statements 2024

Stagecoach

Strategic and operational highlights

- Implementation of simpler, leaner organisational structure completed
  - Appointment of Claire Miles as Chief Executive Officer effective October 2023
- Growth in regional passenger demand with a 4.9% increase in regional bus passenger journeys, underpinned by supportive government policy through the £2 bus fare cap in England
- Successful mobilisation of Transport for Greater Manchester franchise contracts in March 2024 with further contract awarded for January 2025
- Positioned to accelerate the electrification of our fleet, with successful funding applications through the second phase of the Zero Emission Bus Regional Areas ("ZEBRA2") programme, which will see us participating in eleven projects to deploy 367 electric buses across England

Financial highlights

- Strong financial results reflecting business initiatives and continued strength of regional bus operations mitigating impact of inflationary cost pressures, with substantial increase in adjusted operating profit from continuing operations to £97.5m
- Revenue from regional bus operations grew by 17.1% to £1,206.1m in the year ended 27 April 2024 compared to the prior year
- Net debt increased by £153.8m from £241.1m at 29 April 2023 to £394.9m as at 27 April 2024 reflecting net capital expenditure of £166.0m in the year, as we advance the transition of our bus fleet to zero emission vehicles

Financial summary

	"Adjusted" results Results excluding separately disclosed items*		**"Statutory" results**	
CONTINUING OPERATIONS	**2024 £m**	2023 (restated)** £m	**2024 £m**	2023 (restated)** £m
Revenue	**1,570.3**	1,357.4	**1,570.3**	1,357.4
Total operating profit	**97.5**	73.4	**97.3**	44.4
Net finance costs	**(3.0)**	(22.1)	**(7.6)**	(21.5)
Profit before taxation	**94.5**	51.3	**89.7**	22.9

* See definitions in note 33 to the consolidated financial statements.

** Restatement relates to rail operations being treated as discontinued, following the end of the Sheffield Supertram concession in March 2024.

Contents

1. Strategic report

1.1 Introduction

Stagecoach Group Limited (the "Company") is the parent company of a group of companies (the "Group") principally involved in the sale and operation of passenger transport services. The Directors of Stagecoach Group Limited (the "Directors") are pleased to present their report on the Group for the year ended 27 April 2024.

This section contains the Strategic report, which includes the information that the Group is required to produce to meet the need for a strategic report in accordance with the Companies Act 2006. The Directors' report is set out in section 2.

This Strategic report is a consolidated report relating to the Group as a whole. It includes matters relating to the Company and its subsidiary undertakings.

1.2 Cautionary statement

This Strategic report has been prepared for the shareholders of the Company, as a body, and for no other persons. Its purpose is to inform shareholders of the Company and to help them assess how the Directors have performed their duty to promote the success of the Company. This Strategic report contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic, regulatory, policy and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this Strategic report will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation.

1.3 Overview

Introduction

We have delivered another positive set of financial results for the year ended 27 April 2024 as we work in partnership with national and local government to maximise the opportunities from public transport for consumers and the country while navigating the current economic environment.

UK Bus (regional operations)

Our services are central to delivering economic growth, social equity and objectives around improved air quality and decarbonisation. This is reflected in the continued government investment in buses, in particular, as we transition to a net zero future.

Bus services continue to benefit from a supportive policy environment from national and local government. In England, recovery funding expired at the end of June 2023 and has been replaced by an enhanced operating grant, with forward visibility until the end of March 2025. Further funding has also been allocated to local authorities to support commercial and tendered bus services over the same period. Since its launch in January 2023, the £2 bus fare cap scheme has driven an increase in bus patronage, particularly from existing bus users, and the scheme has now been extended until December 2024. In Scotland, the under-22 concessionary scheme continues to support increased patronage, offsetting suppressed demand within the old age and disabled concessionary scheme. In Wales, the Bus Emergency Scheme and successor arrangements provided funding through to 31 March 2024.

During the year, the Department for Transport launched the second phase of the Zero Emission Bus Regional Areas ("ZEBRA2") programme in England, with up to £129m of funding available to support the introduction of zero emission buses, while the Scottish Government launched the second phase of the Scottish Zero Emission Bus Challenge Fund ("ScotZEB2"). We were delighted with successful funding applications through the second phase of the ZEBRA2 programme in England, which will see us participating in eleven projects which will see funding support to introduce 367 zero emission vehicles (and associated depot infrastructure) across our business over the next two years, accelerating the electrification of our fleet. We await the results of our ScotZEB2 applications.

We believe franchising presents an attractive growth opportunity for our regional bus business, and we were pleased with the announcement that we had been awarded the Stockport contract from Transport for Greater Manchester ("TfGM") under its new franchising system. Combined with the existing contracts at Middleton, Oldham and Queens Road depots that commenced in March 2024, the addition of the Stockport depot confirms we will maintain a long-term, contracted business of scale in the city, once it fully transitions to the franchised model in January 2025.

UK Bus (London)

Similar to the experience of other operators, trading in our London bus operations has been challenging with the losses incurred in the year reflecting the impact of elevated levels of staff turnover and staff shortages and associated upward wage pressure. The financial performance of the UK Bus (London) business is influenced by various different factors, notably the retention rate when bidding for Transport for London contract tenders; cost and availability of staff; and impact of traffic levels on service performance (levels of lost mileage and Quality Incentive Contract income performance). Road works and traffic congestion are a continuing challenge for operators in the London market, which is adversely affecting service delivery. Engagement is ongoing with Transport for London on these issues. We are seeing improvements in profitability as we re-tender contracts, benefit from lagged inflationary increases in contract revenues and continue to improve our staff recruitment and retention.

Macro-economic factors

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

Our proactive steps to manage labour shortages in the UK economy has also resulted in a more reliable level of service for customers. During the year we have recruited and trained more than 5,000 new bus drivers to protect our services. We remain grateful for the huge commitment and professionalism of our people who are delivering services safely in our communities day in, day out.

Operational structure

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

1. Strategic report (continued)

Financial results

For the year ended 27 April 2024, revenue from continuing operations grew to £1,570.3m (2023 restated: £1,357.4m) and adjusted total operating profit grew to £97.5m (2023 restated: £73.4m). Revenue excludes COVID-19 grant income from government, which is reported as other operating income. The growth in revenue reflects a continuation of recovering passenger demand across our regional bus and coach services, impact of favourable pricing and the effect of the new London businesses acquired in the prior year. The growth in adjusted total operating profit in the period is principally attributable to the strong recovery in profitability at our regional bus operations, with our improved service delivery supporting higher passenger demand. Unadjusted operating profit was £97.3m (2023: £44.4m), with the increase due to non-recurring separately disclosed gains in the current year and significant transaction costs reported in the prior year related to the two offers to acquire the Company.

During the year, net debt increased from £241.1m to £394.9m, reflecting record levels of capital investment to support the transition of our bus fleet to zero emission vehicles, commencement of our Manchester franchise contracts and distributions to shareholders, partly offset by underlying cash generation.

Dividend

In light of the Group's substantial available liquidity and its continued strong recovery in financial performance and position, the Board has proposed and paid dividends of £85.0m in respect of the year ended 27 April 2024. This dividend also reflects the one-off cash receipts the Group has received following the sale of its depots in Manchester to Transport for Greater Manchester pursuant to its franchising programme.

The Board takes account of the Group performance, financial position and prospects when setting dividends. It does not have a prescribed formula for determining each year's dividends, other than the desire to maintain sufficient liquidity to fund available capital expenditure and growth opportunities, taking into account expected cash flow from the business together with the ongoing commitment to seek to maintain an investment grade credit rating.

Outlook

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

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

We are confident that our strong financial position and our continuing momentum means that we can deliver further benefits to our customers, employees, investors and wider stakeholders.

Summary of financial results

Revenue from continuing operations, by segment, is summarised below:

Revenue – continuing operations

	2024 £m	2023 restated* £m	Growth %
UK Bus (regional operations)	**1,206.1**	1,029.9	17.1%
UK Bus (London)	**364.2**	327.5	11.2%
	1,570.3	1,357.4	

Operating profit from continuing operations, split by segment, is summarised below:

Operating profit – continuing operations

Continuing Group operations	**2024 £m**	**2024 % margin**	2023 restated* £m	2023 % margin
UK Bus (regional operations)	**112.9**	**9.4%**	77.0	7.5%
UK Bus (London)	**(8.5)**	**(2.3)%**	0.4	0.1%
Group overheads	**(10.0)**		(9.5)	
Restructuring costs	**(0.2)**		(0.1)	
Operating profit before joint ventures and separately disclosed items	**94.2**		67.8	
Joint ventures – share of profit after tax				
WCT Group	**0.1**		0.2	
Citylink	**2.8**		4.8	
Crown Sightseeing	**0.4**		0.6	
Total operating profit before separately disclosed items	**97.5**		73.4	
Non-software intangible asset amortisation	**(1.1)**		(0.9)	
Other separately disclosed items				
– Continuing operations	**0.9**		(28.1)	
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	**97.3**		44.4	

* The results for the year ended 29 April 2023 have been restated for the UK Rail division being treated as discontinued operations in the year ended 27 April 2024, following the end of the Sheffield Supertram concession in March 2024.

More details on the financial results for the year are provided in section 1.5 of this Annual Report.

1.4 The Stagecoach Group

1.4.1 Overview of the Stagecoach Group and its business model

Stagecoach Group's purpose

Our purpose is to provide an essential service to the people of the UK by connecting them to the people and places that matter most, whilst delivering financial success for our owners.

We do this by providing reliable, fairly priced, easy to use bus and coach services that reflect the changing travel patterns of the communities that we serve and that contribute to the UK's decarbonisation goals.

Our goal is to be the UK's leading and preferred bus operator, with a growing market share and strong rates of return. We will achieve this goal through operational and commercial excellence, through disciplined capital investment, by upholding high ESG and professional standards and by being an employer of choice.

How we create stakeholder value

We are committed to achieving operational and commercial excellence and aim to provide a great experience to our customers and our people. Through providing reliable public transport services, we encourage customers to choose public transport over the private car and create a healthier environment for our communities. We believe that in these ways, we can create long-term sustainable value for shareholders and other stakeholders.

Stagecoach Group is a leading public transport group. The Group employs around 24,000 people and operates bus and coach services through its UK Bus (regional operations) and UK Bus (London) divisions. The Group transferred its operation of Sheffield Supertram services to South Yorkshire Mayoral Combined Authority in March 2024 and no longer operates tram services.

This section 1.4.1 summarises the Group's business model. The remaining parts of section 1.4 are also important to an understanding of our business model and we cross-reference them where appropriate.

Stagecoach Group Limited is a private limited company that is incorporated, domiciled and has its registered office in Scotland. Until 28 June 2022, the Company's ordinary shares traded on the London Stock Exchange. The Company is now owned by Inframobility UK Bidco Limited, which is indirectly owned by international investment vehicles managed and advised by DWS Infrastructure.

Throughout this Annual Report, Stagecoach Group Limited is referred to as the "Company" and the group headed by it is referred to as "Stagecoach" and/or the "Group".

Section 1.4.2 summarises our strategy and section 1.4.3 explains what we do and provides a description of each of our key business segments, markets and where appropriate, market share.

Business culture

We are committed to conducting business in a socially responsible way and we believe this to be consistent with our business objectives and strategy. By taking a responsible approach towards the environment and the wider community, we believe we will enhance our delivery of organic growth.

Our culture encourages sensible risk taking, managing risks appropriately and responding to risks that crystallise. The Group has a number of policies and procedures to ensure appropriate behaviours but these are designed to avoid stifling our agility. More information on the Group's core values and policies is provided in section 1.7.6 of this Annual Report.

We operate a relatively devolved management structure. We believe that our local managers understand the dynamics of their particular markets and are best placed to make the day-to-day operational decisions about their business. We aim to have relatively short chains of command that facilitate the effective exchange of information and enable timely decision making. Delegated authorities and other policies and procedures are in place to achieve an appropriate balance between the benefits of devolved management and the need for proportionate management of overall risk.

Sources of revenue

We have a number of revenue streams, principally arising from:

- amounts we receive from individuals or groups of individuals to travel on our transport services.
- amounts we receive from government bodies in respect of travel by individuals on our transport services – for example, in the UK, older people, people with disabilities and younger people in some parts of the country, are legally entitled to travel on our bus services at certain times free of charge but we receive revenue from government bodies in respect of that travel.
- amounts we receive from government bodies as payment to us for operating transport services under contract – for example, Transport for London pays us to run specified bus services. Any amount payable by individual passengers flows to Transport for London and our revenue would be from that authority.
- amounts we receive from corporations or others for operating transport services under contract – for example, a university might pay us to operate a bus service to shuttle students around its campus.
- subsidy we receive from government bodies to financially support the operation of transport services they consider to be socially or economically desirable.
- commissions for selling travel on other operators' transport services.
- undertaking maintenance work on other operators' vehicles.
- selling fuel to other transport operators.

We also receive other income, which may include income from:

- property rental.
- selling advertising space on vehicles and premises we operate.

Key costs and inputs

Our main tangible fixed assets are property, buses, coaches and technology. Some of the property, buses and coaches we operate are leased.

Our people are key to providing our services. Notwithstanding developments in technology, our business remains relatively labour intensive. Over half of our consolidated operating costs are staff costs. Relationships with our people and their trade unions are important to the success of the business.

1. Strategic report (continued)

Our other major operating costs are:
- diesel and electricity to fuel or power our buses and coaches.
- insurance costs and claims costs.
- materials and consumables, including replacement parts for vehicles.
- depreciation charges for the vehicles, properties and technology that we operate.

Competitive advantages

We see our key sources of competitive advantage as being:
- Our operational excellence – providing safe, reliable, good quality, value for money, customer-focused transport services.
- A long record of innovation.
- Our commercial expertise in designing transport networks, pricing our services and marketing our services.
- Our brands – our operational excellence and commercial expertise is reflected in our generally high customer satisfaction scores meaning that our key brands are well regarded in their respective markets.
- Our relationships – we view our relationships with employees, trade unions and government bodies, in particular, as key advantages to our business.
- The economies of scale of being a relatively large transport provider.

Value for other stakeholders

As well as the financial value we generate for our investors, lenders and people, we provide value to a wider group of stakeholders, including:
- Public transport offers environmental benefits versus wide-scale car usage and can contribute to efforts to reduce congestion, pollution and improve air quality, benefiting the public in general.
- Our services connect people to jobs, to education, to training, to healthcare, to leisure and to each other. We contribute to social mobility and our services can be critical for people without access to a car.
- Our business generates significant tax contributions to public finances across employee, sales, corporation, property and other taxes.
- We contribute to charities as well as providing non-financial support to charities and the communities in which we operate.

Risks

Section 1.4.5 sets out the principal risks to the achievement of our strategy and objectives.

Key performance indicators

Section 1.4.6 describes how we measure and monitor progress against our objectives and strategy, and how we are performing.

1.4.2 What we look to achieve (business objectives and long-term strategy)

Stagecoach Group's strategy

Our strategic priorities are to increase our revenue through both organic and inorganic growth, by effectively managing our cost base through investment and operational efficiencies and by fostering a relevant business culture. These priorities are underpinned by a relentless focus on safety performance and by supportive Government policies.

Safety performance

We will continue to protect the health and safety of our people, partners, customers and communities through a focus on improving our safety performance. Safety is our top priority and we will continue to invest our time, money and attention in reducing the prevalence of accidents within our business.

Customer value proposition

We will grow our revenue base by delivering a compelling customer value proposition that reflects the needs and nature of the communities that we serve, being a part of the local community and providing local employment and business opportunities. We will enhance the customer experience, making it easier to use the bus through improved customer information and through a simple fare and ticketing offering, and by making the bus feel like a convenient and modern choice.

Growth opportunities

We will also seek appropriate opportunities to grow our business through participation in public procurement for supported and franchised bus services, competing for commercial contracts and potential acquisition opportunities within UK bus and coach operations. Over the past year, Governments have continued to provide financial support for tendered and contracted services that are no longer financially viable on a purely commercial basis. In addition, a number of areas in the UK are implementing or considering implementing bus franchising. Stagecoach operates bus franchise contracts in London and Manchester and will continue to seek new franchise opportunities as new franchising schemes are implemented.

Fleet investment and decarbonisation

We will continue to invest in our fleet and facilities to drive greater operational efficiency. Stagecoach has been successful in securing Government support with our local authority and commercial partners to invest in zero emission buses and infrastructure. Deployment of new vehicles will reduce the cost of operations and offer the opportunity to increase revenue through an enhanced customer experience.

Operational efficiency

We will continue to drive operational efficiency to reduce the costs of our operations by exploiting the investment made into technology in recent years. We will also look for further opportunities to streamline and automate our business processes.

Business culture

We will foster a business culture that engages our people, supports consistent and aligned behaviours and delivers greater productivity. As a mature business, Stagecoach developed a strong business culture and we will continue to foster that culture through updated values and behaviours to guide our people to be their best. Through more aligned behaviours, we will increase productivity and improve staff retention by creating a culture that people want to work in.

Supportive Government policies

We will work in partnership with local and national Government to deliver our shared ambitions for public transport. Governments continue to support bus services through investment in operator and customer subsidies, and through capital investment in fleet and infrastructure. We will continue to work with our Government partners to inform and shape future transport policies.

1.4.3 What we do (description and strategy of each business segment)

UK Bus (regional operations)

Description	The UK Bus (regional operations) business connects communities in more than 100 towns and cities across the UK on bus networks stretching from the Highlands of Scotland to south west England. The business operates a fleet of around 6,800 buses and coaches across a number of regional operating units. Each regional operating unit is led by a managing director. In addition to local bus services in towns and cities, Stagecoach operates inter-urban services linking major towns within its regional operating company areas. Stagecoach has a joint venture (Scottish Citylink Coaches Limited) with international transport group, ComfortDelGro. The joint venture is responsible for the Scottish Citylink express coach network and megabus.com branded services to, from and within the UK. Stagecoach owns 37.5% of the share capital of Scottish Citylink Coaches Limited and ComfortDelGro owns the remaining 62.5%. The joint venture is the leading retailer of scheduled, inter-city coach services in Scotland.
Regulatory environment	The current structure of the bus market in Great Britain (outside London) was established by the Transport Act 1985 and since varied by the Bus Services Act 2017 and the Transport (Scotland) Act 2019 (see below). This is essentially a deregulated structure: any holder of a Public Service Vehicle operator's licence may operate bus services, having first registered various details with the relevant traffic commissioner. The traffic commissioners are responsible for enforcing compliance with these registered details, including standards of maintenance, reliability and punctuality. The UK Bus (regional operations) bus and coach services are generally operated on a commercial basis in a largely deregulated market. Most of the revenue is ordinarily from customers paying for their own travel by bus. The business also operates tendered services, including schools contracts, on behalf of local authorities. Pre-COVID, around 10% of the UK Bus (regional operations) revenue was receivable from local authorities in respect of such tendered and school services. In the year ended 27 April 2024, this had increased to around 13.5%. For some services, the Group receives revenue from passengers as well as tendered revenue from a local authority. Pre-COVID, around 24% of the UK Bus (regional operations) revenue was earned from statutory concessionary fare schemes, whereby the Group is reimbursed by public authorities for carrying older people and people with disabilities, at no charge to the passenger, on the same bus services that are also available to the wider public. In the year ended 27 April 2024, this had increased to around 29%. The Group would typically receive both revenue from passengers and concessionary revenue from a local authority in respect of a single bus service and in some cases, may also receive tendered revenue for the same service. Responsibility for buses in the UK is devolved. The devolved governments in Scotland and Wales have responsibility for buses in their areas. In England, outside London, the Department for Transport oversees buses but with local authorities playing an important role. The Bus Services Act 2017 provides a legislative framework to help bus operators and local authorities in England to improve local bus services. It includes several possible models for bus services: Advanced Quality Partnerships, Enhanced Partnerships and franchising. Franchising is an established model for providing bus services and is used in London and in many cities and regions across Europe. In a franchising scheme, local authorities will determine the details of the services to be provided – where they run, when they run and the standards of the services. Typically bus operators provide their services under contract to the local authority who can let whatever sort of contract it considers is appropriate. No other local bus services can operate in the franchised area without the agreement of the franchising authority. The Transport (Scotland) Act 2019 provides the legislative framework for bus franchising in Scotland and the Scottish Parliament has passed the necessary secondary legislation during 2023 to enable franchising schemes to be progressed.
Strategy	The strategy of the UK Bus (regional operations) business is to deliver value over time driven by organic growth in revenue and passenger volumes as a result of providing safe, reliable, good quality, customer-focused bus services at a reasonable price to customers. This may be supplemented by winning new tendered or contract work, including franchises, and/or acquiring businesses where appropriate opportunities arise.
Market opportunity	The Group has around 26% of the UK bus market excluding London. The UK Department for Transport's National Travel Survey ("NTS") is a household survey of personal travel within Great Britain by residents of England. The NTS found that in 2022, there was an average of 862 trips per person per year, up from 757 in 2021, principally reflecting the continued recovery following the COVID-19 pandemic. Trips by car or van accounted for 78% of distance travelled, bus trips accounted for only 4%, rail trips accounted for 8% and walking, cycling and other modes accounted for 10%. There therefore continues to be a significant market opportunity to stimulate modal shift from car to bus. According to the NTS in 2022, around 23% of bus journeys outside of London were for commuting and business, 21% for shopping, 25% for education, 22% for leisure, 9% were for personal business (e.g. visits to services such as banks, medical consultations etc.) and for other purposes.
Macroeconomic factors	Although the UK Bus (regional operations) revenue is not immune to macroeconomic changes, it is less exposed than many other types of business. In addition, the Group can adjust the pricing and frequency of the majority of its services and is therefore well placed to respond to any changes in demand for particular services. We estimate that around 70% of the costs vary with operating miles.
Competition	The Group regards its primary competitor as the private car and aims to encourage modal shift from car to public transport. The other major groups that operate buses in the UK outside of London are FirstGroup, National Express Group, Go-Ahead Group and Arriva. These groups compete both to attract customers directly and in the competitive bid process for the award of franchise contracts. New, potential, sources of competition are emerging, often enabled by digital developments. Newer competitors include ride-sharing websites, digitally-driven taxi services and aggregators of travel services.

1. Strategic report (continued)

UK Bus (regional operations)

Future market developments	Although we see ongoing forecasting uncertainty in relation to passenger demand and cost inflation, we expect continued good profitability for the year ending 3 May 2025, with increased passenger journeys and fare increases mitigating the impact of a moderation in government funding. Looking further ahead, we expect a lasting effect of the COVID-19 pandemic on travel patterns with increased working from home, shopping from home, telemedicine and home education. We also expect a larger proportion of the people who are entitled to take up concessionary travel passes to own cars and to continue driving than was previously the case. At the same time, we see positive drivers for the business from a renewed societal focus on health, wellbeing and the environment and more businesses returning to requiring staff to spend more time in the office. Buses across the UK can play a major role in a cleaner, greener and more resilient economy and society, tackling climate change with strong government action to reduce car use. The business does continue to face risks related to regulatory changes and availability of public funding as noted in section 1.4.5. Technological developments present both opportunities and threats to growing passenger volumes. While people's reducing propensity to travel is a risk to the business, there are positive long-term conditions for further growth in demand for UK bus services created by population growth, increasing urbanisation, rising road congestion, supportive government policy and public concerns for the environment. As Britain's biggest bus and coach operator, we have clear opportunities to grow our regional bus business and contribute to thriving communities. We continue to believe that by working together, the private sector and our local authority partners can deliver the bus services our customers want.

UK Bus (London)

Description	The Group is the second largest operator in the London bus market, operating from 13 depots with a fleet of over 1,500 buses serving routes in and around east and south-east London.
Regulatory environment	The UK Bus (London) business operates bus services under contract to Transport for London, receiving a fixed fee (subject to adjustment for inflation) and generally taking the cost and capital risk. Quality Incentive Contract income is paid subject to achievement of performance targets set by Transport for London. The current environment of constrained road space, increased traffic and roadworks together with recruitment challenges have adversely affected this income during the year. Bus operators bid to win contracts and each contract is typically for a seven year period. The UK Bus (London) business currently has over 110 separate contracts to provide bus services on behalf of Transport for London – this spreads the risk of financial performance being adversely affected when a contract expires and the business is unsuccessful in winning the replacement contract.
Strategy	Our strategic focus in the London bus market is on maintaining good operational performance and tight control of costs while seeking to bid competitively for new contracts.
Market opportunity	The Group operates approximately 17.7% of the bus operating mileage contracted by Transport for London. The Group does not seek to gain market share for its own sake and remains disciplined in ensuring that its bids for new contracts offer an acceptable trade-off of risk and reward.
Macroeconomic factors	The UK Bus (London) operations are not especially exposed to short-term changes in macroeconomic conditions because the business receives a fee from Transport for London for operating services irrespective of the passenger volumes on those services. Its costs and in particular, labour costs, can vary due to macroeconomic changes and also, in the longer term, the level of services that Transport for London offers for tender might be affected by the macroeconomy. The financial performance of the business has been impacted adversely in the current year due to upwards wage pressure, consistent with the challenges facing other sectors of the UK economy.
Competition	UK Bus (London) faces competition to win Transport for London contracts from other bus operators, the largest of which are Go-Ahead Group, Arriva, Metroline, RATP and Transport UK (formerly Abellio).
Future market developments	While current financial and operational challenges to our business and financial pressure on Transport for London present risks for the business, we have not significantly changed our London bus strategy. In the short-term, revenue growth could come from inflationary contract price increases, retaining work on tender but at higher rates and/or winning contracts from other operators. While bus mileage reductions by Transport for London present a risk to the business, positive government policy on public transport can contribute to a positive long-term outlook for the business.

1.4.4 What we need, to do what we do (resources and relationships)

Stagecoach Group has a range of resources and relationships, including contractual relationships that underpin its business and support its strategy.

These assist in giving the Group a competitive advantage in the markets in which it operates.

Customers

Our relationship with our customers is important to us. To deliver organic growth, we need to provide services that people want to use.

We conduct customer research to monitor our performance and to determine how we can improve the quality, delivery and accessibility of our services.

We are passionate about providing good customer service and our businesses have regular and ongoing discussions with bus user groups. This includes presentations from managers on aspects of our service as well as consultation and information sharing on particular issues.

An important element of the Group's success in growing its customer base lies in its record of product innovation and new ideas on developing effective public transport systems.

Employees

Human resources are key to the Group's business and the Group's relationship with its employees is therefore fundamental to achieving its objectives. We aim to recruit and retain the best employees in our sector, offering an excellent package of benefits, which allows us to deliver good customer service. The Group invests significantly in the training and development of people. We have established strong working relationships with trade unions and work in partnership with them on a range of issues, including training and development, occupational health matters, pensions and other employee benefits. We also communicate with our people face to face and through a number of internal platforms.

The financial community

Our investors and lenders are critical to our business success. We provide updates to them on our performance.

We have contractual arrangements with banks and other finance providers for the provision of funds and financial products to the Group.

Government and regulatory bodies

Our managers have ongoing relationships with national and local government to ensure the effective delivery of government transport policy and to assist in meeting wider objectives. We work with local authorities, including passenger transport executives, in the delivery and planning of bus and rail services. Many of our businesses have partnership agreements in place to improve the delivery of public transport in their areas. We work closely with the Department for Transport, the Scottish Government, Transport Scotland, the Welsh Government and Transport for London.

We contract with local authorities, government bodies and other parties for the supply of bus services on a contracted or tendered basis.

We have constructive dialogue with organisations such as the Campaign for Better Transport.

Suppliers

We rely on a range of suppliers to provide goods and services linked to our bus and coach operations. Our businesses have contractual relationships with suppliers, including purchase contracts with fuel suppliers, vehicle suppliers, information technology companies and spare part suppliers.

Information technology is increasingly important to effectively operate our services and to meet our customers' expectations. Significant investment, internal management resource and external supplier input support the development and operation of IT systems.

Corporate reputation, brand strength and market position

Stagecoach is one of the best known public transport operators in the UK and is consistently rated highly for the quality of its services in research by independent organisations. We value our reputation, both as a public transport provider and as a key part of the communities in which we operate. The Group has a strong set of brands that support our strategy of organic growth in our business and that help maintain our leading market position.

Natural resources and manufacturing technology

Operating our bus and coach services requires considerable use of natural resources, including diesel and electricity. We have arrangements in place to ensure that these resources are sourced efficiently and that our supplies are maintained to ensure the smooth functioning of our business. A number of experienced manufacturers supply our buses and coaches, which are produced to detailed specifications relevant to the individual markets in which they are required.

Licences

We hold various licences giving authority to operate our public transport services and these are maintained up to date as required.

Transport and industry representation groups

We are active members of industry groups, such as the Confederation of Passenger Transport UK.

1. Strategic report (continued)

1.4.5 The challenges we face (principal risks and uncertainties)

Like most businesses, there is a range of risks and uncertainties facing the Group and the matters described below are not intended to be an exhaustive list of all possible risks and uncertainties.

Generally, the Group is subject to risk factors both internal and external to its businesses. External risks include global political and economic conditions, competitive developments, supply interruption, regulatory changes, materials and consumables (including fuel) prices, pensions funding, climate change and environmental risks, industrial action, litigation and the risk of terrorism. Internal risks include risks related to capital expenditure, acquisitions of businesses, regulatory compliance and failure of internal controls.

The Board of Directors determines the nature and extent of the principal risks that it is willing for the Group to take in achieving its strategic objectives. Information on the risk management process is provided in section 2.5 of this Annual Report. The focus below is on those specific risks and uncertainties that the Directors believe are the most significant to the Group, taking account of the likelihood of occurrence of each risk and the potential effect on the Group. Where appropriate, the principal risks and uncertainties below include emerging risks.

The Group's principal risks and uncertainties remain consistent with the prior year.

Description of risk	Management of risk	Developments in year ended 27 April 2024 and since	Section in Annual Report
Major event such as a serious accident			
There is a risk that the Group is involved (directly or indirectly) in a major operational incident resulting in significant human injuries or damage to property. This could have a significant impact on claims against the Group, the reputation of the Group and its chances of winning and retaining contracts or franchises. In extreme cases, services could be suspended or structural changes imposed on the Group as a result of regulatory or other action. A series of less severe incidents could have similar consequences.	While it is not possible to fully eliminate these risks, the Group has a proactive culture that puts health and safety at the top of its agenda in order to mitigate the potential for major incidents. If a major incident did occur, the Group has procedures in place to respond. The Group periodically rehearses its response to a hypothetical major incident. The Group has insurance arrangements in place to reduce the financial effect on the Group of certain claims against it.	• We introduced a new management training course, IOSH Directing Safely, for operating company management teams. • We performed deep dive analysis of the causes of avoidable accidents and developed action plans to share best practice across the Group's operations. • Updated and refreshed Safety and Operations internal audit processes have been implemented during the year.	
Economy			
The economic environment in the geographic areas in which the Group operates affects the demand for the Group's services. The revenue and profit of the Group could therefore be positively or negatively affected by changes in the economy. Ongoing geopolitical risk continues to prolong economic and consumer uncertainty. The principal risk from the "cost of living crisis" has been potentially suppressing passenger demand due to reduced disposable income and reduced number of trips required for commuting or business.	Management monitors actual and projected economic trends in order to match capacity to demand and where possible, minimise the impact of adverse economic trends on the Group. External forecasts of economic trends form part of the Group's assessment and management of economic risk. Further information on the relevance of macroeconomic factors to each business segment is provided in section 1.4.3. Hedging arrangements are in place to manage volatility in fuel and electricity costs. Inflation and other economic factors are considered when pricing our services.	• The UK economy has emerged from the twin global shocks of the pandemic and Russian invasion of Ukraine into a period of declining inflation but relatively subdued growth. Our fuel hedging programme provides our cost base with some short to medium-term protection from higher fuel prices. Our past experience is that higher fuel prices drive incremental demand for bus and coach services over other modes of transportation. Combined with a wider cost of living crisis, in many cases, bus travel presents a cheaper mode of travel than car use, and we are positioning our marketing to focus on our good value fares. The principal risk from the higher inflation environment in the past two years has been around the availability and cost of staff, which is discussed further under "People and culture".	1.3, 1.5.1, 1.5.2 and 1.6
Threats to business resilience			
There is a risk that the demand for the Group's services could be adversely affected by a significant terrorist incident or outbreak in disease. Such a fall in demand would have a negative effect on the Group's revenue and financial performance.	The Group has plans in place designed to reduce the operational and financial impact of a terrorist incident. It also has checks in place such as vehicle inspections to reduce the risk. The Group remains exposed to the effects of terrorist incidents and outbreaks of disease that it is not able to fully mitigate. The imposition of restrictions on movement from another pandemic would have a significant adverse impact on discretionary travel.	• No significant matters to report.	

1. Strategic report (continued)

Description of risk	Management of risk	Developments in year ended 27 April 2024 and since	Section in Annual Report
Changing customer habits			
There are opportunities for the Group to shape its services and its interaction with its customers, which responds to changes in customer habits such as their working patterns and shopping. People travel on the Group's bus and coach services for a variety of reasons, including in some cases, to get to and from work and/or to get to and from key popular destinations. Changes in customer habits that could affect demand for the Group's transport services and which could in turn affect the Group's financial performance and/or financial position include increases in the proportion of working time that people spend at home, or in the level of shopping undertaken online. We remain in a period of societal change arising from the residual effects of the pandemic, ongoing geopolitical tension and increased cost of living. We continue to develop our understanding of the longer-term effects of this change on consumer habits, particularly amongst our concessionary fare passengers, who have been slow to return to the bus. Hybrid working, telemedicine and online shopping delivery have to some extent become embedded in wider society and demand for travel is varying accordingly.	The Group monitors trends in revenue and passenger numbers across its businesses. In forecasting future revenue and passenger numbers, including in respect of bids for new contracts, the Group considers research and evidence on changing customer behaviour. The Group will, from time to time, vary its timetables, pricing, range of ticket types and transport networks in response to actual or anticipated changes in demand.	• Inflation has receded more quickly than expected and markets expect a decline in interest rates. This strengthens near-term growth prospects and should enable a faster recovery in living standards from last financial year's record decline. • We have continued to engage with local and national transport authorities to provide ongoing subsidies to support fare initiatives to grow demand throughout 2024.	1.5.1 and 1.6
Pension scheme funding			
The Group participates in a number of defined benefit pension schemes. There is a risk that the reported net pension asset/liability and/or the cash contributions required to these schemes increases or decreases due to changes in factors such as investment performance, the rates used to discount liabilities and life expectancies. Intervention by regulators could also affect the contributions required. Any increase in contributions will reduce the Group's cash flows. Any significant increase in pension liabilities could affect the Group's credit ratings.	Decisions on pension scheme funding, asset allocation and benefit promises are taken by management and/or pension scheme trustees in consultation with trade unions and suitably qualified advisors. The Board oversees the Group's overall pensions strategy and participates in major decisions on the funding and design of pension schemes.	• The Stagecoach Group Pension Scheme is the Group's largest defined benefit pension scheme exposure. During the year, the Trustees continued to transition from its equity and multi-asset led growth strategy to a liability-driven investment ("LDI") strategy and by May 2023 the scheme had fully completed this transition. • The funding volatility from market movements in investments, interest rates and inflation has been materially reduced, and the likelihood of additional contributions being required from the Group in excess of the committed contributions is currently very low.	1.5.10.2

1. Strategic report (continued)

Description of risk	Management of risk	Developments in year ended 27 April 2024 and since	Section in Annual Report
Litigation, insurance and claims environment			
The Group receives claims in respect of traffic incidents and employee claims. The Group protects itself against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of deductibles ("excess") and loss corridors on insurance policies. There is a risk that the number or magnitude of claims are not as expected and that the cost to the Group of settling these claims is significantly higher or lower than expected. There is also a risk of fines and other regulatory action in relation to incidents. There is increasing risk from collective proceedings (the UK version of class actions) as the market continues to grow.	The Group has a proactive culture that puts health and safety at the top of its agenda and this helps mitigate the potential for claims arising. Where claims do arise, they are managed by dedicated insurance and claims specialists in order to minimise the cost to the Group. Where appropriate, legal advice is obtained from appropriately qualified advisors. The balance between insured and retained risks is re-evaluated at least once a year and insurance and claims activity is monitored closely.	• The Group continued to retain some of the risks associated with the North America insurance and claims arrangements that were in place prior to the disposal of its North America business in April 2019 through its exposure to letters of credit and guarantees being left in place in respect of current insurance policies for up to five years post-disposal. • On 11 June 2024, the Group's former North American business announced that it commenced voluntary Chapter 11 proceedings and, accordingly, we expect the outstanding letters of credit put in place by the Group to now be called. • On 30 April 2024 the Group obtained approval from the Competition Appeal Tribunal for settlement of the boundary fares class action claim against Stagecoach South Western Trains Limited arising from its operation of the South Western rail franchise in the period 1 October 2015 to 20 August 2017.	1.5.3 and 1.5.6
Climate change			
We see public transport as a critical part of the battle against climate change. At the same time, we recognise that climate change presents a number of risks to the Group. Section 1.7.2.4.1 of this Annual Report sets out in more detail our assessment of climate change risks.	Section 1.7.2.5.2 of this Annual Report sets out how we are managing climate change risks.	• We see the transition of our bus fleet to zero emission vehicles, and the related activities, as the principal measures we are taking to reduce carbon emissions. This requires collaboration between operators and government, and we are pleased to have been successful in being awarded funding through the Zero Emission Buses Regional Areas ("ZEBRA") scheme in England to support investment new zero emission buses. • Section 1.7.2 more broadly sets out the impact of the Group's business on the environment, our environmental policy, actions we are taking to reduce our impact on the environment and the effectiveness of our environmental policies. • There has been a continued increase in the impact and occurrence of extreme weather events, including floods and wildfires, which increases the risk that we incur additional costs or experience service disruption to our services.	1.7.2

1. Strategic report (continued)

Description of risk	Management of risk	Developments in year ended 27 April 2024 and since	Section in Annual Report
Regulatory changes and availability of public funding			
Public transport is subject to varying degrees of regulation across the locations in which the Group operates. There is a risk that changes to the regulatory environment could impact the Group's prospects. We expect a significant increase in bus franchising whereby a government body specifies the bus services and puts them out to tender, across England, Wales and potentially Scotland. Outside of franchising areas, there is a growing trend towards tendered and contracted services, supported by increased Government funding in England for local authorities to support local bus services. This trend offers an opportunity to bid for previously commercial services at an improved margin, with the commercial market shrinking further as a proportion of total operated mileage. Similarly, many of the Group's businesses benefit from Government investment in bus services, including grants, tax rebates, the provision of equipment, contracted services and concessionary travel schemes for passengers. There is a risk that the availability of government finances changes due to political, regulatory or other reasons. In the year ended 27 April 2024, the UK Bus (regional operations) earned £78.0m of bus operating grants. Those operations also earned £163.3m in tender/school revenue and £361.6m in concessionary revenue from local government bodies. Also, the vast majority of the reported revenue of the UK Bus (London operations) is earned from contracts with Transport for London. The Group is also receiving significant payments from government to support the recovery of public transport services following the impact of the COVID-19 situation. There is a risk that the extent of the payments available to the Group reduces faster than improvements in the underlying financial performance of its businesses. That could adversely affect the Group's financial performance and financial position. There is a risk that government policy decisions to improve air quality and/or lessen road congestion result in increased capital expenditure and/or operating costs for the Group and that such additional costs are not fully offset by increased revenue. There is also a risk that the Group suffers financial or reputational damage as a result of non-compliance with laws or regulations or as a result of the Group having a different interpretation of laws or regulations from others. In addition, in the case of tax, there is a risk the Group suffers reputational damage because of how others perceive the Group's approach to a tax matter even where the Group has complied with the applicable laws and regulations.	Management closely monitors relevant proposals for changes in the regulatory environment and communicates the Group's views to key decision makers and bodies. The Group actively participates in trade bodies and government forums. The Group seeks to maintain good, cooperative relationships with all levels of government, by developing and promoting ideas that offer cost effective ways of improving public transport. Where regulatory changes are known or reasonably likely, the Group develops plans to seek to mitigate any adverse effects on it, but also capitalise on potential growth opportunities. The Group uses internal and/or external experts to advise it on compliance and management in specialist areas such as tax and transport law.	• The Group has received COVID-19 related payments from government for periods since mid-March 2020, which has enabled the continuation of transport services as customer demand has continued to recover. In England, we have received Bus Recovery Grant ("BRG") support for local bus services until June 2023. This was replaced by Bus Service Operators Grant Plus ("BSOG+") from July 2023, paid on a fuel consumed and mileage operated basis. The Department for Transport has announced that BSOG+ will continue, albeit at a reduced rate, from April 2024 to March 2025 at the earliest. • The Network Support Grant Plus ("NSG+") payments for continuing bus services in Scotland ended on 31 March 2023. • In Wales, a voluntary partnership arrangement, Bus Emergency Scheme 3 ("BES 3"), ran until July 2023. A successor scheme, Bus Transition Fund, ran from July 2023 to March 2024, whilst a large-scale tendering exercise was completed. • We have worked closely with local transport authorities to help shape Bus Service Improvement Plans ("BSIPs") submitted to the Department for Transport in October 2021 as part of the National Bus Strategy for England. The BSIPs include initiatives to deliver better services and grow bus use, and envisage local transport authorities either entering into enhanced partnerships with operators or pursuing franchising schemes. While this additional funding has the potential to reverse the long-term decline in passenger volumes, there is a risk that franchising of bus services or new partnership working could adversely affect the revenue and profit of the Group's existing bus businesses in England (outside London). Equally, we recognise that franchising also presents us with opportunities for growth. • The Mayor of Greater Manchester decided in March 2021 to proceed with plans for a bus franchising scheme in the region. We have participated in all three rounds of the Manchester bus franchises, and were delighted to secure four out of the ten large contracts awarded. Other parts of the country that are actively considering proposals for bus franchising, include North East England, Yorkshire, Merseyside and Wales.	1.5.1

1. Strategic report (continued)

<table>
<tr><th>Description of risk</th><th>Management of risk</th><th>Developments in year ended 27 April 2024 and since</th><th>Section in Annual Report</th></tr>
<tr><td colspan="4">People and culture</td></tr>
<tr><td>There is a risk that the Group is unable to attract, develop and retain an appropriately skilled, diverse and responsible workforce and leadership team, and to maintain a healthy business culture which encourages and supports ethical behaviours and decision making.</td><td>As explained in section 1.7.6 of this Annual Report, we have clear, established corporate values, which are set out in our Code of Conduct. We value an open, transparent and safe working environment where our people feel able to speak up and can raise serious concerns constructively without fear of victimisation, subsequent discrimination or disadvantage. Our “Speak Up” whistleblowing policy and guide helps employees understand their rights and responsibilities. It sets out how the Group will investigate any concerns raised and the action it may take.

We have employment policies in place as described in section 1.7.3.2 of this Annual Report. Employees’ roles and responsibilities are defined and we aim to reward employee contributions through fair pay and benefits.

We recognise the value and benefit of having an inclusive and diverse workforce, as further explained in section 1.7.4 of this Annual Report.

Training, development and succession planning arrangements are in place, which take account of the potential future skills that the business may require.

The Board monitors the Group’s culture, including through, the results of staff surveys, reports from the Risk Assurance function, reports of any employee fraud and reports from the whistleblowing process.</td><td>• Our sustainability strategy includes goals and targets around workforce diversity, training and development, internal succession, employee wellbeing and recruitment.
• We introduced improved recruitment initiatives to increase attraction and application rates for frontline high volume roles.
• Following an internal audit review of Group diversity and inclusion we have developed an action plan to address identified improvement areas.
• We have set up working groups to identify more attractive rotas and shift patterns in conjunction with unions and to trial flexible working in pilot operating companies.
• We have recruited an Industrial Relations specialist to support complex pay negotiations, enhanced union relationships and additional People Partner resource to support managers and leaders</td><td>1.4.1, 1.7.3, 1.7.4 and 1.7.6</td></tr>
<tr><td colspan="4">Information security</td></tr>
<tr><td>There is a risk that confidential and/or commercially sensitive information relating to and/or held by the Group is subject to unauthorised access, use, disclosure, modification, perusal, recording or destruction.

There is also a risk that the Group’s information and/or systems are subject to disruption, corruption or failure due to security breaches.

The likelihood of attacks continue to increase, with ransomware being considered the most prominent threat.</td><td>The Risk and Compliance Committee oversees the management of information security risks and takes appropriate advice from suitably experienced third party consultants and internal experts.

Investment is made in appropriate policies, people and technology to reduce the severity and likelihood of information security risks crystallising.</td><td>• Two independent maturity assessments were performed between April and June 2023 to validate the security posture of Group, highlighting critical improvement areas with an emphasis on risk, identity, asset and vulnerability management.
• A simulated attack exercise, supported by an internal infrastructure test, was undertaken and self-assessments were completed. Remediation work resulting from these has improved the Group’s assessment of its security and risk maturity and perceived residual risk in this area.</td><td></td></tr>
</table>

Description of risk	Management of risk	Developments in year ended 27 April 2024 and since	Section in Annual Report
Information technology			
The Group is reliant on information technology for sales, operations and back office functions. Information technology failures or interruptions could adversely affect the Group. An increasing proportion of the Group's sales are made digitally. There is a risk that the Group's capability to make sales digitally either fails or cannot meet levels of demand and the time taken to implement restorative actions is unacceptably long due to insufficient resource being available and/or over reliance on a small number of service providers. This risk could result in significant levels of lost revenue as these digital channels continue to grow.	The Group is continually investing in its information technology systems, people and suppliers to ensure the robustness of its information technology. It is developing new digital platforms and continues to look to ensure that it secures reliable service provision.	• We continue to make targeted investment in fleet and technology enhancements and to encourage customers to use digital sales channels.	
Competition			
Loss of business to existing competitors or new entrants to the markets in which we operate could have a significant impact on our business. We face competition for customers from other operators of coaches and buses and from other modes of transport. The Group regards its primary competitor as the private car and aims to encourage modal shift from car to public transport. Developments in new technology and/or new business models could affect the competitive environment in which the Group operates. Technological developments could enable new competitors and/or business models to be developed that disrupt or compete with the Group's business. Section 1.4.3 of this Annual Report includes comments on competition in the context of each of the Group's key segments.	We monitor competitive developments in each of our markets and respond as appropriate. That includes monitoring developments in technology and business models that could affect the competitive landscape. We work with local authorities, including passenger transport executives and regional transport committees, in the delivery and planning of bus services.	• Private car usage has recovered more quickly than public transport from the effects of the COVID-19 pandemic. We believe there is an opportunity to stimulate modal shift from car to public transport over time, through public policy initiatives, like the National Bus Strategy for England and the £2 fare cap.	

Details of the Group's treasury risks are discussed in note 24 to the consolidated financial statements, and include the risk to operating costs arising from movements in fuel prices.

1.4.6 How we measure our performance (key performance indicators)

The Group uses a wide range of key performance indicators ("KPIs") across its various businesses and at a Group level to measure the Group's progress in achieving its objectives. The most important of these KPIs at a Group level focus on five key areas:
- Profitability
- Organic growth
- Safety
- Service delivery
- Carbon saved by modal shift

KPI 1 – profitability

The overall strategy of the Group is intended to promote the success of the Group and create long-term value to shareholders. In the shorter term, we measure progress towards this overall aspiration by monitoring Earnings before Interest, Tax, Depreciation and Amortisation before separately disclosed items.

KPI 2 – organic growth

To create long-term value, we aim to deliver organic growth in revenue. We measure progress on this by segment, looking at like-for-like growth in passenger volumes and/or revenue as we consider most appropriate for the particular business.

KPIs 3 and 4 – safety and service delivery

To deliver organic growth in revenue, we aim to provide safe and reliable transport services that people want to use. We measure safety and service delivery using a range of measures appropriate for each business.

Further details on how we calculate these key performance indicators, our targets and our recent performance is summarised below.

KPI 5 – carbon saved by modal shift

The Board uses a number of metrics in respect of climate change matters. We view carbon saved by modal shift as a key metric because it captures not only the direct emissions from our operations, but also the emissions saved from replacing car journeys with public transport. Details of the metrics we use to manage relevant climate-related risks and opportunities are set out in section 1.7.2.6 of this Annual Report.

1. Strategic report (continued)

Profitability

Earnings before Interest, Tax, Depreciation and Amortisation, before separately disclosed items ("Adjusted EBITDA") is used to measure the profitability of the Group for the year.

Adjusted EBITDA was as follows:

	Year ended 27 April 2024 £m	Year ended 29 April 2023 restated £m	Year ended 30 April 2022 £m
Adjusted EBITDA	**210.3**	185.9	183.9

Sections 1.3 and 1.5 of this Annual Report include comments on the development of the Group's profitability.

Organic growth

The following measures of organic growth are monitored:
- UK Bus (regional operations) – growth in passenger journeys measured as the percentage increase in the number of passenger journeys relative to the equivalent period in the previous year.
- UK Bus (London) – growth in revenue measured as the percentage increase in revenue relative to the equivalent period in the previous year.

The measures vary by business reflecting differences in the underlying businesses – for example, almost all of the revenue in UK Bus (London) is not determined on a "per passenger" basis.

Throughout this Annual Report, references to passenger volume growth mean growth determined on the basis set out here. Passenger journey metrics reported involve a degree of estimation. All of the organic growth KPIs are normalised to exclude businesses that have not been held by the Group for the whole of the relevant year and the preceding year. The growth figures are also normalised for differences in the number of days in each year.

	Target	**Year ended 27 April 2024 Growth %**	Year ended 29 April 2023 Growth %	Year ended 30 April 2022 Growth %
UK Bus (regional operations) like-for-like passenger journeys growth	**Positive growth**	**4.9%**	17.3%	79.9%
UK Bus (London) like-for-like revenue growth	**each year**	**4.3%**	1.3%	4.2%

We have continued to see a recovery in passenger demand across our UK Bus (regional operations) during the year ended 27 April 2024. The higher growth in passenger journeys in the years ended 30 April 2022 and 29 April 2023 reflected the impact of the easing of COVID-19 restrictions across the UK.

The increase in UK Bus (London) revenue in the year ended 27 April 2024 reflects the improvement in our service performance from the prior year which had been adversely impacted by staff shortages, resulting in higher lost mileage and a lower revenue.

Safety

Safety is monitored in various ways, including through a range of KPIs. Businesses acquired or disposed of in the year are excluded from the safety KPIs.

Two of the more important safety KPIs are reported below:

	Target	**Year ended 27 April 2024 number**	Year ended 29 April 2023 number	Year ended 30 April 2022 number
UK Bus (regional operations) – number of avoidable accidents per 1 million miles travelled	**To decrease each year**	**35.0**	32.0	26.5
UK Bus (London) – number of avoidable accidents per 1 million miles travelled	**ultimate target is zero**	**53.6**	41.9	42.5

Tragically, during the year three Stagecoach drivers died whilst on duty of non-medical causes. Two of the fatalities were on road accidents caused by third parties whilst the third was a result of anti-social behaviour and the assailant has been charged with murder. During the year ended 27 April 2024 we continued to experience an increase in the number of avoidable road traffic events. There has been a significantly higher level of newly trained drivers across our business, and we believe there is a correlation between experience levels and avoidable accidents. In addition, we consider heightened traffic congestion is another factor which is driving the increase in reported accidents. We have in place a comprehensive strategy focussing on road risk and driver competence and confidence.

Service delivery

Our measures of service delivery include reliability measured as the percentage of planned vehicle miles to be operated that were operated.

Service delivery KPIs are not reported for businesses acquired or disposed of in the year.

The service delivery KPIs were as follows:

	Target	**Year ended 27 April 2024 %**	Year ended 29 April 2023 %	Year ended 30 April 2022 %
UK Bus (regional operations) reliability	**>99.0%**	**98.1%**	96.9%	97.5%
UK Bus (London) reliability	**>99.0%**	**98.0%**	97.7%	98.5%

During the year ended 27 April 2024, operational reliability across the business has improved, having been adversely impacted by staff shortages, resulting in higher lost mileage in the year ended 29 April 2023.

1.5 Financial review

1.5.1 UK Bus (regional operations)

Summary

- Strong growth in revenue and operating profit reflecting increase customer demand
- Positive long-term outlook for the business

Financial performance

The financial performance of the UK Bus (regional operations) for the year ended 27 April 2024 is summarised below:

	2024 £m	2023 £m	Change
Revenue	**1,206.1**	1,029.9	17.1%
Like-for-like revenue*	**1,204.3**	1,018.8	18.2%
Operating profit*	**112.9**	77.0	46.6%
Operating margin*	**9.4%**	7.5%	188bp

* See definitions in note 33 to the consolidated financial statements – segment operating profit and operating margin excludes separately disclosed items.

We have been pleased with the increase in passenger demand for our services, which has contributed to the rise in operating profit from the prior year. There has been a further recovery in demand for our public transport services, with growth in regional bus passenger journeys of 4.9% compared to the prior year. We continue to see journeys by fare-paying passengers currently recovering faster than concessionary journeys, supported by government initiatives such as the £2 fare cap schemes which commenced last year and is set to run until December 2024. We continue to work with local authorities to deliver other ticketing schemes and our ticketing initiatives continue to evolve to reflect the changes we are seeing in travel patterns across the UK.

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

The operating profit for the year includes £25.5m of recovery-related bus support scheme grant income from governments (2023: £87.1m).

Like-for-like vehicle miles operated in the year were 1.2% higher than the prior year, reflecting adjustments to our network to take account of customer demand and improved service delivery. Like-for-like revenue per vehicle mile increased 16.8% and like-for-like revenue per journey increased 12.7%. The increase in revenue per mile reflects the increased passenger numbers and fare revisions year on year. The increase in revenue per journey is largely attributable to the rise in commercial revenue.

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

	2024 £m	2023 £m	Change
Commercial on and off bus revenue	**598.5**	555.7	7.7%
Concessionary revenue	**361.6**	268.5	34.7%
Commercial & concessionary revenue	**960.1**	824.2	16.5%
Tendered and school revenue	**161.5**	126.5	27.7%
Contract and other revenue	**82.7**	68.1	21.4%
Like-for-like revenue	**1,204.3**	1,018.8	18.2%

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

The reduction in concessionary revenue from a reduced number of journeys has been more than offset by an increase in the passenger reimbursement rate in most areas. The £2 national bus fare cap scheme in England has driven an increase in patronage and revenue since the scheme started in January 2022, in addition to the continued operation of the under-22 free bus travel scheme in Scotland, that has seen continued strong growth in travel by young people.

The substantial increase in tendered and school revenue reflects some previously commercial services being converted to tendered services, in addition to a continuation of the effects of operators exiting the market and growth in demand responsive transport ("DRT") contracts.

The increase in the contract revenue reflects the commencement of the franchise arrangements in Manchester on 24 March 2024.

Outlook

We will continue to work collaboratively with national and local governments across the country to re-shape local bus networks to reflect new travel patterns.

We currently forecast continued good regional bus profitability for the year ahead, as we return to a more commercial model for regional bus services. We are pleased with the professional and constructive manner in which we managed the demobilisation of our Wigan depot prior to the commencement of Transport for Greater Manchester's new franchising system. We are delighted to be operating services on behalf of Transport for Greater Manchester from the Middleton, Oldham and Queens Road depots which commenced in March 2024.

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

1. Strategic report (continued)

1.5.2 UK Bus (London)

Summary

- Short-term financial performance challenging arising from impact of staff shortages and traffic congestion levels

Financial performance

The financial performance of UK Bus (London) for the year ended 27 April 2024 is summarised below:

	2024 £m	2023 £m	Change
Revenue	**364.2**	327.5	11.2%
Like-for-like revenue	**288.0**	276.1	4.3%
Operating (loss)/profit	**(8.5)**	0.4	(2,225.0)%
Operating margin	**(2.3)%**	0.1%	(240)bp

The financial performance of our London business has been disappointing. The operating loss reflects the operational challenges experienced during the year due to upward wage pressure and staff shortages as well as significantly worsened traffic congestion. The impact of the traffic congestion and lost mileage has resulted in significant contractual penalties and lost quality incentive income. We are increasing profitability by addressing labour market challenges, benefit from lagged inflationary increases in contract revenues and seek to re-price contracts as they are tendered. We have also exited a number of loss making contracts in the year.

Our tender results during the year have been satisfactory, and we continuously review our bid models, contract pricing and cost efficiency to identify opportunities to further improve our performance on tenders for Transport for London contracts. We will continue to tender at contract prices that reflect our revised cost base and are designed to deliver financial returns that reflect the capital investment required.

We significantly expanded our operations in London last year with the acquisition of bus operations previously operated by Kelsian Group and HCT Group, growing our business by around 950 employees and more than 300 buses. We have reassessed those contracts in the current year and updated the onerous contract provisions for the forecast results of those contracts, as well as reviewing the performance of the contracts we already held.

Outlook

We expect a modest improvement in financial performance in the year ending 3 May 2025, with the benefit of less profitable contracts coming to an end. We believe the business will recover to its historic levels of profitability over the medium-term.

1.5.3 Discontinued Operations

Summary

- Continuing positive progress on resolving legacy matters relating to our former train operating companies
- Sheffield Supertram had a strong performance through to the cessation of the concession on 21 March 2024

Financial performance

The financial performance of the discontinued operations for the year ended 27 April 2024 is summarised below:

	2024 £m	2023 £m	Change
Revenue	**15.7**	15.2	3.3%
Operating (loss)/profit	**(1.8)**	4.4	(140.9)%

The revenue is the Sheffield Supertram business and the unwind of the UK rail operations, reflecting contractual adjustments in the settling of the operations.

On 21 March 2024 South Yorkshire Mayoral Combined Authority transferred the Supertram system in Sheffield to a publicly owned operator. We are proud of the service we have delivered over the past 25 years and continued to work hard to deliver a safe, high quality and professional service to our customers, met our obligations and ensured a smooth transition to the new operator during the year ended 27 April 2024.

The operating loss for the year reflects the effects of concluding matters in relation to our former rail franchises.

We are pleased to have agreed in full and final settlement, without admission of liability, resolving the previously reported litigation regarding Stagecoach South Western Trains Limited ("SSWT"), a subsidiary of the Company that formerly operated train services under franchise, as explained in note 29.

This litigation represented the most significant outstanding item to wind down our legacy UK rail operations, and therefore we welcome the clarity this settlement brings, avoiding a lengthy trial process, that was due to commence in June 2024. The Group has recognised estimated costs of £15.7m in relation to the full and final settlement with the class representative.

1.5.4 Adjusted EBITDA, depreciation and intangible asset amortisation

Earnings before interest, taxation, depreciation, software amortisation and separately disclosed items ("adjusted EBITDA") increased to £210.3m (2023 restated: £185.9m). Adjusted EBITDA can be reconciled to the financial statements as follows:

	2024 £m	2023 Restated £m
Total operating profit	**97.3**	44.4
Separately disclosed items	**0.2**	29.0
Software amortisation	**1.5**	1.0
Depreciation	**110.1**	106.9
Impairment losses	**–**	3.3
Amortisation of contract costs	**0.4**	–
Add back joint venture finance income & tax	**0.8**	1.3
Adjusted EBITDA	**210.3**	185.9

The year-on-year increase in adjusted EBITDA principally reflects the increase in passenger demand for public transport in our regional bus operations, partially offset by reduced profitability in London due to the impact of staff shortages.

Depreciation and software amortisation of £111.6m is higher than the £107.9m for the prior year, and principally reflects the increase in capital expenditure over the past two years.

1.5.5 Separately disclosed items

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

Property disposals

Prior to the commencement of Transport for Greater Manchester's new franchising system, our Wigan and Hyde Road depots were sold generating a gain on their disposal of £15.0m. Due to the size of the profit on the disposal this has been presented as a separately disclosed item.

Onerous contracts and customer contract impairment

In the year to 27 April 2024, the overall London operation has suffered a deterioration in its financial performance. The Group has conducted a detailed review of all of its London contracts to assess the level of any onerous contract provision that should be recognised.

A provision of £20.8m has been recognised at 27 April 2024 with a separately disclosed cost of £10.3m recognised in respect of this provision. A further £1.1m of interest cost has been recognised on the unwinding of the discount. Due to the irregular size of the cost, we consider that it is helpful for understanding the Group's financial performance to disclose separately the movement in the provision. £0.2m of an impairment of customer contracts has also been recognised in relation to previously acquired contracts which are assessed as performing below their initial projected profitability.

Transaction costs

In the year ended 29 April 2023, the Group incurred expenses of £18.2m, predominantly professional fees, accelerated shared based payment expenses and accelerated management incentives, in relation to the offer from DWS Infrastructure and the lapsed all-share combination with National Express Group plc. Due to the non-recurring nature of the expenses, the Directors consider that it is helpful for understanding the Group's financial performance to disclose separately the expenses incurred.

£1.2m of costs in relation to the transaction were incurred in the year ended 27 April 2024.

Acquisition costs

In the year ended 29 April 2023, the Group acquired two businesses in London. These have been presented as a separately disclosed item, because the costs are not related to the ongoing trading of the Group and due to the irregularity of business acquisitions. Further information on the acquisitions is set out in note 10.

Restructuring and associated costs

Following the acquisition of the Group in the year ended 29 April 2023 a detailed review of the Group's structure and operations was undertaken. This included the use of an external consultancy agency along with the management experience of the new owner.

In the year ended 27 April 2024, the Group incurred redundancy and related costs of £2.3m and management and external consultancy costs of £Nil (2023: £9.5m and £1.7m respectively).

Disposal of megabus retail and Falcon

In August 2022, the Group disposed of the following businesses to its joint venture, Scottish Citylink Coaches Limited:
- the megabus retail platform and customer-service business, which sells and markets inter-city coach services in England and Wales
- Falcon South-West, which retails tickets for the coach route between Plymouth and Bristol Airport.

The consideration received in respect of the disposal was an increase in the Group's share of Scottish Citylink Coaches Limited, from 35% to 37.5%, which has resulted in a gain on disposal of £1.5m being recognised during the year ended 29 April 2023. Due to the irregular occurrence of business disposals, the Directors consider that it is helpful for understanding the Group's financial performance to disclose separately the gain realised in respect of the business disposal.

A cost of £0.1m was recognised in relation to this transaction in the year ended 27 April 2024.

1. Strategic report (continued)

Change in fair value of Deferred Payment Instrument

We received a Deferred Payment Instrument as deferred consideration for the sale of the North American business in April 2019. The instrument, which is accounted for as fair value through profit or loss, has a maturity date of October 2024 and due to credit and other recoverability risks associated with the instrument, its carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind all of the secured lenders. The carrying value of the instrument was £3.5m as at 29 April 2023. At 27 April 2024, the carrying value of the instrument was estimated to be £Nil, resulting in a charge of £3.5m being recognised as finance costs in the year ended 27 April 2024, compared to a gain of £0.6m recognised as finance income in the year ended 29 April 2023.

Tax

The separately disclosed taxation credit of £7.0m (2023 restated: credit of £4.3m) is explained in note 4.

Reassessment of onerous contract provision – restatement for discontinued operations

As the Group ended its Supertram operations on 21 March 2024 at the end of the concession arrangement the results relating to Supertram have been treated as a discontinued operation and are reported separately from the continuing operations of the Group.

In the year ended 29 April 2023, the Group had recognised a reassessment of an onerous contract provision in relation to its Supertram concession as a separately disclosed item. The Group has now exited the concession and worked through its obligations, resulting in a release of an onerous contract provision of £7.5m. Supertram's other operating profit of £0.9m for the year ended 27 April 2024 was recognised as a separately disclosed item in addition to the onerous contract provision release.

Expired rail franchises – restatement for discontinued operations

As part of concluding matters in relation to its former involvement in the UK train operating market, the Group has recorded a separately disclosed gain of £3.0m in the year ended 27 April 2024 (2023: £2.3m loss). The gain (2023: loss) presented as a separately disclosed item relates to costs that were previously recorded as separately disclosed items.

Loss on North America letters of credit

The Group sold its North American business in April 2019. The North American business receives claims in respect of traffic incidents and employee incidents. It protects against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of the "excess" or "deductible" on insurance policies (the "Uninsured Element"). The North America business is liable for costs of settling the Uninsured Element of claims. In the event that the business was unable to meet its liabilities for claims then the insurers would be responsible for meeting those liabilities for the Uninsured Element of claims. To protect themselves against that risk (being, essentially the credit risk of the North America business), the insurers demand collateral typically in the form of letters of credit and guarantees. In connection with the sale of the North America business, the Group agreed to continue to provide the guarantees and arrange the letters of credit required by the insurers in respect of claims relating to periods ending on or before July 2019. The Group indemnifies the banks that issue those letters of credit against any losses suffered by the banks.

On 11 June 2024, the Group's former North American business announced that it commenced voluntary Chapter 11 proceedings in the US Bankruptcy Court for the District of Delaware. Accordingly, we expect the letters of credit put in place by the Group to now be called. As at 27 April 2024, the Group had letters of credit outstanding of £15.7m. Taking account of these letters of credit and concluding other matters in relation to the former North American business, the Group has recorded a separately disclosed charge of £14.7m in the year ended 27 April 2024 (2023: £Nil).

Further information on the discontinued operations is included in note 5.

1.5.6 Net finance costs

Net finance costs from continuing operations, excluding separately disclosed items, for the year ended 27 April 2024 were £3.0m (2023: £22.1m) and can be further analysed as follows:

	2024 £m	2023 £m
Finance costs		
Interest payable and other facility costs on bank loans, loan notes, overdrafts and trade finance	**1.1**	1.5
Lease interest payable	**4.5**	3.7
Interest payable and other finance costs on bonds	**16.4**	16.8
Effect of interest rate swaps	**2.1**	3.5
Unwinding of discount on provisions	**2.2**	1.9
	26.3	27.4
Finance income		
Interest income on defined benefit pension schemes	**(13.7)**	(0.2)
Interest receivable on loans to parent companies	**(2.7)**	–
Interest receivable on cash and money market deposits	**(6.9)**	(5.1)
	(23.3)	(5.3)
Net finance costs, excluding separately disclosed items ("adjusted net finance costs")	**3.0**	22.1

The reduction in adjusted net finance costs is principally due to the increased pensions finance income arising from the prior year increase in the net pension surplus.

1.5.7 Taxation

Our share of profit from joint ventures is reported after tax in arriving at the profit before tax in the consolidated income statement. To better understand the Group's effective tax rate, we show below the Group's tax charge, including our share of joint ventures' tax, relative to the Group's profit before tax excluding joint ventures' tax. On that basis, the effective tax rate for the year ended 27 April 2024, excluding separately disclosed items, was 18.6% (2023 restated: 14.1%).

The tax charge on profit can be analysed as follows:

Year ended 27 April 2024	Pre-tax profit £m	Tax £m	Rate %
Excluding separately disclosed items	**95.5**	**(17.8)**	**18.6%**
Separately disclosed items	**(4.8)**	**7.0**	
With joint venture taxation gross	**90.7**	**(10.8)**	
Reclassify joint venture taxation for reporting purposes	**(1.0)**	**1.0**	
Reported in income statement	**89.7**	**(9.8)**	

The effective tax rate on profit, excluding separately disclosed items, of 18.6% is lower than the 25% rate of UK corporation tax for the year, principally due to tax relief for pension contributions where pension schemes are in surplus (and no corresponding deferred tax is recognised).

The cash tax paid in the year of £1.3m (2023: £6.6m) comprises £0.2m repayment received from HMRC relating to prior year tax computations and £1.5m group relief payments to holding companies. Given that the stated strategy of the business is to support the transition to a low carbon fleet our expectation is that there will be a low cash tax rate as the cash tax rate is heavily influenced by capital expenditure and the availability of full expensing allowances.

The separately disclosed tax credit of £7.0m (2023 restated: credit of £4.3m) is explained in note 4.

We expect the long term effective tax rate to be aligned around the UK standard rate of 25%.

1.5.8 Cash flows and net debt

Consolidated net debt (as analysed in note 28(c) to the consolidated financial statements) has increased from 29 April 2023. During the year ended 27 April 2024, net debt increased by £153.8m from £241.1m to £394.9m and net debt plus net train operating company liabilities increase by £150.6m from £265.8m to £416.4m. We recognise that the negative underlying cash flow largely reflects the increase in dividend payments from the previous year and a significant increase in this year's capital expenditure, including the purchase of buses for the Manchester franchise contracts.

We anticipate increasing capital expenditure in the year ending 3 May 2025, partly reflecting further investment in the transition to zero emission vehicles.

As at 27 April 2024, all of the major rail franchises previously operated by Group subsidiaries had ended. However, the settlement of the train operating company assets, liabilities and contractual positions continues for some time following the end of the relevant franchises. As at 27 April 2024, the consolidated net assets included net liabilities (excluding cash) of £21.7m (2023: £24.7m) in respect of such items. Accordingly, if all items were to be settled at their 27 April 2024 carrying values, consolidated net debt would increase by £21.7m (2023: £24.7m). Consolidated net debt plus those outstanding train operating company net liabilities as at 27 April 2024 was £416.6m (2023: £265.8m).

Net cash from operating activities before tax for the year ended 27 April 2024 was £124.2m (2023: £131.3m) and can be further analysed as follows:

	2024 £m	2023 £m
EBITDA of Group companies before separately disclosed items	**204.4**	183.4
Cash effect of current year separately disclosed items	**17.9**	(16.7)
Loss on disposal of property, plant and equipment	**2.4**	1.3
Capital grant amortisation	**(6.2)**	(3.4)
Loss on disposal of intangible assets	**–**	0.1
Share based payment movements	**–**	0.2
Working capital movements	**(78.4)**	(14.0)
Net interest paid	**(17.6)**	(22.1)
Dividends from joint ventures	**1.7**	2.5
Net cash flows from operating activities before taxation	**124.2**	131.3

The movement in net debt was:

Year ended 27 April 2024	£m
Net cash flows from operating activities before taxation	**124.2**
Tax paid	**(1.3)**
Investing activities	**(191.3)**
Financing activities	**(85.0)**
Other	**(0.4)**
Movement in net debt	**(153.8)**
Opening net debt	**(241.1)**
Closing net debt	**(394.9)**

Net cash flows from operating activities were slightly lower than the prior year principally due to the higher costs of separately disclosed items.

The adverse working capital movements in the year reflect the mobilisation of our Manchester franchise contracts and the concentration of our capital expenditure in the final quarter of the year ended 27 April 2024.

The accounting for the franchises under IFRIC 12 Service Concession Arrangements has resulted in an adverse working capital movement £21.3m that would otherwise have been treated as capital expenditure. The adverse working capital also reflects a further £21.2m of recoverable VAT higher than at 29 April 2023, relating to the timing of capital expenditure late in the current year.

1. Strategic report (continued)

The net impact on net debt of purchases and disposals of property, plant and equipment ("net capital expenditure"), split by segment, was:

	2024 £m	2023 £m
UK Bus (regional operations)	**91.2**	42.4
UK Bus (London)	**74.8**	34.0
Net capital expenditure	**166.0**	76.4

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

	2024 £m	2023 £m
Cash flow from:		
– Purchase of property, plant and equipment	**171.5**	66.6
– Disposal of property, plant and equipment	**(23.9)**	(4.4)
– Capital grants received	**(15.5)**	(19.8)
Decrease in net debt from disposal of a lease	**–**	(0.3)
Increase in net debt from other new leases in year	**33.9**	13.5
Increase in net debt from leases acquired in business combinations	**–**	20.8
Net capital expenditure	**166.0**	76.4

In addition to the amounts shown in the table above, the impact of purchases of intangible assets was £1.0m (2023: £2.9m).

As we transition our bus fleet to zero emission vehicles, in line with our ambition of having a 100% zero emission bus fleet in the UK by 2035, we are mindful of the additional up-front capital cost of zero emission buses (versus their diesel equivalents) as well as the potentially higher total cost of ownership. We comment on this further in section 1.7.2.4.1.3 of this Annual Report.

1.5.9 Financial position and liquidity

The Group is in a good financial position, as evidenced by:
- We have available liquidity of over £310m.
- We have comfortably complied with the covenants for the year ended 27 April 2024.
- The ratio of net debt at 27 April 2024 to adjusted EBITDA for the year ended 27 April 2024 was 1.9 times (2023: 1.3 times).
- Adjusted EBITDA for the year ended 27 April 2024 was 70.0 times (2023: 8.6 times) to adjusted net finance charges (including our share of joint venture net finance income).
- Two major credit rating agencies – S&P and Moody's – continue to assign investment grade credit ratings to the Group's £400m bonds.

1.5.10 Year-end financial position of the Group

1.5.10.1 Net assets

Net assets as at 27 April 2024 were £443.4m (2023: £497.8m).

The reduction in the net assets reflects dividends paid in the year and the actuarial losses on defined benefit pension schemes, partially offset by gains on cash flow hedges and the profit for the year ended 27 April 2024.

1.5.10.2 Retirement benefits

The reported net assets of £443.4m (2023: £497.8m) that are shown on the consolidated balance sheet are after taking account of net retirement benefit assets, net of withholding tax payable on surpluses, of £174.0m (2023: £195.9m), and associated deferred tax assets of £3.5m (2023: £3.5m).

The Group recognised a pre-tax actuarial loss (2023: gain) of £80.2m in the year (2023: £269.3m). The discount rate used to determine pension scheme liabilities as at 27 April 2024 was 5.3%, which was an increase on the discount rate of 4.9% applied as at 29 April 2023.

The Stagecoach Group Pension Scheme ("SPS") is the Group's largest defined benefit pension scheme exposure comprising almost 90% of the total retirement benefit obligations. During the previous financial year, the Trustees of the SPS took advantage of the exceptional rise in gilt yields to move away from an equity and multi-asset growth led strategy to a liability driven investment ("LDI") strategy with the majority of assets now in gilts and high-quality credit. At the balance sheet date the SPS maintained a hedge of liabilities against interest and inflation movements in excess of 95% with a surplus of 110% on the long-term funding self sufficiency basis of gilts + 0.5%.

As a result of the improved funding and hedged positions, the Trustees and employers agreed amendments to the long term funding agreement providing for the employers to make deficit payments to the Scheme of £4.4m spread over 12 months from 1 May 2023. Further to this the employers have agreed in principle to make payments into an escrow account of £4.1m for each of the years to 3 May 2025 and 2 May 2026, to be used to underpin the funding position of the Scheme through to April 2031, when the escrow funds may be released back to the employers or paid into the Scheme depending on the funding position of the Scheme.

1.5.11 Dividend policy

In light of the Group's substantial available liquidity and its continued strong recovery in financial performance and position, the Board has proposed and paid dividends of £85.0m in respect of the year ended 27 April 2024. This dividend also reflects the one-off cash receipts the Group has received following the sale of its depots in Manchester to Transport for Greater Manchester pursuant to its franchising programme.

The Board takes account of the Group performance, financial position and prospects when setting dividends. It does not have a prescribed formula for determining each year's dividends, other than the desire to maintain sufficient liquidity to fund available capital expenditure and growth opportunities, taking into account expected cash flow from the business together with the ongoing commitment to seek to maintain an investment grade credit rating.

1.5.12 Treasury policies and objectives

Treasury risk management is carried out by a treasury committee and a central treasury department (together, "Group Treasury") under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in co-operation with the Group's operating units. The Board provides written principles for overall treasury risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

The funding policy is to finance the Group through a mixture of bank and lease debt, public and private debt issuance and cash generated by the business.

1.5.13 Use of non-GAAP measures

Our consolidated financial statements are prepared in accordance with UK-adopted International Accounting Standards. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures, and include measures such as like-for-like revenue, adjusted EBITDA and net debt. We believe this information, along with comparable GAAP measurements, is useful in providing a basis for measuring our financial performance. Note 33 to the consolidated financial statements provides further information on these non-GAAP financial measures.

1.6 Outlook

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

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

We are confident that our strong financial position and our continuing momentum means that we can deliver further benefits to our customers, employees, investors and wider stakeholders.

1.7 Non-financial and sustainability information statement

The non-financial information statement provided in this section 1.7 is a consolidated report relating to the Group as a whole.

Section 1.4.1 of this Annual Report contains a description of the Group's business model, while section 1.4.5 contains a description of the Group's principal risks and uncertainties.

1.7.1 Corporate social responsibility

We are one of Britain's leading public transport businesses, helping to connect communities for over 40 years. Our team of around 24,000 people and our c.8,300 buses and coaches are part of the fabric of daily life in the UK. We connect people sustainably with jobs, skills and training, bring customers to our high streets, connect tourists with visitor attractions and draw families, friends and communities together.

Sustainability is at the heart of our core business strategy and our Environmental, Social and Governance ("ESG") roadmap is aligned with UN Sustainable Development Goals.

As well as improving the sustainability of our own business, we are also focused on bringing wider benefits to our planet, our communities, our customers and our employees.

We want to play our part in supporting sustainable communities. Our aim is to generate long-term value through employment and wealth generation, paying our way in taxes which fund vital public services, contribution towards a fairer society, challenging convention and championing new ideas. Our purpose is set out in section 1.4.1 of this Annual Report.

This section 1.7 of our report includes an overview, and selected examples of our work, to demonstrate the steps we are taking to meet our responsibilities.

Further information on our approach to corporate social responsibility can be found on our website at the following link:
https://www.stagecoachgroup.com/sustainability.aspx

1.7.2 Environmental matters and climate change

1.7.2.1 Introduction

Climate change, air quality and green investment continue to be national and international priorities for governments. There is growing business awareness of the risks and opportunities linked to biodiversity and nature loss. Frameworks, such as the Taskforce for Nature-related financial disclosure (TNFD) and the Global Biodiversity Framework (GBF) are increasingly being adopted. The UK Government and the Welsh Government are targeting to achieve net zero greenhouse gas emissions by 2050, while the Scottish Government is targeting that by 2045. Huge opportunity remains as these targets cannot be met without modal shift from the car to mass transit. Continued positive political action, such as the commitment from the UK and Scottish Governments to support the purchase of new zero emission buses is a positive for the future development, performance, and position of the Group. Stagecoach has been successful in securing further Government funding through the recent ZEBRA2 funding round and hopes to benefit from the recent ScotZEB2 competition, enabling the Group to plan further expansion of our zero-emissions fleet.

Buses are the most efficient use of road space, with every full double-decker bus taking up to 75 cars off the road. A full bus emits a significantly lower per passenger kilometre emission than a standard car.

1. Strategic report (continued)

Provisional figures from the Department Energy Security and Net Zero shows that greenhouse gas emissions in the UK were 5.4% lower in 2023 than 2022, Whilst the domestic transport sector remains the UK's largest contributor to carbon emissions, at 29.1% in 2023, there was a 1.6 $MtCO_2e$ (1.4%) decrease in GHG emissions from the sector. When comparing to pre-pandemic emissions data (2019) the sectors emissions are 11.1% lower. The Cebr report for Stagecoach, published in early 2020 and based on data from 2017, estimates the benefit of modal shift to our UK bus services: "Without Stagecoach bus services, there would be an annual increase of 190,000 tonnes of CO_2 through passengers using alternative transport, mainly cars." These factors mean that the forecast for the rate of CO_2 reduction from transport is too slow to meet the UK Government's net zero target for 2050 highlighting the important role zero emission buses and modal shift from private vehicle use to public and active travel, must play in helping the UK achieve its net zero ambition

Bus operators and governments across the UK are taking action to support the shift to net zero through the decarbonisation of the bus network. We believe a successful transition to zero emission buses in the UK, as part of a wider programme to boost bus use, has the potential to reduce the carbon impact of the transport network. It will help: achieve national emissions and clean air targets; improve the environment in local communities; support modal shift from cars to buses; grow active travel for the right journeys, and increase bus passenger numbers as part of a thriving public transport system.

1.7.2.2 Policy

1.7.2.2.1 Environment policy

The Group Environmental Policy ("the Environment Policy") aligns with the requirements of ISO 14001. This policy is reviewed annually, applicable to all entities within the financial control of Stagecoach Group Limited, signed by the Chairman and the Chief Executive Officer.
https://www.stagecoachbus.com/group-policies-and-statements

1.7.2.2.2 Actions we are taking to reduce our impact on the environment

We see the transition of our bus fleet to zero emission vehicles, and the related activities, as the principal measures we are taking to reduce carbon emissions. We have made progress with that in the year 27 April 2024 but there is still much to do. Supporting this we have begun a programme of work to be ISO 14001 Environmental Management certified, with our ambition being to achieve this by December 2024. Further efforts have been made to understand our biodiversity and natural resource impact. We have commenced a water meter installation project to provide daily depot usage information. The water information will enable us to develop a water strategy that minimises usage and reduces waste more rapidly.

Around 95% of our carbon emissions are from the operation of vehicles. New Euro 6 buses emit fewer emissions overall than a Euro 6 car, as well as having up to 20 times the carrying capacity. Almost all our vehicles are Euro 3 or above, and around 62.4% are Euro 6, ultra-low emission or zero emission, up from 56.2% as at April 2023. 'Bus Back Better', the first National Bus Strategy for England, was published by the UK Government in March 2021 and set out a vision of fewer journeys by car, more journeys by bus, and a reduction in greenhouse gas emissions. Through the development of Bus Services Improvement Plans and ongoing engagement, we are working with local and national Government to put in place policies and measures to support a modal shift away from high-impact transport modes such as private car use, to lower impact modes of bus services. Over the past year, the Government has provided further funding to support Bus Service Improvement Plans, including through the Network North funding released by the cancellation of the later stages of HS2. The strategy also sets out a vision for a future of zero emission buses, and a UK Government consultation has concluded to set a date for the end of the sale of new diesel buses. An announcement on the outcome of the consultation is expected shortly. We continue to work towards purchasing zero emission buses with the target of having a fully zero emission UK bus fleet by 2035. The Scottish Government is targeting a reduction in car use by 20% by 2030, investing £500m to improve bus infrastructure and tackle road congestion, and government investment in zero emission buses.

We continued procuring 100% renewable electricity across our estate as well as investments to upgrade our heating energy management systems to reduce energy consumption. These upgrades aim to reduce energy use from heating between an estimated 10% to 20%. 31 sites have been upgraded with a further 32 due to be complete in July 2024. This, coupled to existing installations will result in a total of 91 depots with fully managed heating control systems across the estate. We expect to realise annual energy and carbon savings of 2 million KWh and 350 tCO_2e respectively.

In May 2024, our near-term greenhouse gas emission targets were approved by corporate climate action organisation, the Science Based Targets initiative ("SBTi"). This validation from the SBTi strengthens further our sustainability strategy commitments to minimise carbon emissions and support the prosperity of the local communities that we serve.

1.7.2.2.3 Effectiveness of environmental policies

Our Environment Policy aims to reduce our own impacts whilst providing more sustainable mobility solutions to help people reduce their own carbon impact. While buses and coaches account for about 3% of UK transport carbon emissions, our strategy starts with making our own business more sustainable. This includes transitioning to a zero emission UK bus fleet, improving energy efficiency in our estate, and reducing our other environmental impacts.

We acknowledge the climate emergency, and the risks rapid climate change presents to our business, the infrastructure we use, the communities we serve, and their ability to adapt. At the same time, however, our services present a major opportunity to address those risks and help the country to transition to a low carbon economy.

Our Environment Policy is compliant with ISO 14001 Environmental Management requirements, applicable to entities within Stagecoach's financial control and sets the minimum standard we expect across the business. The commitments within the Policy support our environmental targets are aimed at reducing emissions, cutting resource use, and increasing the proportion of waste diverted from landfill. Our targets covered our wholly owned bus and tram operations in the UK.

1.7.2.3 Governance

This section 1.7.2.3 summarises our governance around climate-related risks and opportunities.

1. Strategic report (continued)

1.7.2.3.1 The Board's oversight of climate-related risks and opportunities

The Board of Directors of the Company has oversight of environment and climate-related matters across the Group. Our Health, Safety and Environmental Committee typically meets four times each year and reports to the Board after each meeting. The Committee has delegated responsibility from the Board for overseeing environmental and climate-related matters, allowing it to consider such matters in more detail. In recognition of the importance of these matters, the Committee's responsibilities include:

- considering the environmental aspects of the Group's strategy and making recommendations to the Board on those;
- considering environmental (including climate change) risks and opportunities affecting the Group;
- reviewing the implementation of the environmental aspects of the Group's strategy and reporting to the Board on this implementation;
- providing support and encouragement to those executives implementing the environmental aspects of the Group's strategy and providing a forum for those executives to test ideas;
- reviewing the Group's performance against its environmental targets and ambitions, including in respect of the composition of its bus fleet;
- considering the Group's public reporting on environmental matters prior to its release (including in the Group's Annual Report and in any separate Sustainability Report);
- monitoring and considering any regulatory changes in relation to environmental matters that affect the business and/or strategy of the Group;
- reviewing the suitability of, and making recommendations to the Remuneration Committee in relation to, any environmental metrics forming part of determining the variable remuneration of the Directors and senior management.

Further information on the work of the Health, Safety and Environmental Committee is set out in section 6 of this Annual Report.

The Audit Committee also considers climate-related issues to the extent they might affect considerations on financial reporting and disclosure. The Directors have considered the relevance of material climate-related matters, including the risks of climate change and transition risks associated with the goals of the Paris Agreement, when preparing and signing the consolidated financial statements. For example, as explained in note 1(e)(ii) to the consolidated financial statements, the Directors noted estimation uncertainty arising from climate change considerations in estimating the useful lives of passenger service vehicles. As further examples, the Directors considered how climate change might affect forecast amounts used in: assessing the existence and valuation of onerous contracts, and assessing non-current assets for impairment.

The Board and its committees consider climate-related issues when reviewing and guiding strategy. The Board also considers climate-related issues when considering: major plans of action; risk management; annual budgets; business plans; setting performance objectives; monitoring performance; overseeing major capital expenditure; acquisitions and disposals.

1.7.2.3.2 Management's role in assessing and managing climate-related risks and opportunities

The Chief Executive Officer is responsible for the day-to-day running of the Group, including managing climate change responsibilities. They are supported by the Chief Operating Officer in managing the business as well as the wider senior leadership team. The Chief Executive Officer is supported by a dedicated Health, Safety & Environment Director. The Chief Executive Officer, Chief Operating Officer and Health, Safety & Environment Director regularly attend meetings of the Health, Safety and Environmental Committee. The executive team monitor performance against environmental and climate-related goals and targets. The executive is supported by the Group Head of Sustainability who is responsible for delivering the Group's sustainability strategy and who also attends the meetings. Subject matter experts, including the Finance Business Partner for sustainability provide further support as needed.

The Health, Safety & Environment Director chairs a Sustainability Committee, which brings together several of our executives with a wide range of expertise and insights. The Sustainability Committee includes individuals with expertise in environmental matters, operations, risk management, communications, and financial disclosures. The focus of the Sustainability Committee is the implementation of the sustainability strategy, which forms part of our overall corporate strategy. The governance structure is presented below:

1.7.2.4 Strategy

This section 1.7.2.4 summarises what we see as the actual and potential impacts of climate-related risks and opportunities on our businesses, strategy, and financial planning.

1.7.2.4.1 Climate-related risks and opportunities

We have identified a range of climate-related risks and opportunities, which we summarise in this section 1.7.2.4, and which are taken account of in the development and evolution of our corporate strategy.

1.7.2.4.1.1 Planning horizons

Our most valuable physical assets are our vehicles. Our vehicles have economic lives from new of up to 16 years, although we do operate some vehicles beyond their sixteenth anniversary. Our next most valuable physical assets are our land and buildings, particularly our portfolio of operating depots (garages). Our buildings have economic lives of up to 50 years, although again we do operate some buildings beyond that.

Considering the economic lives of our assets and infrastructure, we view our short-term planning horizon as up to three years, our medium-term as three to 10 years, and our long-term as 10 to 30 years. While it is difficult to forecast with certainty even over the short-term, we recognise that climate-related issues often manifest themselves over the medium and longer term. In addition, some of our own climate-related goals are long-term goals such as our target to have a zero emission UK bus fleet by 2035, but that target is also supported by short-term and medium-term targets that work towards the long-term target.

1. Strategic report (continued)

1.7.2.4.1.2 Climate-related opportunities

The UK is committed to net zero emissions by 2050. As noted in section 1.7.2.1, that commitment cannot be achieved without a reduction in car journeys and an increased use of public transport. The UK Government strengthened further its commitment in April 2021, announcing it would reduce emissions by 78% by 2035, compared to 1990 levels.

The opportunity to grow passenger usage of bus services is central to the National Bus Strategy for England; the Wales 2021 Transport Strategy; and the Scottish National Transport Strategy. We agree that driving up patronage should be a primary objective of the transition to 100% Zero Emission Buses. Our zero emissions bus report, “Road map to zero; the transition to 100% zero emission buses, what it means for people, and the journey to get there”, highlights that between 1.03m and 1.70m people who never or seldom use the bus would increase their use of buses if zero emission buses replaced diesel buses, and assuming fares plus service frequency remained the same.

We support the Government’s ambitions for increased bus use, and fewer car journeys. By working in partnership with government, we see a significant opportunity for growing demand for public transport services.

We expect that public concern about the climate emergency and the need to protect our environment will influence individuals to make choices based on those concerns. We see a significant climate-related opportunity for more individuals to choose bus and coach travel and align with our brands, as we contribute to a reduction in overall emissions from transport. To strengthen transparency, we continue to report to the CDP climate-change questionnaire about our climate-related impact and actions and recently improved our score to an “A-” rating. This rating is significantly above the average for the road transport sector, which was classed as ‘D’. The A- rating is an improvement on last year’s ‘B’ rating and places Stagecoach in the Leadership band, and the top 6% of businesses participating in the Road Transport Group. Recognising the importance of biodiversity reporting and the role transparency can play in driving change we also responded, for the first time in 2023, to the CDP water questionnaire. We achieved a “C”, which is in line with the Road Transport, European and Global averages. Our rating in EcoVadis is Bronze and are targeting further improvements year on year. In 2023 we became participants of the United Nation Global Compact (UNGC), the first UK bus and coach company to do so. The commitment to the principle-based approach of the UNGC framework reinforces further our commitment to transparency and sustainable business practices.

In 2024, we worked with a specialist environment consultancy to conduct scenario analysis and identify main transition opportunities for Stagecoach. These were highlighted around the electrification of fleet and reducing the operating costs and volatility linked to diesel prices, as well as increasing Stagecoach’s market size if they become a market leader in zero-emission bus operations.

We see the climate-related opportunity to grow bus use as a short to medium-term opportunity. In England, for example, which accounts for approximately 79% of our regional bus business, the UK Government has set out an ambitious National Bus Strategy. In Scotland, the devolved Government has set ambitious short to medium-term climate-related targets, including to cut car use by 20% by 2030. To support this, we engage with local and national governments to encourage and implement policies and measures that support a modal shift away from higher emission impact modes, such as that from private car use to lower emissions impact modes of transport, such as bus and coach services.

There have been several aspirational air quality and low carbon improvement objectives proposed by several local authorities in areas where we provide bus services. In line with our net zero objective, we will continue to engage with local authorities on the development and delivery of enhanced partnerships under the National Bus Strategy for England with a view to supporting our transition to zero emissions.

1.7.2.4.1.3 Climate-related risks

Public transport can play a significant role in addressing fiscal and environmental cost of climate change, air quality and road congestion. Positive political action in tackling these threats should also be positive for the Group’s future development, performance, and position.

At the same time, climate change presents several risks to the Group, including:

Transitional impacts

- **Changing customer habits.** The risk of changing customer habits is also explained in the summary of the Group’s principal risks and uncertainties in section 1.4.5 of this Annual Report. Demand for public transport could change in response to climate change concerns. Actions by environmentally conscious corporations and other organisations could add to a trend of increased working from home. The effects of COVID-19, had an impact effect on travel patterns accelerating a trend of increased working from home, shopping from home and more locally, telemedicine and home learning. We continue to see the risk of changing customer habits as highest in the short-term. While we do see changing customer habits over the medium-term and long-term as being a risk, we expect those changes to be more gradual.
- **Technology.** We anticipate that future zero emission vehicles deployed by the Group will be mostly battery electric. We have previously operated hydrogen-powered buses, and some local transport authorities in areas that we serve are considering further deployment of hydrogen power buses. Electric vehicle technology and related infrastructure technology is still developing, and there remains some uncertainty about the full life costs and expected useful lives of the vehicles. Policy interventions might continue to be needed to address higher costs. The current capital cost of new zero emission vehicles is significantly greater than the equivalent diesel vehicles. An electric bus is broadly twice the cost of the comparative diesel vehicle, while a hydrogen bus is even more expensive. Furthermore, investment in new infrastructure is often required to enable the introduction of zero emission vehicles. While the electricity cost of powering electric vehicles is currently less than the equivalent fuel cost for powering diesel vehicles, the saving does not fully offset the additional capital cost. There is a risk that the transition to zero emission vehicles increases our costs. There is a risk that we will be unable to fully offset these additional costs through increased revenue, which may result in an adverse effect on profitability. There are, however, several factors that reduce the likelihood and severity of those risks. Reflecting the ambition of governments in the UK to grow bus journeys, reduce car journeys and lower emissions, financial support has been available from governments towards the cost of zero emission buses. While there is no certainty of the extent to which such support will continue, the UK governments continue to consider how best to incentivise the transition to zero emission vehicles. In addition, the cost of electric cars also exceeds their diesel and petrol equivalents and so the competitive position of bus versus car might be less affected. The bus can offer a convenient, cost-effective alternative to electric cars for some individuals and journeys. We see this as a short-term, medium-term and long-term risk as we transition from a largely diesel bus fleet to a fully zero emission UK bus fleet over our target timeframe to 2035. How government policy, the relative cost of cars, the capital and operational costs of new buses each evolve over that period will have a bearing on the Group’s financial performance.
- **Public policy and legislative changes.** The broader risk of regulatory changes is explained in the summary of our principal risks and uncertainties in section 1.4.5 of this Annual Report. We know that the Government’s legally binding and ambitious carbon commitments cannot be met without significant modal shift to mass transit. Conversely, requirements restricting the use of certain vehicle types or adding to the cost of operating certain vehicle types (for example, requiring payments for diesel buses to operate in city centres) could result in increased costs for us. The UK Government will shortly consult on a date (expected to be between 2025-2032) after which the sale of new diesel buses will be prohibited in the UK. We consider this to be manageable.

There are no currently disclosed intentions to stipulate a date from when diesel vehicles may not be operated on the roads, and the Government is currently considering whether to stipulate a date after which the sale of new diesel coaches (as opposed to buses) will be prohibited. There is an opportunity and a risk that the Group's competitiveness for new UK contract opportunities is affected by the requirement introduced by the UK Government. From September 2021, bidders for public sector contracts over £5m per annum need to commit to net zero by 2050 and to have published a carbon reduction plan. There is a risk that public policies intended to tackle climate change (or be seen to tackle climate change or have other motives with the justification being climate change) have an adverse effect on the Group. For example, requiring payment for certain types of buses to enter a city centre while not requiring payment for any types of private car, is unlikely to materially mitigate climate change but could adversely affect public transport operators. We see the risk of public policy and regulatory changes as highest in the short-term as we await clarity on: the impact of actions within the National Bus Strategy in England; which local authorities in England seek to develop bus franchising; regulatory changes in Wales and Scotland; and government policy on the transition to zero emission vehicles. It is also an enduring risk over the medium-term and long-term as government policy can change at any time.

- **Operational risks.** The transition from diesel vehicles to zero emission vehicles presents several operational considerations and risks. There is a risk that accommodating new infrastructure to support zero emission vehicles adversely affects the operating costs, capacity and/or efficiency of bus depots (garages). There is a risk that the efficiency of our bus services and/or the number of buses required is affected by the re-scheduling of bus services to take account of the capabilities of zero emission vehicles. That could include adjustments to allow for the mileage that an electric vehicle is capable of on a single charge, being less than the mileage an equivalent diesel vehicle is capable of on a single tank of diesel. There is a risk that the availability of power from the electricity grid could adversely affect operating costs and the practicalities of operating sufficient electric vehicles.
- **Accounting risks.** As explained in note 1(e)(ii) to the consolidated financial statements, the Directors noted estimation uncertainty arising from climate change considerations in estimating the useful lives of passenger service vehicles. Changes in regulation around the use of vehicles could result in impairment losses or increased depreciation charges. This was reidentified in the scenario analysis completed in 2024, in that key transitional risks was identified for the group regarding potential loss of market share and early write-down of diesel vehicles, through unsuccessful electrification.

Physical impacts – acute and chronic physical risks

- **Weather patterns.** We have clear evidence that demand for our bus and coach services is influenced by weather. Demand drops during periods of particularly poor weather such as heavy rainfall, snow and strong winds. Extreme weather can also impair our ability to reliably operate all of our services. Accordingly, there is a risk that both our revenue and operating costs are adversely affected by climate change causing an increased frequency of more extreme, bad weather. There is also a risk that we incur additional costs or experience disruption to our services from such factors, for example, as a result of bus depots flooding. There is also the risk of low or no water availability, for example drought conditions or failing infrastructure. Our experience shows that bus and coach services are less impacted by severe weather events than other transport modes, such as rail services that operate on a fixed infrastructure. We see this as a long-term risk and see less risk of changing weather patterns materially affecting our financial performance or financial position over the short to medium-term.

In 2024, with support from a specialist environmental consulting group we assessed further physical risk across a high emissions scenario and a low emissions scenario by 2030 and 2050. The assessment identified the 20 assets that are exposed to the highest level of physical climate risks overall under present day conditions. The climate projections showed that the main events that have the potential to impact Stagecoach's assets and its operations are river flooding, extreme rainfall flooding, extreme heat, extreme cold, and water stress and drought.

1.7.2.4.2 The impact on Stagecoach businesses, strategy and financial planning

Our corporate strategy takes account of climate-related risks and opportunities. Our strategy is designed to grow demand for our bus and coach services over time by replacing car journeys with more carbon-efficient bus and coach journeys. Government policy currently supports that strategy. Our strategy also recognises a need to adopt new technology as we migrate our bus fleet to zero emission buses and our plans reflect that.

We take account of medium to long-term risks in financial planning through scenario modelling. For example, we model the implications on financial performance and financial position for differing levels of government financial support for the introduction of zero emission vehicles over the medium-term.

1.7.2.4.3 Climate change scenarios

In the current year, we expanded on our scenario planning exercise in 2021 and undertook additional scenario analysis. The objectives of the assessment were to understand further, at a high level, where material exposures to climate-related transition and physical risks and opportunities may exist within the Group, and to explain the drivers and timing of related issues. It will also help us prioritise management of the current and future business from climate-related risk and opportunity perspectives, thereby improving strategic decision-making and long-term sustainability of the Group.

Climate Transition Analysis:

Transitional risk and opportunity analysis was conducted using the Net Zero Emissions by 2050 scenario. This is an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching Net Zero CO_2 emissions around 2050. This scenario assumes that ambitious climate policies are introduced immediately.

Six key risks and opportunities have been identified, and transition scenario indicators used to explore the trend direction and magnitude, when evaluating climate transition analysis. The assessment used scenario indicators to give a summary view of the most material climate-related transition risks and opportunities for the Group. Scenario indicators were used to understand the significance of the underlying trend for each potential risk and opportunity to help project how they may develop and, therefore, how exposure may change in the future. The data used is from the NGFS Scenario Explorer. In some cases, proxy indicators were selected as scenario indicators where data more relevant to the risk/ opportunity was not available. Scenario indicators based on EU data have been used as there were not UK-specific metrics within the NGFS Scenario Explorer. We believe these provide a reasonable proxy for the trends also expected for the UK.

Climate Physical Analysis:

Physical risk analysis was assessed under the Shared Socio-economic pathway, SSP5-8.5. SSP5-8.5 is a high emissions scenario which assumes a 'business as usual' emissions trajectory with no additional climate policy. This scenario is used to assess a stressed exposure.

As part of the scenario analysis an asset level heatmap was developed and highlighted risk levels across a high emissions scenario and a low emissions scenario by 2030 and 2050 for the 20 assets with the highest exposure to physical climate events under present day conditions.

Most of Stagecoach's 20 assets with the highest exposure to physical climate events under present day conditions are projected to remain at the same risk level overall for both future timeframes (2030 and 2050) and under both a high emissions scenario and a low emissions scenario. This indicates that the assets currently exposed to greater risks to physical climate events, will continue to experience high levels of risks associated with physical climate events in future timeframes, and therefore will need to be resilient to the impacts associated with physical climate events to maintain efficient operations in the future. However, a few of the highest exposed assets are projected to experience an increase in the risks associated with physical climate events in the future.

1. Strategic report (continued)

A hazard level heatmap was developed to highlight the average risk levels across a high emissions scenario and a low emissions scenario by 2030 and 2050 for each hazard identified. The risk levels accentuated the average result across the 20 assets that are exposed to the highest level of physical climate risks overall under present day conditions. The climate projections show that the main events that have the potential to impact the Group's assets and operations are river flooding, extreme rainfall flooding, extreme heat, extreme cold, and water stress & drought.

This scenario analysis builds on the work completed in 2021 where we undertook a scenario planning exercise to assess the resilience of the Company's business model and strategy to climate change risks. Our initial work on scenario planning was led by an external consultant, with input from colleagues with responsibility for strategy, business development, external affairs, corporate communications, finance, health, safety and environment.

The question we chose is "How could climate change plausibly impact Stagecoach's UK bus and coach operations by 2050?" We chose 2050 to align with the UK Government's legally binding net zero carbon target.

We see the principal climate-related risks we face being primarily transition risks related to public policy, regulatory change, technology, and customer habits. While we are exposed to physical risks, such as those related to weather, we see the potential financial impact on us to be greater from transition risks than physical risks. In light of that, we have not yet undertaken quantified climate-related scenario analysis and we have not quantitatively considered a 2°C or lower scenario, or other scenarios consistent with increased physical climate-related risks.

We reviewed publicly available scenarios and proprietary models but concluded these were not particularly helpful for our scenario analysis and so we decided to develop our own exploratory scenarios. However, to help with future scenario analysis development, we will leverage the outcomes from our recently commissioned zero emissions bus report.

The key drivers initially identified for consideration, and still relevant today, are shown below.

Social	Technology	Economic
Shift in working patterns Rebirth or repurposing of the High Street Changing leisure and business travel Rise of sharing economy and retail platforms Change in car use	Cost differential between zero emission vehicles and diesel equivalents Automated vehicle technology Digital technology for customer experience	Decoupling of GDP and growth in transport Changing cost of car ownership Rise in economic inequality
	Environmental	**Political**
	Adaptation to changing weather Concern about quality of local environment	Declining revenue for fuel/car tax Devolved power to the regions Focus on technology, infrastructure, behaviour change or levelling up

From this work, we derived the two major themes to create the scenarios based on their potential impact and uncertainty. These themes were: 1. Net zero policy quickly and centrally driven or slowly and inconsistently implemented; and 2. Higher overall travel demand or lower overall travel demand. For each scenario, we considered the implications for our business and prepared a narrative description of the key features and implications of the scenario, including in respect of: public policy, travel demand, transport infrastructure, transport modes, technology and customer experiences.

The results of our scenario planning are used to inform our strategy, our ongoing assessment of risks and opportunities, and our action plans. We have reasonable confidence that we can adapt our strategy for any of the four core scenarios considered, while recognising that our strategy would not be resilient to more extreme public policy or demand outcomes.

1.7.2.5 Risk Management

1.7.2.5.1 Processes for identifying and assessing climate-related risks

We identify climate-related risks in a number of ways, including:
- We held a climate-related risk workshop in 2021 with executives from a range of areas, and an external expert, to generate ideas on climate-related risks;
- We have a Sustainability Committee, chaired by Health Safety & Environment Director, which considers climate related risks as part of its remit, as well as actions to reduce greenhouse gas emissions;
- We consider functional risk trackers (see section 1.7.2.5.3) for climate-related risks identified by colleagues across the business;
- Our Health, Safety and Environmental Committee reviews and considers climate-related risks, with non-executive directors bringing insight from their experience with other businesses;
- We review reports from other transport operators and consider the extent to which climate-related risks they identify are also applicable to us;
- We review reports from selected businesses in other sectors and consider the extent to which climate-related risks they identify are also applicable to us;
- We monitor and consider existing and emerging regulatory requirements related to climate change, including sector-specific requirements such as those related to vehicle types;
- We maintain relationships with government bodies to understand, anticipate and help shape future policy and regulatory changes related to climate change.

For each risk identified, we assess the nature, potential severity and likelihood of its impact by involving appropriate executives and/or external experts.

1.7.2.5.2 Processes for managing climate-related risks

Consistent with other risks, we determine the potential severity and likelihood of each climate-related risk occurring, and prioritise risks based on that. We consider if and how to mitigate, transfer, accept or control each risk. Section 1.7.2.4.1.3 summarises the principal climate-related risks we have identified, and we seek to manage these risks by:
- Seeking to work in partnership with government bodies to achieve shared objectives to grow bus journeys, reduce car journeys, tackle climate change, improve air quality and reduce road congestion;
- Monitoring public policy proposals, seeking to influence decision makers to avoid tokenistic policies and implement transport policies that can meaningfully and affordably help reduce emissions;
- Lobbying government and others to promote public transport as part of the solution to climate change with an objective to reduce car journeys by promoting the alternative of public transport;
- Encouraging positive public policies that discourage car use such as funding to improve public transport, car congestion charging etc.

- Promoting the environmental benefits of public transport versus car to the general public;
- Developing our corporate sales offering, leveraging the environmental benefits of bus and coach travel versus car travel;
- Reducing the emissions per vehicle mile of our vehicle fleet over time by increasing the percentage of Euro 6, ultra-low emission and zero emission vehicles in the fleet, working towards our target of a fully zero emission bus fleet in the UK by 2035;
- Continuing our broader programme to reduce our own carbon emissions; in light of this, when new service vehicles or vans are requested an assessment on mileage and frequency of use is conducted, where no good reason for an internal combustion engine is given, the request is rejected and an electric vehicle option must be taken;
- Considering climate change factors (e.g. flood risk) in decision making on our property portfolio.

1.7.2.5.3 Integration with the Group's overall risk management

Climate-related risks and opportunities are considered as part of our risk management process and in conjunction with our consideration of strategy. Our strategy is set by the Board. The Board considers the key risks to achieving the Group's strategic objectives. Risk discussions are embedded in strategic planning and decision making. Twice yearly, the Board will review and consider the principal risks, being those risks that present the greatest threats to achieving our strategic objectives. A climate change risk assessment has been undertaken as part of that wider risk assessment. The Director of Risk & Assurance, who co-ordinates the risk management process, reviews the risk trackers and ensures that overall principal risks reflect those where appropriate, which is reviewed by the Risk and Compliance Committee. Input is obtained from a range of executives, as well as the Board, with the breadth of functional representation assisting in identifying and assessing not only current risks but also emerging risks.

1.7.2.6 Metrics and Targets

In this section 1.7.2.6, we consider the metrics and targets that we use to assess and manage relevant climate-related risks and opportunities where such information is material.

Not all climate-related risks and opportunities we have identified can be easily assessed and managed by quantified metrics. For example, the climate-related risks and opportunities arising from changes in government policy are difficult to reduce to quantified metrics. However, we do use several metrics to assess climate-related risks and opportunities.

Each of the main metrics we use to assess climate-related risks and opportunities are described below. For each metric, we also describe any targets we use to manage climate-related risks and opportunities, and performance against those targets.

We have already taken steps over several years to reduce our environmental impact, meaning that our baseline position already reflects more progress than some other organisations. That is relevant in comparing targets for future percentage changes between organisations.

The metrics and targets reported in this section 1.7.2.6 have not been independently audited.

1.7.2.6.1 Greenhouse gas ("GHG") emissions

We measure our Scope 1, 2 and 3 greenhouse gas ("GHG") emissions and explain later in this section the emissions that are included within our reported Scope 3 GHG emissions. We seek to reduce our GHG emissions over time as we believe that the lower our emissions are, the less our business will be exposed to the risks of public policy and regulatory change and changing customer habits.

Certain of the values shown in this section 1.8.2.6 for the prior year ended 29 April 2023 have been restated from the values presented in the 2023 Annual Report. The only restated value above the 1% materiality threshold set by the organisation for GHG emissions per emissions source is to Scope 3, category 6 (business travel). This realised a decrease by 15.51% from 1,708 to 1,443 tCO_2e. The reason for this change is due to the original mileage-based factors being replaced for spend-based factors as these provide a more accurate final emissions figure.

Due to the amendments above, in additional to some immaterial changes, Scope 1 and Scope 2 GHG emissions in tCO_2e decreased 0.49% from 493,970 to 491,525. Scope 3, category 3 emissions increased by 0.14% from 118,969 to 119,139. The total GHG restatement for 2022/23 equates to a decrease of 0.42% from 615,412 tCO_2e to 612,520 tCO_2e.

For the year ended 27 April 2024, our total energy consumption was 2,089,759,965 KWh (2023: 2,092,237,178 kWh) and the total carbon emissions associated with our reported energy use were 609,016 tCO_2e (2023: 615,520 tCO_2e).

In the 2023/24 reporting year, we improved our reporting process from a manual, spreadsheet method, to an online cloud-based reporting process. During the migration we identified some data amendments, which are outlined in this section. This resulted in a restatement of certain of the 2022/23 figures.

Total energy use in GWh	**2023/24**	2022/23 restated	% change
Fuel			
– Gas	**48.18**	49.12	(1.91)%
– Liquid fuel	**1,981.25**	1,987.52	(0.32)%
– Biomass	**–**	0.08	(100)%
Electricity (includes on-site solar)	**60.33**	55.52	8.66%
Total energy use	**2,089.76**	2,092.24	(0.12)%

Resource consumption	**2023/24**	2022/23 restated	% change
Liquid fuel (litres)	**193,756,973**	193,115,803	0.33%
Refrigerants (kg)	**1,627**	1,961	(17.03)%

1. Strategic report (continued)

The data below shows our greenhouse gas emissions for the year ended 27 April 2024 with comparative data for the year ended 29 April 2023.

Total Greenhouse Gas emission by scope in tCO_2e	2023/24	2022/23 restated	% change
Scope 1	**476,723**	480,858	(0.86)%
Scope 2	**12,358**	10,667	15.85%
Scope 1 & 2 emissions	**489,081**	491,525	(0.50)%
Scope 3	**119,935**	120,995	(0.88)%
Total emissions	**609,016**	612,520	(0.57)%

Scope 1 & 2 Greenhouse Gas emissions breakdown in tCO_2e	2023/24	2022/23 restated	% change
Scope 1			
– Fuel (Natural Gas)	**8,814**	8,967	(1.7)%
– Fuel (Liquid)	**465,775**	469,203	(0.73)%
– Biomass	**–**	1.0	(100)%
Refrigerants	**2,134**	2,687	(20.58)%
Scope 1 total emissions	**476,723**	480,858	(0.86)%
Scope 2 purchased electricity (Location-based)	**12,358**	10,667	15.85%

The table below further breaks down our reported scope 3 GHG emissions. The comparison is for the last two reporting years.

Scope 3 Greenhouse Gas emissions breakdown in tCO_2e (Location-based)	2023/24	2022/23 restated	% change
Category 3; Fuel and energy related activities not included in scope 1 and 2	**118,272**	119,139	(0.73)%
Category 5; Waste	**481**	413	16.46%
Category 6: Business Travel	**1,182**	1,443	(18.09)%
Total Scope 3 emissions (Location-based)	**119,935**	120,995	(0.88)%

We are reporting against the Streamlined Energy and Carbon Reporting ("SECR") framework. The 2023/24 reporting period is May 2023 to April 2024.

To comply with SECR guidance, the methodology used is the WBCSD/WRI Greenhouse Gas Protocol. A financial control approach has been taken. Stagecoach has a 37.5% shareholding in Scottish Citylink Coaches Limited. Under the financial control approach, Scottish Citylink Coaches Limited is excluded from Stagecoach's organisational boundary because the joint venture is categorised as an Associated/Affiliated Company as per the definition in the GHG Protocol. We have used the UK Government greenhouse gas conversion factors for company reporting 2023. Scope 2 emissions from purchased electricity have been measured using a location-based approach.

Materiality was set at 1% of the organisation's GHG emissions for each emissions source and we use a materiality threshold for the Group of 5%. We are not aware of any emissions that have been excluded on the grounds of materiality. We have reported on all the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. All these sources fall within businesses that are included in our consolidated financial statements.

The Group uses biodiesel fuel blend for some of its bus fleet and a biofuel blend for some of its support vehicles. As recommended in the UK Government Environmental Reporting Guidelines, biogenic CO_2 from this was reported separately, whereas biogenic CH_4 and N_2O emissions were accounted for in Scope 1 fuel combustion. Out of scope emissions factors from BEIS (2023) were used to calculate out of scope emissions from petrol and diesel. To estimate energy use for Scope 1 and 2 emissions from fuel, the fuel volumes used were converted to kWh. We used BEIS GHG emissions conversion factors for 2023 to convert the 2023/24 fuel volumes to energy use.

Scope 3 emissions are indirect emissions which take place outside of the Group's direct operations.

Scope 1 emissions decreased from 2022/23 by 0.86%. This can be explained with reference to:
- Changes in fuel emissions factors resulted in a reduction of 4,308 tCO_2e;
- The number of electric fleet increased across the group notably in our Scottish operating companies and our East operating company, thus removing diesel fleet from those locations;
- We used less gas for heating, resulting in a 222 tCO_2e reduction. We believe the continued implementation of the improved building heating management systems in depots is contributing in part to this reduction but also recognise that warmer temperatures also play a part;
- Refrigerant gas loss reduced by 552 tCO_2e.

Scope 2 location-based emissions have increased from 2022/23 by 15.85%. This can be explained with reference to:
- An increase in electricity use of 4.1 GWh (8.67% higher than 2022/23) which is attributed to the increased electric fleet;
- Increased emissions factors have resulted in higher location-based emissions. The change in emission factor results in an increase of 813 tCO_2e.

We have not set specific targets for our Scope 1, 2 and 3 GHG emissions but we have set targets for our GHG emissions normalised for revenue, vehicle miles and passenger journeys (see sections 1.7.2.6.3 to 1.7.2.6.5 below).

1.7.2.6.2 Carbon saved by modal shift

In 2021/22 as bus use began to rebound from the pandemic, so too did emissions saved. We track our "Carbon saved by modal shift", being the estimated direct greenhouse gas emissions of our operations less the estimated greenhouse gas emissions saved by reducing car journeys and other modes of transport. While that does involve some estimation, we consider it to better reflect the environmental impact of our business than a consideration of our direct emissions alone.

Our Carbon saved by modal shift metric helps us assess and manage that by focusing not just on our own GHG emissions but on the net position. The numbers in the table below clearly show the pre-pandemic environment against the dip caused by the lockdowns and then the recovery to where we are today.

	2023/24 Emissions (tCO_2e)	2022/23 Emissions (tCO_2e) restated	2021/22 Emissions (tCO_2e)	2020/21 Emissions (tCO_2e)
Total Scope 1 & 2 emissions (see table in section 1.7.2.6.1 above)	**(489,081)**	(491,525)	(490,949)	(416,758)
Estimated emissions saved by replacing journeys by other modes	**725,488**	733,814	508,026	291,600
Net carbon saved by modal shift/(emissions)	**236,407**	239,844	17,077	(125,158)
– Target disclosed in 2023 Annual Report	**62,004**			

We are targeting to improve our Carbon saved by modal shift, principally by:

- Reducing the emissions of our fleet by moving more of our fleet to cleaner diesel, ultra-low emission and zero emission vehicles, and ultimately to having a fully zero emission UK bus fleet by 2035;
- Growing bus journeys, replacing car journeys and increasing our load factors.

Our short, medium and long-term targets for Carbon saved by modal shift are as follows:

	2024/25	2031/32	2050/51
Carbon saved by modal shift (tCO_2e)	65,977	87,852	67,993

Over the coming years, we are targeting an increase in our carbon saved by modal shift, driven by an increasing portion of our UK bus fleet becoming zero emission buses and modal shift from other modes of transport to bus. Our targets also take account of an increasing proportion of zero emission private cars – while that sees our target carbon saved by modal shift reducing between 2031/32 and 2050/51, we still envisage a significant carbon saving in 2050/51 even with a high proliferation of zero emission cars.

1.7.2.6.3 Emissions per £ of revenue

We have chosen to use a revenue intensity metric and as such, report emissions as kilograms of carbon dioxide equivalent per total revenue ($kgCO_2e$/£ of revenue). Our emissions per £ of revenue are summarised below:

	2023/24	2022/23
Revenue (£m)	**1,586.0**	1,372.3
Total Scope 1 & 2 emissions tonnes (tCO_2e) (location based)	**489,081**	491,525*
Intensity ratio		
Total Scope 1 & 2 emissions ($kgCO_2e$/£ of revenue) (location based)	**0.31**	0.36
– Target disclosed in 2023 Annual Report	**0.31**	0.34

Our intensity ratio for $kgCO_2e$/£ of revenue has decreased compared to last year. This has met the expected target with additional information provided above explaining the movement in Scope 1 and 2 emissions.

The revenue figures shown in the consolidated income statement reconcile to the revenue figures in the table above as follows:

	2023/24 £m	2022/23 £m
Revenue shown in consolidated income statement	**1,570.3**	1,357.4
Revenue from discontinued operations (note 5)	**15.7**	15.2
Exclude revenue items relating to expired rail franchises, for which there are no associated emissions in the year	**–**	(0.3)
Revenue shown in preceding table	**1,586.0**	1,372.3

Our short, medium and long-term targets for emissions per £ of revenue are as follows:

	2023/24	2024/25	2031/32	2050/50
Total Scope 1 & 2 emissions ($kgCO_2e$/£ of revenue)	0.31	0.28	0.12	Net zero

1.7.2.6.4 Emissions per vehicle mile

We also report emissions per vehicle mile as:

Group metrics	**2023/24**	2022/23 restated
Vehicle miles (m)	**348.3**	343.1
Total Scope 1 & 2 emissions tonnes (tCO_2e) (location based)	**489,081**	491,525
Intensity ratio		
Total Scope 1 & 2 emissions ($kgCO_2e$/vehicle mile) (location based)	**1.40**	1.43
– Target disclosed in 2023 Annual Report	**1.13**	1.21

Although not meeting target, our intensity ratio for $kgCO_2e$/vehicle mile has decreased compared to 2022/23. This is due to total scope 1 emissions decreasing by 0.87% and an increase in mileage run by 1.52%. The Group's targets were originally set on a higher-than-average biodiesel blend. Our engineers reported a correlation between premature parts failure and higher bioblend fuels. As a result, we reduced to a standard blend in 2021/22. Additional information is provided above to explain the movement in scope 1 and 2 emissions.

1. Strategic report (continued)

Our short, medium and long-term targets for emissions per vehicle mile are as follows:

	2023/24	2024/25	2031/32	2050/51
Total Scope 1 & 2 emissions (kgCO_2e/vehicle mile)	1.13	1.06	0.54	Net zero

1.7.2.6.5 Emissions per passenger journey

We also report emissions per passenger journey. This provides data to compare our emissions per journey with other modes of transport, as we seek to manage the risks and opportunities associated with changing customer habits.

Emissions per passenger journey in 2023/24 and 2022/23 were as follows:

	2023/24	2022/23
Passenger journeys (m)	**823.2**	780.5
Total Scope 1 & 2 emissions tonnes (tCO_2e)	**489,081**	491,525
Intensity ratio		
Total Scope 1 & 2 emissions (kgCO_2e/passenger journey)	**0.59**	0.63
– Target disclosed in 2023 annual report	**0.49**	0.56

Our intensity ratio for kgCO_2e/passenger journey has decreased compared to last year. This is short of target due to targets originally being set on a higher-than-average biodiesel blend. Our engineers reported a correlation between premature parts failure and higher bioblend fuels. As a result, we reduced to a standard blend in 2021/22. Additional information is provided above to explain the movement in scope 1 and 2 emissions.

Our short, medium and long-term targets for emissions per passenger journey are as follows:

	2024/25	2031/32	2050/51
Total Scope 1 & 2 emissions (kgCO_2e/passenger journey)	0.46	0.24	Net zero

1.7.2.6.6 Fleet composition

We also track our bus and coach fleet composition as we assess and manage risks associated with the cost of new vehicles and regulatory changes. The below table details our progress in reducing the emissions impact of our bus and coach fleet. We remain at the early stages of our journey towards a 100% zero emissions UK bus fleet, and recognise we have to accelerate our investment in order to meet our medium and long-term targets.

	27 April 2024 % of fleet	29 April 2023 % of fleet
Percentage of fleet which is Euro 3 or above, ultra-low emission or zero emission	**99.8%**	99.7%
Percentage of fleet which is Euro 6 or above, ultra-low emission or zero emission	**62.4%**	56.2%
Percentage of fleet which is ultra-low emission or zero emission	**14.2%**	14.0%
Percentage of fleet which is zero emission	**5.3%**	3.3%
– Target disclosed in 2023 Annual Report	**17.4%**	9.5%

Our short, medium and long-term targets for the percentage of the UK bus and coach fleet which is zero emission are as follows:

	2024/25	2031/32	2050/51
Percentage of fleet which is zero emission	25.2%	76.5%	100%

1.7.2.6.7 Government net promoter score

Given the importance of our relationship with government in the context of growing public transport use and public policy, we measure our government net promoter score through an independently conducted survey of key government stakeholders. Key government stakeholders for this purpose include passenger transport executives, local transport authorities, combined authorities, the UK Government and devolved governments.

	2023/24	2022/23
Government net promoter score	**8**	(13)

We were pleased to see a significant improvement in our Net Promoter Score in the current year, as we have made substantial progress over the past year to increase our driver staffing position following intensive recruitment activity, which has led to an improvement in service reliability. We recognise that the operational challenges from industry-wide driver resource shortages adversely affected our Net Promoter Score in 2022/23 and we continue to engage with local stakeholders to rebuild their confidence in our service delivery.

1.7.2.6.8 Carbon prices

We do not use any internal carbon prices.

1.7.3 Social – Employees

1.7.3.1 Our employees

We are passionate about putting our people at the front and centre of what we do. Our employees are fundamental to the successful development and performance of the business. We aim to recruit and retain the best employees in our sector, offering a competitive package of benefits, which enables us to deliver good customer service.

We are building a strong and trusting culture integrated with our values, where our people are empowered to do the right thing and be themselves at work. We have strong and constructive relationships at both a national and local level with our three recognised trade unions, Unite the Union, RMT and GMB.

1.7.3.2 Employment policies

Being an inclusive and diverse employer is key to our success. It is our policy that all people should be treated fairly and with respect, whether they are applying to join Stagecoach or they are a current employee. Each of our businesses has detailed employment policies in place that are appropriate to the relevant business and its employees. Across the Group, we aim to have a motivated team of people that will meet the expectations of our customers, improve our business and be rewarded for their commitment.

We value, and have a policy of, equality of opportunity, regardless of disability, gender, sexual orientation, religion, belief, age, nationality, race or ethnic origin. We also provide training, career development and equal consideration for promotion.

1.7.3.3 Effectiveness of employment policies

Our employment policies give our people and managers the guidance they need to support a positive culture. We measure the effectiveness of our employment policies in a number of ways. The results of our annual employee engagement survey help us understand how our people feel about key areas such as diversity, reward, training and development, health and safety and speaking up. Our individual businesses have worked with their teams to create action plans that will drive improvements that will have the biggest impact for our people, for example improving the workplace environment, communications, training and development, and rewards and benefits. We monitor employee attrition rates and investigate the reasons for any unusual trends.

1.7.3.4 Employee training and development

Our training priority remains essential Driver Certificate of Professional Competence ("CPC") and apprenticeship training to ensure we equip our drivers and engineers with the skills they need to perform their roles effectively.

We maintained our membership with the 5% Club of Gold Status for our commitment to "earn and learn" programmes as a result of our continued commitment to our apprenticeship programmes. The 5% Club is a UK-wide charity that aims to contribute to the alleviation of poverty through increased levels of employment. We're committed to increasing the number of apprenticeships and providing further development for our managers and leaders of the future to grow our talent pipelines across the business.

1.7.3.5 Employee engagement

Our engagement strategy is built around gaining meaningful insights so we can continually improve and help people feel part of our business.

In the year ended 27 April 2024 we conducted a full employee survey designed to confidentially gauge employee satisfaction levels across the entire business. This provided us with insight into the feelings and opinions of the workforce, across a defined set of measurable questions, and enabled tracking of progress against action plans from the full and pulse surveys completed in the year ended 29 April 2023.

Our employee communications app, Blink, continues to be a pivotal tool to increase our employee voice and reach a wider audience quickly with important updates through a modern digital platform. We also continue to utilise digital screens across our sites as another more modern, timely, engaging, and accessible way of reaching our people with key updates, allowing us to share both national and local messages with our colleagues. Both platforms enable us to share our people's stories and help everyone understand how they contribute towards the success of our business, while also helping celebrate and thank our employees who go above and beyond, as well as showcasing good news stories about "what the business is doing" to ensure we are sustainable for the future.

We continued with our successful Stagecoach Star of the Month recognition scheme, which recognises and rewards our people for their outstanding performance and behaviours.

We re-introduced our annual awards ceremony, now titled Excellence Awards, to acknowledge and celebrate our employees' hard work, achievements and contributions to the Group during the year. There were ten categories and a highly commended and winner of the Pride of Stagecoach award, which recognised the best of all the 800 nominations received. 56 finalists were recognised on the awards evening with 12 overall winners. We believe that this has helped to provide increased motivation and job satisfaction, improved teamwork and communication and has helped with attraction and employee retention.

We continue to focus on strengthening our relationships with the recognised trade unions to ensure that they develop a shared understanding of the challenges that we face as a business. We have twice-yearly meetings with trade unions through the Joint Negotiation and Consultation Forum ("JNCF") in place. There have been a number of disputes over pay during the last year due to the continued cost of living crisis and increased competitiveness in front line workers' pay. These have been settled and we will continue to build on creating a positive culture where our people feel fairly rewarded and recognised.

Section 1.8 of this Annual Report summarises, amongst other matters, how the Directors have regard to employee interests, and the effect of that regard, including on decisions taken during the year ended 27 April 2024.

1.7.3.6 Employee health and wellbeing

The health and wellbeing of our people continues to be a focus for us, particularly on physical, financial and mental wellbeing. During 2022/23, we appointed our first dedicated Diversity, Equity & Inclusion (DEI) Partner to drive forward the health, wellbeing and inclusion and diversity agenda.

This year there has been a continued focus on Mental Health First Aid training for wellbeing champions and managers across the business.

Our benefits platform provides our employees with easy access to a whole host of wellbeing resources, such as the Employee Assistance Programme, alongside offering discounts for shopping and entertainment. Now more than ever, we are aware of the growing need to improve the support we provide around financial wellbeing.

1. Strategic report (continued)

1.7.4 Social – Workforce diversity and inclusion

1.7.4.1 Workforce diversity policy

We continue to build on our inclusive culture where differences are celebrated and we attract, retain and develop more diverse talent throughout the organisation. We have continued to grow our employee-led networks: Veterans; Parents; Women@Stagecoach; LGBTQ+ community; Carers; Members of Multi-Faith/Multi-Ethnic Communities, and New Managers. The members of these networks are helping to shape the agenda and bring about lasting change. We recognise the importance of employee networks to support diversity and inclusion in our business, and to enable us to better represent the customers and communities we serve.

We have recently submitted our 2023 Gender Pay Gap Report, which shows a mean gender pay gap of 3.68%, substantially lower than the UK average of 14.3%. For further detail on the 2023 Gender Pay Gap report, please go to:
https://www.stagecoachgroup.com/about/managing-the-business/governance/gender-pay-gap-reporting.aspx

The table below shows the gender split at different levels within the organisation, as at 27 April 2024. The Group's workforce is around 86% male and this high proportion is common in the ground transportation industry.

Population	Male	Female	Total	% Male	% Female
Board	**7**	**2**	**9**	77.8	22.2
Executive Committee members and their direct reports (excluding personal assistants)	**45**	**20**	**65**	69.2	30.8
Senior Management[1]	**32**	**8**	**40**	80.0	20.0
Whole Workforce	**22,013**	**3,460**	**25,473**	86.4	13.6

The equivalent figures as at 29 April 2023 were:

Population	Male	Female	Total	% Male	% Female
Board	**6**	**1**	**7**	85.7	14.3
Executive Committee members and their direct reports (excluding personal assistants)	**34**	**14**	**48**	70.8	29.2
Senior Management	**39**	**8**	**47**	83.0	17.0
Whole Workforce	**19,896**	**3,185**	**23,081**	86.2	13.8

1 Senior management is defined as those employees who received awards under the Group's Deferred Bonus Plan. This satisfies the definition set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

1.7.4.2 Actions to strengthen diversity and inclusion

We continue to seek to improve the gender balance throughout the Group. Diversity, Equity and Inclusion ("DEI") remains a key focus for our business and our approach to strengthening DEI further is focused on three key areas:

Improved support for our female colleagues
Resource and embedding
Our Inclusion and Culture partner has championed support in the workplace for our female colleagues with training and awareness modules including Unconscious Bias, Psychological Safety and Managing Menopause, as well as setting up webinars with keynote speakers for International Women's Day. We have also set up a working party and various trials to help us further encourage more flexible working to attract more female drivers and engineers into our business.

Awareness and understanding
We are continuing to help Stagecoach colleagues with their awareness and understanding to mitigate the impact of unintentional gender biases through delivery of unconscious bias "Let's Talk" sessions as well as mandatory e-learning modules. As part of our commitment to developing our colleague and line manager inclusion capability, we have training available to help educate colleagues and give them the tools to move the dial on DEI. We continue to make sure that there is no gender bias in any of our training and development initiatives, and everyone has the same access to development relevant to their roles.

Shine pool
In addition, we continue to encourage our female drivers, engineers and supervisors to develop their careers further through recognition in our Shine Pool, enhancing the diversity within this vital future leader population.

1.7.5 Social – Community matters

1.7.5.1 Social and community policies

We seek to work with a wide range of stakeholders to help shape our services and support our drive to get a better deal for sustainable public transport.

We are focused on working with national and local governments to deliver a broad network of high quality, accessible and sustainable transport services. We have worked closely with local authorities across our network in England to develop ambitious bus service improvement plans ("BSIPs") as part of the government's national bus strategy. These BSIPs include initiatives to lower fares, speed up bus journeys, boost accessibility and connections, and improve customer information. We continue to work with local authorities to deliver the joint plans for improvement in bus services. We are also working closely with the devolved governments to develop future bus service plans for Scotland and Wales.

1.7.5.2 Promote social inclusion through our services and operations

Our customer transformation programme continues to build on our investment in contactless technology with a focus on developing simplified products and pricing which offer a simple and affordable experience for customers. We are also continuing to work with local authorities and other operators to develop multi-operator ticketing.

Our customer contact centre makes it easier for customers to reach us from anywhere in the UK, with a one-stop phone and digital contact point that people can use to contact a member of our team on any queries they have, including questions about timetables, feedback on services, help with smartcards and lost property.

Making our services more accessible and delivering better value travel is central to our strategy to encourage people to switch from the private car to more sustainable public transport.

We continue to take steps to deliver fare simplification to improve customer perception of value for money and help drive more use of our buses and coaches.

Contactless payment facilities cover all of our regional bus fleet, making it easier for people to use our services and providing a platform for further ticket simplification.

All of our local bus fleets in the UK are fully accessible as a result of significant investment over many years. Our new vehicles feature CCTV and USB charging points, and "talking bus" audio visual systems are fitted as standard, providing next-stop information. This is designed to improve accessibility for blind and partially sighted people and we have worked with sight loss organisations, including the Royal National Institute of Blind People and Guide Dogs, to raise awareness of potential barriers to travel among excluded groups.

Automatic vehicle location technology is fully deployed across our UK regional bus fleet, providing real time service information to customers via our smartphone app and online.

Efficient connectivity is vital to ensure people in our local communities have access to jobs, the services they need and can play a full part in society. We have developed demand responsive transport services, helping to serve people in rural areas or those employed in specialist sectors.

We have a number of ticketing initiatives in place to support the local communities we serve, including our national jobseekers discounted travel initiative, the only scheme of its kind in the UK and offering discounted bus travel for Scottish NHS workers. Our Stagecoach Solutions service also offers a range of service for businesses and corporates to work with us to develop personalised transport solutions.

For further information on our initiatives, please go to: https://www.stagecoachbus.com/corporate/sustainability

1.7.5.3 Foster community development through our charitable activities

Since we were founded in 1980, we have played a huge role in supporting the communities we serve and sharing our success with local people and communities by funding the work of local, national and international charities. We continue to make a significant contribution towards the communities we serve through time, resource, money and sponsorship, and have committed to donating up to 0.5% of pre-tax profits to charitable and community causes each year.

More information on our community support and programmes is available at: https://www.stagecoachbus.com/corporate/sustainability

1.7.6 Governance – Our corporate values

1.7.6.1 Corporate values and Code of Conduct

We have a set of core values and policies, which are detailed in our Group Code of Conduct. The Code of Conduct sets out key principles and provides practical examples and guidance to help employees' behaviour across all levels of the business. The Board of Directors remains committed to ensuring appropriate processes, controls, governance and culture exists to support the maintenance of these values and behaviours. The Code of Conduct is subject to periodic review and can be found at the following link: https://www.stagecoachbus.com/group-policies-and-statements

1.7.6.2 Whistleblowing

The Board ensures that appropriate arrangements are in place to receive and act proportionately upon a complaint about malpractice. Our "Speak Up" whistleblowing platform is now well established in the business, and this provides a channel for employees to anonymously report concerns they have, while enabling us to ensure that all reported concerns are systematically investigated and tracked.

The "Speak Up" whistleblowing policy sets out how the Group will investigate any concerns raised and the action it may take. We value an open, transparent and safe working environment where our people feel able to speak up and can raise serious concerns constructively without fear of victimisation, subsequent discrimination or disadvantage. A copy of the document is available at: https://www.stagecoachbus.com/group-policies-and-statements

The Board reviews summaries of matters raised through the "Speak Up" platform and through other whistleblowing reporting channels.

1.7.7 Governance – Health and safety

We have a clear vision to consistently strive for excellence in health and safety in all our operating companies. Our approach to safety management is articulated through the Stagecoach Strategic Safety Framework. Understanding safety risk and being compliant with, or exceeding, the health and safety regulations is core to this framework. We have published improvement targets in our Sustainability Strategy "Driving Net Zero – better places to live and work" with an update published in November 2022. We have a Safety Plan detailing the actions we are taking to drive system, technological and cultural improvements.

We have continued to invest in and develop technology to reduce risk. This includes a bespoke system to support drivers and make interventions before there is a risk of an incident happening. We also continue to invest in our people and enable our management teams and Health and Safety Representatives to attain a safety qualification via our externally delivered, IOSH Managing Safety training. Our operating companies work hard to engage with their people to improve safety through company Safety Forums.

1. Strategic report (continued)

The Health, Safety and Environment Committee monitors performance and reports to the Board on health and safety matters. Our operating companies have safety management systems in place which are appropriate for their respective risk profile and regulatory requirements for the industry in which they operate. This includes policies, risk assessments and safe working procedures to make sure that safety risks are managed and controlled. Performance of leading and lagging indicators are measured and reviewed at operating company and Group level. This is supported by analysis of audit results and review of civil liabilities claims to address any issues around policies and working procedures.

Our approach to safety across Stagecoach is collaborative. Our local leadership teams have clear accountability for the delivery and continuing improvement of safety in their business. To support them in doing this we have a team of Safety Professionals. There are multiple channels through which our people can report safety concerns, confidentially should they choose to do so. These include near miss reporting systems and externally, via CIRAS, an independent organisation.

1.7.8 Governance – Human rights

The Group does not see human rights matters as presenting material issues or risks for the Group and therefore the Group does not have specific, detailed policies in respect of human rights. However, in the Group's Code of Conduct (see section 1.7.6), the Group recognises the fundamental civil, political, economic and social human rights and freedoms of every individual and strives to reflect this in its business. A respect for human rights is reflected in our wider policies and in how we do business with customers, suppliers, employees and other stakeholders.

It is our policy to respect the rights of individuals to hold personal political views, to undertake political activity and to personally support or be members of particular organisations. We support the objectives of the Modern Slavery Act 2015 of eliminating slavery and human trafficking. We have provided a statement on these matters at: https://www.stagecoachbus.com/group-policies-and-statements

1.7.9 Governance – Anti-corruption and anti-bribery

1.7.9.1 Anti-corruption and anti-bribery policy

The Group has an anti-bribery and anti-corruption framework in place. The Group's attitude to bribery and corruption is set by the Board of Directors and is reflected in the Group Code of Conduct (see section 1.7.6). It is our policy:

- not to tolerate any form of bribery or inducements for any purpose whether directly or through a third party;
- to prohibit the giving of "facilitation payments" or "grease payments" even in jurisdictions where these might be legally permitted or expected by local custom;
- that officers, employees and representatives of the Group shall not seek, accept, offer or provide gifts from/to any other party that has, could have or might be perceived to have a business relationship or potential business relationship with the Group unless the value of the gift(s) is clearly insignificant;
- that officers, employees and representatives of the Group shall not accept, offer or provide hospitality from/to any other party that has, could have or might be perceived to have a business relationship or potential business relationship with the Group unless the hospitality is reasonable in terms of its frequency, nature and cost;
- that officers, employees and representatives of the Group should seek to avoid actual, perceived or potential conflicts of interest, as these may jeopardise their reputation as well as the Group's; that information that might affect the price of our listed bonds must be properly safeguarded and no individual should profit from undisclosed price-sensitive information;
- that we do not make political contributions and, therefore, no company within the Group is permitted to make political contributions; and
- that all officers, employees and representatives of Stagecoach must use the Group's property and information technology appropriately and responsibly.

1.7.9.2 Effectiveness of anti-corruption and anti-bribery polices

Any known instance of fraud, bribery or attempted bribery that was designed to give an advantage to the Group would be reported to the Audit Committee for consideration and appropriate follow up. There were no such matters arising during the year ended 27 April 2024. The whistleblowing policy (see section 1.7.6.2) provides a channel for the reporting of fraud, bribery or attempted bribery where reporting through other channels is not appropriate.

1.7.9.3 Anti-corruption and anti-bribery procedures

The Group's Risk and Compliance Committee monitors compliance with laws and regulations and the effectiveness of the Group's anti-corruption framework, policies and procedures. The Group's Compliance Manager, who reports to the Group Risk and Compliance Committee assesses the nature and extent of the risks relating to bribery and corruption to which the Group is exposed. The Risk and Compliance Committee considers not only bribery and corruption risks within the Group itself but also within the Group's supply chain. Our Procurement group considers anti-corruption and anti-bribery risks in the supply chain and what steps should be taken to reduce those risks. We generally consider such risks to be low given that we operate in the UK only and given the low risk attaching to the countries in which the majority of our suppliers are based. Supplier due diligence is undertaken as considered appropriate. All centrally contracted suppliers are requested to complete a questionnaire as part of the Group's supplier due diligence. Further follow up may be undertaken based on the responses to questionnaires, such as requesting further evidence on specific matters. For suppliers that are considered to be of particularly high inherent risk (for example, suppliers of clothing manufactured overseas), we make reference to third party audits of the suppliers and countries involved.

The Group's Director of Risk and Assurance periodically reviews the Group's anti-corruption framework and reports his findings to the Group's Audit Committee. The Group maintains a list of "Relevant Employees", which comprises employees who perform roles that are considered to carry the highest bribery or corruption risk. Specific anti-bribery and anti-corruption training is provided to these Relevant Employees, including case studies.

1.7.10 Non-financial key performance indicators

Section 1.4.6 describes key performance indicators relevant to the Group's business, including non-financial key performance indicators.

Section 1.7.2.6 describes key metrics and targets that we use to assess and manage relevant climate-related risks and opportunities.

1.8 Section 172 statement

The Directors believe that in the decisions taken during the year ended 27 April 2024, they have acted, both individually and together, in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors have had regard to, amongst other things, the matters set out in section 172(1)(a-f) of the Companies Act 2006.

This Board's general approach to decision making and stakeholder engagement is set out below:

Our approach to decision making

Strategy

- The Group's strategy is set out in section 1.4.2.
- The Board's decision making is undertaken in the context of that strategy.

Culture and values

- We have a business culture reflecting a commitment to conduct business in a socially responsible way – this is described further in section 1.4.1.
- Our culture is supported by our corporate values – more information is provided in section 1.7.6.
- Our culture and values are supported by our Code of Conduct and whistleblowing arrangements – see section 1.7.6.2.
- The Board's decision making reflects our culture and values.
- A steering committee assists the Senior Leadership Team in evaluating evolving the Group's culture.
- The Board monitors the Group's culture through the results of staff surveys, reports from the Risk Assurance function, reports from the whistleblowing process and activity outside of "the Boardroom" such as meetings with various staff from across the Group and visits to operational locations.

Delegated authorities

- Clear delegated authorities are in place to provide clarity as to where in the Group decision making responsibility lies.
- The Group Authorisation Policy, which sets out delegated authorities, includes a reminder of directors' duties, including those under section 172. That serves as a reminder not only to directors of the Company but to directors of all of the Company's direct and indirect subsidiaries, and to other decision makers.
- Certain matters are reserved for decision making by the Board.
- Each Committee of the Board has clear, written terms of reference and those are available on our website as indicated in the report from each Committee in this Annual Report.

Recognising the Directors' duty to have regard to stakeholders, the Board engages with, and receives updates from various stakeholders as explained elsewhere in this annual report, including:

Stakeholder Engagement

Stakeholder Group	Example sources of information and engagement	Section(s) in this Annual Report
Employees	• Staff surveys • Whistleblowing process • Other meetings and events outside scheduled Board meetings with staff from across the Group	1.4.4, 1.7.3, 1.7.4, 1.7.6
Suppliers	• Reports from management on its engagement with suppliers • Reserved responsibility on major expenditure such as vehicle purchases • Board attendance at events where suppliers are represented	1.4.4
Customers	• Reports from the Marketing Director and other members of management • Customer satisfaction surveys • Other bespoke customer surveys • Regular summaries of media reports	1.4.4
Government and regulatory bodies	• Reports from management on its engagement with various governmental and regulatory bodies • Regular summaries of media reports	1.4.4
The financial community (including lenders and credit rating agencies)	• Reports from management on lender and rating agency feedback • Regular summaries of media reports	1.4.4
Pension scheme members	• Presentation to Board from Pensions Director	
Shareholder	• Four Board members appointed by DWS Infrastructure	
The community	• Regular summaries of media reports • Briefings from management on significant or high profile matters	

The Board considers the impact of the Group's operation on the environment through reports from its Health, Safety and Environmental Committee. Section 1.7.2 of this Annual Report provides more detail on environmental matters and climate change.

1. Strategic report (continued)

In the year ended 27 April 2024 the Group submitted bids for operations in the third tranche of the Greater Manchester bus franchises. The Group continued to bid for franchise tenders for the operation of London bus routes. The Board considered and approved matters relating to the establishment of an equity-based management incentive scheme. The Board considered and approved a significant capital expenditure plan. We outline below how discharging their duties under section 172 influenced the Board's decision making:

- The services provided by the Group can help the government to achieve its stated ambitions around decarbonisation, levelling up of communities, driving economic recovery, and securing better health outcomes for citizens. The Board considers the Group's core business of delivering public transport to have good long-term prospects and that these services can be considered as part of the infrastructure on which society will continue to rely over a long term.
- The Group's goals and strengths align well with those of its shareholder.
- In each of the decisions referred to above, the Board was taking action that it believed would benefit the Group in the long term, such as by increasing the sustainability of long-term revenue, growing its revenue base and reducing risk.
- The interests of the Group's employees were considered within the Board's decision-making throughout the year. The Board and senior management team aim to balance the needs of the business and the impact of changes on our people.
- The Group has good relationships with government and the Board recognises that strong partnership working between bus operators, national and local government, and local transport authorities is fundamental to transforming the country's bus networks.
- The Board also remained mindful of the Group's impact on the community, underpinned by our clear purpose of connecting people and communities. The Group generally has good relations with the communities it serves, and we see scope for these to improve further, as the transition to zero emission vehicles should help improve air quality and emissions in local communities.
- Relationships with the communities we serve are harmed when we do not deliver the services that we agree to deliver, or when those services do not meet the needs of the community. After a period when challenging recruitment conditions led to a deterioration in bus service levels in some areas, the Board has worked closely with senior management to find solutions to improve recruitment and retention of the employees who are key to our future success, and we are pleased to see the improvements in service levels.
- In considering approval of vehicle capital expenditure, the Board took account of the impact of fleet age on the service it is able to deliver to communities and agreed that it was appropriate to make a significant investment that would reduce, rather than maintain, the average fleet age. The Board considers the impact on the environment of its future fleet carbon emissions in deciding on the mix of vehicle types.
- The Group's shareholder has expressed a desire to invest in the Group's sustainability strategy, including supporting the transition to zero emission vehicles. Board members have met with management of vehicle manufacturers to understand how the Group's business can align with their businesses to facilitate the roll-out of low carbon technologies.
- In considering the appropriate level of dividend to pay, the Board considered the financial implications, acting fairly between members who had expressed different views as to the quantum of the dividend payment, its obligations to wider stakeholders and alternative applications of those monies (including further reinvestment in the Group's fleet).
- Some of the climate-related risks and opportunities we face are long-term in nature and in developing the Group's sustainability strategy, the Board has considered the consequences of its decisions on the long-term.
- In considering proposals throughout the year the Board has considered whether they would impact the Group's reputation for high standards of business conduct. Although the Company's shares are no longer listed on the London Stock Exchange, the Group continues to target maintaining investment grade status, supports the continuation of the Code of Conduct and the values set out in that code and facilitates whistleblowing through its "Speak Up" policy.

This Strategic report was approved by the Board of Directors and signed on its behalf by:

Mike Vaux
Company Secretary
27 June 2024

2. Directors' report

2.1 Group results and dividends

The results for the year are set out in the consolidated income statement on page 57.

Interim dividends of 15.126p per ordinary share were paid in the year ended 27 April 2024.

2.2 Board of Directors

The names of the individuals who acted as directors in the year is as follows:
Ray O'Toole
Claire Miles (appointed 2 October 2023)
Bruce Dingwall
Scott Auty
Miguel Costa
Florian Hubel
Hamish Mackenzie
Lynne Weedall
Graeme Charnock

Further information on each of the current Board members, including a short biography of each director can be found on the Group's website at https://www.stagecoachbus.com/corporate/who-we-are

During the year six senior managers (including three directors) purchased B Ordinary shares in parent company, Inframobility UK Topco Limited, for market value consideration totalling £627,000. In support of this, the Company advanced loans to five of the senior managers (including two directors) totalling to £511,500 in order to facilitate the acquisition of the shares. The individual loan values ranged from £57,750 to £165,000 and incurred total interest charges of £3,153 (at the official rate of 2.25%). The loans are repayable on the sale of the Company, or by no later than 19 January 2034.

2.3 Compliance with Corporate Governance Principles

This Annual Report and Financial Statements have been prepared in adherence with The Wates Governance Principles for Large Private Companies which can be found at https://www.frc.org.uk

2.4 Indemnification of directors and officers

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its directors and officers. In accordance with the Company's Articles of Association, and to the fullest extent permitted by law, the Company has indemnified each of its directors and other officers of the Group against certain liabilities that may be incurred as a result of their positions with the Group.

2.5 Risk Management

The Board, including the Audit Committee members, consider the nature and extent of the risk management framework, including the risk profile that is acceptable in order to achieve the Group's strategic objectives. The Board has carried out a review of the effectiveness of the Group's risk management and internal control environment and such reviews are supported on an ongoing basis by the work of the Audit Committee. The Board is satisfied that processes are in place to ensure that risks are appropriately managed. The most significant strategic, corporate and operational risks and uncertainties, and the Group's approach to their management, are detailed in sections 1.4.5.

2.6 Statement of Directors' responsibilities in respect of the Annual Report, the Remuneration and Nomination Committee report and the financial statements

The Directors are responsible for preparing the Annual Report, including the Strategic report, the Directors' report, the Remuneration and Nomination Committee report and the consolidated and parent company financial statements, in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the consolidated financial statements in accordance with UK-adopted International Accounting Standards, and elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101, Reduced Disclosure Framework, ("FRS 101"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for the relevant period.

In preparing those financial statements, the Directors are required to:
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK-adopted International Accounting Standards (or in respect of the parent company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- in respect of the consolidated financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the consolidated and parent company financial statements respectively;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the consolidated and parent company financial statements on the going concern basis unless it is inappropriate to presume that the Group or as the case may be, the Company, will continue in business.

The Directors also confirm that they consider the Annual Report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The approach taken in reaching this conclusion is explained in the Audit Committee report in section 4 of this Annual Report.

2. Directors' report (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of financial information on the Company's corporate website, www.stagecoachgroup.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

2.7 Conflicts of interest

Under the Companies Act 2006, a director has a statutory duty to avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the relevant company's interests. The Companies Act 2006 allows directors of private companies to authorise conflicts and potential conflicts where appropriate, where nothing in the relevant company's articles of association invalidates such authorisation. The Company's Articles of Association give the Directors authority to approve conflict situations including other directorships held by a director of the Company. The Directors are able to impose limits or conditions when giving authorisation if they think that is appropriate. In the case of Directors other than an "Investor Director" appointed by PEIF III Luxco Two Sarl, or the Chair, any such approval of a conflict situation will be subject to obtaining the consent of the shareholder(s) holding the majority of the voting rights in the Company, who may specify that certain conditions be attached to such authorisation.

For the period from 29 April 2023 until the date of this report, the Board considers that the Directors' powers of authorisation of conflicts have operated effectively and those procedures set out above have been properly followed.

2.8 Financial risk management

Information regarding the Group's use of financial instruments, its financial risk management objectives and policies, and its exposure to price, credit, liquidity and cash flow risks can be found in note 24 to the consolidated financial statements.

2.9 Political donations

It is the Group's policy not to make political donations.

2.10 Charitable donations

Charitable donations made by the Group during the year totalled £0.3m (2023: £0.2m). The donations were all made to recognised local and national charities for a variety of purposes.

2.11 Going concern

International Accounting Standard 1, Presentation of Financial Statements, requires the Board to state whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements. The financial statements for the year ended 27 April 2024 were approved by the Board on 27 June 2024.

The directors have considered the forecast cash flow and liquidity of the Group, including the impact of the wider economic environment, for a period of 12 months from the date of this announcement, and resulting forecast cash headroom and financial covenants associated with the Group's financing arrangements, at each required measurement date, when assessing the going concern position of the Group.

As the future performance of the Group as a whole will significantly influence the Company's ability to continue as a going concern, we consider going concern for the Group, including the Company.

2.11.1 Going concern assessment

During the year ended 27 April 2024, we have delivered another positive set of financial results and made progress on delivering our key objectives. We have seen a further increase in passenger demand, as we work in partnership with national and local government to maximise the opportunities from public transport for consumers and the country within the current economic environment.

The Group has no debt maturities during the going concern period. The Group continues to maintain a good financial position with net debt as at 27 April 2024 of £394.9m and available liquidity of around £325.5m

Our funding is covered by a £400m bond, which matures outside the going concern review period in September 2025, and committed core bank facilities of £275m which mature in March 2027. Although these arrangements extend beyond the going concern period, we are already in the advanced stages of seeking new financing to replace these facilities. The Board is confident that the prospect of not being able to refinance our facilities is remote based on the group's investment grade credit rating, level of liquidity headroom on existing covenants and forecast levels of net debt in the base and severe downside cases, combined with the significant progress made in the refinancing and feedback received from existing and potential new lenders to date. Whilst considered to be remote, should the refinance not be completed, the Board are confident that under the base case the business would have sufficient cash and controllable mitigations to repay the bonds by the repayment date in September 2025. Furthermore, in the severe but plausible case, the Board are confident that they would be able to raise additional finance for the reasons detailed above to bridge any liquidity shortfall.

The Board considered the liquidity position in the Group's financial forecasts, which cover the period to 26 July 2025 ("the going concern period").
The key areas of forecasting uncertainty are as follows

- Regional bus patronage considering impact of existing £2 fare cap scheme ending in December 2024;
- increased cost inflation; and
- the success of tender bids and the related contract prices in UK Bus (London)

Our base case forecast assumes that we broadly maintain our current level of regional bus profitability, with increased patronage, contract revenue growth, inflationary fare increases and the benefits of a simpler, leaner organisational structure offsetting the impact of lower levels of government funding support.

In London, we expect a significant improvement in financial performance, reflecting the uplift in contract revenues from the lagged inflationary increases and re-priced contracts from tender renewals, in addition to lower costs of delivery of services from an improved staffing position.

2.11.1 Going concern assessment (continued)

We have also conducted a reasonable worst case scenario review which included assessing forecasts of severe but plausible downside scenarios related to our principal risks, notably the extent to which passenger numbers did not increase as forecast and commercial revenue is less favourable than assumed in our base case forecasts.

In the downside scenario we modelled the combined severe but plausible assumptions that:
- Our passenger levels in UK regional bus decrease following the end of the £2 fare cap in December 2024;
- Our engineering costs in UK regional bus increased more than our base case scenario;
- We incur significant contractual penalties and lost quality incentive payments from Transport for London to model a reduction in our service levels below those assumed in our base case scenario;
- We fail to achieve our forecast tender wins in UK Bus (London);
- We increase our wage costs in London to model a higher attrition turnover rate in our driver numbers, reflecting the continued competitive marked for drivers.

The combined effect of these severe but plausible assumptions was to reduce the Group's budget for the base case scenario by 20.5%. The downside scenario also assumes a further £15.0m cash outflow to reflect additional cash outflows not included in the base case for accelerated capital expenditure.

2.11.2 Mitigating actions

To the extent any severe but plausible downside scenarios materialised, we consider that the Group would have sufficient controllable, mitigating actions to avoid a breach of the covenant tests in our core committed bank facilities and £400m bond to ensure the Group has sufficient liquidity for the period of the assessment.

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

2.11.3 Covenant headroom

Under the base case and downside scenarios, the Group remains in compliance with the covenant tests in our committed core bank facilities and £400m bond. In the reverse stress test scenario, headroom against the covenant tests exists throughout the going concern period, after taking account of controllable, mitigating actions.

2.11.4 Public policy context

Public transport remains key to various components of the current public policy agenda in the UK: post-COVID economic recovery, building back better, decarbonisation, levelling up. In light of all of that, we are confident that governments will continue to take action to avoid significant cuts in regional bus services. Against that context, this contributes to our confidence in the Group's ability to continue as a going concern for the going concern period.

2.11.5 Going concern conclusion

Taking account of the above factors, Board concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements. The Board has a reasonable expectation that the Company and the Group will each continue to operate as a going concern for the period to 26 July 2025.

2.12 Auditors

In the case of each of the persons who were directors of the Company at the date when this report was approved:
- so far as each of the Directors is aware, there is no relevant audit information (as defined in section 418 of the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

A resolution to re-appoint Ernst & Young LLP as auditors of the Company will be proposed at the next Annual General Meeting. A resolution will also be proposed that the Audit Committee be authorised to fix the remuneration of the auditors.

2.13 Material included in the Strategic report

The Strategic report in section 1 includes information on the following matters that would otherwise be required to be presented in the Directors' report:
- Employment policies – see section 1.7.3.2;
- Employee engagement – see section 1.7.3.5;
- Fostering relationships with suppliers, customers and others – see sections 1.4.4 and 1.8;
- Future developments in the business – see, amongst others, sections 1.3 and 1.6; and
- Greenhouse gas emissions – see section 1.7.2.6.1.

By order of the Board

Mike Vaux

Mike Vaux
Company Secretary
27 June 2024

3. Corporate governance report

3.1 Statement of corporate governance arrangement

This section 3 is our statement of corporate governance arrangements, as required by The Companies (Miscellaneous Reporting) Regulations 2018.

The Company is a private company owned by Inframobility UK Bidco Limited, a company managed by DWS Infrastructure, a long term infrastructure investment management business. The Directors consider this annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

As a large private company, we follow The Wates Corporate Governance Principles for Large Private Companies issued by the Financial Reporting Council ("the Wates Principles"). The principles can be found at https://www.frc.org.uk. The sections that follow set out how we applied the Wates Principles in the year ended 27 April 2024.

3.2 Purpose and leadership

In line the Wates Principles, our Board develops and promotes the purpose of the Company and ensures its values, strategy and culture align with that purpose.

The Company's purpose and business model are explained in section 1.4.1 of this Annual Report, its corporate values are set out in section 1.7.6.1 and its strategy is summarised in section 1.4.2. The Board determines the Group's strategy and develops it as circumstances change.

The Company engages directly with DWS Infrastructure, which manages the shareholders' investments in the Company. Four representatives of DWS Infrastructure are directors of the Company and the Company's management also has regular discussions with other representatives of DWS Infrastructure. Those representatives of DWS Infrastructure also share the views of the investors in the funds that are the ultimate owners of the Company. Accordingly, the Board has a clear understanding of the views of the shareholders and the funds' investors.

The Directors seek to act with integrity and lead by example, setting the tone from the top. They seek to maintain positive relationships with all stakeholders, particularly the workforce. Section 1.7.3.5 of this Annual Report explains our engagement with the workforce.

As explained in section 1.4.1 of this Annual Report, we are committed to conducting business in a socially responsible way and we believe that to be consistent with our business objectives and strategy. We look to maintain a healthy corporate culture. Our description of our principal risks and uncertainties in section 1.4.5 includes consideration of risks related to people and culture, including steps we take to manage such risks. The Board monitors the Group's culture through a variety of ways including employee surveys, summaries of matters raised through the "Speak Up" platform and through other whistleblowing reporting channels, management engagement with trade unions on a range of matters, the results of internal audits, reports of any frauds affecting the Group, Board and/or Committee visits to operational locations, and key performance indicators on matters such as customer experience and employee turnover. Section 1.7.6.2 explains the whistleblowing process, which together with policies and processes overseen by our compliance functions, provide a basis for concerns about misconduct and unethical practices to be raised and properly reviewed.

Section 2.7 of this Annual Report explains how we manage conflicts of interest.

3.3 Board Composition

The Board currently comprises nine directors, being:

- A non-executive Chairman
- A Chief Executive Officer and a Chief Financial Officer;
- Four non-executive directors, who are representatives of DWS Infrastructure; and
- Two independent non-executive directors.

Further information on each of the current Board members, including a short biography of each director can be found on the Group's website at https://www.stagecoachbus.com/corporate/who-we-are

The Directors bring a range of skills, backgrounds, experience, and knowledge to the Board, which ensures an effective Board to lead and control the Group and ensures that no one director or viewpoint is dominant in the decision-making process. The Board delegates the operational management of the Group to the Executive Directors. Four non-executive directors appointed by DWS Infrastructure ("Investor Directors") ensure that the views of the shareholder and its investors are represented on the Board. Two independent non-executive directors bring an independent viewpoint and create an overall balance. On 19 January 2024, the Company adopted new articles of association that provide that the quorum for directors' meetings shall generally include at least one Investor Director and that any decision taken by the Board must have the support of at least one Investor Director.

Following the retirement of former Chief Executive, Martin Griffiths, on 10 January 2023, the roles of Chairman and Chief Executive were combined and on an interim basis Ray O'Toole became Executive Chairman, responsible for the overall executive operations of the Group. Claire Miles was appointed as Chief Executive Officer on 2 October 2023 and following a handover period, Ray O'Toole reverted to a non-executive Chairman role.

The Chairman is responsible for the running of the Board and for ensuring that the Board plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Chairman is responsible for the Board's overall effectiveness, promoting open debate and facilitating constructive discussion. The Chairman, with the support of the Company Secretary and the executive team, ensures that all directors have appropriate information and sufficient time is made available for meaningful discussion at Board meetings. The Chief Executive Officer is responsible for proposing and developing the Group's strategy with support from the Chairman and the executive team. The Chief Executive Officer is responsible for the running of the Group's business and reports to the Chairman and to the Board. All other members of the executive management team report either directly or indirectly to the Chief Executive Officer.

The Board keeps its size and structure, and the roles and contribution made by each director, under review and changes in responsibilities are made where appropriate to improve the Board's effectiveness.

The six non-executive directors offer constructive challenge to the executive team. The appointment of independent non-executive directors is subject to a transparent procedure overseen by the Remuneration and Nomination Committee.

Each director receives induction training on appointment and subsequently such training, briefings and site visits as are considered necessary to keep abreast of matters affecting their roles as directors. The Chairman reviews the Directors' training and development needs in conjunction with the Company Secretary.

3.3 Board Composition (continued)

Training can encompass health, safety, environmental, social and governance matters.

The Board assesses its own performance annually. That assessment is co-ordinated and directed by the Chairman with the support of the Company Secretary. A questionnaire-based process is undertaken to assess the performance of each of the Board's committees. The Board has considered the results of these assessments and has concluded that, overall, the Board and its committees continue to operate in an effective and constructive manner.

3.4 Director responsibilities

The Board maintains practices and policies that provide clear accountability and responsibilities to support effective decision-making. The Group Authorisation Policy sets clear limits of delegated authority throughout the Group. The Group Treasury Policy, which is approved by the Board, sets clear policies and limits of delegated authority in respect of treasury matters. The Group has a written policy in place for managing conflicts of interest. Maintaining written records of these matters helps ensure that the Board and individual directors have a clear understanding of their accountability and responsibilities, as well as helping to ensure effective decision-making and independent challenge.

The Chairman and the Company Secretary keep the Company's corporate governance arrangements under review and make changes, as appropriate, to ensure the arrangements remain fit for purpose. Opportunities to strengthen the governance of the Company are given appropriate consideration.

To provide a more manageable process and better control, certain of the Board's powers have been delegated to committees: the Health, Safety and Environmental Committee; the Audit Committee; and the Remuneration and Nomination Committee. Each Committee's terms of reference are set out in writing and approved by the Board.

The Group has processes in place to ensure its internal systems and controls are operating effectively, and to ensure that the quality and integrity of information provided to the Board is reliable. The Group's Director of Risk and Assurance provides the Audit Committee and Board with assurance around internal systems and control. Board papers and supporting information are provided to the Board sufficiently ahead of scheduled meetings.

3.5 Opportunity and risk

The Board considers opportunities for the Group to create value for its stakeholders and reflects those, as appropriate, in the Group's strategy. The Group's Authorisation Policy sets out limits of delegated authority, ensuring that new business opportunities of a certain value are considered and approved by the Board.

The Board recognises the importance of maintaining a sound risk culture throughout the Group such that risks are identified, evaluated, and managed appropriately. The Board considers that it is in the interests of the Group's stakeholders for the Group to evaluate and accept risk. Unacceptable levels of risk are avoided or reduced and, in some cases, transferred to third parties.

The Group has established an executive Risk and Compliance Committee, chaired by the Chief Financial Officer and comprised of senior members of the executive team to assist in the ongoing process of identifying, evaluating, and managing the principal and emerging risks that the Group faces, including any environmental, social and governance risks. The Group's Audit Committee remains responsible for deciding the appropriate risk appetite for the Group.

Internal controls are used to identify and manage risk. The Directors acknowledge their responsibility for establishing and maintaining the Group's system of internal control, and for reviewing its effectiveness. The Group's system cannot provide absolute assurance but is designed to provide the Directors with reasonable assurance that any significant risks or problems are identified on a timely basis and dealt with appropriately. The Group has established an ongoing process of risk review and certification by the business heads, which is supported by the Risk and Compliance Committee.

3.6 Remuneration

The Board has established a Remuneration and Nomination Committee, chaired by an independent non-executive director, to ensure executive remuneration structures are designed to align with the long-term sustainable success of the Group, taking account of pay and conditions throughout the Group.

In determining appropriate levels of remuneration for the Executive Directors, the Remuneration and Nomination Committee aims to provide overall packages of terms and conditions that are competitive and will attract, retain and motivate high quality executives capable of achieving the Group's objectives. The Committee also aims to ensure that the Executive Directors are fairly rewarded for their individual responsibilities and contributions to the Group's overall performance.

The Remuneration and Nomination Committee believes that remuneration packages for the Executive Directors should contain meaningful and effective performance-related elements, and that the performance-related elements should be designed to align the interests of the Executive Directors with the interests of the shareholder.

The Remuneration and Nomination Committee can consider all relevant factors when setting the Executive Directors' remuneration, including environmental, social and governance matters. Performance targets are established to achieve consistency with the interests of the shareholder, with an appropriate balance between short-term and long-term targets. Performance targets can include financial measures as well as non-financial targets, such as environmental and safety objectives. The incentive arrangements for the Executive Directors are structured so as not to unduly increase environmental, social and governance risks by inadvertently motivating irresponsible behaviour.

The Remuneration and Nomination Committee regularly reviews the existing remuneration of the Executive Directors, making comparisons with peer companies of similar size and complexity and with other companies in the public transport industry. Proposals are then discussed in the light of the prospects for the Group as a whole. The Committee also reviews and sets the remuneration arrangements of other senior executives employed by the Group. The approach is consistent with that applied for the workforce, aiming to pay competitively with reference to the market rate for a job.

The Remuneration and Nomination Committee considers pay and conditions of the wider workforce and the Group's gender pay gap when designing the executive remuneration structures.

3. Corporate governance report (continued)

3.7 Stakeholder relationships and engagement

Recognising the Directors' duty to have regard to stakeholders, the Board engages with, and receives updates and feedback from various stakeholders. Further information on the Board's sources of information and engagement in respect of stakeholders is provided in the section 172 statement in section 1.8 of this Annual Report.

The section 172 statement also explains how the Directors consider stakeholders when making decisions.

The Annual Report and consolidated financial statements, which are made available to all stakeholders, are intended to provide a fair, balanced, and understandable assessment of the Group's position and prospects.

4. Audit Committee report

4.1 Introduction from Graeme Charnock, Chairman of the Audit Committee

As Chairman of the Audit Committee, I am pleased to present our Audit Committee report for the financial year ended 27 April 2024.

4.2 Composition of the Audit Committee

The current composition of the Audit Committee is summarised as:
- Graeme Charnock (Chairman)
- Ray O'Toole
- Lynne Weedall
- Hamish Mackenzie
- Scott Auty

4.3 Operation of the Audit Committee

The Audit Committee met formally three times during the year. The Committee retains discretion as to who from outside the Committee should attend its meetings but generally invites the Chief Executive Officer and the following to attend:
- The Chief Financial Officer.
- The Group Financial Controller.
- The Director of Risk and Assurance.
- The Company Secretary, who is Secretary to the Committee.
- Representatives from the external auditors.

In addition, the Group Tax Director and the Group Head of Treasury are expected to present to the Committee at least annually. The Committee also welcomes other directors of the Company to attend its meetings. The external auditor has the opportunity to meet the members of the Committee and/or the Committee's Chairman, without executive management present.

The Committee as a whole has an appropriate and experienced blend of audit, financial and commercial expertise to assess the issues it is required to address. The Board is satisfied that, through the range of skills and business experience possessed by each member, the Audit Committee as a whole has the competence relevant to the sectors in which the Group operates.

4.4 Activities of the Audit Committee

The Audit Committee is responsible, primarily, for monitoring the Group's financial statements, the adequacy and effectiveness of its internal control systems (including financial controls), the operation of its risk management frameworks and whistleblowing procedures, and for reviewing the appointment, independence, performance and cost effectiveness of the Group's external auditor.

The Audit Committee:
- reviewed the interim results for the half-year ended 28 October 2023 and the Annual Report and financial statements for the year ended 27 April 2024 on behalf of the Board and recommended their publication.
- recommended the re-appointment of the Group's auditors.
- reviewed and updated the Treasury Policy, Tax Strategy and Tax Policy.
- monitored the Group's cyber security activity and key controls.
- considered the information security threat landscape and the Group's strategic priorities in this area.
- considered the impact of changes to the accounting and financial reporting regimes applicable to the Group.
- reviewed the Group's internal control and risk management systems, and the outcomes of risk management and risk-based internal audit work.
- reviewed and challenged management in relation to findings from internal audit reviews
- evaluated the external audit activity, specifically in relation to the key risks (impairment of non-financial assets, going concern and valuation of investment) and key judgemental areas (pensions, litigation, presentation of separately disclosed items and tax).
- assessed the adequacy of the Group's insurance claims provision.
- reviewed actions taken to address a potential conflict of interest affecting a member of the audit team and satisfied itself as to the independence and objectivity of the external auditor.
- analysed the level of fees paid to the external auditor for audit and non-audit work.
- reviewed the performance of the external auditor and considered proposals to improve efficiency of future audits.
- reviewed reports on frauds and thefts.
- reviewed and challenged management on its financial modelling and scenario analysis.
- reviewed the evidence that supported the conclusion that the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements consistent with the disclosure given in section 2.11 of this Annual Report.

The Committee has considered a range of other matters at its meetings over the last year and received various reports and presentations as follows:
- A presentation was received on the Group's tax affairs and related accounting judgements and risks. The Group Head of Treasury gave a presentation on the Group's treasury affairs and management of treasury risks.
- As part of the Committee's ongoing training and development, management and external auditors updated the Committee on developments in accounting standards, auditing standards, corporate reform proposals, other legislation, regulation and guidance affecting the Group.

4.5 Fair, Balanced and Understandable assessment

The Committee assessed the controls and processes in place in respect of the production of the Annual Report and financial statements for the year ended 27 April 2024 and considered that they operated effectively during the year. The Committee advised the Board that it considered the Annual Report and financial statements, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

5. Remuneration and Nomination Committee report

5.1 Introduction from, Lynne Weedall, Chair of the Remuneration and Nomination Committee

I am pleased to present the Remuneration and Nomination Committee's report for the year ended 27 April 2024.

As noted in last year's Group Annual Report the Board amalgamated the Remuneration and Nomination Committees, reflecting the change in ownership and resulting governance requirements. Operating under a combined terms of reference I chair the combined committee throughout the year, other than in relation to nomination matters, when Hamish Mackenzie may take the chair.

Following the retirement of former Chief Executive, Martin Griffiths, on 10 January 2023, the roles of Chairman and Chief Executive were combined and on an interim basis Ray O'Toole became Executive Chairman, and was integral in the recruitment and appointment of Claire Miles to the Board as Chief Executive Officer on 2 October 2023. Ray continued in the role of Executive Chairman supporting a detailed induction and handover of executive duties to Claire Miles. Ray returned to his former post of non-executive Chairman on 1 May 2024, and the Board expressed its gratitude to Ray for his leadership as Executive Chairman, and his continued guidance and support as non-executive Chairman. Other than the appointment of Claire Miles as Chief Executive Officer, there were no other changes to the composition of the Board during the year.

An effective board needs to maintain balance over time, taking account of planned and unplanned changes to membership and the changing needs of the business. The Committee ensures that it regularly reviews our Board composition and ensures that the mix of skills and experience available is appropriate.

We are aware that talented individuals can come from diverse backgrounds and we aimed to promote diversity in the recommendations that we made to the Board. The Committee considers the Group's key strategic priorities when setting remuneration and ensures that all remuneration packages are linked to the long-term sustainable financial performance of the Group. The Committee ensures that any incentive structure drives performance that will enhance the experience of our customers, shareholder and our employees.

The Group is also committed to operating as a good corporate citizen. In carrying out its activities the Group is committed to doing the right thing for our various stakeholders and local communities. The Committee supports the Group in areas such as fairness, gender pay and diversity and inclusion.

The Committee is also guided by the following principles:
- attract and retain talent – allow the Group to attract, motivate and retain senior executives of high-calibre who are capable of delivering the Group's stretching objectives;
- performance-driven – link rewards to both individual and corporate performance, responsibility and contribution over both the short and long term;
- market aligned – position the Group competitively in the principal markets (both private and listed companies) where it competes for talent;
- fair – fairly designed and applied with consideration to market positioning, internal relativity and individual contribution, in the context of pay within the wider workforce; and
- simple – rewards are simple and understandable with a clear link between performance expectations, outcomes and rewards.

The Committee reviewed the remuneration policy adjusting it, as appropriate, to reflect the Company's new ownership and its strategic objectives. During the year the Company introduced a new cash settled long term incentive plan ("LTIP") with the aims of increasing the long-term alignment supporting the Group's strategy across all of the various operating businesses. The LTIP is designed to reward performance against an agreed rolling three-year business plan, using a balanced scorecard approach of four key indicators to drive achievement of the long term business plan. LTIP awards will be assessed for payout based on achievement of each of the performance criteria at the end of third financial year of each award cycle.

Further information is provided about the LTIP under section 5.6 below (Elements of Remuneration), but the key features of the LTIP are:
- Nominal award levels across the participants ranged from 50% of basic pay up to 100% for the senior executives.
- There is a threshold performance level for each of the key indicators, under which no payout is made.
- For above threshold performance, payout starts at 50% of the nominal award value, and can rise to a maximum of 130% of the nominal award value for each key indicator for significant outperformance over the three year target.
- There is no interest, dividend or value accretion accruing on any nominal awards, with payout determined solely by the performance metrics.

As set out below, I am satisfied that the Remuneration and Nomination Committee met its responsibilities during the year ended 27 April 2024.

5.2 Composition of the Remuneration and Nomination Committee

The composition of the Remuneration and Nomination Committee throughout the year is set out below:
- Lynne Weedall (Chair)
- Ray O'Toole
- Hamish Mackenzie
- Scott Auty

Lynne Weedall is the Chair of the Committee except on matters specific to nomination matters within its remit, where Hamish Mackenzie takes the chair.

5.3 Operation of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee keeps under review the overall structure, size and composition of the Board, and is responsible for evaluating the balance of skills, knowledge, experience and diversity of the Board and its committees. Where appropriate, the Committee will suggest adjustments to achieve that balance. For a proposed appointment, the Committee will prepare a description of the role and the attributes required of the candidates, which will include a job specification and the estimate of the time commitment expected. In making any appointment, the Group's policy on directors having other significant commitments will be taken into account and potential candidates will be asked to disclose their other commitments and confirm that they will have sufficient time to meet what is expected of them.

The Directors are also required to report any significant changes in their other commitments as they arise. The Committee identifies and evaluates suitable candidates and makes proposals for each appointment, although final appointments are the responsibility of the Board as a whole. The appointments process takes account of the benefits of diversity of the Board, including gender and ethnic diversity, and in identifying suitable candidates, the Committee considers candidates from a range of backgrounds. Recruitment consultants are selected based, amongst other factors, on their ability to access a diverse pipeline of talent.

5. Remuneration and Nomination Committee report (continued)

5.4 Appointments of Chairman and Chief Executive Officer

Hamish Mackenzie, who chairs the Committee when dealing with nomination matters, leads any process to appoint a Chief Executive Officer or Chairman.

Ray O'Toole served as Executive Chairman from the start of the year while the recruitment of a Chief Executive Officer was underway. The Committee engaged Spencer Stuart to assist in providing a diverse range of candidates for recruitment to the position of Chief Executive Officer, and this culminated in the successful appointment of Claire Miles as Chief Executive Officer commencing on 2 October 2023.

5.5 Board diversity and inclusion policy

The Company believes strongly that its Board benefits from being comprised of talented people with a range of perspectives and from differing backgrounds.

It is our policy to maintain diversity on the Board with regards to aspects such as age, social, gender and ethnic backgrounds, cognitive and personal strengths.

The objective of this diversity policy is to maintain a Board with directors that collectively have a broad range of skills appropriate to pursuing the Group's strategy and objectives, to ensure that the Board benefits from a range of perspectives and viewpoints and to ensure that no one director or viewpoint is dominant in the decision-making process.

The diversity policy has been implemented by ensuring that the terms of reference of the Committee reflect diversity in the criteria for identifying suitable candidates for nomination to the Board. The policy is also reflected in any discussions the Committee has with external search consultancies in relation to any search process for a new director.

We consider that our policy in respect of Board diversity has remained effective during the financial year ended 27 April 2024.

In addition to board diversity, the Company believes in promoting diversity and inclusion at all levels of the organisation, further details of which are provided in section 1.7.4 of the Strategic report.

5.6 Elements of Remuneration

Fixed elements of pay

Basic salary

Purpose and link to strategy objectives	**Operation**
To attract, retain and motivate executives, ensuring basic salaries are competitive in the market.	Basic salaries are generally reviewed as at 1 May each year but the Remuneration and Nomination Committee also has discretion to adjust them at other times of the year. Account is taken of changes in individual responsibilities that may have occurred and the salaries for similar roles in comparable companies. Account is also taken of pay conditions throughout the Group.

Pensions and life assurance arrangements

Purpose and link to strategy objectives	**Operation of reward element for Executive Directors and senior executives**
To provide relevant life assurance and pension benefits that are competitive in the market.	The Company provides pension benefits to eligible employees through legacy defined benefit arrangements or through the Stagecoach Defined Contribution arrangements ("SDC"), which is a defined contribution arrangement. The SDC is available for newly eligible employees and provides money purchase pension benefits. Executive Directors and senior executives are entitled to receive a cash allowance in lieu of pension contributions.

Benefits in kind and other allowances

Purpose and link to strategy objectives	**Operation**
Designed to be competitive in the market.	Benefits in kind and other allowances can include: • Healthcare benefits, life assurance cover, company car allowance, and telephone and communications costs • Relocation assistance upon appointment if/when applicable. Business related travel and subsistence costs will be met or reimbursed including directors' partners attending corporate events or management conferences. Where the Committee considers it appropriate, other benefits may be provided, such as paying reasonable legal fees or other costs related to recruitment, relocation or any proposed changes to terms and conditions of employment.

5. Remuneration and Nomination Committee report (continued)

5.6 Elements of Remuneration continued

Variable pay

Performance-related annual bonuses

Purpose and link to strategy objectives	Operation
Aims to focus the Executive Directors on achieving demanding annual targets relating to Group performance. The part deferral of the bonus is designed to align managers' and shareholders' interests, and incentivise managers to remain with the Group.	Around the start of each financial year, the Committee agrees specific objectives for each executive director and senior leader. Following the end of each financial year, the Remuneration and Nomination Committee determines the performance-related annual bonus for each executive director or senior leader for the year just ended. This is based on their performance in achieving the set objectives, and affordability for the Group. Bonus awards are settled in cash, and in accordance with the rules of the Deferred Bonus Plan up to 50% of any actual bonus award will be paid shortly after the end of the relevant financial year with the balance being subject to deferral of up to three years. It is an important part of this Policy that the level of bonuses paid, including for any personal or non-financial elements, are considered and are subject to the overall discretion of the Committee after taking into account the financial performance and standing of the Group and the overall individual performance of the relevant executive. The Committee will also retain the flexibility to change the number and the nature of the financial performance measures in the annual performance and bonus plan at the start of each financial year, or over the course of a year, depending on the financial priorities of the Group and other relevant economic or business factors. There are no further specific performance conditions attaching to the release of Deferred Cash Bonus because the annual bonus under which the deferral earned was subject to performance conditions.

Long term incentive plan (LTIP)

Purpose and link to strategy objectives	Operation
Aims to focus the Executive Directors (and other senior executives) on achievement of the Company's strategic objectives through the delivery of the long term business plan, considered on a rolling three-year basis. The performance conditions, tested over a three-year period against the business plan, will cover a combination of factors including measures of financial performance such as profit and cash generation as well as consideration of the Company's strategic vision for decarbonisation. There is also alignment to the shareholder experience with the inclusion of a target for distributions.	Around the start of each financial year, the Committee agrees a number of specific performance conditions (up to 4) for the LTIP aimed to support the delivery of the Company's long term business plan and strategic goals. The performance conditions will be assessed for payout based on achievement of each of the performance criteria at the end of third financial year of each award cycle. Any payouts are in cash. Nominal award levels across the participants ranged from 50% of basic pay up to 100% for the senior executives. There is a threshold performance level for each part of a performance condition, under which no payout is made. For above threshold performance payout starts at 50% of the nominal award value, and can rise to a maximum of 130% of the nominal award value for significant outperformance over the three year target attributable to each part of the performance condition.

6. Health, Safety and Environmental Committee report

6.1 Introduction from Ray O'Toole, Stagecoach Group Chairman and Chairman of the Health, Safety and Environmental Committee

As Chairman of the Health, Safety and Environmental Committee, I am pleased to present our Health, Safety and Environmental Committee report for the financial year ended 27 April 2024.

6.2 Composition of the Health, Safety and Environmental Committee

The Board has appointed a Health, Safety and Environmental committee. The Committee is currently made up of the following:

- Ray O'Toole (Chairman and Committee Chairman)
- Claire Miles (Chief Executive Officer)
- Sam Greer (Chief Operating Officer)
- Florian Hubel
- Miguel Costa

6.3 Operation of the Health, Safety and Environmental Committee

During the year, our drivers Gordon Stirling, Danny Bell and Keith Rollinson tragically lost their lives while serving our customers. The thoughts of the Committee members are with their families. The Committee received briefings on the investigations into each of these incidents and discussed these with management.

With the support of the Group's Health, Safety and Environment Director, the Committee assists the Board to fulfil its responsibilities by recommending Group policy in these areas and monitoring compliance with those policies. The Committee approves the Group's overall strategic safety framework. The Committee challenges the management team to continually strengthen its proactive safety culture and management processes, to identify and address emerging risks, and to respond to events. It has access to internal safety executives and also external consultants, where required. Health and safety is always the priority of the Group.

The Group's Sustainability Strategy: "Driving Net Zero: Better Places to Live and Work" https://www.stagecoachgroup.com/~/media/Files/S/Stagecoach-Group/Attachments/pdf/stagecoach-group-sustainability-strategy-2021.pdf is our long-term vision to make a difference for our planet, the people we employ, the communities we serve, and the health and wellbeing of us all. The Committee has oversight of the strategy and its implementation. The Group's Head of Sustainability reports to the Committee on measurement and actions to reduce the environmental impact of the Group's operations, particularly decarbonisation and resources use. At each meeting the Committee reviews progress on fleet and building carbon emissions, water consumption and waste production, against targets.

We involve a range of contributors from the Group's businesses in the work of the Committee and the Committee actively engages with those businesses to help the Group to evolve its health, safety and environmental strategy and culture. Members of the Committee are encouraged to be visible to the Group's managers and staff through regular site visits. During the year, the members of the Committee visited the Group's bus operations in Exeter and Torquay. The local management team demonstrated to Committee members how investment in the Torquay depot had allowed the business to significantly improve operational safety at the site, while mitigating noise impact on the local community. The Board, including Committee members, visited a large bus manufacturer and discussed its ambitions for both electric and hydrogen vehicle technology. We strongly believe that electric vehicles will be a key part of the path to a net zero future and will work with the supply chain to enable the move to a cleaner, low carbon fleet. We continue to monitor the development of alternative clean, low carbon technologies and engage with manufacturers and industry experts to ensure that we are prepared in case there is a change in the most appropriate technology to reach net zero.

Senior managers attend meetings of the Committee, providing the Committee with an opportunity to question and challenge them on matters within its remit and to share best practice across the Group. The Committee also invites more junior members of the team to engage with the Committee. By bringing contributors together at its meetings, the Committee aims to promote a strong safety culture, share knowledge between the Group's businesses and to challenge its business managers and safety advisers to create sustained improvement over time.

As incidents occur, the Committee, aided by the safety management team, can analyse those incidents and learn lessons to further improve the Group's safety processes. The Committee and its members visit operational locations to observe health, safety, and environmental management in practice.

The Committee allocates time in its agendas for deep dive discussions on areas of specific interest or concern to it. During the year, additional briefings and deep dive discussions covered a range of topics, including:

- Driver safety and seatbelt policy
- The Group's safety reporting channels – Speak Up and CIRAS
- Environmental reporting ratings
- Diversity targets
- Operational and safety audits

The Committee receives reports on trends in health, safety and environmental leading and lagging key performance indicators across the Group as well as information on significant health, safety or environmental incidents involving the Group. The key performance indicators are regularly reviewed to ensure that they remain relevant and appropriate.

Training, where relevant, is provided to the Committee on health, safety, and environmental matters. The Committee liaises with the Remuneration and Nomination Committee in determining any health, safety and environmental objectives that form part of the Executive Directors' personal objectives and to assess performance against these.

The safety and security of our customers, our people and others is fundamental to our business and we believe that Stagecoach has a key role to play in the future of environmentally sustainable public transport.

7. Responsibility statement

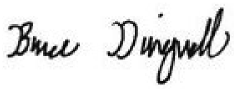
The Directors confirm that to the best of their knowledge:

- The consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and the undertakings included in the consolidation taken as a whole; and
- The Annual Report, including the Strategic report and the Directors' report include a fair review of the development and performance of the business and the position of the parent company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors also confirm that they consider the Annual Report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The approach taken in reaching this conclusion is explained in the Audit Committee report in section 4.3 of this Annual Report.

Signed on 27 June 2024 on behalf of the Board by:

Claire Miles
Chief Executive Officer



Bruce Dingwall
Chief Financial Officer

8. Independent auditors' report to the members of Stagecoach Group Limited (Company No. SC100764)

Opinion

In our opinion:

- Stagecoach Group Limited's Group financial statements and parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent Company's affairs as at 27 April 2024 and of the Group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements been properly prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS 101"); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Stagecoach Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 27 April 2024 which comprise:

Group	Parent company
Consolidated income statement for the year ended 27 April 2024	Company balance sheet as at 27 April 2024
Consolidated statement of comprehensive income for the year ended 27 April 2024	Statement of changes in equity
Consolidated balance sheet (statement of financial position) as at 27 April 2024	Related notes 1 to 14 to the financial statements including material accounting policy information
Consolidated statement of changes in equity	
Consolidated statement of cash flows for the year ended 27 April 2024	
Related notes 1 to 33 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS 101").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

Going concern has been determined to be a key audit matter. In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and parent Company's ability to continue to adopt the going concern basis of accounting included:

Risk assessment procedures

- We confirmed our understanding of the going concern process and engaged with management early to ensure all key matters were considered in its going concern assessment to 26 July 2025; including details of available facilities, forecast covenant calculations, the results of management's downside sensitivity and reverse stress testing analysis and their evaluation of the ongoing impact of macro-economic pressures including, but not limited to, inflationary increases related to the cost of living, the risk of reduced passenger numbers and the Group's access to available sources of liquidity;
- We performed our own assessment of the going concern risks at the planning and execution stages of the audit;
- We inquired of management about known events or conditions that will occur beyond the going concern period when assessing the appropriateness of the going concern basis.

Assumptions

- We assessed management's future Regional bus patronage by comparing these to historical data trends and through considering actual passenger data trends from May 2023 through to May 2024;
- We challenged the return to profitability forecast for UK Bus (London) which management have attributed to the exit from loss-making contracts and retender activity considering actual experience to date and assessing the upcoming route tenders and assumed likelihood of contract retention;
- We obtained industry reports and market data for indicators for contradictory evidence to challenge the going concern assessment;
- We evaluated management's historic forecasting accuracy against actual results;
- We assessed managements inflation rate assumptions and performed sensitivity analysis on potential cost increases.

Stress testing and management's plans for future actions

- We assessed management's reverse stress test of their forecasts which included the crystallisation of contingent liabilities and a further significant deterioration in operating profit to understand how severe the downside scenarios would have to be to result in the elimination of liquidity headroom or a covenant breach;
- We challenged, based on our own independent sensitivity testing, whether the downside case prepared by management could lead to a covenant breach. Our assessment considered: (i) the impact and likelihood of current macro-economic conditions on cost inflation assumed, (ii) the impact of changes to government funding such as £2 fare cap scheme (iii) a decline in profitability in both London and Regional Bus and (iv) crystallisation of contingent liabilities;
- We challenged the controllable mitigating actions such as reductions in capital expenditure and variable cost savings, to determine whether such actions could be affected and would be within the Group's control;
- We performed a "reverse stress test" scenario that would lead to a covenant breach and challenged management's assessment as to whether the scenario is remote by considering current year trading performance, external market data and controllable mitigating actions.

8. Independent auditors' report to the members of Stagecoach Group Limited (Company No. SC100764) (continued)

Debt facilities, liquidity and banking covenants

- We confirmed the availability of debt facilities and reviewed underlying terms, including covenants to 26 July 2025, and confirmed the repayments due within this period are accurately included. We agreed cash balances as at 27 April 2024 to third party bank confirmations;
- We reviewed the accuracy of management's covenant forecast model, verifying inputs to board approved forecasts and facility agreement terms;
- We considered events occurring immediately outside of the going concern period, including the maturity of the £400m bond in September 2025 and the ongoing refinancing exercise;
- We challenged management's conclusions with assistance from EY debt advisory specialists in relation to the Group's ability to refinance existing facilities which expire after the end of the going concern review period in September 2025. Our challenge included discussion with representatives of the Group's Debt advisor and obtaining correspondence related to the refinancing, including confirmation of the Group's investment grade credit rating report issued in May 2024 and correspondence from existing and potential lenders.

Disclosures

- We considered whether management's disclosures, in respect of going concern, were appropriate.

Our key observations

We noted that the Group is forecast to maintain both liquidity and covenant headroom in the base case and downside scenarios under the existing financing facilities for the going concern period to 26 July 2025. The base case assumes Regional bus patronage will remain consistent with those currently being achieved and an improvement in UK Bus (London) profitability through the exit and retendering of loss-making contracts. The reverse stress test scenario which management consider to be remote, indicates that the Group would need to be exposed to a material downturn in trading, profitability and cash flows, including the crystallisation of contingent liabilities, in order to firstly breach covenants and then exhaust available liquidity. Management have confirmed that controllable cost mitigations such as uncommitted capital expenditure and variable cost savings directly related to mileage would be enacted to preserve cash in any downside scenario, as was done during the pandemic.

The Board is confident that the prospect of not being able to refinance their facilities in advance of the renewal date of 30 September 2025 is remote based on the group's investment grade credit rating, level of liquidity headroom on existing covenants and forecast levels of net debt in the base and severe downside cases, combined with the significant progress made in the refinancing and feedback received from existing and potential new lenders to date. In a scenario whereby the refinancing of the £400m bond did not execute before 30 September 2025, the Group has sufficient cash and controllable mitigations under the base case to repay the bonds by the repayment date. Under the severe but plausible case, the Board are confident that they would be able to raise additional finance for the reasons detailed above to bridge any liquidity shortfall.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent Company's ability to continue as a going concern from when the financial statements are authorised for issue to 26 July 2025. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or parent Company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 2 components and audit procedures on specific balances for a further 25 components. • The components where we performed full or specific audit procedures accounted for 92% of adjusted Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), 91% of Revenue and 80% of Total assets.
Key audit matters	• Valuation for Claims • Valuation of Pension Liabilities • Management override of controls in relation to revenue recognition • Going Concern
Materiality	• Overall Group materiality of £5.6m which represents 2.75% of Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA).

An overview of the scope of the parent Company and Group audits

	Components		**Percentage of Adjusted EBITDA (2023: Percentage of Adjusted EBITDA)**		**Percentage of revenue**		**Percentage of total assets**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Full scope	**2**	21	**10%**	76%	**23%**	86%	**4%**	86%
Specific scope	**23**	17	**86%**	23%	**68%**	13%	**76%**	13%
Total full and specific scope	**25**	38	**96%**	99%	**91%**	99%	**80%**	99%
Consolidation adjustments & specified procedures	**3**	0	**-4%**	0%	**0%**	0%	**0%**	0%
Overall coverage	**28**	38	**92%**	99%	**91%**	99%	**80%**	99%

In the current year we have amalgamated the parent Company and the consolidation entries.

8. Independent auditors' report to the members of Stagecoach Group Limited (Company No. SC100764) (continued)

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 55 reporting components of the Group, we selected 25 components covering entities within UK Bus (regional components) and UK Bus (London components) which represent the principal business units within the Group.

Of the 25 components selected, we performed an audit of the complete financial information of 2 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 23 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 92% (2023: 99%) of the Group's adjusted Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA"), 91% (2023: 99%) of the Group's Revenue and 80% (2023: 99%) of the Group's Total assets. For the current year, the full scope components contributed 10% (2023: 76%) of the Group's adjusted EBITDA, 23% (2023: 86%) of the Group's Revenue and 4% (2023: 86%) of the Group's Total assets. The specific scope components contributed 86% (2023: 23%) of the Group's adjusted EBITDA, 68% (2023: 13%) of the Group's Revenue and 76% (2023: 13%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed 3 locations to perform specified procedures over certain aspects of payables, accruals and provisions, as described in the Risk section above.

Of the remaining 27 components that together represent 8% of the Group's Adjusted EBITDA none are individually greater than 3% of the Group's Adjusted EBITDA. For these components, we performed other procedures, including analytical review, to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

Based on a reassessment of Group audit scope considering both coverage and risk, we have moved 15 components from full scope to specific scope, 1 component from full scope to specified procedures and 3 components from full scope to out of scope. We have moved 2 components from specific scope to specified procedures and 7 components from specific scope to out of scope.

Involvement with component teams

The audit work for the majority of in scope reporting units, was performed directly by the integrated Group and UK Bus engagement team. We engaged the services of EY Ireland to perform Group Reporting procedures over Scottish Citylink Coaches Limited as this was brought into scope during the year.

During the current year's audit cycle, the audit team performed on site procedures at all key locations across the Group. The audit work was delivered on site in Perth and Stockport with the remainder delivered remotely whilst maintaining regular dialogue with local finance management via videoconference. The performance of the audit was supported through the use of EY software collaboration platforms to facilitate information sharing.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group has determined (see Note 1(e) (ii)) that the most significant future impacts on the consolidated financial statements from climate change on their operations will be from the estimation uncertainty arising from estimating the useful lives of passenger service vehicles. Change in regulation around the use of passenger service vehicles could also result in impairment losses or increased depreciation charges.

Climate-related risks are explained in section 1.7.2 of the Annual Report, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

Our audit effort in considering the impact of climate change was focused on ensuring that the effects of material climate risks disclosed in section 1.7.2 of the Annual Report have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being the carrying value of goodwill, carrying value of the parent Company's investments in subsidiaries and the recoverability of fixed assets. We also challenged the Board's considerations of climate change in their assessment of going concern and associated disclosures.

Whilst the Group has stated its commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050 and targeting to have a zero emission UK bus fleet by 2035, the Group is currently unable to determine the full future economic impact on their medium to long-term business model, operational plans and customers to achieve this and therefore, as set out above, the potential impacts are not fully incorporated in these financial statements.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

8. Independent auditors' report to the members of Stagecoach Group Limited (Company No. SC100764) (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of provision for claims The bus insurance claims provision is a key source of estimation uncertainty that includes a forecast-based element that relies on actuarial assessments and management judgement. The key audit matter is unchanged compared to 2023. Refer to the accounting policies in note 1 and note 22 to the consolidated financial statements. As at 27 April 2024, the Group recognised total claims provisions amounting to £83.6m (2023: £100.6m), of which £74.8m (2023: £91.0m) relates to amounts payable on individual claims in relation to the bus business. The Group protects against the cost of bus claims through third party insurance policies. The Group has exposure primarily relating to an "excess" it is responsible for paying per claim and this is provided for on a discounted basis. The estimate is based on an assessment of the expected settlement of known claims and claims not yet reported but related to incidents prior to the balance sheet date. The provisions are based on an independent actuarial computation, with adjustment by management to reflect its view of volatility in actuarial estimates from year to year. The significant risk arises due to the inherent uncertainty in actuarial assessments and the level of management judgement exercised in determining the appropriate level of volatility adjustment.	We gained an understanding of management's key controls and processes in place to assess claims and related provisions. We evaluated the appropriateness of the processes, methodologies and assumptions used by management through performance of our process walkthrough tests. We assessed the terms and conditions within the insurance policy documents to ensure all relevant terms have appropriately been considered in the provision calculation. Through the involvement of our insurance actuarial specialists, we evaluated the independence, competence, capabilities and objectivity of management's external actuarial specialists, and the appropriateness of the processes, methodologies and assumptions used by them. We challenged management's assumptions and methodology in relation to the volatility adjustment, by using EY insurance actuarial specialists, corroborating to comparable benchmarks and considering contra indicators. We also considered a number of other client specific risk factors (e.g. claims experience and claims development trends) in assessing the appropriateness of the amount of the claims provisions recorded. We corroborated a sample of both open and closed claims, and reserve movements to source documentation. We recalculated the arithmetical accuracy of the model used by management. We assessed the appropriateness of disclosures. All audit work in relation to this key audit matter was undertaken by the Group engagement team, with the assistance of EY insurance actuarial specialists.	Based on our consideration of management's actuarial experts' report and testing of source claims data, we concluded that the methodology, assumptions and approach used by management's specialists was appropriate. We have also confirmed that management's adjustments to the actuarial central estimate are appropriate and we did not note any material exceptions based on our testing of the claims and settlement information. We concluded management's external actuarial specialists are competent and objective. We concluded that the valuation of the bus insurance claims provision is appropriate and are satisfied with the appropriateness of the related disclosures within the financial statements.
Valuation pension liabilities The valuation of pension liabilities is a key source of estimation uncertainty that includes a forecast-based element that relies on actuarial assessments and management judgement. Refer to the accounting policies in note 1, note 6 and note 23 to the consolidated financial statements. At 27 April 2024, the Group recognised a net pension surplus of £174.0m (2023: £195.9m). The significant risk relates to the potential misstatement of the gross pension liabilities of £1,266.8m (2023: £1,300.1m) due to the significant judgements being exercised by management in determining the appropriate underlying actuarial assumptions.	We understood and walked through management's process and methodology for calculating the pension liability for the pension scheme. We evaluated the competence and objectivity of management's external actuarial specialists. Through the involvement of our EY pension actuarial specialists, we corroborated key assumptions (including discount rate, life expectancies of scheme members and inflation rate) using external third-party data and independently assessed the assumptions to allow us to determine whether the Group's assumptions are within an acceptable range. We tested a sample of the membership data used by the actuaries to source documentation. We assessed the appropriateness of disclosures within the financial statements. All audit work in relation to this key audit matter was undertaken by the Group engagement team, with the assistance of EY pension actuarial specialists.	We concluded that management's judgements in relation to the underlying actuarial assumptions are appropriate and that the recorded balances lie within our acceptable range. We concluded management's external actuarial specialists are competent and objective. We are satisfied with the appropriateness of the related disclosures within the financial statements.

8. Independent auditors' report to the members of Stagecoach Group Limited (Company No. SC100764) (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Management override of controls in relation to revenue recognition This is a risk of error in revenue due to the non-routine nature of the timing and valuation of certain revenue and manual revenue journals. The key audit matter is unchanged compared to 2023. Refer to the accounting policies in note 1, note 2 and note 3 to the consolidated financial statements. For the year ended 27 April 2024, the Group recognised revenue of £1,570.3m (2023: £1,357.4m). Revenue recognition is a particular area of focus for our audit in considering possible areas of management bias and fraud, arising from management override of controls. Revenue arrangements for customer travel are generally routine. However, in some instances, manual adjustments are required to reflect appropriately the timing and valuation of revenue recognised, for example cash received for the sale of season tickets or travel cards. The accuracy of recording any such material adjustments to revenue related transactions may represent a fraud risk of material misstatement to revenue. This includes material manual adjustments to accrued or deferred income balance sheet items that impact revenue in the income statement.	We obtained an understanding of the key controls and processes in place over revenue recognition and the recording of manual revenue journal entries. We assessed whether the Group's accounting policy is in compliance with IFRS 15, Revenue from Contracts with Customers. On full and specific scope components, we employed data analytic techniques to correlate sales journals to cash journals and then vouched a sample of those journals to supporting evidence. We tested non-correlating entries to third party evidence to ensure that revenue had been appropriately recognised. Where data analytic techniques have not been used, we employ a fully substantive approach by testing to third party evidence. On full and specific scope components, we used risk-based filters to test material manual journal entries to revenue through to supporting evidence to confirm that the revenue recognised was appropriate and was in line with the Group's accounting policy. In relation to Transport for London revenues and UK Bus regional concession and tender revenues, we reviewed correspondence with Transport for London, the Department for Transport and local authorities as appropriate to confirm the terms and conditions of amounts received and receivable, ensuring that revenue was recognised appropriately and in accordance with IFRS 15. We assessed the appropriateness of disclosures within the financial statements. All audit work in relation to this key audit matter was undertaken by the Group engagement team.	On the basis of the procedures performed, we have concluded that revenue has been recognised and disclosed appropriately in the financial statements.

In the prior year, our auditor's report included a key audit matter in relation to Accounting for Local Government Pension Schemes and this was shown separately in the key audit matter table as a result of the associated accounting being updated in the consolidated financial results. In the current year, we have removed this as a key audit matter as a result of management's adoption of the updated accounting treatment. In the current year we have incorporated Going Concern as a key audit matter.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £5.6m (2023: £4.6m), which is 2.75% (2023: 2.5%) of adjusted Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA"). We believe that adjusted EBITDA provides us with a better representation of the interests of the key stakeholders of the Group following its change of ownership.

We determined materiality for the parent Company to be £5.6m (2023: £4.6m), which is 1.75% (2023: 1%) of Total Equity.

During the course of our audit, we reassessed initial materiality and there was no reason to change it.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2023: 75%) of our planning materiality, namely £4.2m (2023: £3.4m). We have set performance materiality at this percentage due to the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the internal control environment and other factors affecting the Group and its financial reporting.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.8m to £2.3m (2023: £0.7m to £2.2m).

8. Independent auditors' report to the members of Stagecoach Group Limited (Company No. SC100764) (continued)

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3m (2023: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement section 3.4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

8. Independent auditors' report to the members of Stagecoach Group Limited (Company No. SC100764) (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and parent Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant include compliance with applicable health & safety, environmental and data protection regulations, competition and consumer protection laws, labour regulations and employee rights laws.
- We understood how the Group is complying with those frameworks to the extent that could materially impact the financial statements by making enquiries of management, internal audit, those responsible for legal and compliance procedures, and the Company Secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations and enquiries of senior management.
- We identified any relevant instances of non-compliance with laws and regulations at Group components through the direction and oversight of our component audit teams. We discussed any findings with senior management.

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 27 June 2023 to audit the financial statements for the year ending 27 April 2024 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is eight years, covering the years ending 29 April 2017 to 27 April 2024.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Ernst & Young LLP

Julie Cavin
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
27 June 2024

9. Consolidated financial statements

Consolidated income statement
For the year ended 27 April 2024

	Notes	2024 Performance excluding separately disclosed items £m	2024 Separately disclosed items (note 4) £m	2024 Results for the year £m	2023 (restated – see note 1(b)) Performance excluding separately disclosed items £m	2023 (restated – see note 1(b)) Separately disclosed items (note 4) £m	2023 (restated – see note 1(b)) Results for the year £m
CONTINUING OPERATIONS							
Revenue	*2(a)*	**1,570.3**	**–**	**1,570.3**	1,357.4	–	1,357.4
Operating costs and other operating income	*3*	**(1,476.1)**	**(0.2)**	**(1,476.3)**	(1,289.6)	(29.0)	(1,318.6)
Operating profit of Group companies	*2(b)*	**94.2**	**(0.2)**	**94.0**	67.8	(29.0)	38.8
Share of profit of joint ventures after finance income and taxation	*2(c)*	**3.3**	**–**	**3.3**	5.6	–	5.6
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	*2(b)*	**97.5**	**(0.2)**	**97.3**	73.4	(29.0)	44.4
Finance income	*6*	**23.3**	**–**	**23.3**	5.3	0.6	5.9
Finance costs	*6*	**(26.3)**	**(4.6)**	**(30.9)**	(27.4)	–	(27.4)
Profit/(loss) before taxation		**94.5**	**(4.8)**	**89.7**	51.3	(28.4)	22.9
Taxation	*8*	**(16.8)**	**7.0**	**(9.8)**	(6.1)	4.3	(1.8)
Profit/(loss) from continuing operations		**77.7**	**2.2**	**79.9**	45.2	(24.1)	21.1
DISCONTINUED OPERATIONS							
Profit/(loss) after tax for the year from discontinued operations	*5*	**(1.3)**	**(6.1)**	**(7.4)**	3.6	(1.5)	2.1
TOTAL OPERATIONS							
Total profit/(loss) for the year		**76.4**	**(3.9)**	**72.5**	48.8	(25.6)	23.2
Attributable to:							
Equity holders of the parent		**76.4**	**(4.0)**	**72.4**	48.8	(25.6)	23.2
Non-controlling interest		**–**	**0.1**	**0.1**	–	–	–
		76.4	**(3.9)**	**72.5**	48.8	(25.6)	23.2

The results for the year ended 29 April 2023 have been restated to report the effect of the discontinued operations.

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

Consolidated statement of comprehensive income
For the year ended 27 April 2024

	2024 £m	2023 (restated – see note 1(b)) £m
Profit for the year	**72.5**	23.2
Items that may be reclassified to profit or loss		
Cash flow hedges:		
– Net fair value gains/(losses) on cash flow hedges	**25.7**	(19.7)
– Reclassified and reported in profit for the year	**(26.0)**	(66.4)
– Tax effect of cash flow hedges	**0.1**	16.8
Total items that may be reclassified to profit or loss	**(0.2)**	(69.3)
Items that will not be reclassified to profit or loss		
Continuing operations		
Actuarial (loss)/gains on Group defined benefit pension schemes	**(40.9)**	200.5
Tax effect of actuarial (loss)/gain on Group defined benefit pension schemes	**(0.1)**	(18.8)
Discontinued operations		
Actuarial (loss)/gains on Group defined benefit pension schemes	**(0.7)**	3.3
Total items that will not be reclassified to profit or loss	**(41.7)**	185.0
Other comprehensive (expense)/income for the year	**(41.9)**	115.7
Total comprehensive income for the year	**30.6**	138.9
Attributable to:		
Equity holders of the parent	**30.5**	138.9
Non-controlling interest	**0.1**	–
	30.6	138.9

The results for the year ended 29 April 2023 have been restated to report the effect of the discontinued operations.

9. Consolidated financial statements (continued)

Consolidated balance sheet (statement of financial position)
As at 27 April 2024

	Notes	**2024 £m**	2023 £m
ASSETS			
Non-current assets			
Goodwill	*11*	**92.6**	92.1
Other intangible assets	*12*	**5.3**	7.1
Property, plant and equipment	*13(a)*	**789.2**	711.3
Right-of-use assets	*13(b)*	**87.4**	80.2
Interests in joint ventures	*14*	**5.8**	12.0
Derivative instruments at fair value	*24(f)*	**4.5**	11.5
Retirement benefit assets – net of withholding tax payable	*23*	**177.3**	199.4
Other receivables	*16*	**36.5**	15.4
		1,198.6	1,129.0
Current assets			
Inventories	*15*	**11.9**	12.3
Trade and other receivables	*16*	**167.2**	112.1
Derivative instruments at fair value	*24(f)*	**11.5**	13.9
Current tax recoverable		**0.2**	0.4
Cash and cash equivalents	*18*	**99.6**	245.6
Assets classed as held for sale	*13(c)*	**1.1**	3.4
		291.5	387.7
Total assets	*2(d)*	**1,490.1**	1,516.7
LIABILITIES			
Current liabilities			
Trade and other payables	*19*	**280.9**	248.3
Borrowings:			
– Lease liabilities	*13(b)*	**24.7**	25.0
– Other borrowings	*20*	**–**	1.8
Derivative instruments at fair value	*24(f)*	**1.9**	9.1
Provisions	*22*	**44.6**	56.4
		352.1	340.6
Non-current liabilities			
Other payables	*19*	**62.1**	51.7
Borrowings:			
– Lease liabilities	*13(b)*	**69.8**	60.3
– Other borrowings	*20*	**409.4**	407.1
Derivative instruments at fair value	*24(f)*	**6.0**	12.4
Deferred tax liabilities	*21*	**70.7**	59.8
Provisions	*22*	**73.3**	83.5
Retirement benefit obligations	*23*	**3.3**	3.5
		694.6	678.3
Total liabilities	*2(d)*	**1,046.7**	1,018.9
Net assets	*2(d)*	**443.4**	497.8
EQUITY			
Ordinary share capital	*25*	**3.2**	3.2
Share premium account	*27*	**8.4**	8.4
Retained earnings	*27*	**72.5**	126.8
Capital redemption reserve	*27*	**422.8**	422.8
Own shares	*27*	**(69.6)**	(69.6)
Cash flow hedging reserve	*27*	**5.9**	6.1
Total equity attributable to the parent		**443.2**	497.7
Non-controlling interest		**0.2**	0.1
Total equity		**443.4**	497.8

These financial statements have been approved for issue by the Board of Directors on 27 June 2024. The accompanying notes form an integral part of this consolidated balance sheet.

Claire Miles
Chief Executive Officer

Bruce Dingwall
Chief Financial Officer

9. Consolidated financial statements (continued)

Consolidated statement of changes in equity

	Ordinary share capital £m	Share premium account £m	Retained earnings £m	Capital redemption reserve £m	Own shares £m	Cash flow hedging reserve £m	**Total equity attributable to parent £m**	Non-controlling interest £m	**Total equity £m**
As at 30 April 2022	3.2	8.4	(38.2)	422.8	(69.6)	75.4	**402.0**	0.1	**402.1**
Profit for the year	–	–	23.2	–	–	–	**23.2**	–	**23.2**
Other comprehensive income, net of tax	–	–	185.0	–	–	(69.3)	**115.7**	–	**115.7**
Total comprehensive income	–	–	208.2	–	–	(69.3)	**138.9**	–	**138.9**
Credit in relation to equity-settled share based payments	–	–	3.9	–	–	–	**3.9**	–	**3.9**
Tax credit in relation to equity settled share based payments	–	–	0.4	–	–	–	**0.4**	–	**0.4**
Dividends paid on ordinary shares	–	–	(47.5)	–	–	–	**(47.5)**	–	**(47.5)**
As at 29 April 2023	3.2	8.4	126.8	422.8	(69.6)	6.1	**497.7**	0.1	**497.8**
Profit for the year	–	–	72.4	–	–	–	**72.4**	0.1	**72.5**
Other comprehensive income, net of tax	–	–	(41.7)	–	–	(0.2)	**(41.9)**	–	**(41.9)**
Total comprehensive income	–	–	30.7	–	–	(0.2)	**30.5**	0.1	**30.6**
Dividends paid on ordinary shares	–	–	(85.0)	–	–	–	**(85.0)**	–	**(85.0)**
As at 27 April 2024	3.2	8.4	72.5	422.8	(69.6)	5.9	**443.2**	0.2	**443.4**

9. Consolidated financial statements (continued)

Consolidated statement of cash flows
For the year ended 27 April 2024

	Notes	2024 £m	2023 £m
Cash flows from operating activities			
Cash generated by operations	*28*	**140.1**	150.9
Interest paid		**(26.9)**	(27.2)
Interest received		**9.3**	5.1
Dividends received from joint ventures		**1.7**	2.5
Net cash flows from operating activities before tax		**124.2**	131.3
Tax paid		**(1.3)**	(6.6)
Net cash from operating activities after tax		**122.9**	124.7
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(2.7)**	(13.6)
Purchase of property, plant and equipment		**(171.5)**	(66.6)
Disposal of property, plant and equipment		**2.3**	4.4
Receipt of capital grants		**15.5**	19.8
Purchase of intangible assets		**(1.0)**	(2.9)
Loan repaid by joint venture		**–**	0.1
Net cash outflow from investing activities		**(157.4)**	(58.8)
Cash flows from financing activities			
Payments of principal portion of lease liabilities		**(24.7)**	(29.6)
Receipts of loan from joint ventures		**–**	6.1
Dividends paid on ordinary shares		**(85.0)**	(47.5)
Net cash outflow from financing activities		**(109.7)**	(71.0)
Net decrease in cash and cash equivalents		**(144.2)**	(5.1)
Cash and cash equivalents at beginning of the year		**243.8**	248.9
Cash and cash equivalents at end of year	*18*	**99.6**	243.8

Cash and cash equivalents shown in the above consolidated statement of cash flows include the cash and cash equivalents of £99.6m (2023: £245.6m) shown on the consolidated balance sheet, less bank overdrafts of £Nil (2023: £1.8m) included in other borrowings within current liabilities in the consolidated balance sheet.

International Accounting Standard 7, Statement of Cash Flows, states that investments will normally qualify as cash equivalents only if the maturity, at acquisition, is less than three months. The Group's cash equivalents can include deposits with well-rated financial institutions with a maturity, at acquisition, of up to twelve months but only where the Group considers that any "break cost" in converting the deposits to cash in advance of their maturity is insignificant.

Cash equivalents include investments in certain money market funds. The Group's investments in money market funds can generally be converted to cash with less than one days' notice and the risk of day-to-day changes in the value of the investments is considered to be insignificant.

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

Notes to the consolidated financial statements

Note 1 IFRS accounting policies

(a) Introduction

These consolidated financial statements are presented in respect of the group of companies headed by Stagecoach Group Limited. Stagecoach Group Limited is a private limited liability company, limited by shares. It is incorporated, domiciled and has its registered office in Scotland. Its registered number is SC100764 and its registered address is 10 Dunkeld Road, Perth PH1 5TW.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied to all the years presented, except as described in note 1(b) below in relation to the change in presentation of rail operations as discontinued operations.

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The consolidated financial statements have been prepared under the historical cost convention as except for:
(i) assets classified as fair value through other comprehensive income ("FVOCI"); and
(ii) financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

The consolidated financial statements are presented in pounds sterling, the presentation currency of the Group, and the functional currency of the Company. All values are rounded to the nearest one hundred thousand (£0.1m) except where otherwise indicated.

The Group reports its annual results based on a financial year ending on the Saturday nearest to 30 April. This report therefore sets out the Group's results for the 52-week period from 30 April 2023 to 27 April 2024. Prior year comparatives are for the 52-week period from 1 May 2022 to 29 April 2023.

These financial statements have been prepared on a going concern basis. Taking account of the increase in passenger demand, and other relevant factors, the Directors concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements. The Directors have a reasonable expectation that the Group will continue to operate as a going concern for the duration of the going concern period, being the period to 26 July 2025.

The Strategic report in section 1 of this Annual Report includes information on the outlook for the Group (including in sections 1.3 and 1.6) and the Group's financial position and liquidity (including in section 1.5.9). Section 2.11 of this Annual Report provides additional information on the Directors' assessment of the Group's ability to continue as a going concern, and of its longer term viability. Section 4.4 of this Annual Report includes information on the Audit Committee's consideration of going concern, and the work and conclusions of the Audit Committee in respect of that.

Discontinued operations – change in presentation of Rail operations

The Group's Sheffield Supertram rail operation concession ended on 21 March 2024 at which point it transitioned to a publicly owned operator. In the year ended 27 April 2024, the results of the Supertram operation, along with the remaining of the former train operating companies, have been classed as discontinued and the results for the year ended 29 April 2023 have been restated to treat the operations as discontinued.

The following table shows the impact on previously reported results of the discontinued operations (note 5) to arrive at the comparative figures appearing in the consolidated income statement.

Year ended 29 April 2023	As previously reported £m	Impact of discontinued operations (note 5) £m	**As restated appearing in the consolidated income statement £m**
Consolidated income statement			
Revenue	1,372.6	(15.2)	**1,357.4**
Operating costs and other operating income	(1,330.7)	12.1	**(1,318.6)**
Operating profit of Group companies	41.9	(3.1)	**38.8**
Joint ventures	5.6	–	**5.6**
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	47.5	(3.1)	**44.4**
Finance costs	(27.4)	–	**(27.4)**
Finance income	5.9	–	**5.9**
Profit/(loss) before taxation	26.0	(3.1)	**22.9**
Taxation	(2.8)	1.0	**(1.8)**
Profit from continuing operations	23.2	(2.1)	**21.1**
Discontinued operations	–	2.1	**2.1**
Total profit for the year	23.2	–	**23.2**

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(c) New accounting standards adopted during the year

New standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning 30 April 2023, do not have any significant effect on the consolidated financial statements and are listed below.

International Accounting Standards and Interpretations	*Effective for annual periods beginning on or after*
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS and IFRS Practice Statement 2, Disclosure of Accounting policies	1 January 2023
Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules	1 January 2023

(d) New accounting standards not yet applied

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations with an effective date for financial years beginning on or after the dates disclosed below and therefore after the date of these financial statements:

International Accounting Standards and Interpretations	*Effective for annual periods beginning on or after*
Amendments to IAS 1, Presentation of Financial Statements • Non-current Liabilities with Covenants • Deferral of Effective Date Amendment • Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16, Leases – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21 – Lack of exchangeability	1 January 2025*

* Not yet adopted by the UK Endorsement Board.

(e) Critical accounting judgements and key sources of estimation uncertainty

Preparation of the consolidated financial statements requires directors to make judgements and estimates that affect the reported amounts in the consolidated financial statements and accompanying notes. The Directors believe that the judgements and key sources of estimation uncertainty discussed below represent those that require the greatest exercise of judgement.

The discussion below should be read in conjunction with the full statement of accounting policies.

(i) Judgements

Paragraph 122 of International Accounting Standard 1 requires disclosure of significant judgements made in applying an entity's accounting policies. Apart from those involving estimations (see (ii) below), the Directors consider there to be the following significant judgements involved in the process of applying the Group's accounting policies.

Accounting for the Group's participation in Local Government Pension Schemes

Certain of the Company's subsidiaries participate in LGPSs, which are all closed to new members from the Group.

Previously the Group had accounted for its LGPS using an alternative basis of accounting for its participation in LGPSs. This alternative basis of accounting previously adopted by the Group is consistent with other major groups with UK public transport operations that have LGPS participations.

The Group notes that the accounting for LGPS requires judgement by the Board in selecting the most appropriate treatment noting that other major groups with UK public transport operations that have LGPS participations have adopted treatment that differs from the treatment adopted by the Group in the current year.

(ii) Key sources of estimation uncertainty

Paragraph 125 of International Accounting Standard 1 requires disclosure of key sources of estimation uncertainty. The Directors consider the following to be the most significant sources of estimation uncertainty.

The Directors have used their best judgement in determining the estimates and assumptions used in these areas but a different set of judgements could result in material changes to the Group's reported financial performance and/or financial position.

Pensions

As in previous years, the determination of the Group's pension benefit obligation and expense for defined benefit pension schemes is dependent on the selection by the Directors of certain assumptions used by actuaries in calculating such amounts. The Directors' assumptions are based on actual historical experience and external data. Whilst the Board believes that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the pension obligation and future expense.

The pensions assumptions may vary due to actual changes in market conditions following the balance sheet date but IAS 19 requires the assumptions to be set based on the market conditions prevailing at the balance sheet date. The pensions assumptions are also affected by judgements the Directors are required to make on matters that cannot be directly observed from market prices such as life expectancies, future pay increases, the valuation of harder to value assets and the criteria for bonds to be included in the population from which the discount rate is determined.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty (continued)

(ii) Key sources of estimation uncertainty (continued)

There is potential for material changes to pensions estimates in the year ending 3 May 2025 and note 23(f) provides information on the sensitivity of pension benefit obligations to changes in assumptions.

Rail contractual positions

The Group's former train operating companies are party to various contractual and regulatory arrangements typical of the UK rail sector. Consistent with the sector, these contractual arrangements can be often complex and be open to legal interpretation. These include arrangements with the Department for Transport, Network Rail, Transport for London, rolling stock lessors and other train operators. These arrangements give rise to estimation uncertainty in determining the carrying value of receivables, payables and provisions in respect of these arrangements.

Given the nature of some of those items, there is judgement involved in determining whether items are classified as accruals, provisions or contingent liabilities.

The Directors estimate that the carrying value of the net payables in respect of rail contractual positions as at 27 April 2024 could require adjustment by up to £15.0m in the year ending 3 May 2025 (2023: £10.0m in the year ending 27 April 2024).

Claims provisions

The Group receives claims in respect of traffic incidents and employee incidents. The Group protects against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of the "excess" or "deductible", and loss corridors, on insurance policies.

Provision is made for the estimated cost to the Group to settle claims, as well as for the estimated costs of any fines or regulatory action, in relation to incidents occurring prior to the balance sheet date. The estimation of the claims provisions is based on an assessment of the expected settlement on known claims together with an estimate of payments that will be made in respect of incidents occurring prior to the balance sheet date but for which claims have not been reported to the Group. The eventual payments on such matters may differ from the amounts provided for at the balance sheet date.

Given the varying factors that ultimately determine the cost of a incident, it is difficult to provide precise sensitivity analysis on the amount of the claims provisions. However, based on analysis undertaken by independent actuaries and an analysis of the historic volatility of estimates of claims costs, the Group considers it unlikely that the estimated claims provisions as at 27 April 2024 will require adjustment in the year ending 3 May 2025 by more than £10.0m (2023: £10.0m in year ending 27 April 2024).

Climate change and the estimated useful lives of passenger service vehicles

Depreciation on passenger service vehicles is calculated on the straight-line method to write off the cost, fair value at acquisition or deemed cost of each asset to their residual values over their estimated useful lives (or lease term, if shorter). The estimated useful lives for passenger service vehicles range from seven to 16 years depending on the type of vehicle. The majority of the Group's passenger service vehicles are diesel powered, although the Group expects that over time, an increasing proportion of its vehicle fleet will be electric or hydrogen powered. The actual useful lives of the diesel powered vehicles could be affected by measures taken by government to tackle climate change that restrict the use of such vehicles. Estimating the useful lives of passenger service vehicles therefore involves some estimation uncertainty.

The UK Government is consulting on a date after which the sale of new diesel powered buses would be prohibited in the UK. However, the UK Government has not proposed to set a date from which diesel buses are prohibited from being used on the UK roads. Taking account of the latest proposals from the UK Government, the Directors consider that the estimates of useful lives applied are appropriate. Had it been assumed, with effect from the start of the year ended 27 April 2024, that no diesel powered passenger service vehicle could be used after 31 December 2029, then the depreciation expense for the year would have been £13.5m (2023: £9.9m) higher than reported and the net book value of the vehicles as at 27 April 2024 would have been correspondingly reduced. Currently all diesel powered passenger service vehicles have useful economic lives that end before 31 December 2034. Such changes are not expected to materially affect profit or net assets in the year ending 3 May 2025.

Provision for onerous contracts

As at 27 April 2024, provisions for onerous contracts amount to £21.0m (2023: £23.1m). The estimation of the provisions involve forecasting the unavoidable costs of meeting the obligations under the applicable contracts and the economic benefits expected to be received under the contracts. The forecast net unavoidable costs (benefits less costs) are discounted to present value. Judgements are required in forecasting unavoidable costs and economic benefits.

A number of onerous contracts have been recognised through the evaluation of the contracts to run bus services in London. The onerous contract provision recognised at 27 April 2024 for these London contracts amounted to £20.8m (2023: £13.4m).

The financial performance of the UK Bus (London) business is influenced by various different factors, notably the retention rate when bidding for Transport for London contract tenders; cost and availability of staff; and impact of traffic levels on service performance (levels of lost mileage and Quality Incentive Contract Income performance).

At 27 April 2024 the provision for onerous contracts had decreased to £21.0m reflecting the onerous contracts in London recognised in the year and the utilisation and release of the Sheffield Supertram concession during the year. These provisions will be utilised over the remaining duration of the loss making contracts, a period of up to seven years.

Annual review of impairment of goodwill

Goodwill is subject to an annual impairment review as required by IAS 36 Impairment of assets. In assessing whether there is an impairment a number of estimates are made with the most critical estimates relating to the forecast growth in UK Bus (regional) patronage over the next few years after considering the impact of the existing £2 fare cap scheme ending in December 2024, the success of tender bids and the related contract prices in UK Bus (London), the discount rate and the rate of long-term growth in the business' net cash flows. Further information about the estimates used for the years ending 27 April 2024 and 29 April 2023 are set out in note 11.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty (continued)

(iii) Others

The Directors considered whether other judgements and estimates made in preparing the financial statements represent critical judgements or key sources of estimation uncertainty. In particular, the Directors considered the significant issues or judgements examined by the Audit Committee, the areas of key audit focus and the risks of material misstatement that the auditors identified as having the greatest effect on their overall audit strategy (see section 8 of this Annual Report). While matters of audit and Audit Committee focus are not necessarily limited to critical judgements or key sources of estimation uncertainty, they do overlap.

(f) Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiary undertakings and joint ventures made up to a period broadly one year in length that ends on the Saturday nearest to 30 April.

The consolidated income statement includes the results of businesses purchased from the effective date of acquisition and excludes the results of disposed operations and businesses sold from the effective date of disposal.

Non-controlling interest represents the portion of earnings and equity attributable to a third party shareholder of a subsidiary of the Group.

(g) Subsidiaries and joint ventures

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Where a business is acquired, the purchase method (also known as the acquisition method) of accounting is used to account for the acquisition of the subsidiaries and other businesses. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition.

The excess of the cost of acquisition over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Costs attributable to the acquisition are expensed to the consolidated income statement.

(ii) Joint ventures

Joint ventures are entities over which the Group has joint control with other investors.

Investments in joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's reported interest in joint ventures includes goodwill on acquisition.

In the year ended 29 April 2023, the Group sold a business to a joint venture in exchange for additional shares in the joint ventures. The carrying value of the interest in the joint venture is increased by the cost of the additional investment, being the estimated fair value of the business transferred. The gain resulting for the sale of the business is recognised in the consolidated income statement and is not restricted to the extent of the other investor's interest in the joint venture.

(h) Presentation of income statement and separately disclosed items

Where applicable, income statement information has been presented in a columnar format, which highlights separately disclosed items. This is intended to enable users of the financial statements to determine more readily the impact of non-software intangible asset amortisation and other separately disclosed items on the results of the Group, improve comparability of the Group's results with those of peer companies and respond to analysts who have requested reporting on that basis.

Separately disclosed items are defined in note 33.

(i) Revenue

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the Group expects to be entitled in exchange for those goods or services. Performance obligations of the Group are generally clear and transaction prices are even over the period to which they relate and are time apportioned. Customer compensation is treated as a reduction in revenue.

The Group principally generates revenue from the provision of transport services to its customers.

The Group has a number of revenue streams, as set out below. In general, revenue presented in the income statement is recognised at the fair value of the consideration received or receivable. Where appropriate, amounts are shown net of discounts, rebates, VAT and other sales taxes. The revenue is recognised as performance obligations are satisfied as described below for each significant revenue stream.

Commercial passenger revenue

Commercial passenger revenue primarily relates to ticket sales for travel on the Group's transport services. Passenger revenue is recognised in the income statement in the period in which the related travel occurs. This can involve some estimation – for example, revenue from the sale of season tickets and travelcards, that entitle individuals to use certain of our services during a specified period of time, is deferred within liabilities and recognised in the income statement over the period covered. The recognition of season ticket and travelcard income is recorded on a straight-line basis over the applicable period.

In some cases, travel on a transport operating company's services can be sold by other operating companies as well as other travel retailers. Certain tickets for travel can be sold which provide the holder with a choice of operators to travel with. In light of those factors, the Group's revenue includes amounts receivable from individuals or groups of individuals to travel on services that is attributed to operating companies by an industry allocation system and allocates revenue to operators principally on agreed models of route usage. Procedures exist to allow operators to challenge the appropriateness of revenue allocation. Where the revenue allocated to the Group is subsequently adjusted, the effect of the adjustment is recognised in the income statement in the period in which the Group is made aware of it. Where an adjustment results in additional revenue being attributed to the Group, the additional revenue is recognised when the amount of revenue can be reliably estimated and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Note 1 IFRS accounting policies (continued)

(i) Revenue (continued)

Concessionary revenue

The Group receives concessionary revenue from public bodies, such as local authorities, for transporting certain qualifying individuals free of charge to the passenger. Although the revenue is received from a party other than the person receiving the service, the Group accounts for such revenue in accordance with IFRS 15, Revenue from Contracts with Customers, with the performance obligation being the provision of the free travel to those eligible. Similarly, in respect of fare capping schemes run by the Department for Transport and certain local authorities, the Group receives concessionary revenue from these public bodies for transporting passengers at capped fares. Although the revenue is received from a party other than the person receiving the service, the Group accounts for such revenue in accordance with IFRS 15, Revenue from Contracts with Customers, with the performance obligation being the provision of discounted travel to passengers.

Amounts that are receivable from government bodies in respect of travel by individuals on the Group's transport services is recognised in the income statement in the period in which the related travel occurs. Such amounts are included in revenue because they represent payments for transport services provided. This can involve some estimation – for example, revenue receivable in respect of UK concessionary travel schemes can involve some negotiation with relevant public authorities on the amount of revenue due and/or be subject to adjustment based on the levels of concessionary travel across a number of operators. Revenue is recognised based on the Group's best estimates of the amounts receivable in respect of travel prior to the balance sheet date and where it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Tendered and school revenue

Other amounts that the Group receives from government bodies to pay for the operation of transport services they consider to be socially desirable are included in revenue and recognised in the income statement in the period that the relevant payment relates to. This includes tender and school revenue receivable to financially support certain bus services the Group operates in the UK.

Contract revenue

Contract revenues mainly relate to UK Bus (London) contracts with Transport for London and from UK Bus (regional operations) franchise contracts with Transport for Greater Manchester. The franchise contract with Transport for Greater Manchester is a service concession agreement.

Revenue receivable from government bodies and others to the Group for operating transport services under contract is recognised in the income statement in the period that the contracted services relate to. In general, the revenue in respect of any particular period can be clearly determined from the contract. Where there is a contingent element to contract revenue (for example, where additional amounts are payable or receivable based on the punctuality of transport services and/or other operational measures), revenue is recognised based on the applicable operational measures when the amount of revenue can be reliably estimated and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The revenue received under the contracts with Transport for London, and under some other contracts, is periodically adjusted to take account of inflation. The effect of inflation on contract revenue is generally known by the time the promised services are provided to the contract customers. As a result, the effect of inflation on contract revenue recognised in the consolidated income statement can generally be reliably determined. The inflation price adjustments are considered to be closely related to the host contracts.

The franchise contracts for Transport for Greater Manchester transfers the operating rights of the franchise to the Group to 23 March 2029, under the control of the local authority. The Group operates the contract to provide specific transport services on behalf of Transport for Greater Manchester using dedicated buses supplied by the Group and buses made available by Transport for Greater Manchester at a cost to the Group. Transport for Greater Manchester requires the Group to sell the buses to the new operator at the end of the contract. Transport for Greater Manchester has the option to extend the contract by two one-year periods.

The franchise contracts for Transport for Greater Manchester has been classified as a finance asset under the classification requirements of IFRIC 12 Service Concession Arrangements. There are no construction or upgrade elements to the service agreement; therefore, no financial or intangible assets have been recognised.

Consideration received is determined by the franchise agreement with variable elements attributable to performance and revenue is accounted for and classified in line with IFRS 15.

Where payments have been made to Transport for Greater Manchester in relation to the provision of buses for the running of the contract services, the Group recognises the payment as a Prepaid consideration receivable from customer on the balance sheet. The balance is reduced on a straight-line basis over the term of the related contract with a corresponding reduction in revenue earned from the customer.

Contract costs – Costs to obtain a contract

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

Contract costs – Costs to fulfil a contract

Costs that relate directly to a contract, generate resources that will be used in satisfying the contract and are expected to be recovered are recognised within Contract costs on the balance sheet. Contract costs consist of the purchase cost of buses through the contractual arrangements of the Manchester franchise contract and the associated set up costs for the contract.

Costs to fulfil a contract covered within the scope of another accounting standard, such as property, plant and equipment or intangible assets, are not capitalised as Contract cost assets but are treated according to those standards.

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

The Group has not earned any revenue from construction services in the year ended 27 April 2024 (2023: Nil).

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(i) Revenue (continued)

Other revenue and income

Revenue that is incidental to the Group's principal activity of providing transport services is reported as other revenue. Such revenue is recognised as the service is provided, the amount of revenue can be reliably estimated and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. This may include income from:
- commissions for selling travel on other operators' transport services;
- undertaking maintenance work on other operators' vehicles; and
- selling fuel to other transport operators.

Income from other sources is reported as other operating income. These other sources include:
- COVID-related grant income;
- bus operating grants;
- selling advertising space on vehicles and premises that the Group operates;
- property rental.

Finance income

Finance income is recognised under the effective interest method as interest accrues and is shown separately in the consolidated income statement.

Contract liabilities

A contract liability is the obligation to provide services for a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group provides the services, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. Customers include individuals, corporations and public bodies who pay the Group for transport services. Contract liabilities include amounts in respect of unexpired season tickets and other tickets giving the holder a right to travel on the Group's services after the balance sheet date.

Contract assets

Contract assets includes trade receivables, representing amounts that have been invoiced prior to and which remain outstanding at the balance sheet date.

Rail franchise payments and subsidies

Franchise payments payable to or receivable from the UK Department for Transport under rail franchise agreements are recognised as operating costs or other operating income in the income statement.

Under the contractual terms of its franchise agreements to previously operate rail services, the Group has revenue sharing arrangements with the Department for Transport. As a result of these arrangements, the Group may be liable to make payments to the Department for Transport or receive amounts from the Department for Transport. The arrangements vary by franchise. The Group recognises revenue share amounts payable or receivable in the income statement in the same period in which it recognises the related revenue. Revenue share amounts payable or receivable (if any) are treated as operating costs or other operating income.

(j) Government grants

Grants from government are recognised where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs (or net losses) are deferred and recognised in the income statement over the period necessary to match them with the costs (or net losses) they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are recorded as liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Revenue grants receivable (and franchise premia amounts payable) in respect of the operation of rail franchises in the UK are recognised in the income statement in the period in which the related revenue or expenditure is recognised in the income statement or where they do not relate to any specific revenue or expenditure, in the period in respect of which the amount is receivable or payable. These premia payments and rail franchise grants are classified within operating costs and other operating income.

Government grants received in excess of the amounts recognised in the income statement are held as deferred grant income within trade and other payables.

COVID-19 related grants are government grants receivable in response to the COVID-19 situation. The amounts principally reflect grants receivable under the Coronavirus Job Retention Scheme ("CJRS"), the COVID-19 Bus Services Support Grant ("CBSSG") scheme, the Bus Recovery Grant ("BSG"), the COVID-19 Support Grant ("CSG") scheme and Network Support Grant ("NSG") for Scotland, the Bus Emergency Scheme ("BES") for Wales and the Light Rail Revenue Grant ("LRRG") scheme.

Under certain of the grant schemes, grant income may be claimed by operators of local bus services to close the shortfall of revenue earned by them during the period affected by COVID-19 and the costs incurred by them in that period. The estimation of the grant income involves significant uncertainty, as explained in note 1(e)(ii). Income is recognised in the income statement in the same period in which the related shortfall of revenue over costs is incurred to the extent there is reasonable certainty that: (a) the Group will comply with the conditions attaching to the grant and (b) the grant will be received and retained by the Group, taking account of the potential adjustments to grant payments as a result of any reconciliation process.

(k) Share based payments

The Group previously issued equity-settled and cash-settled share based payments to certain employees. All of the Group's equity-settled and cash-settled share based payments were wound up on 20 May 2022, following the change of control of the Company, with the final accounting for the payments included in financial statements for the year ended 29 April 2023.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period. In valuing equity-settled transactions, no account is taken of any non-market based vesting conditions and no expense is recognised for awards that do not ultimately vest as a result of a failure to satisfy a non-market based vesting condition. None of the Group's equity-settled transactions had any market based performance conditions.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(k) Share based payments (continued)

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value. Fair value is estimated initially at the grant date and at each balance sheet date thereafter until the awards are settled. Market based performance conditions are taken into account when determining fair value. At each balance sheet date, the liability recognised is based on the fair value of outstanding awards (ignoring non-market based vesting conditions) at the balance sheet date, the proportion of the vesting period that fell prior to the balance sheet date and management's estimate of the likelihood and extent of non-market based vesting conditions being achieved. Changes in the carrying amount of the liability are recognised in the income statement for the period.

Employment taxes

Liabilities are recognised for employment taxes (principally, employers' national insurance liabilities) payable by the Group on share based payments. The liability for employment taxes is calculated at the balance sheet date with reference to the fair value of the related share based payments at that date. In the case of cash-settled share based payments, the fair value is the pre-tax amount recorded in the balance sheet.

Movements in the liabilities for employment taxes on share based payments are charged or credited to the income statement.

(l) Operating profit

Consolidated operating profit is stated inclusive of restructuring costs and the share of after-tax results of joint ventures but before finance income, finance costs, non-operating separately disclosed items and taxation.

(m) Taxation

Tax, current and deferred, is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date.

Corporation tax is provided on taxable profit at the current rate applicable. Tax charges and credits are accounted for through the same primary statement as the related pre-tax item. Current tax assets and liabilities are included in the consolidated balance sheet on an undiscounted basis.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is measured at tax rates that are expected to apply in periods in which the temporary differences reverse based on tax rates and law enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Management estimates amounts relating to uncertain tax treatments based on the applicable law and regulations, historic outcomes of similar matters, independent specialist advice and consideration of the progress on, and nature of, current discussions with the tax authorities. Where management determines that a greater than 50% probability exists that the tax authorities would accept the position taken in the tax return, amounts are recognised in the consolidated financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability or asset based on either: management's judgement of the most likely outcome; or, when there is a wide range of possible outcomes, a probability weighted average approach.

(n) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, which for this purpose has been identified as the Board of Directors.

(o) Foreign currency translation

Foreign currency monetary assets and liabilities are translated into the respective functional currencies of the Group entities at the rates of exchange ruling at the balance sheet date. Foreign currency transactions arising during the year are translated into the respective functional currencies of Group entities at the rate of exchange ruling on the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

The principal rates of exchange applied to the consolidated financial statements were:

	2024	2023
US Dollar:		
Year-end rate	**1.2462**	1.2569
Average rate	**1.2572**	1.2012

(p) Business combinations and goodwill

On the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill represents the excess of the fair value of the consideration given for a business over the fair value of such net assets. The fair value of intangible assets (other than goodwill) and acquired customer contract provisions on the acquisition of a business are amortised to the income statement over the duration of the contract.

Goodwill arising on acquisitions is capitalised and is subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(p) Business combinations and goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the combination. The non-current assets of cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the non-current assets is less than their carrying amount, then the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Any impairment of goodwill is recognised immediately in the income statement.

Where goodwill forms part of a cash generating unit and all or part of that unit is disposed of, the associated goodwill is included in the carrying amount of the disposed operation when determining the overall gain or loss on disposal.

(q) Discontinued operations

A disposal group qualifies as a discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:
- Represents a separate major division of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major division of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement. The comparative income statement has been restated to show the discontinued operations separately from the continuing operations.

(r) Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through their continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of the asset, excluding any finance costs and related income tax expense.

Property, plant, equipment and intangible assets are not depreciated or amortised once classified as held for sale.

(s) Impairment of non-current assets

Property, plant, equipment, intangible assets (excluding goodwill) and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal at each reporting date.

In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment loss is recognised immediately in the income statement.

Intangible assets acquired separately from a business combination are initially capitalised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. The initial cost recognised is the aggregate amount paid plus the fair value of any other consideration given to acquire the asset. Intangible assets acquired as part of a business combination are capitalised, separately from goodwill, at fair value at the date of acquisition if (i) the asset is separable or arises from contractual or legal rights and (ii) its fair value can be measured reliably. Such assets are subsequently measured at fair value at acquisition less accumulated amortisation and accumulated impairment losses.

(t) Software

Software assets can be purchased, acquired or internally generated. Software that is not an integral part of related hardware is recognised as an intangible asset. Software is recognised as cost less accumulated amortisation. Amortisation is calculated to write-off the cost or fair value at acquisition (as the case may be) over the estimated useful life of the software, which can range from 2 to 7 years, and is recorded in operating costs in the income statement.

Software as a Service ("SaaS") arrangements provide the Group with the right to access cloud-based software applications over a contractual period. The software remains the intellectual property of the provider and accordingly, the Group does not recognise an intangible asset in relation to subscription fees and costs incurred to customise or configure the software. The related costs are recognised in the income statement when the service is received.

(u) Property, plant and equipment

Property, plant and equipment acquired as part of a business combination is stated at fair value at the date of acquisition and is subsequently measured at fair value on acquisition less accumulated depreciation and any provision for impairment. All other property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated on the straight-line method to write off the cost, fair value at acquisition or deemed cost of each asset to their residual values over their estimated useful lives (or lease term, if shorter) as follows:

Heritable and freehold buildings and long leasehold properties	50 years
IT and other equipment, furniture and fittings	3 to 10 years
Passenger Service Vehicles and transportation equipment	7 to 16 years
Motor cars and other vehicles	3 to 5 years

Note 1 IFRS accounting policies (continued)

(u) Property, plant and equipment (continued)

Diesel powered buses included within Passenger Service Vehicles and transportation equipment have useful lives set that end no later than 2035.

Freehold land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed at least annually and, where applicable, adjustments are made on a prospective basis.

An item of property, plant or equipment is derecognised upon disposal. An item on which no future economic benefits are expected to arise from the continued use of the asset is impaired if it is continued to be used by the Group. Gains and losses on disposals are determined by comparing the net disposal proceeds received with the carrying amount of the asset and are included in the income statement. Any gain or loss on derecognition of the asset is included in the income statement in the period of derecognition.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(v) Leases

The Group leases many assets including properties, passenger service vehicles, company cars and office equipment. Rental contracts are typically made for a fixed period of 6 months to 100 years. Certain leases have extension options which the Group may choose to exercise.

For contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration, the Group recognises lease liabilities to make lease payments, and right-of-use assets representing the right to use the underlying asset.

Effect of lease extensions and break clauses on lease terms

Options to extend leases and break clauses are included in a number of the Group's leases. These are used by the Group to maximise flexibility in managing its assets and operations to meet passenger demands. The Group considers all the circumstances that create an economic incentive to exercise an extension option or not utilise a break clause. An extension option or the periods after a break clause are only included in a lease term if the lease is reasonably certain to be extended or if the break clause is reasonably certain not to be utilised.

For leases of passenger service vehicles, the Group considers the duration of any tendered/contracted services or forecast plans for a depot when considering whether it is reasonably certain to extend a lease or not to utilise a break clause.

For leases of properties, the Group considers the likely value of future rentals and anticipated changes in services operated from the property when considering whether it is reasonably certain to extend a lease or not to utilise a break clause.

Measurement of lease liabilities

Liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the following lease payments:
- Fixed lease payments, less any lease incentives receivable;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option;
- Payments to be made under reasonably certain extension options; and
- Variable lease payments that are based on an index or rate, initially measured using the index or rate at the commencement date.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the individual Group company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Incremental borrowing rates are determined for each internal reporting period and applied to the leases entered into during each such period.

To determine the incremental borrowing rate, the Group:
- uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received; and
- makes adjustments to the rate to reflect the terms and conditions specific to the lease. These will include adjustment for items such as the lease term and the right-of-use asset being leased.

The Group is exposed to potential future increases in variable lease payments for some properties based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. There are no leases with other forms of variable payment.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Contracts can contain lease and non-lease components. For all property leases, the Group has separated lease and non-lease components. For all other leases, the Group has elected not to separate lease and non-lease components but instead accounts for these as a single lease component. Non-lease components for properties are excluded from the projection of future lease payments and are treated as a separate expense on a straight-line basis within operating costs.

Lease terms are negotiated lease by lease resulting in a wide range of terms and conditions. The lease agreements do not generally impose any financial covenants. The principal restriction on assets held under lease is a restriction on the right to dispose of the assets during the period of the agreement. Certain of the Group's vehicle leases contain change of control provisions.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(v) Leases (continued)

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- dilapidation provisions.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and low-value assets

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets have a capital value, when new, of less than £4,500 and comprise principally IT equipment and small items of office equipment.

Lease cash flows

Lease payments are presented in the consolidated statement of cash flows as follows:
- Payments in respect of short-term leases and leases of low-value assets are included within cash generated by operations as part of overall cash flows from operating activities;
- Payments in respect of the interest element of recognised lease liabilities are included within interest paid as part of overall cash flows from operating activities;
- Payments in respect of the principal portion of recognised lease liabilities are separately presented as a component of cash flows from financing activities.

(w) Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items. Cost is determined using the first-in, first-out or average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(x) Contract provisions

A provision is recognised in the consolidated balance sheet for any contract that is "onerous" or, when acquired as part of a business combination, that is unfavourable to market terms. A contract is considered onerous where it is probable that the future economic benefits to be derived from the contract are less than the unavoidable costs under that contract. Determining the amount of any contract provision (that is the lower of the net costs of fulfilling or terminating the contract) may involve forecasting future financial performance.

The recognition of a contract provision (other than a provision arising from a business combination) is charged to the consolidated income statement. Losses that subsequently arise on that contract are treated as the utilisation of the provision to the extent they have been provided for.

The amount of any contract provision (or potential contract provision) is re-assessed at each balance sheet date. Any increase or decrease required to the amount of the provision is charged or credited to the consolidated income statement.

(y) Claims provisions

The Group receives claims, and can incur fines, in respect of traffic incidents and employee claims. The Group protects against the cost of claims through third party insurance policies. An element of the claims is not insured as a result of the "excess" or "deductible", and loss corridors, in insurance policies. Provision is made on a discounted basis for the estimated cost to the Group to settle liabilities for incidents occurring prior to the balance sheet date. The estimate of the balance sheet claims provisions is based on an assessment of the expected settlement of known claims together with an estimate of payments that will be made in respect of incidents occurring prior to the balance sheet date but for which claims have not yet been reported to the Group. The provisions are set after taking account of advice from third party actuaries. Provisions are determined on a gross basis, with a separate reimbursement asset identified for amounts recoverable from insurance policies.

(z) Retirement benefit obligations

The Group participates in a number of pension schemes. In respect of defined benefit schemes, obligations are measured at discounted present value whilst scheme assets are recorded at market value. In relation to each scheme, any recognised net asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme.

An economic benefit is available to the Group if it is realisable during the life of the scheme or on settlement of the scheme liabilities. The service costs of defined benefit schemes are spread systematically over the working lives of employees and included within operating profit. Scheme administration expenses are also included within operating profit. Net interest expense or income is calculated by applying the discount rate to the net defined benefit asset or liability and included within net finance costs. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Actuarial gains and losses include the difference between the actual return on assets (net of investment administration costs and taxes, such as amounts levied by the UK Pension Protection Fund) and the discount rates applied to the assets. Life expectancies are considered when retirement benefit obligations are calculated.

A full actuarial valuation is generally undertaken triennially for each scheme and updated annually for the purposes of the financial statements using independent actuaries following the projected unit credit method. The present value of the scheme obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity equivalent to the terms of the related obligations.

Experience adjustments and changes in assumptions which affect actuarial gains and losses are reflected in the actuarial gain or loss for the year.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(z) Retirement benefit obligations (continued)

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

For defined contribution schemes, the Group pays contributions to separately administered pension schemes. Once the contributions have been paid, the Group has no further payment obligations. The Group's contributions to defined contribution schemes are charged to the income statement in the period to which the contributions relate.

(aa) Financial instruments

Financial assets

On initial recognition, the Group classifies its financial assets as being subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). Financial assets which are held to collect contractual cash flows and give rise to cash flows that are solely payments of principal and interest on the principal outstanding are subsequently measured at amortised cost. Interest on these assets is calculated using the effective interest rate method and is recognised in the income statement as interest income.

The Group uses an impairment model with impairment provisions based on expected credit losses rather than incurred credit losses. For trade receivables, accrued income and other receivables, the Group applies a simplified approach and determines expected credit losses for significant portfolios of receivables.

The Group recognises a provision for expected credit losses for all financial assets measured at amortised cost. Where there has not been a significant increase in credit risk since initial recognition, provision is made for defaults that are possible within the next 12 months. Where there has been a significant increase in credit risk since initial recognition, provision is made for credit losses expected over the remaining life of the asset.

The Group's financial assets that are categorised as FVTPL include a Deferred Payment Instrument in respect of the sale of the North America Division in April 2019, and certain financial derivatives.

Trade receivables

Trade receivables are recorded at their original amount less provision for expected credit losses. The lifetime expected credit losses are assessed for all balances. The Group has established a provision matrix that is based on its historical credit loss experience and is adjusted for specific forward-looking factors. The carrying amount of the receivable is reduced through the use of a provision account and movements in the provision are recognised in the income statement within operating costs and other income. When a previously provided trade receivable is uncollectable, it is written off against the provision. Balances which are more than 180 days past due are considered to be in default and are fully provided against but continue to be actively pursued. Adjustments to this policy may be made in specific circumstances. At each reporting date, the Group assesses whether trade receivables are credit-impaired. This includes a review of whether the customer is in significant financial difficulty, the probability that the customer will enter bankruptcy or financial reorganisation, and any default or delinquency in payments.

Financial liabilities

When a financial liability is recognised initially, the Group measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Financial liabilities include trade payables; payables for property, plant and equipment; interest payable; accruals; loans from joint ventures; borrowings; and derivative financial instruments. Subsequent measurement depends on its classification as follows:

- Financial liabilities at fair value through profit or loss: Financial liabilities classified as held for trading and derivative liabilities that are not designated as hedging instruments are classified as financial liabilities at fair value through profit or loss. Such liabilities are carried on the balance sheet at fair value with gains or losses being recognised in the income statement.
- All other financial liabilities not classified as fair value through profit or loss are measured at amortised cost using the effective interest method.

Fair values

The fair value of quoted financial instruments is determined by reference to appropriate market prices at the close of business on the balance sheet date. Where there is no active market for a financial instrument, fair value is determined using valuation techniques. These techniques include using pricing models and discounted cash flow analysis.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value to the Group is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- Cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Net gains or losses arising from changes in the fair value of all other derivatives, which are classified as held for trading, are taken to the income statement. These may arise from derivatives for which hedge accounting is not applied because they are either not designated or not effective as hedging instruments from an accounting perspective.

Notes to the consolidated financial statements (continued)

Note 1 IFRS accounting policies (continued)

(aa) Financial instruments (continued)

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Fair value hedges: For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is remeasured at fair value and gains and losses from both the derivative and the hedged item are taken to the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash flow hedges: For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in the statement of comprehensive income, while the ineffective portion is recognised in the income statement. Amounts recorded in the statement of comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast purchase occurs. For cash flow hedges of forecast fuel purchases, the transfer is to operating costs within the income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recorded in the statement of comprehensive income remain in equity until the forecast transaction occurs and are then transferred to the income statement. If a forecast transaction is no longer expected to occur, amounts previously recognised in the statement of comprehensive income are transferred to the income statement immediately.

Cash and cash equivalents

For the purposes of reporting “cash and cash equivalents” in the consolidated balance sheet, cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

International Accounting Standard 7, Statement of Cash Flows, states that investments will normally qualify as cash equivalents only if the maturity, at acquisition, is less than three months. The Group’s cash equivalents can include deposits with well-rated financial institutions with a maturity, at acquisition, of up to twelve months but only where the Group considers that any “break cost” in converting the deposits to cash in advance of their maturity is insignificant.

Cash equivalents include investments in certain money market funds. The Group’s investments in money market funds can generally be converted to cash with less than one days’ notice and the risk of day-to-day changes in the value of the investments is considered to be insignificant.

Cash in transit largely comprises amounts receivable on credit and debit cards where the on-bus transaction has been authorised but the funds have yet to clear the bank. These balances are considered highly liquid with minimal risk of default, with funds typically received in less than three days.

Interest bearing loans and borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method subject to any adjustments in respect of fair value hedges. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Interest on borrowings to purchase property, plant and equipment is expensed in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer or roll over settlement for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are generally not interest bearing and are stated at amortised cost which approximates to nominal value due to creditors days being relatively low.

(ab) Share capital and dividends

Ordinary shares are classified as equity.

Incremental external costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Where the Company purchases its own ordinary shares, the consideration paid, including any attributable incremental external costs net of income taxes, is deducted from equity. Where such shares are subsequently sold or reissued, any consideration received is included in equity.

Dividends on ordinary shares are recorded in the Group’s financial statements in the period in which they are approved by the Group’s shareholders, or in the case of interim dividends, in the period in which they are paid.

Notes to the consolidated financial statements (continued)

Note 2 Segmental information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Group is managed, and reports internally, on a basis consistent with its two continuing operating segments and the segmental information set out in this note is on the basis of those segments as follows:

Segment name	*Service operated*	*Country of operation*
UK Bus (regional operations)	Coach and bus operations	United Kingdom
UK Bus (London)	Bus operations	United Kingdom

The Group has interests in three joint ventures: WCT Group that operates in UK Rail, Citylink that operates in UK Bus (regional operations) and Crown Sightseeing that operates in UK Bus (London).

The results of these joint ventures are shown separately in notes 2(c) and 2(g).

The Group's accounting policies are applied consistently, where appropriate, to each segment.

(a) Revenue

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

Almost all of the revenue of the UK Bus (London) segment is from Transport for London. As at 27 April 2024, the Group had receivables from Transport for London of £4.3m (29 April 2023: £9.1m). Notwithstanding reports of Transport for London's financial pressures, the Group does not consider those receivables impaired.

Revenue, from continuing operations split by class and segment, was as follows:

Year ended 27 April 2024	**Commercial passenger revenue £m**	**Concessionary revenue* £m**	**Tendered & school revenue £m**	**Contract & other revenue £m**	**Total £m**
UK Bus (regional operations)	**598.5**	**361.6**	**163.3**	**82.7**	**1,206.1**
UK Bus (London)	**–**	**–**	**–**	**364.2**	**364.2**
Reported Group revenue	**598.5**	**361.6**	**163.3**	**446.9**	**1,570.3**

The table below for the year ended 29 April 2023 has been restated to remove discontinued operations.

Year ended 29 April 2023 (restated – see note 1(b))	Commercial passenger revenue £m	Concessionary revenue* £m	Tendered & school revenue £m	Contract & other revenue £m	Total £m
UK Bus (regional operations)	566.8	268.5	126.5	68.1	1,029.9
UK Bus (London)	–	–	–	327.5	327.5
Reported Group revenue	566.8	268.5	126.5	395.6	1,357.4

* Concessionary revenue for the year ended 27 April 2024 includes £92.8m (2023: £26.1m) of revenue received from the Department for Transport and combined authorities in respect of the £2 fare cap.

(b) Operating profit

Operating profit, split by segment, was as follows:

	2024			2023 (restated – see note 1(b))		
	Performance excluding separately disclosed items £m	**Separately disclosed items (note 4) £m**	**Results for the year £m**	Performance excluding separately disclosed items £m	Separately disclosed items (note 4) £m	Results for the year £m
UK Bus (regional operations)	**112.9**	**12.7**	**125.6**	77.0	(3.2)	73.8
UK Bus (London)	**(8.5)**	**(11.7)**	**(20.2)**	0.4	(1.1)	(0.7)
Total bus operations	**104.4**	**1.0**	**105.4**	77.4	(4.3)	73.1
Group overheads	**(10.0)**	**(1.2)**	**(11.2)**	(9.5)	(24.7)	(34.2)
Restructuring costs	**(0.2)**	**–**	**(0.2)**	(0.1)	–	(0.1)
Total operating profit of Group companies	**94.2**	**(0.2)**	**94.0**	67.8	(29.0)	38.8
Share of joint ventures' profit after finance income and taxation	**3.3**	**–**	**3.3**	5.6	–	5.6
Total operating profit: Group operating profit and share of joint ventures' profit after taxation	**97.5**	**(0.2)**	**97.3**	73.4	(29.0)	44.4

The results for the year ended 29 April 2023 have been restated to remove discontinued operations.

Notes to the consolidated financial statements (continued)

Note 2 Segmental information (continued)

(c) Joint ventures

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

	2024 £m	2023 £m
WCT Group (UK Rail)		
Operating profit	**0.1**	0.2
Citylink (UK Bus, regional operations)		
Operating profit	**3.5**	6.0
Finance income (net)	**0.2**	–
Taxation	**(0.9)**	(1.2)
	2.8	4.8
Crown Sightseeing (UK Bus, London)		
Operating profit	**0.5**	0.7
Taxation	**(0.1)**	(0.1)
	0.4	0.6
Share of profit of joint ventures after finance income and taxation	**3.3**	5.6

(d) Gross assets and liabilities

Assets and liabilities, split by segment, were as follows:

	Non-current assets		2024			2023 (restated – see note 1(b))		
	2024 £m	2023 (restated – see note 1(b)) £m	Gross assets £m	Gross liabilities £m	Net assets/ (liabilities) £m	Gross assets £m	Gross liabilities £m	Net assets/ (liabilities) £m
UK Bus (regional operations)	**939.7**	920.1	**1,078.9**	**(322.7)**	**756.2**	1,029.5	(303.1)	726.4
UK Bus (London)	**232.6**	177.5	**247.5**	**(87.0)**	**160.5**	192.7	(80.1)	112.6
	1,172.3	1,097.6	**1,326.4**	**(409.7)**	**916.7**	1,222.2	(383.2)	839.0
Central functions	**15.9**	16.5	**53.3**	**(38.5)**	**14.8**	29.7	(42.7)	(13.0)
Joint ventures	**5.9**	12.0	**5.9**	**–**	**5.9**	12.0	–	12.0
Borrowings, cash and cash equivalents	**–**	–	**99.6**	**(503.9)**	**(404.3)**	245.6	(494.3)	(248.7)
Taxation	**–**	–	**–**	**(70.5)**	**(70.5)**	0.4	(59.8)	(59.4)
Continuing operations	**1,194.1**	1,126.1	**1,485.2**	**(1,022.6)**	**462.6**	1,509.9	(980.0)	529.9
Discontinued operations	**4.5**	2.9	**4.9**	**(24.1)**	**(19.2)**	6.8	(38.9)	(32.1)
Total	**1,198.6**	1,129.0	**1,490.1**	**(1,046.7)**	**443.4**	1,516.7	(1,018.9)	497.8

The results for the year ended 29 April 2023 have been restated to remove discontinued operations.

The UK Rail net liabilities of the discontinued rail operations of £19.2m (2023: £32.1m) shown above include £21.7m (2023 £24.7m) of train operating company net liabilities in relation to major rail franchises previously operated by the Group.

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

(e) Additions to property, plant and equipment

The additions to property, plant and equipment are shown below and are on an accruals basis, not on a cash basis. They include additions to right-of-use assets.

	2024 £m	2023 £m
UK Bus (regional operations)	**129.4**	66.7
UK Bus (London)	**75.4**	34.9
	204.8	101.6

(f) Additions to intangible assets

The additions to intangible assets are shown below:

	2024 £m	2023 £m
UK Bus (regional operations)	**1.5**	2.9
UK Bus (London)	**–**	42.4
	1.5	45.3

Notes to the consolidated financial statements (continued)

Note 2 Segmental information (continued)

(g) Earnings before interest, tax, depreciation and amortisation ("EBITDA")

The results of each continuing segment are further analysed below:

	Year ended 27 April 2024									
	EBITDA before separately disclosed items £m	Joint venture interest and tax £m	**EBITDA including joint venture interest and tax £m**	Depreciation and impairment expense £m	Software amortisation and contract costs amortisation £m	**Operating profit before separately disclosed items £m**	Intangible asset (excl. software) amortisation £m	Other separately disclosed items £m	Allocation of restructuring costs £m	**Operating profit £m**
UK Bus (regional operations)	198.2	–	**198.2**	(83.4)	(1.9)	**112.9**	–	12.7	(0.2)	**125.4**
UK Bus (London)	18.2	–	**18.2**	(26.7)	–	**(8.5)**	(1.3)	(10.4)	–	**(20.2)**
UK Rail – joint venture WCT Group	0.1	–	**0.1**	–	–	**0.1**	–	–	–	**0.1**
UK Bus – joint venture Citylink	3.5	(0.7)	**2.8**	–	–	**2.8**	–	–	–	**2.8**
UK Bus – joint venture Crown	0.5	(0.1)	**0.4**	–	–	**0.4**	–	–	–	**0.4**
Group overheads	(10.0)	–	**(10.0)**	–	–	**(10.0)**	–	(1.2)		**(11.2)**
Restructuring costs	(0.2)	–	**(0.2)**	–	–	**(0.2)**	–	–	0.2	**–**
	210.3	(0.8)	**209.5**	(110.1)	(1.9)	**97.5**	(1.3)	1.1	–	**97.3**

	Year ended 29 April 2023 – (restated – see note 1(b))									
	EBITDA before separately disclosed items £m	Joint venture interest and tax £m	**EBITDA including joint venture interest and tax £m**	Depreciation and impairment expense £m	Software amortisation £m	**Operating profit before separately disclosed items £m**	Intangible asset (excl. software) amortisation £m	Other separately disclosed items £m	Allocation of restructuring costs £m	**Operating profit £m**
UK Bus (regional operations)	160.7	–	**160.7**	(82.4)	(1.3)	**77.0**	–	(3.2)	(0.1)	**73.7**
UK Bus (London)	27.9	–	**27.9**	(27.5)	–	**0.4**	(0.9)	(0.2)	–	**(0.7)**
UK Rail – joint venture WCT Group	0.2	–	**0.2**	–	–	**0.2**	–	–	–	**0.2**
UK Bus – joint venture Citylink	6.0	(1.2)	**4.8**	–	–	**4.8**	–	–	–	**4.8**
UK Bus – joint venture Crown	0.7	(0.1)	**0.6**	–	–	**0.6**	–	–	–	**0.6**
Group overheads	(9.5)	–	**(9.5)**	–	–	**(9.5)**	–	(24.7)	–	**(34.2)**
Restructuring costs	(0.1)	–	**(0.1)**	–	–	**(0.1)**	–	–	0.1	**–**
	185.9	(1.3)	**184.6**	(109.9)	(1.3)	**73.4**	(0.9)	(28.1)	–	**44.4**

The results for the year ended 29 April 2023 have been restated to remove discontinued operations.

Note 3 Operating costs and other operating income

Operating costs and other operating income were as follows:

	2024 £m	2023 (restated – see note 1(b)) £m
Miscellaneous revenue (see explanation below)	**23.8**	17.8
COVID-19 related grants receivable (see explanation below)	**25.5**	87.1
Materials and consumables	**(84.4)**	(69.7)
Bus operating grants (see explanation below)	**78.0**	56.7
Fuel costs including the effect of derivatives	**(203.5)**	(191.1)
Staff costs (note 7)	**(984.7)**	(877.5)
Depreciation on property, plant and equipment	**(110.1)**	(106.9)
Expenditure on property, plant and equipment	**(12.7)**	(14.9)
Loss on disposal of property, plant and equipment	**(2.4)**	(1.3)
Impairment of property, plant and equipment	**–**	(3.3)
Amortisation of intangible assets	**(2.6)**	(1.9)
Impairment of inventories, and impairment reversals	**2.3**	(3.2)
Rentals payable on low-value and short-term leases	**(7.6)**	(6.0)
Separately disclosed items, excluding staff costs (note 4)	**3.4**	(14.2)
Other external costs	**(201.1)**	(190.1)
Restructuring costs	**(0.2)**	(0.1)
Total operating costs	**(1,476.3)**	(1,318.6)

The results for the year ended 29 April 2023 have been restated to remove discontinued operations.

Miscellaneous revenue comprises other operating income incidental to the Group's principal activities. It includes advertising income, and property income.

Notes to the consolidated financial statements (continued)

Note 3 Operating costs and other operating income (continued)

COVID-19 related grants receivable reflects the amounts receivable in respect of government grants provided to organisations in respect of COVID-19. The amounts reflect grants receivable under the Bus Support Grant ("BSG"), the COVID-19 Bus Services Support Grant ("CBSSG") scheme, the Bus Recovery Grant ("BSG"), the COVID-19 Support Grant ("CSG") scheme and the Network Support Grant ("NSG") for bus services in Scotland, the Bus Emergency Scheme 2 ("BES 2") in Wales and the Light Rail Revenue Grant ("LRRG") scheme.

Under certain of the grant schemes, grant income may be claimed by operators of certain bus services to close the shortfall of revenue earned by them during the period affected by COVID-19 and the costs incurred by them in that period. The estimation of the grant income involves significant uncertainty, as explained in note 1(e)(ii) to these consolidated financial statements. The amount of income recognised in the year ended 27 April 2024 reflects the amount in respect of which the Group considers there to be reasonable certainty that: (a) the Group will comply with the conditions attaching to the grant and (b) the grant will be received and retained by the Group, taking account of the potential adjustments to grant payments as a result of any reconciliation process.

The Group receives ongoing amounts from government bodies to support the operation of local bus services, principally Bus Services Operator Grant ("BSOG") in England and Scotland, and Bus Services Support Grant ("BSSG") in Wales. These amounts are typically related to vehicle miles operated or litres of fuel consumed, but additional amounts are also receivable dependent on vehicle types, the deployment of automatic vehicle location ("AVL") equipment, the deployment of operational smartcard systems and/or holding low carbon emission certificates. These types of operating grant were receivable by bus operators prior to the COVID-19 pandemic and the Group does not view them as COVID-19 related support. The income receivable recognised for the year ended 27 April 2024 was £78.0m (2023: £56.7m).

In addition to the COVID-19 related grants receivable shown above, some government bodies have agreed to continue certain levels of payments of concessionary revenue, tender revenue and BSOG to help support the continuing operation of bus services. The payment rates of these items during the period affected by COVID-19 are higher than they would ordinarily be for the relevant levels of patronage, mileage and fuel consumption. Consistent with previous years, all amounts of concessionary revenue and tender revenue are reported within revenue and an analysis of revenue for the year ended 27 April 2024 is provided in note 2(a) to these consolidated financial statements. Amounts of BSOG receivable are included within bus operating grants in the table above.

Fees payable to the Company's auditors were as follows:

	2024 £m	2023 £m
Fees payable to the Company's auditors and its associates for the audit of the Company's financial statements and consolidated financial statements	**1.3**	1.2
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries pursuant to legislation	**0.6**	0.6
Total audit fees	**1.9**	1.8
Other assurance services	**–**	–
Total non-audit fees	**–**	–
Total fees payable by the Group to its auditors	**1.9**	1.8

Note 4 Separately disclosed items

(a) Summary of separately disclosed items

The Group highlights amounts before certain "separately disclosed items" as well as clearly reporting the results in accordance with IFRS. Separately disclosed items are defined in note 33.

The items shown in the columns headed "separately disclosed items" on the face of the consolidated income statement for the year ended 27 April 2024 and for the prior year comparatives are further analysed in the table below.

	2024 £m	2023 (restated – see note 1(b)) £m
Operating costs and other operating income		
Non-software intangible assets amortisation	**(1.1)**	(0.9)
Property disposals	**15.0**	–
Transaction costs	**(1.2)**	(18.2)
Acquisition costs	**–**	(0.2)
Reassessment of London onerous contract provision	**(10.3)**	–
Impairment of London customer contract asset	**(0.2)**	–
Restructuring and associated costs	**(2.3)**	(11.2)
Disposal of megabus retail and Falcon	**(0.1)**	1.5
	(0.2)	(29.0)
Finance income		
Change in fair value of Deferred Payment Instrument	**–**	0.6
Finance costs		
Change in fair value of Deferred Payment instrument	**(3.5)**	–
Unwinding of discount on London onerous contract provision	**(1.1)**	–
Total finance costs	**(4.6)**	–
Separately disclosed items before taxation	**(4.8)**	(28.4)
Taxation effect	**7.0**	4.3
Separately disclosed items after taxation	**2.2**	(24.1)

The results for the year ended 29 April 2023 have been restated to remove discontinued operations.

Notes to the consolidated financial statements (continued)

Note 4 Separately disclosed items (continued)

(b) Property disposals

Following the demobilisation of our Wigan and Hyde Road depots, prior to the commencement of Transport for Greater Manchester's new franchising system, the depots were sold generating gains on the disposals of £15.0m. Due to the size of the gains on the disposals this has been presented as a separately disclosed item.

(c) Onerous contracts and customer contract impairment

In the year to 27 April 2024 the overall London operation has suffered a deterioration in its financial performance. The Group has conducted a detailed review of all of its London contracts to assess the level of any onerous contract provision that should be recognised.

A provision of £20.8m has been recognised at 27 April 2024 with a separately disclosed cost of £10.3m recognised in respect of this provision. A further £1.1m of interest cost has been recognised on the unwinding of the discount. Due to the irregular size of the cost the Directors consider that it is helpful for understanding the Group's financial performance to disclose separately the movement in the provision. £0.2m of an impairment of customer contracts has also been recognised in relation to previously acquired contracts which are assessed as performing below their initial projected profitability.

(d) Transaction costs

In the year ended 29 April 2023 the Group incurred expenses of £18.2m, predominantly professional fees, accelerated shared based payment expenses and accelerated management incentives, in relation to the offer from DWS Infrastructure and the lapsed all-share combination with National Express Group plc. Due to the non-recurring nature of the expenses, the Directors consider that it is helpful for understanding the Group's financial performance to disclose separately the expenses incurred.

£1.2m of costs in relation to the transaction were incurred in the year ended 27 April 2024.

(e) Acquisition costs

In the year ended 29 April 2023 the Group acquired two businesses in London. The costs incurred relating to the acquisition have been presented as a separately disclosed item, because the costs are not related to the ongoing trading of the Group and due to the irregularity of business acquisitions. Information on the acquisitions is set out in note 10.

(f) Restructuring and associated costs

Following the acquisition of the Group in the year ended 29 April 2023 a detailed review of the Group's structure and operations was undertaken. This included the use of an external consultancy agency along with the management experience of the new owner.

In the year ended 27 April 2024 the Group incurred redundancy and related costs of £2.3m and management and external consultancy costs of £Nil (2023: £9.5m and £1.7m respectively).

(g) Disposal of megabus retail and Falcon

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

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

The consideration received in respect of the disposal was an increase in the Group's share of Scottish Citylink Coaches Limited, from 35% to 37.5%, which has resulted in a gain on disposal of £1.5m being recognised during the year ended 29 April 2023. Due to the irregular occurrence of business disposals, the Directors consider that it is helpful for understanding the Group's financial performance to disclose separately the gain realised in respect of the business disposal.

A further cost of £0.1m was recognised in relation to this disposal in the year ended 27 April 2024.

Notes to the consolidated financial statements (continued)

Note 4 Separately disclosed items (continued)

(h) Change in fair value of Deferred Payment Instrument

The Group received a Deferred Payment Instrument as deferred consideration for the sale of the North American business in April 2019. The instrument, which is accounted for as fair value through profit or loss, has a maturity date of October 2024 and due to credit and other recoverability risks associated with the instrument, its carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind all of the secured lenders. The carrying value of the instrument was £3.5m as at 29 April 2023. At 27 April 2024, the carrying value of the instrument was estimated to be £Nil, resulting in a loss of £3.5m being recognised as finance costs in the year ended 27 April 2024, compared to a gain of £0.6m recognised in finance income in the year ended 29 April 2023.

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

On 11 June 2024, the Group's former North American business announced that it commenced voluntary Chapter 11 proceedings in the US Bankruptcy Court for the District of Delaware. Further information on this matter is included in note 5(c).

(i) Taxation effect

The separately disclosed tax credit for the year ended 27 April 2024 represents a credit £7.0m (2023: £4.3m) as follows:

	2024 £m	2023 £m
Separately disclosed items	**(4.8)**	(28.4)
multiplied by standard rate of corporation tax applying to the year in the UK of 25% (2023: 19.5%)	**1.2**	5.5
Effects of:		
Non deductible transaction fees	**–**	(1.5)
Non deductible amortisation	**(0.2)**	–
Non taxable property gains	**3.4**	–
Prior year adjustments	**2.6**	–
Rate difference	**–**	0.3
Tax on separately disclosed items	**7.0**	4.3

Note 5 Discontinued operations

Discontinued operations relates to the rail operations, predominately Sheffield Supertram operations which was transitioned to a publicly owned operator when the Group's concession ended on 21 March 2024, along with the conclusion of matters in respect of the expired rail franchises. The results for the year to 27 April 2024 have been disclosed as discontinued and the results for the year to 29 April 2023 have been restated to disclose the operations as discontinued.

The results of the rail business were as follows:

	2024			2023		
	Performance excluding separately disclosed items £m	**Separately disclosed items £m**	**Results for the year £m**	Performance excluding separately disclosed items £m	Separately disclosed items £m	Results for the year £m
Discontinued operations						
Revenue	**15.7**	**–**	**15.7**	15.2	–	15.2
Operating costs and other operating income	**(17.5)**	**(3.3)**	**(20.8)**	(10.8)	(1.3)	(12.1)
Operating (loss)/profit	**(1.8)**	**(3.3)**	**(5.1)**	4.4	(1.3)	3.1
Finance income	**0.3**	**–**	**0.3**	–	–	–
(Loss)/profit before taxation	**(1.5)**	**(3.3)**	**(4.8)**	4.4	(1.3)	3.1
Taxation	**0.2**	**(2.8)**	**(2.6)**	(0.8)	(0.2)	(1.0)
(Loss)/profit after tax from discontinued operations	**(1.3)**	**(6.1)**	**(7.4)**	3.6	(1.5)	2.1

Operating costs and other operating income of £17.5m includes the effect of the settlement agreed by Stagecoach South Western Trains Limited in respect of a class action brought against it. Further details are included in note 29 (i).

The net cash flows of the rail business were all in respect of operating activities and amounted to a net cash outflow of £3.8m (2023: £2.1m).

The Group has received no consideration for the end of its involvement with Sheffield Supertram other than a payment of £2.5m for the carrying value of inventory, which included rolling stock spares relating to the tram fleet, consumables and uniforms. As such no gain on disposal has arisen from the end of the Group's involvement in the arrangement.

The Group has also made a payment of £1.3m in respect of settling elements of the onerous contract provision (note 22) relating to Supertram as part of the negotiated exit from the arrangement.

No assets have been classed as held for sale at 27 April 2024 as the Group has continued to receive trade and other receivables as they become recoverable and settle the trade and other payables as they fall due for settlement. The Group is currently working on the closure of the Supertram Section of the Stagecoach Group Pension Scheme following the merger of its assets and liabilities with the Main Section on 22 April 2024 (see note 23). There are no other significant assets or liabilities relating to the Sheffield Supertram operation remaining on the Group's balance sheet at 27 April 2024.

Note 5 Discontinued operations (continued)

Separately disclosed items

(a) Sheffield Supertram profit and release from onerous contract provision

As at 29 April 2023, an onerous contract provision of £8.9m was held in respect of the Sheffield Supertram. Following the cessation of our arrangement with Sheffield Supertram we have released the Sheffield Supertram onerous contract provision, reflecting the end of our involvement with its operations. This has resulted in a £7.5m credit to the consolidated income statement for the year ended 27 April 2024 and is presented as a separately disclosed item. A further £0.9m (2023: £1.9m) of Supertram's other operating profit in the year was credited to the consolidated income statement and presented as a separately disclosed item.

In the year ended 29 April 2023 the estimate of the Supertram onerous contract provision involved estimation uncertainty, particularly in relation to forecast passenger revenue, albeit the level of estimation uncertainty was reducing as we approached the contract expiry date of March 2024. Underlying passenger revenue had been normalised to take account of changes in the timing of infrastructure work on the tram system.

A closing provision of £0.2m is held in the closing provisions as at 27 April 2024 in relation to outstanding contractual settlements.

(b) Expired rail franchises

As part of concluding matters in relation to its former involvement in the UK train operating market, the Group has recorded as separately disclosed a gain of £3.0m in the year ended 27 April 2024 (2023: £2.3m loss). The gain (2023: loss) presented as a separately disclosed item relates to costs that were previously recorded as separately disclosed items.

(c) Loss on North America letters of credit

The Group sold its North American business in April 2019. The North American business receives claims in respect of traffic incidents and employee incidents. It protects against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of the "excess" or "deductible" on insurance policies (the "Uninsured Element"). The North America business is liable for costs of settling the Uninsured Element of claims. In the event that the business was unable to meet its liabilities for claims then the insurers would be responsible for meeting those liabilities for the Uninsured Element of claims. To protect themselves against that risk (being, essentially the credit risk of the North America business), the insurers demand collateral typically in the form of letters of credit and guarantees. In connection with the sale of the North America business, the Group agreed to continue to provide the guarantees and arrange the letters of credit required by the insurers in respect of claims relating to periods ending on or before July 2019. The Group indemnifies the banks that issue those letters of credit against any losses suffered by the banks.

On 11 June 2024, the Group's former North American business announced that it commenced voluntary Chapter 11 proceedings in the US Bankruptcy Court for the District of Delaware. Accordingly, we expect the letters of credit put in place by the Group to now be called. As at 27 April 2024, the Group had letters of credit outstanding of £15.7m. Taking account of these letters of credit and concluding other matters in relation to the former North American business, the Group has recorded a separately disclosed charge of £14.7m in the year ended 27 April 2024 (2023: £Nil).

Note 6 Finance costs and income

Net finance costs and items of income, expense, gains and losses in respect of financial instruments (excluding commodity hedges, trade and other payables, and trade and other receivables) have been recognised in the income statement as set out in the following table.

	2024 £m	2023 (restated – see note 1(b)) £m
Interest expense on financial liabilities at fair value through profit or loss		
– Separately disclosed finance costs (note 4)	**(3.5)**	–
Interest expense on financial liabilities not at fair value through profit or loss		
– Interest payable and other facility costs on bank loans, loan notes, overdrafts and trade finance	**(1.1)**	(1.5)
– Interest payable on leases	**(4.5)**	(3.7)
– Interest payable and other finance costs on bonds	**(16.4)**	(16.8)
– Interest payable on interest rate swaps qualifying as fair value hedges	**(2.1)**	(3.5)
Other finance costs		
– Unwinding of discounts on provisions	**(2.2)**	(1.9)
– Unwinding of discounts on provisions included as a separately disclosed item (note 4)	**(1.1)**	–
Finance costs	**(30.9)**	(27.4)
Interest income on financial asset at fair value through profit and loss		
– Separately disclosed finance income (note 4)	**–**	0.6
Interest income on financial assets not at fair value through profit or loss		
– Interest receivable on cash and cash equivalents	**6.9**	5.1
– Interest on parent company loans	**2.7**	–
Other finance income		
– Interest receivable on defined benefit pension schemes	**13.7**	0.2
Finance income	**23.3**	5.9
Net finance costs	**(7.6)**	(21.5)

Notes to the consolidated financial statements (continued)

Note 7 Staff costs

Total staff costs were as follows:

	2024 £m	2023 (restated – see note 1(b)) £m
Staff costs		
Wages and salaries	**840.4**	739.3
Social security costs	**81.6**	74.0
Pension costs excluding interest on net liability (note 23)		
– Defined benefit pension costs	**2.9**	6.4
– Defined contribution pension costs	**59.0**	53.2
– Administration costs for pension schemes	**0.8**	0.8
Share based payment costs (excluding social security costs)		
– Equity-settled	**–**	3.8
	984.7	877.5
Add: discontinued staff costs	**10.1**	13.2
Total staff costs	**994.8**	890.7

The results for the year ended 29 April 2023 have been restated to remove discontinued operations.

The total amount shown for staff costs above includes an amount of £Nil (2023: £0.6m) in respect of share based payment costs for the Directors.

The average monthly number of persons employed by the Group during the year (including executive directors) was as follows:

Average monthly staff numbers	2024 number	2023 number
UK operations	**22,240**	20,870
UK administration and supervisory	**2,091**	1,847
	24,331	22,717
Add: discontinued staff numbers	**338**	324
Total	**24,669**	23,041

Directors' emoluments	2024 £m	2023 £m
Aggregate emoluments	**1.9**	2.7
Aggregate amounts receivable under long-term incentive schemes	**0.2**	3.4
Retirement benefits	**–**	(0.1)
Compensation for loss of office	**–**	1.2
	2.1	7.2

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 45-47 in the Remuneration and Nomination report.

Short-term and aggregate emoluments comprises salary, allowances, bonuses and benefits.

The reduction of £0.1m in the year for retirement benefits in 2023 discloses the real terms impact on the value of the accrued pension benefits allowing for inflation.

During the period, no directors (2023: two) accrued benefits within a defined benefit arrangement and one (2023: one) contributed to a defined contribution scheme.

Key management compensation	2024 £m	2023 £m
Short-term emoluments	**2.8**	4.6
Receipts from long-term incentive schemes	**0.2**	5.7
Compensation for loss of office	**–**	1.6
	3.0	11.9

The key management compensation is inclusive of the directors' remuneration (as above) and the remuneration of three other senior executives as nominated by the Chief Executive Officer. (2023: the key management of the organisation are the Board of Directors and the operational and functional heads of departments.)

Highest paid director	2024 £m	2023 £m
Aggregate emoluments	**0.9**	1.2
Aggregate amounts receivable under long-term incentive schemes	**0.2**	2.0
Retirement benefits	**–**	(0.1)
Compensation for loss of office	**–**	0.9
	1.1	4.0

Certain short-term remuneration was accelerated in the year to 29 April 2023 as a result of the change of control, which together with the value of incentive schemes vesting on change of control are classified as separately disclosed items within transaction costs in the year to 29 April 2023. Compensation for loss of office is included within restructuring costs (see note 4).

Note 7 Staff costs (continued)

The highest paid director accrued no retirement benefits during the year nor contributed to a defined contribution scheme. In the year ended 29 April 2023 the highest paid director accrued retirement benefits during the year as part of the EFRBS scheme for senior management as detailed in note 23 to these financial statements. At the end of the year ended 29 April 2023, the cumulative annual pension accrued was £216,000.

Note 8 Taxation

(a) Analysis of charge in the year

	2024			2023 (restated – see note 1(b))		
	Performance excluding separately disclosed items £m	**Separately disclosed items (note 4) £m**	**Results for the year £m**	Performance excluding separately disclosed items £m	Separately disclosed items (note 4) £m	Results for the year £m
Current tax:						
UK Corporation tax at 25% (2023: 19.5%)	**(2.7)**	**–**	**(2.7)**	10.1	(3.4)	6.7
Prior year under/(over) provision for corporation tax	**2.1**	**(0.4)**	**1.7**	(2.5)	–	(2.5)
Total current tax	**(0.6)**	**(0.4)**	**(1.0)**	7.6	(3.4)	4.2
Deferred tax:						
Origination and reversal of temporary differences	**21.4**	**(4.4)**	**17.0**	(4.1)	(0.9)	(5.0)
Adjustments in respect of prior years	**(4.0)**	**(2.2)**	**(6.2)**	2.6	–	2.6
Total deferred tax	**17.4**	**(6.6)**	**10.8**	(1.5)	(0.9)	(2.4)
Total tax on profit on continuing operations	**16.8**	**(7.0)**	**9.8**	6.1	(4.3)	1.8

The results for the year ended 29 April 2023 have been restated to remove discontinued operations.

(b) Factors affecting tax charge for the year

	2024 £m	2023 (restated – see note 1(b)) £m
Profit before taxation – on continuing operations	**89.7**	22.9
Profit multiplied by standard rate of corporation tax applying to the year in the UK of 25% (2023: 19.5%)	**22.4**	4.5
Effects of:		
Impact of initial recognition exemption on property, plant and equipment	**0.5**	0.5
Non-deductible element of share based payment expense	**–**	0.2
Other non-deductible (non-taxable) expenditure	**0.2**	–
Tax effect of share of results of joint ventures	**(0.8)**	(0.5)
Super-deduction enhanced capital allowances	**–**	(1.1)
Impact of excess pension contributions where pension scheme in surplus	**(4.9)**	(2.3)
Non-taxable/non-deductible exceptional gain/loss	**(3.1)**	1.5
Adjustments to tax charge in respect of prior years	**(4.5)**	0.1
Impact on current year movement (differential in rates 19.5% to 25%)	**–**	(1.1)
Total tax on profit (note 8a)	**9.8**	1.8

The results for the year ended 29 April 2023 have been restated to remove discontinued operations.

(c) Factors that may affect future tax charges

The tax amounts recognised as at 27 April 2024 continue to involve a degree of estimation uncertainty. Liabilities of £0.5m (2023: £1.1m) are held in respect of uncertain tax positions of which £0.5m (2023: £1.1m) relates to the financing and transactions with overseas operations. The liabilities held in respect of tax reflect the Group's assessment and measurement of the amounts payable, taking account of correspondence with the tax authorities and advice on the applicable regulations.

Gross deductible temporary differences of £14.4m (2023: £14.9m) relating to tax losses have not been recognised due to restrictions in the availability of their use. Those tax losses do not have any fixed expiry date.

The deferred tax balances have been calculated with reference to the enacted UK corporation tax rates as at the balance sheet date of 27 April 2024 of 25%.

Assuming no changes to tax laws in the UK and assuming that the composition of the Group remains broadly unchanged, we expect the Group's future effective tax rate (excluding separately disclosed items) to be around 25%.

The components of tax on other comprehensive income are shown in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (continued)

Note 9 Dividends

	2024 £m	2023 £m
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the year ended 27 April 2024 of 15.126 pence (2023: 8.453 pence per share)	**85.0**	47.5

Note 10 Business combinations and disposals

In the year ended 27 April 2024, the Group acquired one business. (2023: Two businesses) The details of these business combinations are as follows:

(a) Peoplesbus Limited

On 9 July 2023, the Group acquired certain bus operations, including the bus services, contracts, and the majority of vehicles and employees of Peoplesbus Limited.

A consideration of £1.0m was paid to acquire the identifiable assets of £0.4m, consisting mainly of buses.

Goodwill of £0.6m arising from the acquisition consists of certain intangibles that cannot be separately identified and measured due to their nature. This includes acquiring an assembled workforce, particularly at a time of labour shortages and growth in our geographical footprint.

The acquired business contributed £1.8m of revenue and £0.3m operating profit to the Group's results for the period between its acquisition and the balance sheet date of 27 April 2024. Had the acquisition completed on the first day of the financial year, the Group's revenue and operating profit would have been £1,570.5m and £94.1m respectively for the year ended 27 April 2024.

(b) Lea Interchange Bus Company Limited

On 25 June 2022, the Group acquired 100% of the share capital of TTOL2022 Limited, a bus operator providing services in the London area. TTOL2022 Limited changed its name to Lea Interchange Bus Company Limited on 27 June 2022.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below (note 10(c)):

Goodwill of £30.6m arising from the acquisition consists of certain intangibles that cannot be separately identified and measured due to their nature. This includes acquiring an assembled workforce, particularly at a time of labour shortages, extending the Group's geographical footprint to effectively compete for new Transport for London contracts, and synergy potential from site consolidation. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the acquired trade receivables was £0.9m. The gross contractual amount for trade receivables due was £0.9m, with a loss allowance of £Nil recognised on acquisition.

The consideration recorded as payable includes £8.8m of contingent consideration which represents a further £1.0m per annum payable for ten years commencing 12 months following completion, subject to certain property related conditions. The minimum expected undiscounted payment is £Nil and the maximum expected undiscounted payment is £10.0m. The likelihood of the conditions not being satisfied are remote and we expect the maximum amount to be paid. The fair value of the contingent consideration, with the effects of discounting, has been estimated at £8.8m.

The acquired business contributed £27.2m of revenue and £0.1m operating profit to the Group's results for the period between their acquisition and the balance sheet date of 29 April 2023. Had the acquisition completed on the first day of the financial year, the Group's revenue and operating profit would have been £1,404.7m and £47.5m respectively for the year ended 29 April 2023.

(c) Bus operations previously operated by HCT Group

On 26 August 2022 the Group acquired the trade and assets of the London "red bus" operations previously operated by HCT Group.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

Goodwill of £9.6m arising from the acquisition consists of certain intangibles that cannot be separately identified and measured due to their nature. This includes acquiring an assembled workforce, particularly at a time of labour shortages, growth in our geographical footprint and access to leased sites not reflected in the right-of-use asset value. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the acquired trade receivables is £0.5m. The gross contractual amount for trade receivables due is £0.5m, with a loss allowance of £Nil recognised on acquisition.

The consideration recorded as payable includes £0.8m of deferred consideration which is due to be paid within the next 12 months. The amount recognised is undiscounted as the effect of discounting is not material. This amount can be reduced by the value of any warranty claims resolved or outstanding during the 18 month period from the date of acquisition.

The acquired business contributed £24.2m of revenue and £Nil operating profit to the Group's results for the period between their acquisition and the balance sheet date of 29 April 2023. Had the acquisition completed on the first day of the financial year, the Group's revenue and operating profit would have been £1,408.2m and £47.5m respectively for the year ended 29 April 2023.

Note 10 Business combinations and disposals (continued)

(c) Bus operations previously operated by HCT Group (continued)

	(b) Lea Interchange Bus Company Limited £m	(c) Bus operations previously operated by HCT Group £m	Total £m
Other tangible assets	1.0	1.2	2.2
Property, plant and equipment			
– owned assets	0.6	0.2	0.8
– right-of-use assets	14.0	6.8	20.8
Inventories	0.3	0.3	0.6
Trade and other receivables	2.2	0.7	2.9
Trade and other payables	(4.6)	(4.1)	(8.7)
Lease liabilities	(14.0)	(6.8)	(20.8)
Provisions	(14.0)	(5.8)	(19.8)
Deferred tax asset	3.3	1.7	5.0
Net liabilities acquired	(11.2)	(5.8)	(17.0)
Goodwill arising on acquisition	30.6	9.6	40.2
Total consideration	19.4	3.8	23.2
Consideration			
– settled by cash	10.6	3.0	13.6
– deferred consideration	8.8	0.8	9.6
Total consideration	19.4	3.8	23.2

(d) Disposal of megabus retail and Falcon

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

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

Further details of the disposal are included in note 4.

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

The consideration received in respect of the disposal was an increase in the Group's share of Scottish Citylink Coaches Limited, from 35% to 37.5%, which has resulted in a gain on disposal of £1.5m being recognised during the year ended 29 April 2023. The Group did not receive any cash proceeds from the disposal. Consideration for the disposal was in the form of new share capital in Scottish Citylink with a fair value of £1.7m.

The Group disposed of a small number of plant and machinery items which had a net book value of £0.2m as part of this transaction.

A further £0.1m of costs have been recognised in relation to this disposal in the year ended 27 April 2024.

Note 11 Goodwill

Goodwill was as follows:

	2024 £m	2023 £m
Cost		
At beginning of year	**92.1**	51.9
Acquired through business combinations	**0.5**	40.2
At end of year	**92.6**	92.1
Accumulated amortisation at beginning and end of the year	**–**	–
Net book value at beginning of year	**92.1**	51.9
Net book value at end of year	**92.6**	92.1

For the purpose of impairment testing, all goodwill that has been acquired in business combinations has been allocated to two individual cash generating units ("CGUs") on the basis of the Group's operations. The UK Bus (regional operations) and UK Bus (London) cash generating units operate coach and bus services in the United Kingdom.

Notes to the consolidated financial statements (continued)

Note 11 Goodwill (continued)

The cash generating units are as follows:

	UK Bus (regional operations)		UK Bus (London)	
	2024	2023	**2024**	2023
Carrying amount of goodwill (£m)	**48.8**	48.3	**43.8**	43.8
Basis on which recoverable amount has been determined	**Value in use**	Value in use	**Value in use**	Value in use
Period covered by approved management plans used in value in use calculation	**5 years**	5 years	**5 years**	5 years
Pre-tax discount rate applied to cash flow projections	**11.3%**	11.2%	**11.3%**	11.2%
Growth rate used to extrapolate cash flows beyond period of management plan	**2.4%**	2.4%	**2.4%**	2.4%
Difference between above growth rate and long-term average growth rate for market in which unit operates	**Nil**	Nil	**Nil**	Nil

The calculation of value in use for each cash generating unit shown above is most sensitive to the assumptions on discount rates and growth rates and, in the case of UK Bus (London), the number of new contracts won and the commercial terms of such contracts. The assumptions used are considered to be consistent with past experience and external sources of information and to be realistically achievable in light of economic and industry measures and forecasts.

The number of new contracts won has been based on the Group's historic record of winning new contracts and the commercial terms of those has been based on the Group's recent experience of the new contracts it has won in UK Bus (London).

The principal risks and uncertainties facing the Group are set out in section 1.4.5 of the Strategic report. The cost base of the UK Bus (regional operations) can be flexed in response to changes in revenue and there is scope to reduce capital expenditure in the medium-term if other cash flows deteriorate. The cost base of UK Bus (London) is not as flexible because the business is contractually committed to the majority of its services.

The discount rates have been determined with reference to the estimated post-tax Weighted Average Cost of Capital ("WACC") of the Group. In determining the estimated WACC, lease debt has been included in calculating the cost of debt. The WACC has been estimated as at 27 April 2024 at 8.5% (2023: 8.4%).

The pre-tax discount rate for each CGU has been determined by adjusting the Group's WACC for the risk profile and effects of tax on each of the relevant CGUs.

The value in use as at 27 April 2024 has been estimated to exceed the carrying value of the business' non-current assets. However, there are alternative but still reasonably possible assumptions that when applied result in a value in use estimate below carrying value. The most critical estimates relate to the forecast of UK Bus (Regional) patronage over the next few years after considering, the impact of the existing £2 fare cap scheme ending in December 2024, the success of tender bids and the related contract prices in UK Bus (London), the discount rate and the rate of long-term growth in the business' net cash flows, the discount rate and the rate of long-term growth in the business' net cash flows.

The financial performance of the UK Bus (regional operations) business is influenced by various different factors, including changes in local economies, local competition, fuel prices, working patterns, shopping patterns, traffic conditions, cost pressures including the availability of sufficient staff, and regulatory change. The key areas of forecasting uncertainty include:

- The timing and extent of the recovery in demand for regional bus journeys;
- Increased and uncertain cost inflation; and
- The nature and extent of payments from government for continuing regional bus services.

As at 27 April 2024, the value in use of the UK Bus (regional operations) business exceeds its carrying amount. Our sensitivity analysis indicates that this headroom would be eliminated if the assumed revenue for the forecast period fell by more than 1.7% (2023: 2.8%), or if the costs over the forecast period were to increase by more than 1.7% (2023: 3.1%). This sensitivity analysis reflects impact of changes in the assumptions for EBITDA, the discount rate and the rate of long-term growth for UK Bus (regional operations).

The financial performance of our London business has been disappointing over the past year, with operational challenges arising from the effects of upwards wage pressure and high levels of staff turnover and shortages. Our financial forecasts assume that we rebuild the profitability of this business, focusing on rebidding for contracts at rates that reflect our revised cost base and at margins commensurate with the capital invested in the business. The forecasts also assume that our elevated levels of staff turnover and shortages return to more normal levels, reducing our levels of lost mileage and improving our Quality Incentive Contract income performance. As at 27 April 2024, the value in use of the UK Bus (London) business exceeds its carrying amount. Our sensitivity analysis indicates that this headroom would be eliminated if the assumed revenue for the forecast period fell by more than 3.0% (2023: 0.1%), or if the costs over the forecast period were to increase by more than 3.2% (2023: 0.1%). This revenue reduction sensitivity reflects the assumed contract wins and commercial terms being won at a lower level than assumed in our impairment analysis.

Notes to the consolidated financial statements (continued)

Note 12 Other intangible assets

Intangible assets include customer contracts on favourable terms to market purchased as part of business combinations and software costs.

The movements in other intangible assets, all of which are assumed to have finite useful lives, were as follows:

Year ended 27 April 2024	**Customer contracts £m**	**Software costs £m**	**Total £m**
Cost			
At beginning of year	**3.9**	**32.1**	**36.0**
Additions	**–**	**1.0**	**1.0**
At end of year	**3.9**	**33.1**	**37.0**
Accumulated amortisation			
At beginning of year	**(2.6)**	**(26.3)**	**(28.9)**
Amortisation charged to income statement	**(1.1)**	**(1.5)**	**(2.6)**
Impairment charged to income statement as a separately disclosed item	**(0.2)**	**–**	**(0.2)**
At end of year	**(3.9)**	**(27.8)**	**(31.7)**
Net book value at beginning of year	**1.3**	**5.8**	**7.1**
Net book value at end of year	**–**	**5.3**	**5.3**

Year ended 29 April 2023	Customer contracts £m	Software costs £m	Total £m
Cost			
At beginning of year	1.7	31.5	33.2
Reclassification of items to prepayments	–	2.9	2.9
Additions	2.2	–	2.2
Disposals	–	(2.3)	(2.3)
At end of year	3.9	32.1	36.0
Accumulated amortisation			
At beginning of year	(1.7)	(27.2)	(28.9)
Amortisation charged to income statement	(0.9)	(1.0)	(1.9)
Impairment charged to income statement	–	(0.3)	(0.3)
Disposals	–	2.2	2.2
At end of year	(2.6)	(26.3)	(28.9)
Net book value at beginning of year	–	4.3	4.3
Net book value at end of year	1.3	5.8	7.1

Notes to the consolidated financial statements (continued)

Note 13 Property, plant and equipment

(a) Owned assets

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

Year ended 27 April 2024	Land and buildings £m	Passenger service vehicles £m	Other plant and equipment £m	Total £m
Cost				
At beginning of year	**306.2**	**1,167.9**	**100.4**	**1,574.5**
Additions	**13.8**	**150.7**	**6.0**	**170.5**
Acquired through business combinations	**–**	**0.4**	**–**	**0.4**
Net transfer from assets held for sale	**0.4**	**–**	**–**	**0.4**
Transfers between categories	**5.6**	**1.0**	**(6.6)**	**–**
Disposals	**(7.3)**	**(64.7)**	**(0.1)**	**(72.1)**
At end of year	**318.7**	**1,255.3**	**99.7**	**1,673.7**
Depreciation				
At beginning of year	**(93.4)**	**(689.6)**	**(80.2)**	**(863.2)**
Depreciation charged to income statement	**(5.5)**	**(73.1)**	**(4.8)**	**(83.4)**
Net transfer from assets held for sale	**(0.3)**	**–**	**–**	**(0.3)**
Transfers between categories	**(3.1)**	**(0.1)**	**3.2**	**–**
Disposals	**2.4**	**60.0**	**–**	**62.4**
At end of year	**(99.9)**	**(702.8)**	**(81.8)**	**(884.5)**
Net book value at beginning of year	**212.8**	**478.3**	**20.2**	**711.3**
Net book value at end of year	**218.8**	**552.5**	**17.9**	**789.2**

Year ended 29 April 2023	Land and buildings £m	Passenger service vehicles £m	Other plant and equipment £m	Total £m
Cost				
At beginning of year	299.1	1,182.0	101.5	1,582.6
Additions	9.9	49.8	6.8	66.5
Acquired through business combinations	0.1	0.5	0.2	0.8
Transfers from right-of-use assets	–	0.1	–	0.1
Transferred to assets held for sale	(2.4)	–	–	(2.4)
Disposals	(0.5)	(64.5)	(8.1)	(73.1)
At end of year	306.2	1,167.9	100.4	1,574.5
Depreciation				
At beginning of year	(88.0)	(680.0)	(82.5)	(850.5)
Depreciation charged to income statement	(5.8)	(67.3)	(5.1)	(78.2)
Impairment charged to income statement	(0.2)	(2.6)	(0.2)	(3.0)
Transfers from right-of-use assets	–	(0.1)	–	(0.1)
Transfer to assets held for sale	0.1	–	–	0.1
Disposals	0.5	60.4	7.6	68.5
At end of year	(93.4)	(689.6)	(80.2)	(863.2)
Net book value at beginning of year	211.1	502.0	19.0	732.1
Net book value at end of year	212.8	478.3	20.2	711.3

The impairment losses of £Nil (2023: £3.0m) are in respect of assets that have become surplus to the Group's requirements. The carrying amounts of the relevant assets have been written down to their estimated recoverable amounts.

Note 13 Property, plant and equipment (continued)

(b) Leases

Included with property, plant and equipment are leased assets where the Group is the lessee. Further information on the Group's accounting policy for leases can be found within note 1(v).

(i) Movements in right-of-use assets

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

Year ended 27 April 2024	**Land and buildings £m**	**Passenger service vehicles £m**	**Other plant and equipment £m**	**Total £m**
Cost				
At beginning of year	**57.2**	**82.8**	**8.0**	**148.0**
Additions	**6.8**	**22.3**	**4.8**	**33.9**
Disposals	**(1.1)**	**(32.7)**	**(1.9)**	**(35.7)**
At end of year	**62.9**	**72.4**	**10.9**	**146.2**
Depreciation				
At beginning of year	**(14.3)**	**(49.6)**	**(3.9)**	**(67.8)**
Depreciation charged to income statement	**(4.6)**	**(19.9)**	**(2.2)**	**(26.7)**
Disposals	**1.1**	**32.7**	**1.9**	**35.7**
At end of year	**(17.8)**	**(36.8)**	**(4.2)**	**(58.8)**
Net book value at beginning of year	**42.9**	**33.2**	**4.1**	**80.2**
Net book value at end of year	**45.1**	**35.6**	**6.7**	**87.4**

Year ended 29 April 2023	Land and buildings £m	Passenger service vehicles £m	Other plant and equipment £m	Total £m
Cost				
At beginning of year	44.7	74.6	7.4	126.7
Additions	6.8	4.6	2.1	13.5
Acquired through business combinations	8.4	12.4	–	20.8
Transfers to owned property, plant and equipment*	–	(0.1)	–	(0.1)
Disposals	(2.7)	(8.7)	(1.5)	(12.9)
At end of year	57.2	82.8	8.0	148.0
Depreciation				
At beginning of year	(12.6)	(35.6)	(3.6)	(51.8)
Depreciation charged to income statement	(4.1)	(22.8)	(1.8)	(28.7)
Transfers to owned property, plant and equipment*	–	0.1	–	0.1
Disposals	2.4	8.7	1.5	12.6
At end of year	(14.3)	(49.6)	(3.9)	(67.8)
Net book value at beginning of year	32.1	39.0	3.8	74.9
Net book value at end of year	42.9	33.2	4.1	80.2

* During the year ended 29 April 2023, the Group paid the final amounts due on assets previously held under hire purchase arrangements. Those assets are therefore now owned by the Group.

(ii) Lease liabilities

The lease liabilities were:

	2024 £m	2023 £m
Current	**24.7**	25.0
Non-current	**69.8**	60.3
	94.5	85.3

Notes to the consolidated financial statements (continued)

Note 13 Property, plant and equipment (continued)

(b) Leases (continued)

(iii) Amounts recognised in the consolidated income statement

The consolidated income statement includes the following depreciation charges and other costs in relation to leases:

	2024 £m	2023 £m
Depreciation charge for right-of-use assets		
Land and buildings	**4.6**	4.1
Passenger service vehicles	**19.9**	22.8
Other plant and equipment	**2.2**	1.8
Total depreciation charge for right-of use assets	**26.7**	28.7
Expenses relating to short-term leases	**3.8**	5.1
Expenses relating to leases of low-value assets	**1.4**	0.5
Lease costs included within operating profit	**31.9**	34.3
Interest expense included within finance costs	**4.5**	3.7
Lease costs included within profit before tax	**36.4**	38.0

The Group has commitments of £0.8m (2023: £0.4m) for short-term leases and £1.9m (2023: £1.3m) for leases of low-value assets as at 27 April 2024.

(iv) Amounts recognised in the consolidated statement of cash flows

The consolidated statement of cash flows includes an outflow of £34.4m (2023: £38.9m) in relation to leases and the related interest expense:

		2024 £m	2023 £m
Payment of	**Payment included with cash flow heading**		
Lease principal	Cash flows from financing activities	**24.7**	29.6
Interest payable on leases	Cash flows from operating activities	**4.5**	3.7
Payments for short-term leases	Cash flows from operating activities	**3.8**	5.1
Payments for low-value leases	Cash flows from operating activities	**1.4**	0.5
Total lease payments		**34.4**	38.9

(v) Future possible cashflows not included in lease liabilities

The Group is the lessee of certain properties where the applicable lease agreements provide the Group with the right to end the lease prior to the end of the full contractual term of the lease. Judgement was required in assessing whether and when the Group was likely to end each lease early. The Group expects all leases to continue to the end of their contractual terms.

Future increases in rental payments linked to an index or rate are not included in the lease liabilities until the change in the cash flows takes effect. Property rental changes linked to inflation or rent reviews typically take place every five years. At 27 April 2024, approximately 25% (2023: 23%) of the Group's lease liabilities were subject to inflation-linked rentals and 23% (2023: 26%) were subject to rent reviews.

(c) Assets classified as held for sale

At 29 April 2023 the Group had classed five sites as held for sale. One site was sold during the year ended 27 April 2024 for net proceeds of £7.2m, generating a gain on disposal of £5.0m. This gain is included within the separately disclosed items in note 4.

At 27 April 2024, one additional site has been classed as held for sale and one site has been transferred out of assets held for sale. The Group has identified an opportunity to bring this latter site back into use within the Group's operations. The total carrying value of the remaining four sites is £1.1m (2023: £3.4m). The Group believes that these sites should be disposed of in the coming 12 months.

Notes to the consolidated financial statements (continued)

Note 14 Interests in joint ventures

The Group has three joint ventures as summarised below. Each joint venture is structured as a distinct legal entity and the Group accounts for its interests in all three joint ventures using the equity method of accounting. There are no quoted market prices for any of the Group's investments in joint ventures.

(a) WCT Group Holdings Limited

The Group holds 49% of the equity and voting rights in WCT Group Holdings Limited ("WCT Group"). The principal business of the group headed by WCT Group was the operation of inter-city train services under the West Coast rail franchise. It ceased operating train services in December 2019. WCT Group is incorporated in the UK.

The Group considers that it has joint control of WCT Group even though it controls less than half of the voting rights in WCT Group. That joint control results from contractual arrangements between the shareholders of WCT Group that require the agreement of both shareholders to make decisions on key matters.

(b) Scottish Citylink Coaches Limited

The Group holds 37.5% of the equity and voting rights in Scottish Citylink Coaches Limited ("Citylink"). The principal business of Citylink is the operation of inter-city coach services to, from and within Scotland. It is incorporated in the UK.

The Group considers that it has joint control of Citylink even though it controls less than half of the voting rights in Citylink. That joint control results from contractual arrangements between the shareholders of Citylink that require the agreement of both shareholders to make decisions on key matters.

The profit after tax of Citylink is distributed in full to its shareholders subject to retaining sufficient cash to meet the liquidity requirements of the business and subject to there being no outstanding amounts payable by Citylink in respect of loans from its shareholders and accrued interest on such loans. Both shareholders in Citylink need to agree to any changes to, or deviations from, that dividend policy.

(c) Crown Sightseeing Limited

The Group holds 33.3% of the equity and voting rights in Crown Sightseeing Limited ("Crown Sightseeing"). The principal business of Crown Sightseeing is the operation of open-top hop-on, hop-off bus services providing tours to some of London's major tourist attractions. The company was formed in September 2020 and began trading in May 2021. Crown Sightseeing is incorporated in the UK.

The Group considers that it has joint control of Crown Sightseeing even though it controls less than half of the voting rights in Crown Sightseeing. That joint control results from contractual arrangements between the shareholders of Crown Sightseeing that require the agreement of all shareholders to make decisions on key matters.

The profit after tax of Crown Sightseeing is distributed in full to its shareholders subject to retaining sufficient cash to meet the liquidity requirements of the business and subject to there being no outstanding amounts payable by Crown Sightseeing in respect of loans from its shareholders and accrued interest on such loans. All shareholders in Crown Sightseeing need to agree to any changes to, or deviations from, that dividend policy.

(d) Movements in carrying values

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

	WCT Group £m	**Citylink £m**	**Crown Sightseeing £m**	**Total 2024 £m**	Total 2023 £m
Net book value					
At beginning of year	**–**	**11.6**	**0.4**	**12.0**	7.2
Share of recognised profit	**0.1**	**2.8**	**0.4**	**3.3**	5.6
Additional investment	**–**	**–**	**–**	**–**	1.7
Dividends received in cash	**–**	**(1.0)**	**(0.7)**	**(1.7)**	(2.5)
Dividends received in specie	**–**	**(7.8)**	**–**	**(7.8)**	–
At end of year	**0.1**	**5.6**	**0.1**	**5.8**	12.0

A loan payable to Citylink of £Nil (2023: £7.8m) is included within current liabilities under the caption "Trade and other payables". A loan of £0.1m receivable from Crown Sightseeing was repaid and related provision of £0.1m was released during the year ended 29 April 2023.

Notes to the consolidated financial statements (continued)

Note 14 Interests in joint ventures (continued)

(e) Summarised financial information of joint ventures

The summarised financial information shown below is in accordance with IFRS and the Group's accounting policies. Adjustments have been made, as appropriate, to reflect fair value adjustments made at the time of acquisition. Except where stated, the amounts shown are in respect of 100% of each joint venture and not just the Group's share of the joint venture.

Each of the Group's joint ventures has a statutory financial year-end that differs from that of the Group's, which is the Saturday nearest to 30 April. In applying the equity method of accounting to its interests in joint ventures, the Group refers to the edition of each joint venture's management accounts that has a balance sheet date closest to the Group's balance sheet date. In some cases, the balance sheet date differs from the Group's but the impact of that on the Group's consolidated financial statements is not material. Further information on the relevant dates in respect of joint ventures is below:

Joint venture	WCT Group	Citylink	Crown Sightseeing
Latest statutory balance sheet date closest to 30 April 2024	**31 December 2023**	**31 December 2023**	**31 December 2023**
Balance sheet date of management accounts	**27 April 2024**	**26 April 2024**	**30 April 2024**

The consolidated balance sheets of each of the Group's significant joint ventures are summarised below:

As at 27 April 2024	WCT Group £m	Citylink £m	Crown Sightseeing £m	Total 2024 £m
Non-current assets	**–**	**3.2**	**0.4**	
Cash and cash equivalents	**0.7**	**7.5**	**1.1**	
Other current assets	**–**	**5.1**	**1.0**	
Current liabilities	**(0.2)**	**(9.7)**	**(2.0)**	
Net assets	**0.5**	**6.1**	**0.5**	
Shareholders' funds	**0.5**	**6.1**	**0.5**	
Group share	**49%**	**37.5%**	**33.3%**	
Group share of net assets	**0.1**	**2.2**	**0.1**	**2.4**
Goodwill	**–**	**3.4**	**–**	**3.4**
Group interest in joint ventures	**0.1**	**5.6**	**0.1**	**5.8**

As at 29 April 2023	WCT Group £m	Citylink £m	Crown Sightseeing £m	Total 2023 £m
Non-current assets	–	3.1	0.8	
Cash and cash equivalents	1.8	1.8	1.5	
Other current assets	–	28.7	0.8	
Current liabilities	(1.7)	(10.9)	(1.3)	
Non-current liabilities	–	(0.8)	(0.4)	
Net assets	0.1	21.9	1.4	
Shareholders' funds	0.1	21.9	1.4	
Group share	49%	37.5%	33.3%	
Group share of net assets	–	8.2	0.4	8.6
Goodwill	–	3.4	–	3.4
Group interest in joint ventures	–	11.6	0.4	12.0

The assets and liabilities shown above include the following financial assets and financial liabilities (excluding cash, cash equivalents, trade receivables, other receivables, trade payables and other payables):

	2024 £m	2023 £m
Citylink		
Current assets		
– loan to Stagecoach Group	**–**	7.8
– loan to Braddell Limited	**–**	13.2

The financial performance of each of the Group's joint ventures is summarised below:

	2024			2023		
Years ended 27 April 2024 and 29 April 2023	**WCT Group £m**	**Citylink £m**	**Crown Sightseeing £m**	WCT Group £m	Citylink £m	Crown Sightseeing £m
Revenue	**0.2**	**92.6**	**12.1**	0.4	78.3	8.9
Operating costs and other operating income	**–**	**(83.0)**	**(10.5)**	0.1	(62.0)	(6.6)
Operating profit	**0.2**	**9.6**	**1.6**	0.5	16.3	2.3
Finance income	**–**	**0.6**	**–**	–	–	(0.1)
Taxation charge	**–**	**(2.3)**	**(0.4)**	(0.1)	(3.2)	(0.4)
Profit after tax	**0.2**	**7.9**	**1.2**	0.4	13.1	1.8

Notes to the consolidated financial statements (continued)

Note 15 Inventories

Inventories were as follows:

	2024 £m	2023 £m
Parts and consumables	**11.9**	12.3

All inventories are carried at cost less a provision to take account of slow moving and obsolete items. Changes in the provision for slow moving and obsolete inventories were as follows:

	2024 £m	2023 £m
At beginning of year	**(4.9)**	(1.0)
Charged to income statement	**–**	(3.9)
Utilised in the year	**2.3**	–
At end of year	**(2.6)**	(4.9)

Note 16 Trade and other receivables

Trade and other receivables were as follows:

	2024 £m	2023 £m
Non-current:		
Prepayments	**1.8**	3.0
Deferred Payment Instrument	**–**	3.5
Insurance claim receivables	**4.8**	8.9
Contract costs	**17.7**	–
Prepaid consideration receivable from customer	**11.6**	–
Other receivables	**0.6**	–
	36.5	15.4
Current:		
Trade receivables	**49.6**	32.6
Less: provision for impairment	**(3.1)**	(3.4)
Trade receivables – net	**46.5**	29.2
Amounts owed by Parent undertakings	**2.9**	–
Other receivables	**0.9**	2.7
Prepayments	**14.8**	14.8
Prepayments for purchase of property, plant and equipment	**6.7**	5.8
Contract costs	**4.4**	–
Prepaid consideration receivable from customer	**1.4**	–
Accrued income	**33.9**	29.9
VAT and other government receivables	**55.7**	29.7
	167.2	112.1

Amounts owed by Parent undertakings accrues interest at 6.5% (2023: Nil), and are repayable on demand.

Further information about the Deferred Payment Instrument, which formed part of the consideration for the sale of the North America business in April 2019 is included in notes 4 and 24.

The movements in the provision for impairment of current trade receivables were as follows:

	2024 £m	2023 £m
At beginning of year	**(3.4)**	(3.5)
Impairment losses in year charged to income statement	**(2.7)**	(0.3)
Reversal of impairment losses credited to income	**2.9**	0.3
Amounts utilised	**0.1**	0.1
At end of year	**(3.1)**	(3.4)

Of the above provision for impairment, £3.1m (2023: £3.4m) relates to receivables arising from contracts with customers. Further information on credit risk is provided in note 24.

The contract costs are being amortised on a straight-line basis over the duration of the contract. A charge of £0.2m (2023: £nil) has been recognised in the income statement.

The prepaid consideration receivable from the customer is being amortised on a straight-line basis over the duration of the contract. A reduction in revenue of £0.2m (2023: £nil) has been recognised in the income statement.

Notes to the consolidated financial statements (continued)

Note 17 Contract balances

	2024 £m	2023 £m
Trade receivables (note 16)	**46.5**	29.2
Contract liabilities (note 19)	**19.7**	19.5

Trade receivables are non-interest bearing and are on terms of 30 to 90 days. The increase in the balance at 27 April 2024 over the balance at 29 April 2023 reflects the year end date falling two days earlier, with the trade receivables not falling due for payment until immediately after the year end date.

Contract liabilities represents amounts advanced by customers in respect of which the Group has not yet met the performance obligations to allow the recognition of the balance as revenue. These mainly relate to the season tickets held by passengers which cross over the year-end date and concessionary payments received by the Group in respect of services that had yet to be performed.

The contract liabilities in relation to the amounts advanced by customers as at 27 April 2024 are expected to be recognised as revenue in the year to 3 May 2025. The contract liabilities at the previous balance sheet date were predominately recognised within revenue in the subsequent year.

Changes in the contract liabilities relating to customer contracts at each year-end principally reflect changes in the volume of season tickets purchased in advance of the respective year-end dates.

Note 18 Cash and cash equivalents

	2024 £m	2023 £m
Cash and cash equivalents on deposit and in hand	**94.9**	241.6
Cash in transit	**4.7**	4.0
Cash and cash equivalents shown in the consolidated balance sheet	**99.6**	245.6
Bank overdrafts included in other borrowings	**–**	(1.8)
Cash and cash equivalents shown in the consolidated statement of cash flows	**99.6**	243.8

The cash and cash equivalents amounts as at 27 April 2024 include:
- £15.0m on 3 month deposit maturing by 30 April 2024
- £15.0m on 11 weeks deposit maturing by 29 April 2024

The cash and cash equivalents amounts as at 29 April 2023 include:
- £45.0m on 3 month deposit maturing by May 2023
- £40.0m on 1 month deposit maturing by May 2023
- £45.0m on a 2 week deposit maturing by May 2023

The deposits above can be accessed prior to the end of the deposit period without incurring material break costs. The remaining cash and cash equivalent amounts are accessible to the Group within one day (2023: one day).

Cash in transit represents outstanding cash receipts in respect of on-bus debit card and credit card payments made by customers. These are normally received into the Group's bank accounts within three days of the payment being made by the customer.

Note 19 Trade and other payables

Trade and other payables were as follows:

	2024 £m	2023 £m
Current		
Trade payables	**41.9**	37.0
Payables for purchase of property, plant and equipment	**9.2**	9.3
Interest payable	**0.2**	0.4
Accruals	**176.4**	135.3
Deferred consideration	**1.0**	1.6
Contract liabilities	**19.7**	19.5
PAYE and NIC payable	**20.5**	22.0
Deferred capital grant income	**6.8**	4.9
Other deferred income	**1.3**	1.5
Loans from joint ventures	**–**	7.8
VAT and other government payables	**3.9**	9.0
	280.9	248.3
Non-current		
Accruals	**1.8**	1.5
PAYE and NIC payable	**–**	0.2
Deferred consideration	**6.6**	8.0
Deferred capital grant income	**53.7**	42.0
	62.1	51.7

Note 20 Borrowings (excluding lease liabilities)

(a) Repayment profile

Other borrowings are repayable as follows:

As at 27 April 2024	Sterling 4.00% Notes £m	Other Borrowings Total £m
On demand or within 1 year	–	–
Within 1-2 years	409.4	409.4
Within 2-5 years	–	–
Over 5 years	–	–
Total borrowings	409.4	409.4
Less current maturities	–	–
Non-current portion of borrowings	409.4	409.4

As at 29 April 2023	Bank overdrafts £m	Sterling 4.00% Notes £m	Other Borrowings Total £m
On demand or within 1 year	1.8	–	1.8
Within 1-2 years	–	–	–
Within 2-5 years	–	407.1	407.1
Over 5 years	–	–	–
Total borrowings	1.8	407.1	408.9
Less current maturities	(1.8)	–	(1.8)
Non-current portion of borrowings	–	407.1	407.1

The Sterling 4.00% Notes are unsecured.

(b) Sterling 4.00% notes

On 29 September 2015, the Group issued £400m of 4.00% Notes. Interest is paid annually in arrears and the Notes are due to be redeemed at their principal amount on 29 September 2025. These Notes are listed on the London Stock Exchange.

The Notes were issued at 98.979% of their principal amount. The consolidated carrying value of the Notes at 27 April 2024 was £409.4m (2023: £407.1m) after taking account of accrued interest, the discount on issue, issue costs and the effect of fair value hedges.

Note 21 Deferred tax

The movement in the deferred tax liability during the year was as follows:

	2024 £m	2023 £m
At beginning of year	(59.8)	(48.4)
(Charged)/credited to income statement for continuing operations	(10.8)	2.4
(Charged) to income statement for discontinued operations	(0.1)	–
(Charged) to equity	–	(18.8)
Credited to goodwill	–	5.0
At end of year	(70.7)	(59.8)

Deferred taxation is analysed as follows:

	2024			2023		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Accelerated capital allowances	–	(100.8)	(100.8)	–	(74.6)	(74.6)
Pension temporary differences	3.5	–	3.5	3.5	–	3.5
Other temporary differences:						
– Employee remuneration and share based payments	4.6	–	4.6	3.2	–	3.2
– Other temporary differences	–	(0.6)	(0.6)	5.0	(1.4)	3.6
Losses carried forward	22.6	–	22.6	4.5	–	4.5
	30.7	(101.4)	(70.7)	16.2	(76.0)	(59.8)

Notes to the consolidated financial statements (continued)

Note 21 Deferred tax (continued)

The amount of deferred tax recognised in the income statement by type of temporary difference was as follows:

	2024 £m	2023 £m
Accelerated capital allowances	**(26.2)**	(2.2)
Pension temporary differences	**0.1**	0.7
Losses carried forward	**18.0**	4.5
Other temporary differences	**(2.8)**	(0.6)
	(10.9)	2.4

The deferred tax recognised in the income statement is split as follows into continuing and discontinued operations:

	2024 £m	2023 £m
(Charged)/credited to the income statement for continuing operations	**(10.8)**	2.4
(Charged) to the income statement for discontinued operations	**(0.1)**	–
	(10.9)	2.4

Note 22 Provisions

The movements in provisions were as follows:

	Litigation provisions £m	Claims provisions £m	Environmental provisions £m	Dilapidations provision £m	Restructuring provisions £m	Onerous contracts £m	Total £m
Year ended 27 April 2024							
At beginning of year	**0.6**	**100.6**	**0.8**	**7.4**	**7.4**	**23.1**	**139.9**
Provided during year (after discounting)	**0.7**	**25.8**	**–**	**1.7**	**–**	**10.5**	**38.7**
Unused amounts credited to income statement	**(0.6)**	**(4.4)**	**–**	**–**	**(0.3)**	**(7.7)**	**(13.0)**
Unwinding of discount	**–**	**2.2**	**–**	**–**	**–**	**1.1**	**3.3**
Utilised in the year	**(0.1)**	**(40.6)**	**–**	**(0.3)**	**(4.0)**	**(6.0)**	**(51.0)**
At end of year	**0.6**	**83.6**	**0.8**	**8.8**	**3.1**	**21.0**	**117.9**
As at 27 April 2024							
Current	**0.6**	**28.6**	**0.8**	**3.1**	**2.4**	**9.1**	**44.6**
Non-current	**–**	**55.0**	**–**	**5.7**	**0.7**	**11.9**	**73.3**
	0.6	**83.6**	**0.8**	**8.8**	**3.1**	**21.0**	**117.9**
As at 29 April 2023							
Current	0.6	32.9	0.8	3.3	4.8	14.0	56.4
Non-current	–	67.7	–	4.1	2.6	9.1	83.5
	0.6	100.6	0.8	7.4	7.4	23.1	139.9

The litigation provisions reflect the best estimate of the expenditure required to settle ongoing litigation, to the extent not covered by other liabilities such as the claims provisions. Any payments are expected to be made within one year (2023: one year). The amount and timing of payments may be affected by negotiations between the relevant parties and/or court decisions. The amount provided is based on legal advice.

The claims provisions relate to estimated liabilities on incurred incidents up to the year-end in each year. The obligating event is the incident (e.g. an accident involving one of the Group's vehicles) giving rise to an actual or possible liability of the Group. The estimates of the provisions are based on legal advice, actuarial reviews and prior claims history. Claims are typically settled within five years (2023: five years) of origination. Due to new obligating events arising each financial year, the overall claims provisions amount is not, however, necessarily expected to reduce over time. Information on estimation uncertainty regarding claims provisions is included in note 1(e)(ii). Related receivables from insurance companies of £4.8m (2023: £8.9m) are included within receivables.

The environmental provisions relate to legal or constructive obligations to undertake environmental work, such as an obligation to rectify land which has been contaminated by fuel or to eliminate the presence of asbestos. The provision is based on the estimated cost of undertaking the work required, and is expected to be utilised as the work is undertaken over the next one to four years (2023: one to four years).

The dilapidations provision is based on the future expected repair costs to restore certain of the Group's leased assets to their contractually required condition at the end of their respective lease terms. The provision is the Group's best estimate on a lease by lease basis of the likely committed cash flow. The provision is expected to be utilised within five years (2023: five years).

Provisions for onerous contracts relate to contracts where the unavoidable costs of fulfilling the contract outweigh the economic benefits to be received. The onerous contract provision as at 27 April 2024 relates to the contracts identified as being onerous within our London operations. These onerous contracts are expected to be utilised over the next two to seven years in line with the duration of the contracts. The Sheffield Supertram onerous contract provision held at 29 April 2023 was released during the course of the year following the cessation of the Group's Sheffield Supertram concession agreement during the year ended 27 April 2024. See note 1(e)(ii) for details of estimation uncertainty in respect of the provisions for onerous contracts.

Note 23 Retirement benefits

(a) Description of retirement benefit arrangements

Funded schemes

The Group participates in a number of pension schemes. The principal defined benefit schemes are as follows:

	Date as at which last relevant scheme valuation was prepared
• The Stagecoach Group Pension Scheme ("SPS");	31 October 2022
• Two UK Local Government Pension Schemes ("LGPS").	31 March 2022

For the defined benefit schemes, benefits are related to length of service and pensionable salary. The weighted average duration as at 27 April 2024 of the discounted, expected benefit payments across all UK defined benefit schemes is estimated at 12 years (2023: 13 years).

The SPS is comprised of three sections: the Main Section, the London Section and the Sheffield Supertram Section. The Sheffield Supertram Section was established in the year ended 30 April 2022 to enable a bulk transfer in of the Group's membership in the Omnibus Section of the Railways Pension Scheme. Following the cessation of the Supertram concession on 21 March 2024, accrual to future benefits ended after that date. On 22 April 2024 all assets and liabilities of the Supertram Section were merged with those of Main Section.

The SPS is generally closed to new entrants. The Main Section closed to future accrual in April 2017, although in March 2021 a small number of former members of the Tyne & Wear LGPS ceased active participation in that scheme and commenced accrual in the Main Section, as a limited exception to the no ongoing accrual in that section. The London Section is closed to new entrants but is open to future accrual for the existing remaining members.

The Group is a participating employer in two UK LGPS, both closed to new members from the Group, and has limited influence over the operations of these schemes. Active membership of these schemes is small and represents less than 1.0% (2023: 1.0%) of the total pensions charge (excluding separately disclosed items) reported within operating profit in the consolidated income statement, but historic liabilities mean that these schemes represent around 10.1% (2023: 10.1%) of the gross present value of pension obligations as at 27 April 2024 shown in the consolidated balance sheet.

The Group liaises with the administering authorities of the LGPS to seek to set contributions at appropriate levels to fund the benefits and deficit recovery payments over a reasonable period of time. When the participating Group employer has no remaining active participating employees in an LGPS scheme, the applicable regulations provide that the employer ceases to have an active participation in that scheme unless a deferred participation arrangement has been agreed. In such cases, the scheme produces an exit valuation resulting in an exit payment by, or to, the employer. There is otherwise no right for the Group to receive any surplus in the schemes.

The Group also contributes to a number of defined contribution schemes covering UK employees for which the Group has no further payment obligation once the contributions are paid other than lump sum death in service benefits that are provided for certain UK employees.

Unfunded schemes

The Group provides benefits under an HMRC unapproved employer financed retirement benefit scheme ("EFRBS") in the UK. The liability of this scheme is unfunded, as no contributions are made to the scheme, but the Group has set aside assets to meet its obligations under the scheme. The scheme holds a guarantee over assets which the Group has set aside. The Group considers that the assets set aside are in substance pensions assets and so the amounts of those assets are included within the net pension amounts reported in the consolidated balance sheet. The carrying value of those assets as at 27 April 2024 was £16.5m (2023: £17.1m). The EFRBS scheme is included within the figures for "Other" schemes in this note 23.

Other unfunded benefits are provided to a small number of former employees with the liabilities included within the "Unfunded schemes" reported in the tables that follow.

(b) Principal actuarial assumptions

The principal actuarial assumptions used in determining the pensions amounts as at 27 April 2024 and 29 April 2023 are shown below on a weighted average basis across the relevant schemes:

	2024	2023
Discount rate	**5.3%**	4.9%
Retail Prices inflation assumption	**3.1%**	3.0%
Consumer Prices inflation assumption	**2.6%**	2.5%
Rate of increase in pensionable salaries*	**3.1%**	3.0%
Rate of increase of pensions in payment	**2.5%**	2.5%
Life expectancies in years		
Current pensioners at 65 – male	**19.9**	19.8
Current pensioners at 65 – female	**22.1**	22.0
Future pensioners at 65 aged 45 now – male	**20.7**	20.7
Future pensioners at 65 aged 45 now – female	**23.4**	23.6

* Future accrual is limited to: (a) Participation in the London Section of SPS, where annual increases in pensionable salaries have been capped at 0.5% in any year until 5 April 2019. Whilst the cap will be retained for past service, basic pay at 6 April each year is used to define pensionable pay for all future service; (b) Participation by former members of the Tyne & Wear LGPS.

The Directors consider pension assumptions, such as those summarised above, to be a key source of estimation uncertainty as explained in note 1(e)(ii).

The assumptions shown above are chosen from a range of possible actuarial assumptions which, due to the long-term nature of the schemes, may not be borne out in practice. The discount rate assumption is not determined using a cash-weighted method and is based on market yields on high quality corporate bonds at the balance sheet date, adjusted to reflect the duration of the schemes' liabilities. The life expectancy assumptions have been chosen with regard to the latest available published tables adjusted to reflect scheme specific experience, taking into account the Group and its sector, and allowing for expected increases in life expectancies.

Notes to the consolidated financial statements (continued)

Note 23 Retirement benefits (continued)

(c) Pension amounts recognised in the balance sheet

The consolidated balance sheet shows retirement benefit assets of £177.3m (2023: £199.4m) and retirement benefit obligations of £3.3m (2023: £3.5m), resulting in a net surplus of £174.0m (2023: surplus of £195.9m). The amounts recognised in the balance sheet were as follows:

	Funded schemes				
As at 27 April 2024	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded schemes £m**	**Total £m**
Equities – quoted	**69.4**	**20.9**	**–**	**–**	**90.3**
Bonds – quoted	**1,118.5**	**119.3**	**14.6**	**–**	**1,252.4**
Total quoted investments	**1,187.9**	**140.2**	**14.6**	**–**	**1,342.7**
Private Equity – unquoted	**10.3**	**2.1**	**–**	**–**	**12.4**
Bonds – unquoted	**–**	**2.1**	**–**	**–**	**2.1**
Cash – unquoted	**25.2**	**2.8**	**1.9**	**–**	**29.9**
Property – unquoted	**98.3**	**4.5**	**–**	**–**	**102.8**
Total unquoted investments	**133.8**	**11.5**	**1.9**	**–**	**147.2**
Fair value of scheme assets	**1,321.7**	**151.7**	**16.5**	**–**	**1,489.9**
Present value of obligations	**(1,125.2)**	**(127.6)**	**(10.7)**	**(3.3)**	**(1,266.8)**
Surplus/(deficit) in the schemes	**196.5**	**24.1**	**5.8**	**(3.3)**	**223.1**
Withholding tax payable on surplus	**(49.1)**	**–**	**–**	**–**	**(49.1)**
Net asset/(liability)	**147.4**	**24.1**	**5.8**	**(3.3)**	**174.0**

	Funded schemes				
As at 29 April 2023	SPS £m	LGPS £m	Other £m	Unfunded schemes £m	Total £m
Equities – quoted	71.5	33.7	–	–	105.2
Bonds – quoted	1,179.5	114.4	15.3	–	1,309.2
Total quoted investments	1,251.0	148.1	15.3	–	1,414.4
Private Equity – unquoted	13.1	3.3	–	–	16.4
Cash – unquoted	25.4	4.1	1.8	–	31.3
Property – unquoted	116.7	4.9	–	–	121.6
Total unquoted investments	155.2	12.3	1.8	–	169.3
Fair value of scheme assets	1,406.2	160.4	17.1	–	1,583.7
Present value of obligations	(1,155.6)	(130.7)	(10.3)	(3.5)	(1,300.1)
Surplus/(deficit) in the schemes	250.6	29.7	6.8	(3.5)	283.6
Withholding tax payable on surplus	(87.7)	–	–	–	(87.7)
Net asset/(liability)	162.9	29.7	6.8	(3.5)	195.9

At 27 April 2024, 92% (2023: 91%) of pension assets were quoted on a recognised stock exchange or held in cash or assets readily convertible to cash and are therefore considered to be liquid.

The LGPS assets are not sectionalised and so assets are effectively comingled with other participating employers. Therefore, the Group's asset value is a notional value based on a share of fund calculation which is undertaken by the LGPS Fund Actuary.

The vast majority of assets held by the LGPS arrangements are invested in pooled funds with a quoted market price. In the above tables, the Group's holdings are allocated between the various asset categories in proportion to that of the overall LGPS funds in which the Group participates.

All pension schemes in which the Group participates aim to invest their assets to:
- Maximise the returns on scheme assets;
- Minimise the risks associated with lower than expected returns on scheme assets; and
- Ensure sufficient liquidity such that the scheme is able to meet its liabilities as and when they fall due.

Trustees are required to regularly review the investment strategy in light of the term and nature of the scheme liabilities.

The defined benefit pension schemes typically expose the Group to actuarial funding risks such as investment risk, interest rate risk, inflation risk, and life expectancy risk. There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to fund deficits.

As explained in section 1.5 of this Annual Report, the Directors are focused on maintaining an investment grade credit rating. Each of the credit rating agencies consider pensions funding risks as part of their wider risk assessment. Pension contributions are determined with the advice of independent qualified actuaries on the basis of regular valuations using the projected unit method.

Note 23 Retirement benefits (continued)

(d) Funding arrangements and schemes (continued)

Stagecoach Group Pension Scheme

The regulatory framework in the UK requires the Trustees of the Stagecoach Group Pension Scheme and the Group to agree upon the assumptions underlying the funding target, and then to agree upon the contributions necessary to fund the benefits, including any deficit recovery amounts, over a reasonable period of time. The Board participates in major decisions on the funding and design of the Scheme.

With the agreement of the employer, the Trustees conducted another out-of-cycle valuation as at 31 October 2022 to recognise and align the new investment and funding strategies and to perform the first valuation of the Sheffield Supertram Section formed in March 2022. The combined surplus across all three sections of the Scheme at 31 October 2022 on the Trustees' technical provisions basis was £87.3m (compared to £48.7m at the 30 September 2021 for the then two sections) comprising scheme assets of £1,433.8m less benefit obligations of £1,346.5m. Revised contributions agreed from 1 May 2023 were for £4.4m for one year with a further two years at £4.1m being paid into an escrow account to be called upon if required.

During the previous financial year, the Trustees of the SPS took advantage of the exceptional rise in gilt yields to move away from an equity and multi-asset growth led strategy to a liability driven investment ("LDI") strategy with the majority of assets now in gilts and high-quality credit. At the balance sheet date the SPS maintained a hedge of liabilities against interest and inflation movements in excess of 95% with a surplus of 110% on the long-term funding self sufficiency basis of gilts + 0.5%.

Local Government Pension Schemes

There are particular funding risks with the LGPS to which the Group contributes. The Group has limited ability to influence the funding strategy of these schemes. Furthermore, the contributions that the Group is required to make to the schemes are determined by the schemes, which tend to take a cautious approach in setting contribution rates for non-government employers. This can result in the Group being required to make higher levels of contributions than it believes is necessary or desirable. Known future contribution levels are taken account of in determining the reported deficit or surplus in each scheme in these consolidated financial statements.

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

During the financial year, the Group transitioned its share of assets in the LGPS to lower risk investments to reduce potential volatility in its well funded position and to better hedge its liabilities. This was completed on 31 January 2024 in the Merseyside LGPS and shortly after the balance sheet date on 1 May 2024 in the Greater Manchester LGPS.

Scheme exit or "buy-out"

Neither the valuation surpluses on the various Trustees' technical provisions bases nor the net retirement benefits surpluses reflected in these financial statements reflect the amounts at which the Group could "buy out" its pension obligations. A "buy-out" of the obligations would cost the Group substantially more than the figures reflected in the financial statements.

The Group forecasts to contribute £5.0m (forecast at 29 April 2023 for year ended 27 April 2024: £10.3m) to defined benefit schemes in the year ending 3 May 2025.

(e) Changes in net retirement benefit obligations

The change in net liabilities (excluding withholding tax on surpluses) recognised in the balance sheet in respect of defined benefit schemes is comprised as follows:

	Funded schemes				
Year ended 27 April 2024	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded schemes £m**	**Total £m**
At beginning of year – asset/(liability)	**250.6**	**29.7**	**6.8**	**(3.5)**	**283.6**
Expense charged/(credited) to consolidated income statement	**8.9**	**1.2**	**0.2**	**(0.1)**	**10.2**
Recognised in the consolidated statement of comprehensive income	**(71.6)**	**(7.3)**	**(1.4)**	**0.1**	**(80.2)**
Employers' contributions	**8.6**	**0.5**	**0.2**	**0.2**	**9.5**
At end of year – asset/(liability)	**196.5**	**24.1**	**5.8**	**(3.3)**	**223.1**

	Funded schemes				
Year ended 29 April 2023	SPS £m	LGPS £m	Other £m	Unfunded schemes £m	Total £m
At beginning of year – asset/(liability)	(7.3)	10.8	3.7	(4.0)	3.2
Expense charged to consolidated income statement	(5.0)	(0.1)	(1.9)	–	(7.0)
Recognised in the consolidated statement of comprehensive income	246.1	18.5	4.4	0.3	269.3
Employers' contributions	16.8	0.5	0.6	0.2	18.1
At end of year – asset/(liability)	250.6	29.7	6.8	(3.5)	283.6

Notes to the consolidated financial statements (continued)

Note 23 Retirement benefits (continued)

(f) Sensitivity of retirement benefit obligations to changes in assumptions

The measurement of the defined benefit obligations is particularly sensitive to changes in key assumptions as summarised below:

As at 27 April 2024	Change in assumption	Impact on overall net pensions liabilities
Discount rate	Increase by 10 basis points/Decrease by 10 basis points	Decrease by £15.1m/Increase by £15.4m.
Rate of inflation	Increase by 10 basis points/Decrease by 10 basis points	Increase by £15.3m/Decrease by £15.1m.
Rate of increase in pensionable salaries	Increase by 10 basis points/Decrease by 10 basis points	Increase by £0.2m/Decrease by £0.2m.
Rate of increase in pension payments	Increase by 10 basis points/Decrease by 10 basis points	Increase by £11.8m/Decrease by £11.7m.
Life expectancy	Increase by 1 year/Decrease by 1 year	Increase by £37.8m/Decrease by £37.8m.
As at 29 April 2023		
Discount rate	Increase by 10 basis points/Decrease by 10 basis points	Decrease by £15.8m/Increase by £15.7m.
Rate of inflation	Increase by 10 basis points/Decrease by 10 basis points	Increase by £16.0m/Decrease by £16.1m.
Rate of increase in pensionable salaries	Increase by 10 basis points/Decrease by 10 basis points	Increase by £0.6m/Decrease by £0.6m.
Rate of increase in pension payments	Increase by 10 basis points/Decrease by 10 basis points	Increase by £11.9m/Decrease by £12.0m.
Life expectancy	Increase by 1 year/Decrease by 1 year	Increase by £38.8m/Decrease by £38.8m.

These sensitivities have been calculated to show the movement in the net liability in isolation, and assuming no other changes in market conditions at the balance sheet date. In practice, a change in discount rate is unlikely to occur without any movement in the value of the invested assets held by the schemes.

Due to the changes detailed in note 23(d) and the high level of hedging in place across all schemes at the balance sheet date, other than any impact associated with changes in life expectancy, the impact of the hedging against movements in interest rates and inflation rates should materially reduce the actual effect and sensitivities noted above.

(g) Pension amounts recognised in income statement

The amounts recognised in the consolidated income statement are analysed as follows:

	Funded schemes				
Year ended 27 April 2024	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded and DC schemes £m**	**Total £m**
Current service cost	**(2.7)**	**(0.2)**	**(0.1)**	**–**	**(3.0)**
Administration costs	**(0.8)**	**–**	**–**	**–**	**(0.8)**
Defined contribution costs	**–**	**–**	**–**	**(59.8)**	**(59.8)**
Included in operating profit	**(3.5)**	**(0.2)**	**(0.1)**	**(59.8)**	**(63.6)**
Net interest income/(expense)	**12.4**	**1.4**	**0.3**	**(0.1)**	**14.0**
Credit/(charge) to the income statement	**8.9**	**1.2**	**0.2**	**(59.9)**	**(49.6)**

	Funded schemes				
Year ended 29 April 2023	SPS £m	LGPS £m	Other £m	Unfunded and DC schemes £m	Total £m
Current service cost	(4.0)	(0.4)	(1.1)	–	(5.5)
Administration costs	(0.8)	–	–	–	(0.8)
Separately disclosed items: current and past service cost	–	–	(0.9)	–	(0.9)
Defined contribution costs	–	–	–	(53.8)	(53.8)
Included in operating profit	(4.8)	(0.4)	(2.0)	(53.8)	(61.0)
Net interest income/(expense)	(0.2)	0.3	0.1	–	0.2
Charge to the income statement	(5.0)	(0.1)	(1.9)	(53.8)	(60.8)

Service costs, administration costs, loss on settlement and defined contribution costs are recognised in operating costs and net interest (expense)/income and interest expense on asset ceiling are recognised in net finance costs.

Notes to the consolidated financial statements (continued)

Note 23 Retirement benefits (continued)

(h) Pension amounts recognised in statement of comprehensive income

The amounts recognised in the consolidated statement of comprehensive income are analysed as follows:

	Funded schemes				
Year ended 27 April 2024	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded schemes £m**	**Total £m**
Actual return on scheme assets lower than the discount rate	**(89.1)**	**(8.6)**	**(1.5)**	**–**	**(99.2)**
Changes in financial assumptions	**47.1**	**0.9**	**0.4**	**0.1**	**48.5**
Experience on benefit obligations	**(29.6)**	**0.4**	**(0.3)**	**–**	**(29.5)**
(Charged)/credited to other comprehensive income before withholding tax	**(71.6)**	**(7.3)**	**(1.4)**	**0.1**	**(80.2)**
Credit from movement in withholding tax provision on surplus	**38.6**	**–**	**–**	**–**	**38.6**
(Charged)/credited to other comprehensive income net of withholding tax	**(33.0)**	**(7.3)**	**(1.4)**	**0.1**	**(41.6)**

	Funded schemes				
Year ended 29 April 2023	SPS £m	LGPS £m	Other £m	Unfunded schemes £m	Total £m
Actual return on scheme assets lower than the discount rate	(83.8)	(23.0)	(0.4)	–	(107.2)
Changes in financial assumptions	373.0	39.3	4.6	0.3	417.2
Changes in demographic assumptions	42.4	1.0	0.1	0.1	43.6
Experience on benefit obligations	(85.5)	1.2	0.1	(0.1)	(84.3)
Credited to other comprehensive income before withholding tax	246.1	18.5	4.4	0.3	269.3
Charge from movement in withholding tax provision on surplus	(65.5)	–	–	–	(65.5)
Credited to other comprehensive income net of withholding tax	180.6	18.5	4.4	0.3	203.8

(i) Benefit obligations

Changes in the present value of the defined benefit obligations are analysed as follows:

	Funded schemes				
Year ended 27 April 2024	**SPS £m**	**LGPS £m**	**Other £m**	**Unfunded schemes £m**	**Total £m**
At beginning of year	**1,155.6**	**130.7**	**10.3**	**3.5**	**1,300.1**
Current service cost	**2.7**	**0.2**	**0.1**	**–**	**3.0**
Interest on benefit obligations	**54.8**	**6.2**	**0.5**	**0.1**	**61.6**
Benefits paid	**(70.7)**	**(8.3)**	**(0.1)**	**(0.2)**	**(79.3)**
Contributions by employees	**0.3**	**0.1**	**–**	**–**	**0.4**
Actuarial losses/(gains) due to:					
– Changes in financial assumptions	**(47.1)**	**(0.9)**	**(0.4)**	**(0.1)**	**(48.5)**
– Experience on benefit obligations	**29.6**	**(0.4)**	**0.3**	**–**	**29.5**
At end of year	**1,125.2**	**127.6**	**10.7**	**3.3**	**1,266.8**

	Funded schemes				
Year ended 29 April 2023	SPS £m	LGPS £m	Other £m	Unfunded schemes £m	Total £m
At beginning of year	1,502.8	174.5	12.8	4.0	1,694.1
Separately disclosed items: current and past service costs	–	–	0.9	–	0.9
Current service cost	4.0	0.4	1.1	–	5.5
Interest on benefit obligations	46.3	5.4	0.4	–	52.1
Benefits paid	(68.0)	(8.2)	(0.1)	(0.2)	(76.5)
Contributions by employees	0.4	0.1	–	–	0.5
Actuarial losses/(gains) due to:					
– Changes in demographic assumptions	(42.4)	(1.0)	(0.1)	(0.1)	(43.6)
– Changes in financial assumptions	(373.0)	(39.3)	(4.6)	(0.3)	(417.2)
– Experience on benefit obligations	85.5	(1.2)	(0.1)	0.1	84.3
At end of year	1,155.6	130.7	10.3	3.5	1,300.1

Notes to the consolidated financial statements (continued)

Note 23 Retirement benefits (continued)

(j) Scheme assets

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

Year ended 27 April 2024	Funded schemes SPS £m	Funded schemes LGPS £m	Funded schemes Other £m	Unfunded schemes £m	Total £m
At beginning of year	**1,406.2**	**160.4**	**17.1**	**–**	**1,583.7**
Administration costs	**(0.8)**	**–**	**–**	**–**	**(0.8)**
Interest income	**67.2**	**7.6**	**0.8**	**–**	**75.6**
Employer contributions	**8.6**	**0.5**	**0.2**	**0.2**	**9.5**
Contributions by employees	**0.3**	**0.1**	**–**	**–**	**0.4**
Benefits paid	**(70.7)**	**(8.3)**	**(0.1)**	**(0.2)**	**(79.3)**
Remeasurements					
– Return on assets excluding amounts included in net interest	**(89.1)**	**(8.6)**	**(1.5)**	**–**	**(99.2)**
At end of year	**1,321.7**	**151.7**	**16.5**	**–**	**1,489.9**

Year ended 29 April 2023	Funded schemes SPS £m	Funded schemes LGPS £m	Funded schemes Other £m	Unfunded schemes £m	Total £m
At beginning of year	1,495.5	185.3	16.5	–	1,697.3
Administration costs	(0.8)	–	–	–	(0.8)
Interest income	46.1	5.7	0.5	–	52.3
Employer contributions	16.8	0.5	0.6	0.2	18.1
Contributions by employees	0.4	0.1	–	–	0.5
Benefits paid	(68.0)	(8.2)	(0.1)	(0.2)	(76.5)
Remeasurements					
– Return on assets excluding amounts included in net interest	(83.8)	(23.0)	(0.4)	–	(107.2)
At end of year	1,406.2	160.4	17.1	–	1,583.7

(k) Withholding tax provision

The movement in the withholding tax provision is shown below:

	2024 £m	2023 £m
At beginning of year	**87.7**	22.2
(Credit)/charge for the year	**(38.6)**	65.5
At end of year	**49.1**	87.7

The withholding tax at the beginning of the year was calculated using the prevailing rate of pension trust withholding tax (under Section 207 Finance Act 2004) of 35%. As the rate of tax was reduced to 25% with effect from 6 April 2024 the withholding tax at the end of the year has been calculated at 25%. The impact of the rate change is included in the credit for the year.

Note 24 Financial instruments

(a) Overview

This note provides details of the Group's financial instruments. Except where otherwise stated, the disclosures provided in this note exclude:

- Interests in subsidiaries and joint ventures accounted for in accordance with International Financial Reporting Standard 10 ("IFRS 10"), Consolidated Financial Statements and International Financial Reporting Standard 11 ("IFRS 11"), Joint Arrangements.
- Retirement benefit assets and obligations.

Liabilities or assets that are not contractual (such as income taxes that are created as a result of statutory requirements imposed by governments, prepayments, provisions and deferred income) are not financial liabilities or financial assets. Accordingly, prepayments, provisions, deferred income and amounts payable or receivable in respect of corporation tax, sales tax (including UK Value Added Tax), payroll tax and other taxes are excluded from the disclosures provided in this note.

(b) Carrying values of financial assets and financial liabilities

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

	Note	Carrying value		Fair value	
		2024 £m	2023 £m	**2024 £m**	2023 £m
Financial assets					
Financial assets measured at fair value through profit or loss					
– Non-current assets					
– Deferred Payment Instrument	*16*	**–**	3.5	**–**	3.5
Financial assets measured at amortised cost					
– Non-current assets					
– Insurance claim receivables	*16*	**4.8**	8.9	**4.8**	8.9
– Other receivables	*16*	**0.6**	–	**0.6**	–
– Current assets					
– Accrued income	*16*	**33.9**	29.9	**33.9**	29.9
– Trade receivables, net of impairment	*16*	**46.5**	29.2	**46.5**	29.2
– Amounts owed by Parent undertakings	*16*	**2.9**	–	**2.9**	–
– Other receivables	*16*	**0.9**	2.7	**0.9**	2.7
– Cash and cash equivalents	*18*	**99.6**	245.6	**99.6**	245.6
Total financial assets		**189.2**	319.8	**189.2**	319.8
Financial liabilities					
Financial liabilities measured at amortised cost					
– Non-current liabilities					
– Borrowings (including lease liabilities)	*20, 13(b)(ii)*	**(479.2)**	(467.4)	**(466.2)**	(445.3)
– Deferred consideration of business combinations	*19*	**(6.6)**	(8.0)	**(6.6)**	(8.0)
– Current liabilities					
– Trade payables	*19*	**(41.9)**	(37.0)	**(41.9)**	(37.0)
– Deferred consideration of business combinations	*19*	**(1.0)**	(1.6)	**(1.0)**	(1.6)
– Payables for purchase of property, plant and equipment	*19*	**(9.2)**	(9.3)	**(9.2)**	(9.3)
– Interest payable	*19*	**(0.2)**	(0.4)	**(0.2)**	(0.4)
– Accruals	*19*	**(176.4)**	(135.3)	**(176.4)**	(135.3)
– Loans from joint ventures	*19*	**–**	(7.8)	**–**	(7.8)
– Borrowings	*20*	**(24.7)**	(26.8)	**(24.7)**	(26.8)
Total financial liabilities		**(739.2)**	(693.6)	**(726.2)**	(671.5)
Net financial liabilities		**(550.0)**	(373.8)	**(537.0)**	(351.7)

Financial derivatives with bank counterparties are not shown in the above table. Information on the carrying value of such derivatives is provided in note 24(f).

The consideration for the sale of the North American business in April 2019 included a Deferred Payment Instrument of US$65m. The Deferred Payment Instrument carries a term of 66 months and a compounding payment in kind interest rate of 6% per annum. It falls due for payment only on (a) 16 October 2024 or (b) in part, after distributions of US$30m have been made to the purchaser and is secured by a pledge of shares held in the underlying investment vehicle. Early repayment provisions apply in the event that the purchaser sells all of its shareholding, albeit still subject to the US$30m shareholder distribution priority and in such circumstances, all or part of the Deferred Payment Instrument may never be repaid. If the purchaser sells down below 50% but retains some shares, the whole outstanding amount becomes immediately payable. The instrument is accounted for as fair value through profit or loss and due to credit and other recoverability risks associated with the instrument, its carrying value is at a discount to its face value. The Group's exposure to the purchaser of the North American business ranks behind all of the secured lenders. As a result, the discount rate applied to the Group's exposure on this instrument is higher than the cost of the Group's secured funding. The cost of second lien/mezzanine debt has been considered a more approximate estimate for the credit risk of the instrument. This has led to the carrying value of the instrument being written down to be £Nil as at 27 April 2024 (2023: £3.5m).

The Group has no control or significant influence over the North America business following its disposal on 16 April 2019.

The North America business entered into Chapter 11 bankruptcy on 11 June 2024. See note 5(c) for further details.

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(b) Carrying values of financial assets and financial liabilities (continued)

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

No specific assumptions have been made regarding climate change in valuing the Deferred Payment Instrument. While climate change does present both opportunities and risks to the North America business, we do not consider that climate change considerations materially affect the fair value of the instrument as at 27 April 2024, taking account of the approximate remaining 0.5 year term of the instrument and the North America business filing for Chapter 11 bankruptcy on 11 June 2024 (see note 5(c)).

The fair values of the other financial assets and financial liabilities shown above are determined as follows:

- The carrying value of cash and cash equivalents, accrued income, trade receivables, insurance claim receivables, and other receivables is considered to be a reasonable approximation of fair value. Given the short average time to maturity, no specific assumptions on discount rates have been made. The effect of credit losses not already reflected in the carrying value as impairment losses is assumed to be immaterial.
- The carrying value of trade payables, payables for purchase of property, plant and equipment, interest payable, accruals and loans to/from joint ventures is considered to be a reasonable approximation of fair value. Given the relatively short average time to maturity, no specific assumptions on discount rates have been made.
- The fair value of fixed-rate notes (included in borrowings) that are quoted on a recognised stock exchange is determined with reference to the "bid" price as at the balance sheet date.
- The fair value of leases is presented above as being equal to its carrying value as International Financial Reporting Standard 7 ("IFRS 7"), Financial Instruments: Disclosures, does not require the disclosure of fair values for leases.
- The fair value of other borrowings on which interest was payable at floating rates is not considered to be materially different from the carrying value.

We do not consider that the fair value of financial instruments, other than the Deferred Payment Instrument, would change materially from that shown above as a result of any reasonable change to the assumptions made in determining the fair values shown above. The fair value of financial instruments, and in particular the fixed rate notes, would be affected by changes in market interest rates. We estimate that a 100 basis points reduction in market interest rates would increase the fair value of the fixed rate notes liability by around £5.1m (2023: £12.1m).

Fair value estimation

Financial instruments that are measured in the balance sheet at fair value are disclosed by level of the following fair value measurement hierarchy:
Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value within the hierarchy at 27 April 2024.

	Note	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Financial derivatives	*24(f)*	**16.0**	**–**	**16.0**
Total assets		**16.0**	**–**	**16.0**
Liabilities				
Financial derivatives	*24(f)*	**(7.9)**	**–**	**(7.9)**
Total liabilities		**(7.9)**	**–**	**(7.9)**

There were no transfers between levels during the year ended 27 April 2024.

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

	Note	Level 2 £m	Level 3 £m	Total £m
Assets				
Deferred Payment Instrument from disposal of subsidiaries		–	3.5	3.5
Financial derivatives	*24(f)*	25.4	–	25.4
Total assets		25.4	3.5	28.9
Liabilities				
Financial derivatives	*24(f)*	(21.5)	–	(21.5)
Total liabilities		(21.5)	–	(21.5)

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments

The Group's use of financial instruments exposes it to a variety of financial risks, principally:

- Market risk – including currency risk, interest rate risk and price risk;
- Credit risk; and
- Liquidity risk.

This note (c) presents qualitative information about the Group's exposure to each of the above risks, including the Group's objectives, policies and processes for measuring and managing risk: there have been no significant changes to these matters during the year ended 27 April 2024. This note (c) also provides summary quantitative data about the Group's exposure to each risk.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to reduce the likelihood and/or magnitude of adverse effects on the financial performance and financial position of the Group. The Group uses derivative financial instruments from time to time to reduce exposure to foreign exchange risk, commodity price risk and interest rate movements. The Group does not generally hold or issue derivative financial instruments for speculative purposes.

A Group Treasury Committee and central treasury department ("Group Treasury") oversee financial risk management in the context of policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in co-operation with the Group's operating units. Group Treasury is responsible for the execution of derivative financial instruments to manage financial risks. Certain financial risk management activities (for example, the management of credit risk arising from trade and other receivables) are devolved to the management of individual business units. The Board provides written principles for overall treasury risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

(i) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity prices and commodity prices will affect the Group's financial performance and/or financial position. The objective of the Group's management of market risk is to manage and control market risk exposures within acceptable parameters.

The Group enters into derivative financial instruments in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board. Generally, the Group seeks to apply hedge accounting in order to reduce volatility in the consolidated income statement.

Foreign currency translation risk

Foreign currency translation risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's consolidated income statement is principally exposed to movements in foreign exchange rates in relation to the translation of the Deferred Payment Instrument from the disposal of the North America business.

The Group's consolidated balance sheet exposures to foreign currency translation risk (excluding immaterial exposure to Euros) were as follows:

	2024 £m	2023 £m
US dollars		
– Deferred Payment Instrument from disposal of subsidiaries	**–**	3.5

The amounts shown above are the carrying values of all US dollar items in the consolidated balance sheet that would have differed at the balance sheet date had a different foreign currency exchange rate been applied, except that financial derivatives are excluded.

The Directors do not consider the sensitivity of the above amounts to reasonably probable movements in foreign exchange rates to be material to the Group (2023: immaterial).

The effect of reasonably probable changes in foreign exchange rates on the Group's consolidated income statement is not material. That is based on the assumption that only those income statement items directly affected by changes in foreign exchange rates are included in the calculation. For example, changes in the sterling value of commodity prices that indirectly occur due to changes in foreign exchange rates are not included in the sensitivity calculation.

Foreign currency transactional risk

Foreign currency transactional risk is the risk that future cash flows (such as from sales and purchases of goods and services) will fluctuate because of changes in foreign exchange rates.

The Group is exposed to limited foreign currency transactional risk due to the low value of transactions entered into by subsidiaries in currencies other than their functional currency. Group Treasury carries out forward buying of currencies where appropriate.

The Group reviews and considers hedging of actual and forecast foreign exchange transactional exposures up to one year forward. At 27 April 2024, there were no material net transactional foreign currency exposures (2023: none).

The Group's exposure to commodity price risk includes a foreign currency element due to the impact of foreign exchange rate movements on the sterling cost of fuel for the Group's UK operations. The effect of foreign exchange rate movements on sterling-denominated fuel prices is managed through the use of fuel derivative financial instruments denominated in the functional currency in which the fuel is purchased. Further information on fuel hedging is given under the heading "Price risk" later in this note 24(c)(i).

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments (continued)

(i) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk principally through its borrowings and interest rate derivatives. It has a mixture of fixed-rate borrowings (where the fair value is exposed to changes in market interest rates), cash, cash equivalents and floating-rate borrowings (where the future cash flows are exposed to changes in market interest rates).

The Group's objective with regards to interest rate risk is to reduce the risk of changes in interest rates significantly affecting future cash flows and/or profit. To provide some certainty as to the level of interest cost, it is the Group's policy to manage interest rate exposure through the use of fixed and floating rate debt. Derivative financial instruments are also used where appropriate to generate the desired interest rate profile.

The Group measures interest rate risk by quantifying the relative proportions of each of gross debt and net debt that are effectively subject to fixed interest rates and considers the duration for which the relevant interest rates are fixed.

At 27 April 2024, the interest rate profile of the Group's interest bearing financial liabilities was as follows, excluding other lease liabilities:

Currency	Floating rate £m	Fixed rate £m	Total £m	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years
Sterling	**–**	**409.4**	**409.4**	**4.0**	**1.4**

At 29 April 2023, the interest rate profile of the Group's interest bearing financial liabilities was as follows, excluding other lease liabilities:

Currency	Floating rate £m	Fixed rate £m	Total £m	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years
Sterling	121.8	287.1	408.9	4.0	2.4

The above figures take account of the effect of interest rate derivatives which swap £120m of the £400m Notes maturing September 2025 for the period from September 2020 to September 2023.

The Group's financial assets on which floating interest is receivable include cash deposits, cash in hand and cash equivalents of £99.6m (2023: £243.8m). As at 29 April 2023, the Group's only financial asset on which fixed interest was receivable was a Deferred Payment Instrument receivable of £3.5m arising from the sale of the North America business in April 2019. As at 27 April 2024, the Group had no financial assets on which fixed interest is receivable.

With the exception of the Deferred Payment Instrument, the Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

The net impact of a change of 100 basis points on all relevant floating interest rates on annualised net interest payable on cash and borrowings balances outstanding at the balance sheet date was not material (2023: not material).

Price risk

The Group is exposed to commodity price risk. The Group's future profit and cash flows are exposed to movements in the underlying price of diesel fuel.

The Group's objective in managing commodity price risk is to reduce the risk that movements in fuel prices result in adverse movements in its profit and cash flow. The Group has a policy of managing the volatility in its fuel costs by maintaining an ongoing fuel hedging programme whereby derivatives are used to fix the variable unit cost of a percentage of anticipated fuel consumption. The Group's exposure to commodity price risk is measured by quantifying the element of projected future fuel costs, after taking account of derivatives in place, which varies due to movements in fuel prices. Group Treasury is responsible for the processes for measuring and managing commodity price risk.

The Group's overall fuel costs include the impact of delivery margins, fuel taxes and fuel tax rebates. These elements of fuel costs are not managed as part of Group Treasury's commodity price risk management and are managed directly by business unit management.

The Group uses a number of fuel derivatives to hedge against movements in the price of the fuel used. The fuel derivatives hedge the underlying commodity price risk (denominated in US$). They also hedge the currency risk due to the commodity being priced in US$ and the functional currency of the businesses being pounds sterling.

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments (continued)

(i) Market risk (continued)

As at 27 April 2024, we had financial derivatives in place covering a net 158.2m litres of fuel consumption by our UK bus business in the year ending 3 May 2025. We are forecasting to consume 187.0m litres of fuel in the year ending 3 May 2025. The price of the underlying product as at 27 April 2024 was 54.5 pence per litre. Taking account of the financial derivatives in place, the table below shows the sensitivity of our fuel costs (amounts payable/receivable on derivatives and purchase cost of the underlying product, excluding taxes, delivery margins and bus operating grants) to different levels of consumption and fuel prices.

Year ending 3 May 2025

Volume of diesel consumed (millions of litres)		168.3	187.0	205.7
Fuel costs	**pence/litre**	**£m**	**£m**	**£m**
At 27 April 2024 price	54.5	(81.5)	(91.8)	(102.0)
At 10% higher than 27 April 2024 price	60.0	(82.2)	(93.4)	(104.5)
– increase versus 27 April price		(0.7)	(1.6)	(2.5)
At 10% lower than 27 April 2024 price	49.1	(81.0)	(90.2)	(99.4)
– decrease versus 27 April price		0.5	1.6	2.6

Demand for the Group's services can also be affected by movements in fuel prices due to the impact on the cost of competing transport services, including private cars.

(ii) Credit risk

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

Credit risk is managed by a combination of Group Treasury and business unit management, and arises from cash and cash equivalents, derivative financial instruments and credit exposures to amounts due from outstanding receivables and committed transactions.

The Group's objective is to minimise credit risk to an acceptable level whilst not overly restricting the Group's ability to generate revenue and profit. It is the Group's policy to invest cash assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit ratings and the counterparty's geographical location. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be low.

In determining whether a financial asset is impaired, the Group takes account of:
- The fair value of the asset at the balance sheet date and where applicable, the historic fair value of the asset;
- In the case of receivables, the counterparty's typical payment patterns;
- In the case of receivables, the latest available information on the counterparty's creditworthiness such as available financial statements, credit ratings etc.

The movement in the provision for impairment of trade receivables is shown in note 16. There was no opening or closing loss allowance for any of the other financial assets measured at amortised cost.

The table below shows the financial assets that are exposed to credit risk at the balance sheet date:

	Gross 2024 £m	**Impairment 2024 £m**	**Net Exposure 2024 £m**	Gross 2023 £m	Impairment 2023 £m	Net Exposure 2023 £m
Deferred Payment Instrument	**–**	**–**	**–**	3.5	–	3.5
Trade receivables	**49.6**	**(3.1)**	**46.5**	32.6	(3.4)	29.2
Loans, other receivables and accrued income	**43.1**	**–**	**43.1**	41.5	–	41.5
Cash and cash equivalents	**99.6**	**–**	**99.6**	245.6	–	245.6
Excluding derivative financial instruments	**192.3**	**(3.1)**	**189.2**	323.2	(3.4)	319.8
Financial derivatives	**16.0**	**–**	**16.0**	25.4	–	25.4
Total exposure to credit risk	**208.3**	**(3.1)**	**205.2**	348.6	(3.4)	345.2

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. The Group's largest credit exposures are generally to the UK's Department for Transport, Transport for London, and other government bodies and financial institutions with short-term credit ratings of A2 (or equivalent) or better, all of which the Group considers unlikely to default on their respective liabilities to the Group.

The Group's total net exposure to credit risk by geographic region is analysed below:

	2024 £m	2023 £m
United Kingdom & Europe	**205.2**	341.7
North America	**–**	3.5
	205.2	345.2

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments (continued)

(ii) Credit risk (continued)

The Group's financial assets by currency are analysed below:

	2024 £m	2023 £m
Sterling & Euros	**205.2**	341.7
US dollars	**–**	3.5
	205.2	345.2

The Group does not hold any collateral in respect of its credit risk exposures set out above and has not taken possession of any collateral it holds or called for other credit enhancements during the year ended 27 April 2024 (2023: £Nil).

Trade receivables, other receivables and accrued income

To measure the expected credit losses, trade receivables, other receivables measured at amortised cost and accrued income have been grouped based on shared credit risk characteristics and the days past due. The accrued income relates to unbilled work in progress and has substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for other receivables measured at amortised cost and accrued income.

The expected loss rates are based on the payment profiles of sales over a period of 36 months to the balance sheet dates and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that UK GDP, and unemployment rates are the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The loss allowance as at 27 April 2024 and 29 April 2023 was determined for trade receivables, other receivables measured at amortised cost and accrued income as set out in the following tables:

As at 27 April 2024	Trade receivables £m	Other receivables £m	Accrued income £m	Loss allowance £m
Amounts not yet due	**35.5**	**12.1**	**33.9**	**(0.1)**
Amounts 1 to 90 days overdue	**8.8**	**–**	**–**	**(0.1)**
Amounts 91 to 180 days overdue	**1.8**	**–**	**–**	**(0.3)**
Amounts 181 to 365 days overdue	**0.9**	**–**	**–**	**(0.3)**
Amounts greater than 365 days overdue	**2.6**	**–**	**–**	**(2.3)**
Total	**49.6**	**12.1**	**33.9**	**(3.1)**

As at 29 April 2023	Trade receivables £m	Other receivables £m	Accrued income £m	Loss allowance £m
Amounts not yet due	27.7	11.6	29.9	(0.3)
Amounts 1 to 90 days overdue	2.1	–	–	(0.3)
Amounts 91 to 180 days overdue	0.6	–	–	(0.6)
Amounts 181 to 365 days overdue	0.3	–	–	(0.3)
Amounts greater than 365 days overdue	1.9	–	–	(1.9)
Total	32.6	11.6	29.9	(3.4)

(iii) Liquidity risk

The funding policy is to finance the Group through a mixture of bank, lease debt, capital markets issues and cash generated by the business.

As at 27 April 2024 the Group's credit facilities were £422.8m (2023: £411.0m), £122.5m (2023: £120.0m) of which were utilised, including utilisation for the issuance of bank guarantees, and letters of credit.

The Group had the following undrawn committed bank facilities, and uncommitted bank and asset finance facilities:

	2024 £m	2023 £m
Expiring within one year	**74.4**	56.1
Expiring beyond two years	**225.9**	234.9
	300.3	291.0

Although there is an element of seasonality in the Group's operations, the overall impact of seasonality on working capital and liquidity is not considered significant.

The Board expects the Group to be able to meet current and future funding requirements through free cash flow and available committed facilities. In addition, the Group has an investment grade credit rating which should allow it access at short notice to additional bank and capital markets debt funding. The Group has bank lines of credit arranged on a bi-lateral basis with a group of relationship banks which provide bank facilities for general corporate purposes. These arranged lines of credit allow cash drawdowns to finance the Group and also include facilities which are dedicated to issuing performance bonds, guarantees and letters of credit.

Note 24 Financial instruments (continued)

(c) Nature and extent of risks arising from financial instruments (continued)

(iii) Liquidity risk (continued)

The committed bank facilities and their utilisation as at 27 April 2024 was:

As at 27 April 2024, facilities expiring in:	Facility £m	Performance bonds, guarantees etc. drawn £m	Available for non-cash utilisation only £m	Available for cash drawings £m
Main Group facilities				
– 2024	65.1	(37.2)	(27.9)	–
– 2027	275.0	(49.1)	–	225.9
	340.1	(86.3)	(27.9)	225.9
Short-term facilities				
– 2025	2.1	–	–	2.1
	342.2	(86.3)	(27.9)	228.0

The Group manages its liquidity risk based on contracted cash flows. The following are the contractual maturities of financial liabilities, excluding lease liabilities, including interest payments.

As at 27 April 2024	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	5+ years £m
Non-derivative financial liabilities:						
Unsecured bond issues	**(409.4)**	**(432.0)**	**(16.0)**	**(416.0)**	–	–
Trade and other payables	**(235.3)**	**(236.9)**	**(228.9)**	**(1.0)**	**(3.0)**	**(4.0)**
	(644.7)	**(668.9)**	**(244.9)**	**(417.0)**	**(3.0)**	**(4.0)**
Derivative financial liabilities:						
Financial derivatives	**(7.9)**	**(7.9)**	**(1.9)**	**(3.4)**	**(2.6)**	–
	(652.6)	**(676.8)**	**(246.8)**	**(420.4)**	**(5.6)**	**(4.0)**

As at 29 April 2023	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	5+ years £m
Non-derivative financial liabilities:						
Bank overdrafts	(1.8)	(1.8)	(1.8)	–	–	–
Unsecured bond issues	(407.1)	(448.0)	(16.0)	(16.0)	(416.0)	–
Trade and other payables	(199.4)	(200.6)	(191.6)	(1.0)	(3.0)	(5.0)
	(608.3)	(650.4)	(209.4)	(17.0)	(419.0)	(5.0)
Derivative financial liabilities:						
Financial derivatives	(21.5)	(21.5)	(9.0)	(3.1)	(9.4)	–
	(629.8)	(671.9)	(218.4)	(20.1)	(428.4)	(5.0)

The "contractual cash flows" shown in the above tables are the contractual undiscounted cash flows under the relevant financial instruments. Where the contractual cash flows are variable based on an interest rate or credit rating in the future, the contractual cash flows in the above table have been determined with reference to the interest rate or credit rating as at the balance sheet date. In determining the interest element of contractual cash flows in cases where the Group has a choice as to the length of interest calculation periods and the interest rate that applies varies with the period selected, the contractual cash flows have been calculated assuming the Group selects the shortest available interest calculation periods. Where the holder of an instrument has a choice of when to redeem, the amounts in the above tables are on the assumption the holder redeems at the earliest opportunity.

The following are contractual maturities of lease liabilities:

As at 27 April 2024	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Lease liabilities	**(94.5)**	**(159.2)**	**(26.0)**	**(17.1)**	**(27.3)**	**(88.8)**

As at 29 April 2023	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Lease liabilities	(85.3)	(140.0)	(25.1)	(15.8)	(21.3)	(77.8)

Notes to the consolidated financial statements (continued)

Note 24 Financial instruments (continued)

(d) Accounting policies

The Group's significant accounting policies and measurement bases in respect of financial instruments are disclosed in note 1.

(e) Defaults and breaches

The Group has not defaulted on any loans payable during the years ended 27 April 2024 and 29 April 2023. The Group was in compliance with all bank covenants as at 27 April 2024 and 29 April 2023.

(f) Financial derivatives and hedge accounting

A summary of the Group's hedging arrangements that applied during the years ended 27 April 2024 and 29 April 2023 is provided in the table below.

Type of hedge	Risks hedged by the Group	Hedging instruments used
Cash flow hedges	– Commodity price risk	– Derivatives (commodity swaps)
Fair value hedges	– Interest rate risk	– Derivatives (interest rate swaps)

Carrying value and fair value of derivative financial instruments

Derivative financial instruments are classified on the balance sheet as follows:

	2024			2023		
	Interest derivatives £m	**Fuel derivatives £m**	**Total £m**	Interest derivatives £m	Fuel derivatives £m	Total £m
Non-current assets	–	**4.5**	**4.5**	–	11.5	11.5
Current assets	–	**11.5**	**11.5**	–	13.9	13.9
Current liabilities	–	**(1.9)**	**(1.9)**	(4.7)	(4.4)	(9.1)
Non-current liabilities	–	**(6.0)**	**(6.0)**	–	(12.4)	(12.4)
Total	–	**8.1**	**8.1**	(4.7)	8.6	3.9

The fair value of derivative financial instruments is equal to their carrying value, as shown in the above table.

Cash flow hedges – fuel

The movements in the fair value of fuel derivatives in the year were as follows:

	2024 £m	2023 £m
Fuel derivatives		
Fair value at start of year	**8.6**	97.4
Changes in fair value during year taken to cash flow hedging reserve	**25.7**	(19.7)
Cash received during the year	**(26.2)**	(69.1)
Fair value at end of year	**8.1**	8.6

Commodity price risk

The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the fuel forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The fair value of the fuel derivatives, split by maturity, was as follows:

	Assets £m	**Liabilities £m**
As at 27 April 2024		
Within one year	**11.5**	**(1.9)**
1 to 2 years	**4.0**	**(3.4)**
2 to 3 years	**0.5**	**(1.6)**
More than 3 years	–	**(1.0)**
	16.0	**(7.9)**
As at 29 April 2023		
Within one year	13.9	(4.4)
1 to 2 years	8.3	(3.1)
2 to 3 years	3.0	(6.3)
More than 3 years	0.2	(3.0)
	25.4	(16.8)

Note 24 Financial instruments (continued)

(f) Financial derivatives and hedge accounting (continued)

Commodity price risk (continued)

The fair value of fuel derivatives is further analysed by currency and segment as follows:

	Fair value £m	Notional quantity of fuel covered by derivatives Millions of litres
As at 27 April 2024		
Sterling denominated – UK Bus (regional operations)	**7.4**	**271.9**
Sterling denominated – UK Bus (London)	**0.7**	**65.4**
	8.1	**337.3**
As at 29 April 2023		
Sterling denominated – UK Bus (regional operations)	7.5	284.0
Sterling denominated – UK Bus (London)	1.1	62.0
	8.6	346.0

The maturity profile of the above fuel derivative contracts is as follows:

	Up to 1 year	1 to 2 years	2+ years	Total
As at 27 April 2024				
Notional amount (in millions of litres)	**158.1**	**107.2**	**72.0**	**337.3**
Notional amount (in £m)	**74.7**	**56.6**	**37.7**	**169.0**
Average hedge rate (in £/litre)	**0.47**	**0.53**	**0.52**	**0.50**
As at 29 April 2023				
Notional amount (in millions of litres)	165.7	112.2	68.1	346.0
Notional amount (in £m)	67.2	50.9	37.8	155.9
Average hedge rate (in £/litre)	0.41	0.45	0.56	0.45

Fair value hedges – interest

The Group entered into £120m (notional value) of interest rate derivatives as fair value hedges of the Group's exposure to fixed interest rates from September 2020 to September 2023. The movements in the fair value of these derivatives were as follows:

	Fair value hedges	
	2024 £m	2023 £m
Interest rate derivatives		
Fair value at beginning of year	**(4.7)**	(3.8)
Cash paid in year	**4.9**	0.9
Changes in fair value reflected in carrying value of hedged item	**1.9**	1.7
Interest expense on fair value hedges	**(2.1)**	(3.5)
Fair value at end of year	**–**	(4.7)

All of the interest rate derivatives were managed and held centrally and expired in September 2023.

The fair value of the interest rate derivatives split by maturity as at 27 April 2024 was as follows:

	2024 £m	2023 £m
Within one year	**–**	(4.7)

Cash flow hedging reserve

The movements in the cash flow hedging reserve were as follows:

	2024 £m	2023 £m
Cash flow hedging reserve at beginning of year	**6.1**	75.4
Changes in fair value during the year taken to cash flow hedging reserve	**25.7**	(19.7)
Cash flow hedges reclassified and reported in profit for year	**(26.0)**	(66.4)
Tax effect of cash flow hedges	**0.1**	16.8
Cash flow hedging reserve at end of year	**5.9**	6.1
Cash flow hedging reserve before tax	**6.8**	7.1
Tax to be credited to income statement in future periods	**(0.9)**	(1.0)
Cash flow hedging reserve after tax	**5.9**	6.1

As at 27 April 2024 and 29 April 2023, all of the hedged forecast transactions (i.e. hedged future purchases of fuel) were assessed as highly probable.

Notes to the consolidated financial statements (continued)

Note 25 Share capital

The allotted, called-up and fully paid ordinary share capital was:

	2024		2023	
	No. of shares	**£m**	No. of shares	£m
Allotted, called-up and fully paid ordinary shares of 125/228 pence each				
At beginning and end of year	**576,099,960**	**3.2**	576,099,960	3.2

The balance on the share capital account shown above represents the aggregate nominal value of all ordinary shares in issue. This figure includes 14,143,274 (2023: 14,143,274) ordinary shares held in treasury, which are treated as a deduction from equity in the Group's financial statements.

Note 26 Share based payments

Until the change of control in the year ended 29 April 2023, the Group operated a Buy as You Earn scheme ("BAYE"), a Long Term Incentive Plan ("LTIP"), a Restricted Share Plan ("RSP") and an Executive Participation Plan ("EPP").

Each of these schemes was wound up on 20 May 2022, following the change of control of the Company, as detailed below:

As disclosed in note 7, share based payment charges of £Nil (2023: £3.9m) have been recognised in the income statement during the year in relation to the above schemes. In the year ended 29 April 2023 £3.7m of the £3.9m charge was recognised within separately disclosed items in relation to the early vesting due to the change of control of the Group.

Long Term Incentive Plan

All of the awards under the LTIP scheme lapsed, with no amounts payable to the holders, on 20 May 2022, following the change of control of the Company.

Restricted Share Plan

All of the awards under the RSP either vested or lapsed on 23 May 2022, following the change of control of the Company. The proportion of each tranche of awards that vested was equal to the proportion of the vesting period that had elapsed by the date of vesting.

Executive Participation Plan

All of the awards under the EPP vested in full, on 23 May 2022, following the change of control of the Company.

Buy As You Earn scheme

All of the shares held in trust were subject to the offer for the Company. Following the change of control on 20 May 2022, all shares were purchased by Inframobility UK Bidco Limited and proceeds returned to participants.

Note 27 Reserves

A reconciliation of the movements in each reserve is shown in the consolidated statement of changes in equity on page 60.

The balance of the share premium account represents the amounts received in excess of the nominal value of the ordinary shares offset by issue costs, bonus issues of shares and any transfer between reserves.

The balance held in the retained earnings reserve is the accumulated retained profits and losses of the Group.

The capital redemption reserve represents the cumulative par value of all shares bought back and cancelled.

Details of own shares held are given in note 25. The own shares reserve represents the cumulative cost of shares in Stagecoach Group Limited purchased in the market and held in treasury and/or by the Group's two Employee Share Ownership Trusts, offset by cumulative sales proceeds.

The cash flow hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. The cumulative gain or loss is recycled to the income statement to match the recognition of the hedged item through the income statement.

Note 28 Consolidated cash flows

Cash and cash equivalents of £99.6m (2023: £243.8m) shown in the consolidated statement of cash flows, and in this note 28, include the cash and cash equivalents of £99.6m (2023: £245.6m) shown on the consolidated balance sheet, less bank overdrafts of £Nil (2023: £1.8m) included in other borrowings within current liabilities in the consolidated balance sheet.

(a) Reconciliation of operating profit to cash generated by operations

The profit/(loss) before taxation of Group companies reconciles to cash generated by operations as follows:

	2024 £m	2023 (restated – see note 1(b)) £m
Operating profit of Group companies		
– Continuing operations	**94.0**	38.8
– Discontinued operations	**(5.1)**	3.1
	88.9	41.9
Separately disclosed items		
– Continuing operations	**0.2**	29.0
– Discontinued operations	**3.3**	1.3
Depreciation	**110.1**	106.9
Software amortisation	**1.5**	1.0
Amortisation of contract assets	**0.4**	–
Impairment of intangible assets	**–**	0.3
Impairment of property, plant and equipment	**–**	3.0
EBITDA of Group companies before separately disclosed items ("Adjusted EBITDA from Group Companies")	**204.4**	183.4
Cash effect of current year separately disclosed items	**17.9**	(16.7)
Loss on disposal of property, plant and equipment	**2.4**	1.3
Capital grant amortisation	**(6.2)**	(3.4)
Loss on disposal of intangible assets	**–**	0.1
Share based payment movements	**–**	0.2
Operating cashflows before working capital movements	**218.3**	164.9
Increase in inventories	**0.4**	0.6
(Increase)/decrease in receivables	**(72.7)**	35.6
Increase/(decrease) in payables	**26.1**	(39.0)
(Decrease)/increase in provisions	**(26.5)**	0.6
Differences between employer contributions and pension expense in adjusted operating profit	**(5.7)**	(11.8)
Cash generated by operations	**140.1**	150.9

The results for the year ended 29 April 2023 have been restated to recognise the discontinued operations arising in the year ended 27 April 2024.

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

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

	2024 £m	2023 £m
Decrease in cash and cash equivalents	**(144.2)**	(5.1)
Cash flow from movement in borrowings (excluding bank overdrafts)	**24.7**	29.6
	(119.5)	24.5
New leases in year		
– Acquired through business combinations	**–**	(20.8)
– Other new leases	**(33.9)**	(13.5)
– Lease disposal	**–**	0.3
Other movements	**(0.4)**	(0.8)
Increase in net debt	**(153.8)**	(10.3)
Opening net debt (as defined in note 33)	**(241.1)**	(230.8)
Closing net debt	**(394.9)**	(241.1)

Notes to the consolidated financial statements (continued)

Note 28 Consolidated cash flows (continued)

(c) Changes in net debt

Changes in net debt are summarised below:

Year to 27 April 2024	**Opening £m**	**Cashflows £m**	**New leases £m**	**Lease additions from business combinations £m**	**Lease disposal £m**	**Charged to income statement £m**	**Closing £m**
Cash and cash equivalents	**243.8**	**(144.2)**	**–**	**–**	**–**	**–**	**99.6**
Gross debt – see split in note 28(d) below	**(484.9)**	**24.7**	**(33.9)**	**–**	**–**	**(0.4)**	**(494.5)**
Net debt	**(241.1)**	**(119.5)**	**(33.9)**	**–**	**–**	**(0.4)**	**(394.9)**

Year to 29 April 2023	Opening £m	Cashflows £m	New leases £m	Lease additions from business combinations £m	Lease disposal £m	Charged to income statement £m	Closing £m
Cash and cash equivalents	248.9	(5.1)	–	–	–	–	243.8
Gross debt – see split in note 28(d) below	(479.7)	29.6	(13.5)	(20.8)	0.3	(0.8)	(484.9)
Net debt	(230.8)	24.5	(13.5)	(20.8)	0.3	(0.8)	(241.1)

(d) Liabilities arising from financing activities

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

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

	2024 £m	2023 £m
Current liabilities: borrowings (including leases)	**(24.7)**	(26.8)
– Less bank overdrafts shown in cash and cash equivalents in this note 28	**–**	1.8
Non-current liabilities: borrowings (including leases)	**(479.2)**	(467.4)
Current liabilities: interest rate derivatives included in financial derivatives	**–**	(4.7)
Current liabilities: loans from joint ventures	**–**	(7.8)
Total liabilities arising from financing activities	**(503.9)**	(504.9)

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

Year to 27 April 2024	**Opening £m**	**Cashflows £m**	**New leases £m**	**Lease additions from business combinations £m**	**Dividend in specie (note 28(e)) £m**	**Fair value movements on hedge £m**	**Charged to income statement £m**	**Closing £m**
Lease liabilities	**(85.3)**	**24.7**	**(33.9)**	**–**	**–**	**–**	**–**	**(94.5)**
Bonds								
– Principal	**(400.0)**	**–**	**–**	**–**	**–**	**–**	**–**	**(400.0)**
– Unamortised costs & discounts on issue	**0.4**	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**–**
Gross debt	**(484.9)**	**24.7**	**(33.9)**	**–**	**–**	**–**	**(0.4)**	**(494.5)**
Loans from joint ventures	**(7.8)**	**–**	**–**	**–**	**7.8**	**–**	**–**	**–**
Accrued interest on bonds	**(9.4)**	**16.0**	**–**	**–**	**–**	**–**	**(16.0)**	**(9.4)**
Effect of fair value hedges on carrying value of borrowings	**1.9**	**–**	**–**	**–**	**–**	**(1.9)**	**–**	**–**
Interest rate derivatives that hedge liabilities from financing activities	**(4.7)**	**4.9**	**–**	**–**	**–**	**1.9**	**(2.1)**	**–**
Total liabilities arising from financing activities	**(504.9)**	**45.6**	**(33.9)**	**–**	**7.8**	**–**	**(18.5)**	**(503.9)**

Note 28 Consolidated cash flows (continued)

(d) Liabilities arising from financing activities (continued)

Year to 29 April 2023	Opening £m	Cashflows £m	New leases £m	Lease additions from business combinations £m	Lease disposal £m	Fair value movements on hedge £m	Charged to income statement £m	Closing £m
Lease liabilities	(80.9)	29.6	(13.5)	(20.8)	0.3	–	–	(85.3)
Bonds								
– Principal	(400.0)	–	–	–	–	–	–	(400.0)
– Unamortised costs & discounts on issue	1.2	–	–	–	–	–	(0.8)	0.4
Gross debt	(479.7)	29.6	(13.5)	(20.8)	0.3	–	(0.8)	(484.9)
Loans from joint ventures	(1.7)	(6.1)	–	–	–	–	–	(7.8)
Accrued interest on bonds	(9.5)	16.1	–	–	–	–	(16.0)	(9.4)
Effect of fair value hedges on carrying value of borrowings	3.6	–	–	–	–	(1.7)	–	1.9
Interest rate derivatives that hedge liabilities from financing activities	(3.8)	0.9	–	–	–	1.7	(3.5)	(4.7)
Total liabilities arising from financing activities	(491.1)	40.5	(13.5)	(20.8)	0.3	–	(20.3)	(504.9)

(e) Non-cash transactions

The effect of new leases on net debt are shown in note 28(b) to the consolidated financial statements.

During the year ended 27 April 2024, the Group's joint venture, Scottish Citylink, made a dividend in specie by contributing loan receivables to its shareholders. As a result, the Group recognised a dividend of £7.8m from Scottish Citylink and an associated reduction in the Group's loans from joint ventures of £7.8m.

As explained in note 4(f), the Group disposed of businesses in the year ended 29 April 2023 in exchange for non-cash consideration in the form of shares in its joint venture, Scottish Citylink Coaches Limited. The estimated fair value of the shares received by the Group was £1.7m.

Note 29 Contingencies

Contingent liabilities

(i) Legal actions

We have made substantial progress in resolving the previously reported litigation regarding Stagecoach South Western Trains Limited ("SSWT"), a subsidiary of the Company that formerly operated train services under franchise.

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

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

In March 2024, SSWT and the class representative reached agreement on a settlement without any admission of liability. A collective settlement approval order was submitted to the CAT, with court approval granted in April 2024.

The Group has determined the settlement confirmed by the CAT on 10 May 2024 represents both additional evidence provided by events after the reporting period and an adjusting post balance sheet event under IAS 10, "Events after the Reporting Period". Accordingly, the Group has recognised a liability of £15.7m based on our best estimate of the likely claim rate utilising international data available for similar schemes.

The settlement requires SSWT to allocate a potential total settlement sum of up to £25.0m to three pots, each of which has different evidential thresholds, to provide redress to the represented persons through an independent claims process. The claims process is expected to run from July 2024 to January 2025. Following the completion of the claims process in January 2025, if the amount claimed is less than £10.2m, the class representative may apply to the CAT for additional costs up to the maximum of £10.2m less amounts paid to represented persons through approved claims. Considering third party data and experience with similar independent claims processes, the Group have accrued costs of £10.2m as their best estimate of the expected settlement. In addition, SSWT is also required to make a payment of £4.75m in relation to the class representative's legal costs and £0.75m in relation to the class representative's costs. As noted in section 1.5.3, the Group has recognised estimated costs of £15.7m in relation to the full and final settlement with the class representative.

(ii) The Group and the Company are from time to time party to other legal actions arising in the ordinary course of business. Liabilities have been recognised in the financial statements for the best estimate of the expenditure required to settle obligations arising under such legal actions. As at 27 April 2024, the liabilities in the consolidated financial statements for such matters total £0.6m (2023: £0.6m) in addition to those covered by the claims provisions.

Notes to the consolidated financial statements (continued)

Note 30 Financial commitments

Contractual commitments for the acquisition of property, plant and equipment were as follows:

	2024 £m	2023 £m
Contracted for but not provided:		
For delivery within one year	**266.2**	42.6

The Group has grants receivable of £71.1m (2023: £15.0m) in respect of the commitments above.

Note 31 Related party transactions

Details of major related party transactions during the year ended 27 April 2024 are provided below, except for those relating to the remuneration of the Directors and management.

(i) WCT Group Holdings Limited

One of the Group's directors who served during the year was a director of the Group's joint venture, WCT Group Holdings Limited. During the year ended 27 April 2024, the Group earned fees of £0.2m (2023: £0.1m) from WCT Group Holdings Limited in this regard. In addition, the Group had sales in the year ended 27 April 2024 to the group headed by WCT Group Holdings Limited of £0.3m (2023: £0.4m).

(ii) Pension schemes

Details of contributions made to pension schemes are contained in note 23.

(iii) Scottish Citylink Coaches Limited

In August 2022, the Group disposed of the following businesses to its joint venture, Scottish Citylink Coaches Limited:
- the megabus retail platform and customer service business, which sells and markets inter-city coach services in England and Wales.
- Falcon South-West, which retails tickets for the coach route between Plymouth and Bristol Airport.

The consideration received in respect of the disposal was an increase in the Group's share of Scottish Citylink Coaches Limited, from 35% to 37.5%, which has resulted in a gain on disposal of £1.5m being recognised during the year ended 29 April 2023.

A non-interest bearing loan of £Nil (2023: £1.7m) and an interest bearing loan of £Nil (2023: £6.1m) was due to Scottish Citylink Coaches Limited, as at 27 April 2024. The Group earned £40.6m in the year ended 27 April 2024 in respect of the operation of services subcontracted by Scottish Citylink Coaches Limited (2023: £31.2m).

The Group also collected revenue of £18.0m on behalf of Scottish Citylink Coaches Limited in the year ended 27 April 2024 (2023: £30.5m). As at 27 April 2024, the Group had a net £3.7m receivable (2023: payable £2.3m) from Scottish Citylink Coaches Limited, excluding the loan referred to above.

(iv) East Coast Main Line Company Limited

The Group owns 90% and Virgin Holdings Limited owns 10% of the ordinary shares in Inter City Railways Limited. East Coast Main Line Company Limited is 100% owned by Inter City Railways Limited and entered into various arm's length transactions with other Group companies.

In the year ended 27 April 2024, other Group companies earned £0.1m (2023: £0.3m) from East Coast Main Line Company Limited in respect of the provision of certain services. As at 27 April 2024, the Group had a £Nil receivable (2023: £0.2m receivable) in this respect.

(v) Crown Sightseeing Limited

The Group owns 33.3% of the ordinary shares of Crown Sightseeing Limited, a joint venture formed in the year ended 1 May 2021. As at 27 April 2024, an interest bearing loan of £Nil (2023: £Nil) advanced by the Group to Crown Sightseeing Limited was outstanding. The loan accrues interest at the Bank of England base rate plus 3%. In addition, the Group earned £5.1m in the year ended 27 April 2024 (2023: £2.4m) in respect of the operation of bus services subcontracted by Crown Sightseeing. As at 27 April 2024, the Group had a £0.8m (2023: £0.4m) receivable in this respect.

(vi) Related party transactions with senior managers and directors

During the year ended 27 April 2024, six senior managers (including three executive directors) purchased participating shares in a parent Company. To facilitate this the Company advanced loans to five of the senior managers (including two executive directors) totalling £511,500 in order to facilitate the acquisition of the participating shares. The individual loan values ranged from £57,750 to £165,000 and incurred total interest charges of £3,153 (at the official rate of 2.25%). The loans are repayable on the sale of the Company, or by no later than 19 January 2034.

Note 32 Post balance sheet events

(i) Stagecoach South Western Trains Limited

On 10 May 2024, the Competition Appeal Tribunal approved the settlement agreement reached between the class representative and the Group in respect of previously reported litigation regarding Stagecoach South Western Trains Limited ("SSWT"), a subsidiary of the Company that formerly operated train services under franchise. We have recognised estimated costs of £15.7m in respect of this matter, as explained in note 29.

(ii) Coach USA

As disclosed in note 5(c), on 11 June 2024, the Group's former North American business announced that it commenced voluntary Chapter 11 proceedings in the US Bankruptcy Court for the District of Delaware.

The Group had previously agreed to continue to provide the guarantees and arrange the letters of credit required by the insurers in respect of claims relating to periods ending on or before July 2019 for the North American business. The Group indemnifies the banks that issue those letters of credit against any losses suffered by the banks.

Note 32 Post balance sheet events (continued)

(ii) Coach USA (continued)

Accordingly, we expect the letters of credit put in place by the Group to now be called. As at 27 April 2024, the Group had letters of credit outstanding of £15.7m. We believe that this is an adjusting events as it provides evidence of conditions existing at 28 April 2024 but were only concluded after that date. Therefore, we have recognised the expected call on the letters of credit in the results to 27 April 2024.

Note 33 Definitions

(a) Alternative performance measures

The Group uses a number of alternative performance measures in this document to help explain the financial performance and financial position of the Group. More information on the definition of these alternative performance measures and how they are calculated is provided below. All of the alternative performance measures explained below have been calculated consistently for the year ended 27 April 2024 and for comparative amounts shown in this document for prior years.

Like-for-like amounts

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

Like-for-like revenue growth for the year ended 27 April 2024 is calculated by comparing the revenue for the current and comparative years, each adjusted as described above. The revenue of each segment is shown in note 2(a) to the financial statements. The reconciliation to the adjusted revenue figures for the purposes of calculating like-for-like revenue growth is shown below:

Year ended 27 April 2024		Reported revenue	Exclude acquisitions	Exclude disposals	Like-for-like revenue
UK Bus (regional operations)	£m	**1,206.1**	**(1.8)**	**–**	**1,204.3**
UK Bus (London)	£m	**364.2**	**40.5**	**–**	**323.7**

Year ended 29 April 2023		Reported revenue	Exclude acquisitions	Exclude disposals	Like-for-like revenue
UK Bus (regional operations)	£m	1,029.9	–	(11.1)	1,018.8
UK Bus (London)	£m	327.5	(51.4)	–	276.1

The table for the year ended 29 April 2023 has been restated to remove discontinued operations.

Liquidity

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

Operating profit

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

Operating profit (or loss) for a particular business unit or segment within the Group refers to profit (or loss) before net finance income/costs, taxation, non-controlling interests, separately disclosed items and restructuring costs. The operating profit (or loss) for each segment is directly identifiable from note 2(b).

Adjusted operating profit

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

Operating margin

Operating margin for a particular business unit or segment within the Group means operating profit (or loss) as a percentage of revenue. The revenue and operating profit (or loss) for each segment is directly identifiable from notes 2(a) and 2(b). Where relevant, the revenue, operating profit (or loss) and operating margin for each segment are also shown on pages 3 and 4 of this Annual Report.

Adjusted EBITDA

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

A reconciliation of adjusted EBITDA for the year ended 27 April 2024, and the comparative prior year, to the financial statements is shown in section 1.5.4 of this Annual Report.

Adjusted EBITDA from Group companies

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

Adjusted EBITDA from Group companies is directly identifiable from note 28(a) to the financial statements.

Notes to the consolidated financial statements (continued)

Note 33 Definitions (continued)

(a) Alternative performance measures (continued)

Net finance costs

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

Adjusted net finance costs

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

Gross debt

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

The components of gross debt are shown in note 28(d) to the financial statements.

Net debt

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

The components of net debt are shown in note 28(c) to the financial statements.

Net capital expenditure

Net capital expenditure is the impact of purchases, new leases, lease disposals, and sales of property, plant and equipment on net debt. Its reconciliation to the consolidated financial statements is explained in section 1.5.8 of this Annual Report.

Net debt plus train operating company liabilities

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

	2024 £m	2023 £m
Net debt as shown in note 28(c)	**394.9**	241.1
Net train operating company liabilities as shown in note 2(d)	**21.7**	24.7
Net debt plus train operating company liabilities	**416.6**	265.8

(b) Other definition

The following other definition is also used in this document:

Separately disclosed items

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

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

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

Note 34 Ultimate parent undertaking

The Company's immediate holding Company is Inframobility UK Bidco Limited (registered number 13957417), registered in England. It has two ultimate holding companies who share ownership in the following ratios:
- Pan-European Infrastructure III, SCSp ("PEIF III"): 78.56%
- Compass European Infrastructure SCSp ("Compass"): 21.44%

Both are infrastructure funds and neither PEIF III nor Compass are under the control of any single party or, parties acting in concert.

The parent undertaking of the smallest group of which the Company is a member and for which consolidated financial statements are expected to be prepared, is Inframobility UK Midco Ltd, a company registered in England with registered number 13954049 and registered address at C/O Stagecoach Services Limited One Stockport Exchange, 20 Railway Road, Stockport, United Kingdom, SK1 3SW.

The parent undertaking of the largest group of which the Company is a member and for which consolidated financial statements are expected to be prepared, is Inframobility UK Topco Ltd, a company registered in England with registered number 13919225 and registered address at C/O Stagecoach Services Limited One Stockport Exchange, 20 Railway Road, Stockport, United Kingdom, SK1 3SW.

10. Separate financial statements of the parent company, Stagecoach Group Limited

Company balance sheet

As at 27 April 2024

	Notes	**2024 £m**	2023 £m
ASSETS			
Non-current assets			
Property, plant and equipment			
– Owned assets	*2(a)*	**3.1**	3.1
– Right-of-use assets	*2(b)*	**6.5**	3.9
Investments	*3*	**1,049.4**	1,049.4
Deferred tax asset	*6*	**5.1**	3.2
Other receivables	*4*	**7.4**	6.2
Retirement benefit assets	*8*	**5.8**	6.7
Derivative instruments at fair value	*7*	**4.5**	11.5
		1,081.8	1,084.0
Current assets			
Other receivables	*4*	**68.8**	14.8
Current tax assets		**0.7**	1.4
Derivative instruments at fair value	*7*	**11.5**	13.9
Cash and cash equivalents		**62.1**	212.3
		143.1	242.4
Total assets		**1,224.9**	1,326.4
LIABILITIES			
Current liabilities			
Trade and other payables	*5*	**194.5**	307.3
Current tax liabilities		**–**	–
Derivative instruments at fair value	*7*	**1.9**	9.1
		196.4	316.4
Non-current liabilities			
Other payables	*5*	**413.5**	409.4
Derivative instruments at fair value	*7*	**6.0**	12.4
Retirement benefit obligations	*8*	**2.0**	2.1
		421.5	423.9
Total liabilities		**617.9**	740.3
Net assets		**607.0**	586.1
EQUITY			
Ordinary share capital	*9*	**3.2**	3.2
Share premium account	*10*	**8.4**	8.4
Retained earnings	*10*	**242.2**	221.3
Capital redemption reserve	*10*	**422.8**	422.8
Own shares	*10*	**(69.6)**	(69.6)
Total equity		**607.0**	586.1

In accordance with the concession granted under section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Company have not been separately presented in these financial statements. The profit of the Company was £105.9m (2023: loss of £56.4m).

These financial statements were approved for issue by the Board of Directors on 27 June 2024. The accompanying notes form an integral part of this balance sheet.

Claire Miles
Chief Executive Officer

Bruce Dingwall
Chief Financial Officer

10. Separate financial statements of the parent company, Stagecoach Group Limited (continued)

Company statement of changes in equity

	Ordinary share capital £m	Share premium account £m	Retained earnings £m	Capital redemption reserve £m	Own shares £m	Total equity £m
Balance at 30 April 2022	3.2	8.4	320.9	422.8	(69.6)	685.7
Loss for the year and total comprehensive expense	–	–	(56.4)	–	–	(56.4)
Credit in relation to equity-settled share based payments	–	–	3.9	–	–	3.9
Tax credit in relation to equity settled share based payments	–	–	0.4	–	–	0.4
Dividends paid on ordinary shares	–	–	(47.5)	–	–	(47.5)
Balance at 29 April 2023	3.2	8.4	221.3	422.8	(69.6)	586.1
Profit for the year and total comprehensive income	–	–	105.9	–	–	105.9
Dividends paid on ordinary shares	–	–	(85.0)	–	–	(85.0)
Balance at 27 April 2024	**3.2**	**8.4**	**242.2**	**422.8**	**(69.6)**	**607.0**

Notes to the Company financial statements

Note 1 Parent company accounting policies

These financial statements are presented in respect of Stagecoach Group Limited. Stagecoach Group Limited is a private limited liability company limited by shares. It is incorporated, domiciled and has its registered office in Scotland. Its registered number is SC100764 and its registered address is 10 Dunkeld Road, Perth PH1 5TW.

The Company financial statements are prepared in accordance with Financial Reporting Standard 101, *Reduced Disclosure Framework* ("FRS 101").

(a) Basis of preparation

These financial statements have been prepared on a going concern basis and under the historical cost accounting convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value, in accordance with the Companies Act 2006.

These financial statements have been prepared on a going concern basis. Taking account of the relevant factors, the Directors concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the Company financial statements. The Directors have a reasonable expectation that the Company will continue to operate as a going concern for the duration of the going concern period, being the period to 26 July 2025.

The Strategic report in section 1 of this Annual Report includes information on the outlook for the Group (including in sections 1.3 and 1.6) and the Group's financial position and liquidity (including in section 1.5.9). Section 2.11 of this Annual Report provides additional information on the Directors' assessment of the Group's ability to continue as a going concern. Section 4.4 of this Annual Report includes information on the Audit Committee's consideration of going concern, and the work and conclusions of the Audit Committee in respect of that.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council. The parent Company financial statements have therefore been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 as issued by the Financial Reporting Council. The Company has taken advantage of the legal dispensation contained in section 408 of the Companies Act 2006 allowing it not to publish a separate income statement and related notes. The Company has also taken advantage of the legal dispensation contained in section 408 of the Companies Act 2006 allowing it not to publish a separate statement of other comprehensive income. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46-52 of IFRS 2, *Share-based payments*
- Paragraph 38 of IAS 1 *Presentation of financial statements* with regards to comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 *Property, plant and equipment* and paragraph 118(e) of IAS 38 *Intangible assets*
- FRS 7, *Financial Instruments: Disclosures*
- Paragraphs 10(d), 10(f), 16, 38A, 38B-D, 111 and 134-136 of IAS 1, *Presentation of financial statements*
- IAS 7, *Statement of cash flows*
- Paragraphs 30 and 31 of IAS 8, *Accounting policies, changes in accounting estimates and errors*
- Paragraph 17 of IAS 24, *Related party disclosures*
- The requirements in IAS 24, *Related party disclosures,* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member
- Paragraphs 91-99 of IFRS 13, *Fair Value Measurements*

(b) New accounting standards adopted during the year

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 27 April 2024 that have a material impact on the Company's financial statements.

(c) Critical accounting judgements and key source of estimation uncertainty

Preparation of the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101, requires directors to make judgements and estimates that affect the reported amounts in the Company financial statements and accompanying notes. The Directors believe that the key source of estimation uncertainty discussed below represents that requiring the greatest exercise of judgement.

The discussion below should be read in conjunction with the full statement of accounting policies.

(i) Judgements

Apart from those involving estimations (see (ii) below), the Directors do not consider there to be significant judgements involved in the process of applying the Company's accounting policies.

(ii) Key source of estimation uncertainty

The Directors consider the following to be the most significant source of estimation uncertainty. The Directors have used their best judgement in determining the estimates and assumptions used in this area but a different set of judgements could result in material changes to the Company's reported financial performance and/or financial position.

Carrying value of investments in subsidiary undertaking

The carrying value of the Company's investment in Stagecoach Transport Holdings Limited, a wholly owned subsidiary, was £1,049.4m as at 27 April 2024 (2023: £1,049.4m). Stagecoach Transport Holdings Limited holds investments in a number of businesses within the Group, including the UK regional bus business. The estimated value in use of the investment was £1,405.3m (2023: £1,270.2m) as at 27 April 2024 but alternative assumptions could result in an impairment loss.

The value in use of the Company's investment in Stagecoach Transport Holdings Limited is most sensitive to assumptions regarding the future financial performance of the Group's regional bus business.

Further information on the estimation uncertainty, including sensitivity analyses, is provided in note 3 to the Company financial statements.

Notes to the Company financial statements (continued)

Note 1 Parent company accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment are shown at their original historic cost net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life (or lease term, if shorter), as follows:

Freehold buildings	50 years
IT and other equipment, furniture and fittings	3 to 10 years
Motor cars and other vehicles	3 to 5 years

The need for any impairment is assessed by comparing the carrying value of the asset against the higher of net realisable value and value in use.

(e) Leases

The Company leases company cars, vans and other vehicles not for passenger service.

For contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration, the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying asset.

Contracts can contain lease and non-lease components. For all current motor vehicle leases, the Company has elected not to separate lease and non-lease components but instead accounts for these as a single lease component.

The lease agreements do not generally impose any financial covenants.

Measurement of lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments, less any lease incentives receivable.

There are no leases with any form of variable payment.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:
- uses recent third party financing received by it as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- makes adjustments to the rate to reflect the terms and conditions specific to the lease. These will include adjustment for items such as the lease term and the right-of-use asset being leased.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

(f) Investments

Investments in subsidiary undertakings are stated at cost, less provision for impairment.

(g) Taxation

Tax, current and deferred, is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date.

Corporation tax is provided on taxable profit at the current rate applicable. Tax charges and credits are accounted for through the same primary statement as the related pre-tax item.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is measured at tax rates that are expected to apply in periods in which the temporary differences reverse based on tax rates and law enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Management estimates amounts relating to uncertain tax treatments based on the applicable law and regulations, historic outcomes of similar matters, independent specialist advice and consideration of the progress on, and nature of, current discussions with the tax authorities. Where management determines that a greater than 50% probability exists that the tax authorities would accept the position taken in the tax return, amounts are recognised in the financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability or asset based on either: management's judgement of the most likely outcome; or, when there is a wide range of possible outcomes, a probability weighted average approach.

Note 1 Parent company accounting policies (continued)

(h) Foreign currencies

Foreign currency transactions arising during the year are translated into sterling at the rate of exchange ruling on the date of the transaction. Foreign currency monetary assets and liabilities are retranslated into sterling at the rates of exchange ruling at the year-end. Any exchange differences so arising are dealt with through the income statement.

For the principal rates of exchange used, see note 1(o) to the consolidated financial statements.

(i) Share based payments

The Company previously issued equity-settled and cash-settled share based payments to certain employees of its subsidiary companies. All of the Company's share based payment awards were wound up, following the change of control of the Company in May 2022. The final accounting for the payments were included in the financial statements for the year ended 29 April 2023.

Share based payment awards made by the Company to employees of its subsidiary companies are recognised in the Company's financial statements as an increase in its investments in subsidiary undertakings rather than as an expense in the income statement to the extent that the amount is not recharged to each subsidiary company.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense (or as an increase in investments in subsidiary undertakings) over the vesting period. In valuing equity-settled transactions, no account is taken of any non-market based vesting conditions and no expense or investment is recognised for awards that do not ultimately vest as a result of a failure to satisfy a non-market based vesting condition. None of the Company's equity-settled transactions had any market based performance conditions.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value. Fair value is estimated initially at the grant date and at each balance sheet date thereafter until the awards are settled. Market based performance conditions are taken into account when determining fair value. At each balance sheet date, the liability recognised is based on the fair value of outstanding awards (ignoring non-market based vesting conditions) at the balance sheet date, the period that fell prior to the balance sheet date and management's estimate of the likelihood and extent of non-market based vesting conditions being achieved.

Changes in the carrying amount of the liability are recognised in the income statement for the period.

(j) Dividends

Dividends on ordinary shares are recorded in the financial statements in the period in which they are approved by the Company's shareholders, or in the case of interim dividends, in the period in which they are paid.

(k) Financial instruments

Financial instruments are accounted for in accordance with IFRS 9 "Financial Instruments", and IFRS 7 "Financial instruments: Disclosures" which is the same as the accounting policy for the Group. Therefore, for details of the Company's accounting policy for financial instruments, refer to note 1(aa) to the consolidated financial statements.

The Company holds derivative financial instruments that hedge financial risks of the Group as a whole and to which hedge accounting is applied in the consolidated financial statements. Interest rate derivatives that are accounted as fair value hedges in the consolidated financial statements are accounted for in the same manner in the Company financial statements. However, all fuel derivatives are accounted for in the Company financial statements at fair value through profit or loss.

(l) Investment in own shares

Own shares held in treasury by the Company are classified as deductions from equity.

(m) Retirement benefit obligations

The Company is the "principal employer" in each of the three sections of the Stagecoach Group Pension Scheme ("SPS"). Where other participating employers are unable to meet their liabilities, the Company is liable for the remaining liabilities. No liability has been recognised in the Company's financial statements for that as the participating employers are expected to meet their liabilities to SPS.

The Company provides benefits to certain employees of subsidiary undertakings under an HMRC unapproved employer financed retirement benefit scheme in the UK ("EFRBS"). The liability of this scheme is unfunded, as no contributions are made to the scheme, but the Company has set aside assets to meet its obligations under the scheme. The scheme holds a guarantee over assets which the Company has set aside. The Company considers that the assets set aside are in substance pension assets and so the amounts of those assets are included within the net pension amounts reported in the Company balance sheet.

The Company is not liable for a share in any of the other funded Group defined benefit schemes that are disclosed in note 23 to the consolidated financial statements. It does have unfunded liabilities in respect of former employees and these are reflected in the balance sheet.

Notes to the Company financial statements (continued)

Note 2 Property, plant and equipment

(a) Owned assets

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

	Land & Buildings £m	Other plant and equipment £m	Total £m
Cost			
At beginning and end of year	**3.2**	**1.2**	**4.4**
Depreciation			
At beginning and end of year	**(0.1)**	**(1.2)**	**(1.3)**
Net book value at beginning and end of year	**3.1**	**–**	**3.1**

(b) Leases

(i) Movements in right-of-use assets

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

	Other plant and equipment 2024 £m	Other plant and equipment 2023 £m
Cost		
At beginning of year	**7.7**	7.2
Additions	**4.8**	1.9
Disposals	**(1.9)**	(1.4)
At end of year	**10.6**	7.7
Depreciation		
At beginning of year	**(3.8)**	(3.5)
Depreciation charged to income statement	**(2.2)**	(1.8)
Disposals	**1.9**	1.5
At end of year	**(4.1)**	(3.8)
Net book value at beginning of year	**3.9**	3.7
Net book value at end of year	**6.5**	3.9

(ii) Lease liabilities

	2024 £m	2023 £m
Current	**2.3**	1.6
Non-current	**4.1**	2.3
	6.4	3.9

(iii) Amounts recognised in the income statement

The income statement includes the following depreciation charges and other costs relating to leases:

	2024 £m	2023 £m
Depreciation on right-of-use assets	**2.2**	1.8
Lease costs included within operating profit	**2.2**	1.8
Interest expense included in finance costs	**0.3**	0.1
Lease costs included within profit before tax	**2.5**	1.9

(iv) Amounts recognised in statement of cash flows

Cash flows for leases were:

	2024 £m	2023 £m
Total cash outflow for leases	**2.5**	1.9

Notes to the Company financial statements (continued)

Note 3 Investments

The movements in investments were as follows:

	Subsidiary undertakings	
	2024 £m	2023 £m
Cost and net book value		
At beginning of year	**1,049.4**	1,045.5
Additions	**–**	3.9
At end of year	**1,049.4**	1,049.4

The carrying value of the Company's investment in Stagecoach Transport Holdings Limited, a wholly owned subsidiary, was £1,049.4m as at 27 April 2024 (2023: £1,049.4m). Stagecoach Transport Holdings Limited holds investments in a number of businesses within the Group, including the UK regional bus business.

The value in use of the Company's investment in Stagecoach Transport Holdings Limited is most sensitive to assumptions regarding the future financial performance of the Group's regional bus business.

Our base case forecast assumes that regional bus commercial continues to grow through the year to 3 May 2025, including a full year effect of our franchise operations in Manchester. We expect our London operations to improve their profitability over the course of the year, reflecting the planned actions we have for the business. We have discounted our cash flow projections using a pre-tax discount rate of 11.3% (2023: 11.2%), and a growth rate of 2.4% (2023: 2.4%) per annum is used to extrapolate cash flows beyond management's base forecasting period.

As at 27 April 2024, the value in use of the investment exceeded its carrying amount. Our sensitivity analysis indicates that this headroom would be eliminated if the assumed regional bus revenue over the forecasting period was 2.3% (2023: 2.8%) lower, the assumed regional bus costs over the forecasting period were 2.5% (2023: 3.1%) higher, the assumed regional bus long-term growth rate fell by more than 249 basis points (2023: 667 basis points).

Note 4 Other receivables

Other receivables were as follows:

	2024 £m	2023 £m
Non-current:		
Amounts owed by Group undertakings	**20.5**	19.9
Less: provision for impairment	**(13.7)**	(13.7)
Amounts owed by Group undertakings – net	**6.8**	6.2
Other receivables	**0.6**	–
	7.4	6.2
Current:		
Amounts owed by Group undertakings	**34.8**	4.2
Less: provision for impairment	**–**	–
Amounts owed by Group undertakings – net	**34.8**	4.2
Amounts owed by Parent undertakings	**2.9**	–
Other receivables	**31.1**	10.6
Prepayments and accrued income	**–**	–
	68.8	14.8

Of amounts owed by Group undertakings, £42.8m (2023: £11.6m) accrue no interest and are repayable on demand. The remaining £12.5m (2023: £12.5m) owed by Group undertakings accrues interest at 6.2% per annum (2023: 4.7%), and is repayable on demand.

The amount owed by Parent Company undertakings accrues interest at 6.5% (2023: Nil), and is repayable on demand.

Current other receivables of £31.1m (2023: £10.6m) includes £31.1m (2023: £9.9m) of VAT recoverable from HM Revenue & Customs.

Notes to the Company financial statements (continued)

Note 5 Payables

Trade and other payables were as follows:

	2024 £m	2023 £m
Current:		
Amounts owed to Group undertakings	**170.2**	294.7
Accruals and deferred income	**22.0**	11.0
Lease liabilities	**2.3**	1.6
	194.5	307.3
Non-current:		
Sterling 4.00% Notes	**409.4**	407.1
Lease liabilities	**4.1**	2.3
	413.5	409.4

Of amounts owed to Group undertakings, £120.2m (2023: £244.7m) accrue no interest and are repayable on demand. The remaining £50.0m owed to Group undertakings (2023: £50.0m) accrue interest at 6.24% (2023: 4.7%). These are all repayable on demand.

Borrowings are repayable as follows:

	2024 £m	2023 £m
On demand or within 1 year		
Lease liabilities	**2.3**	1.6
Repayable after 1 year, but within 5 years		
Lease liabilities	**4.1**	2.3
Sterling 4.00% Notes	**409.4**	407.1
Total borrowings	**415.8**	411.0

Note 6 Deferred tax

The movement in the deferred tax asset during the year was as follows:

	2024 £m	2023 £m
At beginning of year	**3.2**	3.6
Credit/(charge) to the income statement	**1.9**	(0.4)
At end of year	**5.1**	3.2

Deferred taxation is analysed as follows:

	2024 £m	2023 £m
Pension temporary differences	**3.2**	3.1
Losses carried forward	**1.9**	–
Accelerated capital allowances	**–**	0.1
At end of year	**5.1**	3.2

Note 7 Derivative financial instruments

The fair values of derivative financial instruments, none of which are intra-Group, are set out below:

	2024 £m	2023 £m
Non-current assets		
Fuel derivatives	**4.5**	11.5
Current assets		
Fuel derivatives	**11.5**	13.9
Current liabilities		
Interest rate derivatives	**–**	(4.7)
Fuel derivatives	**(1.9)**	(4.4)
	(1.9)	(9.1)
Non-current liabilities		
Fuel derivatives	**(6.0)**	(12.4)
	(6.0)	(12.4)

Notes to the Company financial statements (continued)

Note 8 Retirement benefit obligations

	2024 £m	2023 £m
Retirement benefit asset	**5.8**	6.7
Retirement benefit obligations	**(2.0)**	(2.1)
	3.8	4.6

The Company no longer has any employees but has retirement benefit assets and liabilities in respect of former employees and current employees of subsidiary undertakings, which are shown above. See note 1(m) to the Company financial statements and note 23 to the consolidated financial statements for more details on retirement benefits.

Note 9 Share capital

Information on share capital is provided in note 25 to the consolidated financial statements.

Note 10 Equity reserves

The profit of £105.9m (2023: loss of £56.4m) shown in the statement of changes in equity is consolidated in the results of the Group. There were dividends paid during the year ended 27 April 2024 of £85.0m (2023: £47.5m).

The retained earnings are distributable but the amount available for distribution under the Companies Act 2006 by reference to these financial statements is reduced by the own shares reserve of £69.6m (2023: £69.6m). The other components of equity shown in the statement of changes in equity are not distributable.

The remuneration of the Directors is borne by other Group companies and is detailed in note 7 to the consolidated financial statements. The remuneration of the auditors is shown in note 3 to the consolidated financial statements.

Note 11 Share based payments

For details of share based payment awards and fair values, see note 26 to the consolidated financial statements. All of the Company's share based payment awards either lapsed or vested in full in the year ended 29 April 2023 following the change of control of the Company. The Company accounted for the equity-settled share based payment charge for the year of £Nil (2023: £3.9m) by recording an increase to its investment in subsidiaries for this amount and recording a corresponding entry to retained earnings to reflect the fact that the Company has no employees (2023: none) and all share based payment awards are to employees of subsidiary companies. The Company accounted for the cash-settled share based payment credit for the year of £Nil (2023: £Nil) by recording an adjustment to the liability for this amount and recording a corresponding entry as a charge through the income statement. The cash-settled share based payment charge is recharged in full to subsidiary companies and the recharge income and related expense are both included in the income statement.

Note 12 Guarantees, other financial commitments and contingent liabilities

(a) Guarantees

The Company has provided certain guarantees and indemnities to third parties in respect of liabilities and obligations of its subsidiary companies. Not all of those guarantees are subject to a specified monetary limit and they include performance guarantees in respect of subsidiaries' performance under certain contracts, including contracts with Transport for London to provide bus services. In light of that, it is not possible to determine the Company's maximum liability under the guarantees, although the Company currently does not expect to incur any liability in respect of those guarantees. The Company estimates that it could be liable for up to £269.0m (2023: £196.1m) in relation to guarantees of subsidiaries' obligations in respect of insurance/claims, local government pension schemes, payment processing arrangements and leases. Of that, £94.6m (2023: £89.8m) is included as liabilities in the consolidated financial statements.

The Company is also party to cross-guarantees whereby any bank overdrafts and Value Added Tax liabilities of it and certain of its subsidiaries are cross-guaranteed by it and all of the relevant subsidiaries.

None of the above contingent liabilities of the Company are expected to crystallise.

The Company may be found to be liable for some of the contingent liabilities referred to in note 29 to the consolidated financial statements.

(b) Capital commitments

Capital commitments (where the Company has contracted to acquire assets on behalf of its subsidiaries) are as follows:

	2024 £m	2023 £m
Contracted for but not provided:		
For delivery in one year	**259.8**	39.1

Note 13 Related party transactions

The Company has taken advantage of the exemption under FRS 101 from disclosing related party transactions entered into between two or more members of a group. Related party disclosures provided by the Group can be found in note 31 to the consolidated financial statements.

Note 14 Employees

The Company has no (2023: none) employees. The Company's directors and some other head office personnel are employed by a subsidiary company, Stagecoach Holdings Limited.

All of the Company's share based payment awards either lapsed or vested in full in the year ended 29 April 2023 following the change of control of the Company.

11. Subsidiary and related undertakings

The Company owns the following subsidiary and related undertakings. The Company indirectly owns 100% of each undertaking through its holding of the stated class or classes of share or other interest unless otherwise stated.

Company	Country of registration	Class of shares/other interest	Registered office address
Bluebird Buses Limited	Scotland	Ordinary shares	Perth
Busways Travel Services Limited	England	Ordinary shares and Ordinary-A shares	Stockport
Cambus Limited	England	Ordinary shares	Stockport
Cheltenham and Gloucester Omnibus Company Limited	England	Ordinary and Preference shares	Stockport
Cleveland Transit Limited	England	Ordinary shares	Stockport
Crown Sightseeing Limited (33.3%)	England	Ordinary shares	London 2
East Coast Main Line Company Limited (90%)	England	Ordinary shares	Stockport
East Kent Road Car Company Limited	England	Ordinary shares	Stockport
East London Bus and Coach Company Limited	England	Ordinary shares	Stockport
East London Bus Group Property Investments Limited	England	Ordinary shares	Stockport
East London Bus Ltd.	England	Ordinary shares	Stockport
East Midlands Trains Limited	England	Ordinary shares	Stockport
Fife Scottish Omnibuses Limited	Scotland	Ordinary shares	Perth
Go West Travel Limited	England	Ordinary shares	Stockport
Greater Manchester Buses South Limited	England	Ordinary shares	Stockport
Highland Country Buses Limited	Scotland	Ordinary shares	Perth
Inter City Railways Limited (90%)	England	A shares	Stockport
Lea Interchange Bus Company Limited	England	Ordinary shares	Stockport
Lincolnshire Road Car Company Limited	England	Ordinary shares	Stockport
Midland Red (South) Limited	England	Ordinary shares	Stockport
Nicecon Limited (50%)	Scotland	Ordinary shares	Greenock
Planet Coach BVBA	Belgium	Ordinary shares	Brussels
PSV Claims Bureau Limited	England	Ordinary shares	Stockport
Red & White Services Limited	England	Ordinary shares	Stockport
Redstar Ticketing Limited (49%)	England	Ordinary shares	London
Ribble Motor Services Limited	England	Ordinary shares	Stockport
SGPS Trustees Limited	Scotland	Ordinary shares	Perth
SCOTO Limited	England	Ordinary shares	Stockport
SCOTO US Subsidiary Limited LLC	United States	LLC Units	Wilmington
Scottish Citylink Coaches Limited (37.5%)	Scotland	Ordinary shares	Glasgow
SCUSI Limited	England	Ordinary shares	Stockport
SCUSI US Subsidiary Limited LLC	United States	LLC Units	Wilmington
South East London & Kent Bus Company Limited	England	Ordinary shares	Stockport
South Yorkshire Supertram Limited	England	Ordinary shares	Stockport
Stagecoach (North West) Limited	England	Ordinary shares	Stockport
Stagecoach (South) Limited	England	Ordinary shares	Stockport
Stagecoach Bus Holdings Limited	Scotland	Ordinary shares	Perth
Stagecoach Devon Limited	England	Ordinary shares	Stockport
Stagecoach Holdings Limited	Scotland	Ordinary shares	Perth
Stagecoach International Limited	Scotland	Ordinary shares	Perth
Stage-coach International Services Limited	Scotland	Ordinary shares	Perth
Stagecoach Rail Holdings Limited	Scotland	Ordinary shares	Perth
Stagecoach Rail Replacement (East) Limited	England	Ordinary shares	Stockport
Stagecoach Services Limited	England	Ordinary shares	Stockport
Stagecoach South Western Trains Limited	England	Ordinary shares	Stockport
Stagecoach Supertram Maintenance Limited	England	Ordinary shares	Stockport
Stagecoach Transport Holdings Limited*	Scotland	Ordinary shares	Perth
Thames Transit Limited	England	Ordinary shares	Stockport
The Yorkshire Traction Company Limited	England	Ordinary shares	Stockport
WCT Group Holdings Limited (49%)	England	Common stock B shares	London
WCT Group Limited (49%)	England	Ordinary and Preference shares	London
West Coast Trains Limited (49%)	England	Ordinary shares	London
Western Buses Limited	England	Ordinary shares	Stockport

* Company is directly held by Stagecoach Group Limited.

All subsidiary undertakings are included in the consolidated financial statements.

Registered office	Registered office address
Perth	10 Dunkeld Road, Perth PH1 5TW
Stockport	C/O Stagecoach Services Limited, One Stockport Exchange, 20 Railway Road, Stockport SK1 3SW
Glasgow	Buchanan Bus Station, Killermont Street, Glasgow G2 3NW
Greenock	99 Larkfield Industrial Estate, Greenock PA16 0EQ
Brussels	Koningsstraat 97, 1000 Brussels
Wilmington	1209 Orange Street, Wilmington, DE 19801
London	66 Porchester Road, London W2 6ET
London 2	120 Southampton Row, London WC1B 5AB

12. Corporate information

Corporate Information

Company Secretary

Mike Vaux

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