Mobico Group PLC ("Mobico" or the "Group"): Results for the Full Year ended 31 December 2023

Continued revenue growth driven by passenger volumes, route recovery and pricing, with profitability impacted by inflationary pressures, and £105m reduction in Covid related support

Further benefits to come from pricing and restructuring, alongside continued volume growth

Review of accounting judgements in relation to German Rail business completed[2]

FY 24 Adjusted Operating Profit expected to be in the range £185 - £205m

Full Year results, twelve months ended 31 December 2023

	FY 2023	FY 2022 (Restated) [2]	Change (Reported)	Change (Constant FX)
Group Revenue	**£3.15bn**	£2.81bn	12.2%	10.9%
Group Adjusted[1] EBITDA	**£386.0m**	£418.1m	(7.7)%	(6.7)%
Group Adjusted[1] Operating Profit	**£168.6m**	£197.3m	(14.5)%	(10.7)%
Group Adjusted[1] Profit Before Tax	**£92.9m**	£145.9m	(36.3)%	(30.6)%
Free cash flow	**£163.7m**	£160.5m		
Covenant net debt	**£987.1m**	£985.8m		
Covenant gearing	**3.0x**	2.8x		
Adjusted basic[1] EPS	**4.5p**	15.0p		
Dividend per share	**1.7p**	5.0p		
Return on Capital Employed	**7.0%**	7.6%		
Statutory				
Group Operating (Loss)	**£(21.4)m**	£(173.5)m		
Group (Loss) Before Tax	**£ (98.3)m**	£(225.3)m		
Group (Loss) After Tax	**£(162.7)m**	£(231.2)m		
Basic EPS	**(30.2)p**	(41.4)p		

- **Revenue growth of 12.2%**, with continued delivery on pricing and passenger volume increases across the Group, including record year at ALSA and driver & route recovery in North America School Bus
- **Adjusted Operating Profit decreased to £168.6m** (FY 22: £197.3m) as benefits of volume recovery and in-year benefit from pricing and Accelerate 1.0 cost reduction programme were offset by cost inflation, reduction in Covid subsidies, and lower profitability in Germany
- **Statutory Operating Loss of £21.4m** (FY 22 restated: £173.5m Loss, following £260.6m ALSA impairment), impacted by £30m restructuring costs and £99m charge to the German Rail onerous contract provision
- **ALSA delivers record revenues and profits** in its centenary year
- **New divisional leadership: North America School Bus** – strong school year start-up with continued pricing recoveries and preparations for disposal on track; **UK & Germany** - UK restructuring (including NXTS turnaround) underway
- **German contract profitability reduced** (and onerous contact provisions increased) as a result of industry wide labour scarcity, lower productivity, market volatility in energy prices and persistent high inflation
- **Further pricing and restructuring benefits to come** with 'Accelerate 1.0' delivering at least £30m annualised savings, and 'Accelerate 2.0' well underway targeting at least £20m annualised savings
- **43 new contracts won, worth over £1bn** in total contract value and c.£126m in annualised revenue, with average ROCE of 23%, in line with Evolve strategy. Mobilised in new key target cities, including Porto, Seville and Charleston as well as multi-modal hub expansions in Madrid, Chicago, Boston, and Geneva
- **Covenant net debt of £987.1m (FY 22: £985.8m) with covenant gearing of 3.0x** (FY 22: 2.8x). Compared to a covenant test limit of 3.5x.
- **Improved debt maturity and liquidity** with £600m RCF refinanced to 2028, and €500m bond refinanced to 2031.
- **FY 24 Adjusted Operating Profit expected to be between £185m and £205m**

Ignacio Garat, Mobico Group Chief Executive, said:

"Our 2023 results are below the expectations we set ourselves at the beginning of the year.The delays due to the additional work relating to the German Rail business was regrettable but it is now concluded.[3] Although Group revenue growth was encouraging, driven by passenger demand and actions taken to recover inflation, this has not translated into an improvement in reported profitability."

"I am nevertheless encouraged by the progress we have made in transforming the business, with the new leadership we have appointed in North America School Bus and the UK & Germany making a tangible impact and the first phase of our Accelerate cost efficiency program delivering ahead of expectations."

"Our focus remains on delivering the benefits of our restructuring programs and in recovering inflationary costs through pricing, while maintaining a relentless focus on the quality of our offering to support growth. Opportunities remain to create a more appropriate and sustainable cost structure and we will not hesitate to take action where there is a clear strategic and financial benefit."

"I'd like to pay tribute to all of our employees, customers and stakeholders for their considerable efforts and support as we lead the modal shift from cars to mass transit, improving social mobility and reducing carbon emissions."

Notes

This announcement contains forward-looking statements with respect to the financial condition, results and business of Mobico Group PLC ("Mobico" or the "Group"). By their nature, forward-looking statements involve risk and uncertainty and there may be subsequent variations to estimates. Mobico's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, Mobico does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. Forward-looking statements can be made in writing but also may be made verbally by members of the management of the Group (including without limitation, during management presentations to financial analysts) in connection with this announcement.

Note 1*: The results are presented on an adjusted basis to show the performance of the business before adjusting items. For the 12 months to 31 December 2023, these principally comprise; intangible amortisation for acquired businesses, re-measurement of historic onerous contract provisions and impairments, re-measurement of the WeDriveU Put Liability, repayment of UK CJRS grant income ('furlough') and Group wide restructuring and other costs. In addition to performance measures directly observable in the Group financial statements (IFRS measures), alternative financial measures are presented that are used internally by management as key measures to assess performance.*

Note 2: *2022 restated in respect of a correction to the German Rail onerous contract provision. Please see note 1 to the Financial Statements.*

Note 3*: More detail can be found in the German divisional overview below.*

Legal Entity Identifier: 213800A8IQEMY8PA5X34

Classification: 2.2 for the purposes of DTR 6 Annex 1

The information contained within this announcement is deemed by Mobico to constitute inside information as stipulated under the Market Abuse Regulation (EU) No.596/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018. By the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

The person responsible for arranging for the release of this announcement on behalf of Mobico is Simon Callander, General Counsel and Company Secretary.

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A live webcast of the analyst meeting taking place today at 09.00am (BST) will be available on the investor page of the Group's website: www.mobicogroup.com.

Overview

2023 was a challenging year for Mobico Group. Profitability was affected by significant cost inflation (especially wage costs) and significantly reduced Covid subsidies. Structural issues in Germany (labour scarcity and energy price volatility), reduced expectations around the profitability of the UK private hire business, lower than expected growth in UK Bus passenger numbers, and higher driver recruitment costs in North America School Bus have also created a drag to our recovery in profitability. Decisive action has however been taken on pricing and restructuring which is expected to provide significant future benefits. This alongside good top line growth will help drive our recovery.

£m	Adjusted			Statutory		
	FY 2023	FY 2022	Change	**FY 2023**	FY 2022 (Restated)[1]	Change
Revenue						
ALSA	**1,165.4**	962.5	21.1%	**1,165.4**	962.5	21.1%
North America	**1,115.6**	1,048.2	6.4%	**1,115.6**	1,048.2	6.4%
UK and Germany	**869.9**	796.8	9.2%	**869.9**	796.8	9.2%
Group	**3,150.9**	2,807.5	12.2 %	**3,150.9**	2,807.5	12.2%
Operating profit/(loss)						
ALSA	**136.8**	103.9	31.7%	**121.0**	(170.2)	171.1%
North America	**27.1**	68.4	(60.4)%	**(7.1)**	12.7	(155.4)%
UK & Germany	**23.7**	43.2	(45.1)%	**(98.8)**	10.3	(1,059.2)%
Central Functions	**(19.0)**	(18.2)	(4.4)%	**(36.5)**	(26.3)	(38.8)%
Group	**168.6**	197.3	(14.5)%	**(21.4)**	(173.5)	87.7%
Operating margin	**5.4%**	7.0%	(1.6)%	**(0.7)%**	(6.2)%	5.5%

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 to the Financial Statements for further information

Mobico Group Revenue grew 12.2% on a reported basis and 10.9% on a constant currency basis. This reflects: (i) strong underlying growth in those businesses where revenue is driven by passenger demand and trip volumes; and (ii) continued recovery in **North America School Bus** through pricing and route recovery.

Adjusted Operating Profit decreased 14.5% and Group Adjusted Operating Margin decreased to 5.4% (FY 22: 7.0%), as the benefits of volume growth (+£88m), pricing improvements (+£114m) and the in-year impact of our Accelerate 1.0 restructuring initiative (+£15m) were not sufficient to offset:

- the impact of cost increases (£130m) of which approximately 55% was driver wage inflation, and 30% fuel and insurance costs,
- the lagged benefit from price rises in **UK Bus** and **North America School Bus**,
- a reduction in Covid subsidies of £105m (see strategic review section for more detail),
- the impact of lower expectations for energy subsidy recovery, higher costs, and the revised indices from the German Federal Statistical Office on profitability of our German rail contracts

Decisive action has been taken across the Group with the successful Accelerate program: Accelerate 1.0 delivered £15m in year savings (at least £30m on an annualised basis) and we have now launched Accelerate 2.0 (with a target of at least £20m annualised). Moreover, specific additional actions have been taken to i) recover cost increases in German Rail through ongoing contract renegotiation, ii) drive a recovery to profitability in **National Express Transport Solutions** (**NXTS**), and iii) further improve driver recruitment and training processes in **North America School Bus**.

ALSA continued to trade well with growth across all lines of business, delivering Adjusted Operating Profit up 31.7% as a result of strong revenue growth of 21.1%, with especially strong trading in Long Haul, where the business acted quickly to capture the benefits of government backed travel initiatives (multi-voucher travel and 'young-summer' discounts). The profit impact of pricing increases and volume growth amounted to £111m, more than offsetting cost increases of £68m.

North America grew revenues by 6.4% as routes were re-instated in **North America School Bus**, with pricing recovery on expiring contracts also contributing positively. Adjusted Operating Profit was down £41.3m (60.4%) mainly as a result of a reduction in Covid funding of £44m (principally Covid-related CERTS funding) and the impact of wage costs and investment in the recruitment process. However, pricing recovery delivered an increased contribution in the second half of the year. **Transit and Shuttle** delivered 14 new contract wins worth

approximately £54m in annualised revenue, at a ROCE of 31%.

In the **UK and Germany**, revenues grew 9.2%, representing strong trading in **UK Coach**, and with **UK Bus** patronage reaching 98% of pre-Covid levels. However, the fall in Adjusted Operating Profit was principally as a result of the January 2023 16.2% pay settlement in UK Bus which was effective from January (the primary driver of a £23m increase in driver costs, with price rises only effective from July), a reduction in Covid funding of £30m, and lower profitability in Germany.

In **Germany** lower expectations for energy subsidy recovery as a result of volatility in energy markets, higher costs associated with industry-wide driver shortages and the impact of the revised indices from the German Federal Statistical Office, reduced the profitability of our contracts:

- For the contracts not covered by the onerous contract provision (RME and RRX 1) profits reduced by £17m compared to prior year (to £0.2m). Of this reduction, approximately £10m was due to a reduction in the IFRS15 contract asset (primarily reflecting lower expectations of future profitability) and £6m of in-year impact of higher penalties associated with driver scarcity and higher net energy costs.
- The onerous contract provision associated with RRX Lots 2/3 increased from £47m (restated, as of 31 December 2022) to £118m as of 31 December 2023. This liability will unwind over the remaining life of the contract through to 2033.

A focused action plan – working with our Passenger Transport Authorities (PTA's) – to recover the profitability of these contracts is underway.[4]

Balance Sheet, debt maturity and interest costs

The Group's covenant gearing ratio at 31 December 2023 was 3.0x, increased from 2.8x last year-end compared to a covenant test gearing limit of less than 3.5x. Free Cash Flow of £163.7m was slightly ahead of prior year (FY 22: £160.5m). However, cash outflows in respect of Adjusting Items of £71m (including cash costs of restructuring programmes and cash outflows relating to German onerous contracts) and dividend payments to equity shareholders of £41m (FY 22: £nil) resulted in covenant net debt broadly flat on prior year at £987.1m (FY 22: £985.8m) alongside slightly lower covenant EBITDA.

As of 31 December 2023, the Group had £2.0bn of cash and committed facilities. During the year, debt maturity and liquidity were improved with the £527m RCF (the majority of which would have matured in 2025) being replaced by a £600m RCF facility to 2028. We also refinanced the 2023 £400m bond with a €500m Eurobond issue maturing in 2031. Both the RCF and Eurobond were secured at competitive rates. As rates stand today, the anticipated net interest charge in FY 24 will be in the region of £85m to £90m (£75m in 2023). Approximately 80% of our debt is fixed, with the 20% that is swapped to floating rate due to revert to fixed in 2025.

Mobico has made clear its objective to reduce gearing. However, the lower than previously expected profits generated in 2023, increased costs associated with restructuring, and the German onerous contract cash costs means the timeline of that plan has been extended with the target range of 1.5x-2.0x now expected to be reached in 2027. The Group announced in October that it would look to accelerate the deleveraging (and reduce future capital intensity) with the potential disposal of **NASB**. Preparations for a potential sale continue to progress well and a sale at an appropriate valuation would accelerate the deleveraging timetable.

Note 4: opening balance restated £46.9m plus charge of £99m less utilisation to give closing position of £118m.

Dividend

On 12 October, the Board announced the suspension of the 2023 final dividend when it became clear that covenant gearing would not decrease in the year and in the light of the weaker than expected macro-economic environment and trading performance.

The Board will continue to monitor business performance and prospects and the associated pace of reduction in covenant gearing and will reinstate the dividend when it considers that sufficient progress is being made, targeting a 2x coverage ratio (EPS to DPS) once reinstated.

Outlook

Based on current market conditions Adjusted Operating Profit for FY 24 is expected to be within the range of £185m to £205m. Similarly to FY 23, we expect a greater bias to the second half of the year, given the phasing of cost reduction programmes and the timing of price increases.

Strategic commentary

2023 has been a year in which important underlying progress has been made in the context of an evolving market, where Mobico has:

- **Adapted** to the reality of a post-pandemic world and addressing notable external headwinds;
- **Acted decisively** to adjust the business model to be 'fit-for-the-future': addressing new patterns of demand, evolving requirements of the cost base, changing methods of delivery, and to capture new opportunities; and
- **Positioned to capture future growth opportunities**

Adapted to external headwinds

2023 has been a year of continued progress in the face of notable external headwinds and an evolving market, including:

(i) Reduced government funding

In 2023, we have offset a significant headwind from the £105.4m year-on-year reduction in Covid funding (FY 23: £26.3m; FY 22 £131.7m) with underlying improvements in trading.

Covid support (£m)	FY 2023	FY 2022
Revenue	**13.4**	56.7
Cost support	**12.9**	75.0
Total	**26.3**	131.7

It is a reality of many public transport systems that, if operated purely on a commercial basis, they would likely involve fewer routes and higher fares. It is therefore important to note that government support for transport services remains strong, and we continue to see evidence that governments around the world are increasingly aligned with our agenda and interested in driving the modal shift from cars to public transport.

(ii) Markets undergoing continued evolution, both structural and cyclical

In **ALSA**, our **Long Haul** business grew significantly, despite the impact of high speed rail competition on some key corridors.

Elsewhere, five-day-a-week commuter travel has fallen as a result of increased hybrid working. This particularly impacted **NXTS** where the Private Hire and UK Holiday markets have also been slower to return to pre-pandemic levels of activity. The impact of lower commuter activity resulted in the decision to close two of our depots, with residual operations consolidated into a smaller depot footprint.

The impact of lower commuter activity on our **Shuttle** business in North America has been less pronounced as we are paid on a per-vehicle (rather than per-passenger) basis.

Acted to become fit-for-future

Throughout 2023 the Group has already taken decisive action to address these challenges, but also to create a business that is fit-for-future and well positioned to capitalise on future opportunities. This required change including:

- a sharper commercial focus of divisional leadership,
- driving further cultural alignment across the Group, and
- refining our business model.

(i) Important leadership changes

In order to drive strong operational focus, the Group changed the leadership of two of the businesses: **North America School Bus**, with immediate impact (delivering one of the most successful school-year start-ups for several years); and the **UK & Germany Division,** to bring a sharper commercial focus and a fresh perspective on the operating model.

(ii) Working with government partners to access continued funding

Throughout the year we continued to work with governments (regional and national) to access funding and create sustainable, long-term partnerships. Some notable successes in the year included:

- **ALSA**: integrating multi-voucher ticketing into our booking platform, gaining a significant competitive edge
- **North America**: accessed funding to purchase 143 fully electric school buses through the EPA Clean School Bus Program
- **UK**: funding package secured to the end of 2024 to allow the UK Bus business to maintain network coverage, with price rises implemented from 1 July 2023.
- **Germany**: secured funding to compensate for the impact of the €49 ticket on passenger revenues in our RME contracts (with the funding secured until the end of 2024 when the initiative is due to expire)

(iii) Action to address structural changes

Across the Group we took action to combat structural change;

- **ALSA**: investment in innovative marketing and service delivery to optimise our proposition against High Speed Rail (HSR) helped to mitigate the impact of significant, discounted capacity on our major corridors.
- **North America**: in our Transit business we had already exited a number of loss making businesses where we deemed no recovery was possible through contract negotiation. In the remaining portfolio we have renegotiated a number of contracts to rebalance the fixed and variable components of income, and in 2023 we also retained two key contracts (Framingham and Tucson) with significant rate increases to restore profitability in the light of reduced volumes. An action plan is also in place to address remaining under-performance in six Customer Service Centres (CSCs) in Transit & Shuttle. The diversification strategy, taking Shuttle into new sectors and geographies, has delivered important gains for the business.
- **UK:** in response to the structural impact of increased home-working on our NXTS commuter businesses (Clarkes and Kings Ferry) we took action to close two depots and instigated a review of options across the remaining NXTS business, which is exposed to Private Hire demand.

(iv) Combating the impact of inflation

2022 and H1 of 2023 saw a significant peak in inflation, particularly driver-related costs, which increased 2023 costs by £130m compared with prior year (which includes the impact of the full-year effect of the School Bus pay increase).

Recovering the impact of inflation has been a key priority for the Group and with significant progress having been made (typically with a lag between cost inflation and price rises). However, when inflation is high and persistent there is a need to act further which is why we have taken action on pricing and on the unit costs in the business.

During the year, we continued to make good progress on pricing:

- In School Bus we achieved price increases of 13% on the portfolio of contracts up for renewal at the beginning of School Year 2023/2024. This represented about 40% of our contracts, and comes on the back of the 10% rise achieved on a further 40% of the contracts in the prior year (noting, however, that there will be a lag before the price increases are annualised);
- In UK Bus we agreed a price rise of 12.5%, effective from July 2023; and
- In our Long-Haul Coach businesses we achieved full-year yield increases of 3.7% in the UK and 7.5% in ALSA

However, recognising that there was a need to do more we have continued to address our cost base. We announced our Group-wide restructuring, cost and efficiency programme (Accelerate 1.0) in Q1 of 2023 with the stated aim of achieving £25m of annualised savings. That programme has delivered £15m of savings in FY 23 and is expected to deliver annualised savings in excess of £30m in FY 24. In Q4 2023 we announced a second cost and efficiency initiative (Accelerate 2.0) with a stated aim of unlocking a further £20m of annualised benefits (£10m targeted in FY 24). This programme is focused on fundamental organisational design, so that we have business models (and unit costs) that position the Group to be fit-for-the-future.

(v) Solving driver shortages

Industry-wide driver shortages have been particularly acute in North America School Bus, UK Bus and, more recently, Germany.

In North America School Bus, there was a c.15 % driver shortage at the beginning of School Year 22/23 (i.e. September 2022). By December of 2023, we had reduced this to c.2%. This was achieved by overhauling recruitment processes, with a record net number of 990 drivers hired in the year (compared to 884 in FY 22 and a loss of 569 in FY 21). Although we did incur higher than expected recruitment costs in the second half of 2023 this

represented necessary investment. As the pressure has eased, those costs are now significantly lower.

In UK Bus, we exited 2022 with a driver shortage of 11%. As a result of actions taken, this had reduced to 6% by the end of 2023. Actions taken include an overhaul of the candidate attraction process, standardised medical and interview procedures, updated onboarding processes, and improving the time taken to make offers to candidates. This resulted in an increase in offers (from application) from 14% to 17%, a reduction in onboarding "no shows" from 20% to 15% and a significant reduction in the time taken to gain the PCV licence.

In Germany, we have a plan that is well underway to reduce the driver gap including increasing drivers trained from 39 in 2022 to 70 trained in 2023, with this higher level continuing through 2024. We are also working with the PTAs to significantly increase capacity in Government sponsored courses.

Positioned to capture future growth opportunities

Opportunity pipeline remains attractive; conversion is strong; retention is high

Since it was launched in 2021, the Evolve strategy has been crucial in building a robust business model that will capture sustained future growth. For example, we have taken further action in the past year to put the Group on a firm foundation for the future including leadership changes and the launch of our Accelerate restructuring programmes. We have also reinforced Business Development and Sales functions across the Group, While doing so, Mobico's conversion of opportunities has been strong with 43 new contracts won in the year, worth over £1bn in total contract value and c.£126m in annualised revenue, at average ROCE of c.23%. ROCE will improve as we continue to favour Asset-Light opportunities. The new contracts won provide the platform for delivering our revenue growth targets.

Revenue growth has been good and the pipeline of opportunities – both organic and through M&A – remains well populated. That pipeline currently represents c.£2.5bn of annualised revenue (as compared with the equivalent £2.5bn at 31 December 2022). In 2023, we also closed a number of small, but strategically important acquisitions.

Debt reduction remains a priority

The Group enjoys excellent liquidity and very clear sight of interest costs given that circa 80% of such costs are fixed with weighted interest costs on our bonds of 4.0%, and a margin of 0.55% above SONIA on our RCF. Nonetheless, it is clear that the Group's debt (which increased as a consequence of Covid) and gearing is an issue that needs to be addressed. Mobico remains confident that it can reduce leverage through Adjusted EBITDA growth over the medium term. However, reduced expectations about the rate of profit recovery and increased cash costs associated with restructuring and German onerous contracts in the near term have delayed plans for full recovery and debt reduction; we now expect to achieve the target covenant gearing range of 1.5x-2.0x in 2027.

In October 2023, we announced the potential sale of the **North America School Bus** business on which preparations are progressing well. If a sale at an appropriate valuation is concluded, the proceeds will make a significant contribution to debt-reduction ambitions.

Zero emissions vehicles as a catalyst for change

The Group is moving at pace to evaluate, adopt, and mobilise ZEVs in fleets across our businesses. Mobico has a crucial role to play in planning and facilitating the transition to ZEVs, while remaining vigilant regarding the risks of decarbonisation and the commercial viability of solutions. We have previously set out and now reconfirm zero emission fleet targets, to hit net zero by 2040 (based on Scope 1 and 2 emissions). We continue to make excellent progress on our ZEV transition plan and remain on track to secure (operating and on-order) 1,500 ZEVs by the end of 2024 and 14,500 by 2030.

Updated long-term financial ambitions

In 2021, Mobico published financial ambitions as part of the launch of its Evolve strategy. In light of recent performance and the current trading environment, these have now been updated as follows:

- FY 27 revenue of at least £3.8bn (£1bn above FY 22)
- Sequential growth in Adjusted Operating Profit with FY 27 Adjusted Operating Profit of approximately £300m (c£100m above FY 22)
- Cumulative Free Cash Flow (after growth capex and M&A) for FY 22 to FY 27 of around £300m
- Covenant net debt / covenant EBITDA of between 1.5x to 2.0x by FY 27
- Paying a dividend targeting 2.0x cover (once re-instated)

** NB our definition of Free Cash Flow (now after growth capex and M&A) has been changed to reflect the ongoing discipline in the re-investment of cash flow to drive growth in revenue and profitability. Cumulative Free Cash Flow (prior to growth capex and M&A) and which previously had been guided to be £1.25bn between FY22 and FY27 would now be over £1bn).*

Divisional overview

ALSA

ALSA is the leading company in the Spanish road passenger transport sector. It has, over a number of years, significantly diversified its portfolio away from Long Haul to having a multi-modal offering, which today also spans Regional and Urban Bus and Coach services across Spain, Morocco, Switzerland, Portugal, France and – since October 2023 – Saudi Arabia (via a 15% minority holding).

m	**FY 2023**	FY 2022	Change %
Revenue	**£1,165.4**	£962.5	21.1%
Adjusted Operating Profit	**£136.8**	£103.9	31.7%
Statutory Operating Profit/(Loss)	**£121.0**	£(170.2)	171.1%
Revenue	**€1,340.4**	€1,129.3	18.7%
Adjusted Operating Profit	**€157.4**	€121.8	29.2%
Statutory Operating Profit/(Loss)	**€139.2**	€(199.9)	169.6%
Adjusted Operating Margin	**11.7%**	10.8%	0.9%

Results

In its centenary year, ALSA delivered a record year for revenues which exceeded £1bn for the first time with revenues up 21.1% (18.7% on a constant currency basis) and Adjusted Operating Profit growth of 31.7% (29.2% on a constant currency basis). This was the result of strong passenger growth and significant pricing actions across all of its lines of business, and a diverse, growing portfolio.

Long Haul revenues were up 37.1% driven by passenger volume growth up 27.5% and yields up 7.5%, compared with 2022. Long Haul Occupancy ratios were 5.5% better than FY 22. There was continuing growth in Regional and Urban business with revenues up by 14.9% and 7.3% respectively. Morocco delivered a robust performance, particularly after taking into account the earthquake in September, with revenue for 2023 growing 2.1% versus last year. The International business (including Portugal) delivered strong revenue growth of 61.2%. There were also some modest but strategic acquisitions in Spain in FY 23, providing entry to new targeted markets and further diversification of business lines, and in early FY 24 ALSA completed the acquisition of CanaryBus, the leading operator in the Canary Islands, strengthening our position in this important tourism market.

Statutory Operating Profit of £121.0m represented an increase of £291.2m versus 2022, principally due to the £260.6m non-cash impairment charge taken in 2022.

Highlights

The main highlights of the year included:

- Record Revenue and Adjusted Operating Profit performance in 2023, driven by highest ever passenger numbers reaching 589m in 2023 (+13% vs 2022)
- Retention of all key material domestic contracts that were bid including Aragon and Valencia, with total contract value of >£120m, and the renewal of BBVA, Caixabank, Arcelor and Metro private contracts with £20m contract value;
- Expansion of our key Madrid multi-modal hub with important contract wins, including a healthcare transport contract strengthening our position in this key market (the original platform having been established by the acquisition of Vitalia – since renamed Sanir).
- Successful mobilisation of three significant international contracts: Porto (200 buses) and Geneva (35 buses) started in December and Saudi Arabia (129 coaches) launched in October
- New digital centre of innovation established as digital sales are now >65% of revenues.

In almost every respect, **ALSA** has delivered an improved performance over the same period last year. It has also improved its operation and its offering, whether through evolving use of technology or its relentless focus on the customer. It has long been the strategy of **ALSA** to diversify away from its original **Long Haul** business, while

continuing to grow it. As a result of continuing diversification, including growth in Spain, Urban and Regional, international expansion into Morocco, Portugal and Switzerland, and growth in paratransit, cruise line transfers and other services, Long Haul now represents only 17% of ALSA's revenues from 25% in 2016.

In the **Long Haul** business, passenger numbers were up 27.5%, average ticket prices were up 7.5% and occupancy was up 5.5% driven by the nine main corridors. Indeed, occupancy levels in these key corridors reached a record in July at 77.1%. Increasingly sophisticated marketing strategies and network management tools contributed to this strong performance and helped capitalise on the positive impact of the Spanish Government's 'young summer' incentive in Long Haul (offering a 90% discount to people aged 18-30), which concluded in September. The scheme yielded good sales results with approximately 1.3m tickets sold for travel between 15 June to 15 September. Since the end of that scheme, ticket sales have stabilised. Nonetheless, it is estimated that approximately one-third of new customers brought into coach travel by the scheme have returned to travel by coach again.

While performing strongly, the **Long Haul** business faced continuing challenge from High Speed Rail (HSR) train corridors (including Madrid-Murcia, Madrid-Barcelona and Madrid-Alicante). Madrid-Asturias launched a HSR service in November 2023 but **ALSA** is responding with innovative marketing and revenue management plans as well as being more sophisticated in timing of routes and adapting to offer better origin-destination points for customers. The long-speculated potential change in the Long Haul Coach market, which could involve a change from the current structure, remains a possibility at some point in the future. ALSA's credentials as the best provider in its region, its extensive customer relationships, strategic assets and powerful brand means that it will remain well placed to prosper in any eventuality.

In the portion of the **Regional** business that is exposed to demand risk (i.e. those with net-cost contracts), passenger numbers were up 28.6%, with average ticket prices up 4.0%, both when compared with FY 22.

In Morocco, after the earthquake of 8 September there was some slowdown in activity, particularly in Marrakech and Agadir, where revenues fell 20% for one week when compared with the prior year. However, in subsequent weeks, business gradually recovered. In response to the tragedy, **ALSA** donated €1m to the 'Special Fund for Earthquake Management' created by the Kingdom of Morocco to support the reconstruction of the impacted area. The business also offered free travel for a period, to assist the affected communities.

Contract wins, renewals, and mobilisations

ALSA won 12 new contracts in 2023 with an annual contract value of circa £25m and an average ROCE of 46%. The Regional business successfully retained some important contracts in Aragon and Valencia, with total contract value of >£120m. Notable new contract wins included a five-year healthcare transport agreement using 175 vehicles in Madrid, expanding the existing important multi-modal hub in that city. Further, a number of significant contracts were successfully mobilised in the year, including Porto (Urban Bus – 200 buses), Geneva (two new Urban Bus contracts bringing our total operations to over 200 buses in Switzerland), and with our partners in Saudi Arabia (10 year Intercity Coach contract – 129 coaches), strengthening our reputation as the most reliable operator to manage contract transition.

Focus on efficiency and cost of delivery

ALSA has an excellent track record of delivery, established over many years. Nonetheless, it is not exempt from the need to constantly improve, and it has made significant further gains in efficiency through 2023. Examples include: deployment of Accelerate savings initiatives in depots (spare parts, brands and fleet availability optimisation), fleet productivity (maintenance, engine replacement and fuel consumption programmes), staff costs, procurement and digital. This resulted in further improvement in FY 23 with digital sales reaching 65.4% of total sales vs 55.8% in 2022 and fleet activity ratios improving to 76.2%, up 1.8% versus 2022.

Disciplined capital allocation

ALSA continues to deliver a high ROCE of circa 20% and maintains a highly disciplined approach to capital allocation, while also investing both organically and through M&A. ALSA completed four small but strategically important acquisitions in 2023 including Ibercruises (serving the leisure cruise industry), which completed in November. In March 2024 the acquisition of CanaryBus was formally completed significantly increasing our presence in the Canary Islands, which has a significant tourism market. Each acquisition offers access to attractive market adjacencies for ALSA at investment multiples that allow for excellent returns potential.

Evolve outcomes

ALSA continues to focus on the Evolve strategy with progress in the year:

- **Safest**: FWI (Fatalities Weighted Index) per Million Miles of 0.005 (FY 22: 0.005). New DriveCam IA technology is to be installed across 2,200 buses in 2024.

- **Most satisfied customers**: Passenger growth of +12.9% vs 2022. Key initiatives in the year included improved passenger information and onboarding, and a B2B CRM Project Sales network 'Transform'. Ratings in December for NPS (Net Promoter Score) were +30% (+46% vs FY 22) representing significant progress against 2022 and 2019
- **Employer of choice:** eNPS of +24 (+7 on FY 22). As well as a tight control of absenteeism in the year, ALSA also secured Top Employer 2023 certification for ALSA Spain being the first transport company in Spain to achieve it, recognising organisations that stand out for their good practices in people management. Good progress in 2023 on our Diversity & Inclusion policy promoting equality with the creation of global and local committees and with a plan in course and dedicated resources
- **Most reliable:** OTP (On Time Performance) 94.9% (FY 22: 98.1%) as a result of increased congestion as traffic volumes return. Successful mobilisations in Porto and Geneva.
- **Environmental leader:** Total ZEVs grew from 128 in service at December 2023 to 224 expected to be in service at December 2024 and are now >3% of the fleet. ALSA has begun operating six new lines on the 'Transports Publics Genevois' (TPG) network in Geneva, Switzerland, with a fleet of 100% electric buses.

North America

The North America business now operates in 33 states and two Canadian provinces (following the disposal of the Nova Scotia business in August 2023). **School Bus** operates through medium-term contracts awarded by local School Boards. **Transit and Shuttle** provides fixed route, paratransit (the transportation of passengers with special needs) and demand-responsive services on a contracted basis to both public and private entities from a range of sectors including Technology, Biotechnology, Manufacturing and Education.

m	**FY 2023**	FY 2022	FY Change %
Revenue	**£1,115.6**	£1,048.2	6.4%
Adjusted Operating Profit	**£27.1**	£68.4	(60.4)%
Statutory Operating (Loss)/Profit	**£(7.1)**	£12.7	(155.4)%
Revenue	**$1,387.7**	$1,296.8	7.0%
Adjusted Operating Profit	**$33.7**	$84.7	(60.2)%
Statutory Operating (Loss)/Profit	**$(8.8)**	$15.8	(155.7)%
Adjusted Operating Margin	**2.4%**	6.5%	(4.1)%

Results

Good constant currency growth with revenues up 7.0% on a constant currency basis (6.4% on a reported basis) and Adjusted Operating Profit of £27.1m. In School Bus, revenues were up 5.6% vs 2022, driven by price increases and route reinstatements, after the successful driver recruitment programme in the year (despite the circa $8-10m higher investment made to achieve that). The business secured 97% of its maximum number of routes: ahead of what was expected earlier in the year. 990 net new drivers joined the business, compared with 884 hires in 2022. In Transit & Shuttle, revenues were up 10% but profits were down 34%, as a result of reduced government funding and decline in volumes with Technology customers, offset by 14 new contract wins, worth over £50m of annualised revenue.

Highlights

Following the withdrawal of Covid funding, Operating Profits reduced in the year. Nonetheless, the main operating highlights of 2023 year included:

- Significant progress with School Bus driver recruitment and retention resulting in route reinstatement at 97.3% of contractual maximum by December 2023
- Significant progress with School Bus pricing achieving 13% on the renewing portfolio
- Building upon the strength of our driver recruitment and active partnership in staffing routes with our customers, our school start-up in September was the best for some years
- Early contract wins for school year 24/25 to deliver over 450 new routes (which means we are well placed to achieve net route growth in the school year)
- Revenue growth in Transit & Shuttle driven by 14 new contract wins with circa £54m annualised revenue,

partly offsetting a volume reduction in some large corporate shuttle contracts in the Technology sector

- Retention of key contracts for Transit & Shuttle in the San Francisco Bay area, expanding the area as a key multi modal transport hub
- Acquired final 20% of WeDriveU on 7 July 2023 for $57m, in-line with expectations

Mobico's North America businesses entered 2023 facing significant challengers to recover pricing and routes in School Bus and the impact of job reductions in the technology sector in Transit & Shuttle. As set out below, significant progress has been made in the year.

In June 2023 Tim Wertner joined the Group to lead the **North American School Bus** business to refocus efforts on driving both operational excellence and growth. Tim brings more than 30 years of significant and relevant leadership experience in transport and complex logistics, having served in various senior roles at FedEx.

School Bus entered the financial year with the legacy from chronic industry shortage of drivers which had caused significant challenges for school year 22/23 (beginning in September 2022). Changes to the recruitment process resulted in a material improvement in the number of drivers hired, and a reduction in the time taken to hire them. Although there were some additional, unforeseen costs involved in some of those improvements, we believe that this will be recovered over time (as the market returns to normal, our recruitment processes are streamlined and pricing recovery is delivered).

The division also demonstrated good pricing power in the market in order to continue to recover the investment in driver wages made in 2022. Prices for contracts due for renewal in the current school year (approximately 40% of the portfolio) have been increased by an average an average increase of 13%. This followed price increases for approximately 40% of contracts of circa 10% in the previous year. There remains a block (circa 20%) to be re-priced in 2024, and we are confident that similar levels of price increase will be delivered. The very successful, dependable 23/24 school year start-up will certainly help support that pricing process. Mobico retained circa 97% of its **School Bus** customers, in an already highly competitive SY23/24 bid season, and in the context of significant price increases.

In **Transit & Shuttle**, new contract wins in sectors outside Technology, including in Manufacturing and Education, helped to offset the Technology sector's cyclical weakness. In the meantime, revenue from key Technology sector customers appears to have stabilised. In addition, service levels and passenger volumes continued to increase, when compared with 2022. Services in Transit were up 16% in 2023, while passenger numbers in Shuttle were up 38% in the same period.

Contract wins / renewals and mobilisations

North America School Bus:

- Business retention rate of 97% (excluding exits from loss-making contracts)
- 12 new contract wins with approximately £46m of annual contract value included success at West Ada (Idaho) and Duval (Florida) which represents over 400 new routes for School Year 24/25 on contracts with a five year base term (with potential five year extension)

Transit & Shuttle:

- 14 new contract wins delivering £54m annualised revenue and 31% ROCE. The most significant wins included:
    - Charleston, South Carolina: Asset light fixed route and paratransit contract with 133 vehicles for up to 10-year term
    - Charlotte, North Carolina: Management contract for fixed route urban services with >300 buses (3+2-year contract)
    - North Cook County, Chicago: Asset light paratransit contract with 92 vehicles for up to 10-year term, expanding existing multi-modal city hub
    - University at Buffalo, NY: 10-year university shuttle contract with 28 vehicles
    - New corporate shuttle work, expanding our multi-modal city hubs in Chicago, Austin and San Francisco

Disciplined capital allocation

In the **School Bus** 2023 bid season, we won 121 routes from new bids that required no capital as we fully utilised cascaded fleet. Retention bids are all priced centrally with rigorous review aimed at maximising capital efficiency across the portfolio to limit maintenance capex spend, and with a retention rate of 97%. The 2024 bid season wins

to date were at returns in excess of our return targets.

In **Transit & Shuttle** there is continued focus on limiting capital demands by focusing predominantly on a large pipeline of Asset-Light opportunities. In addition, cascading unutilised fleet to serve contract expansions, extending the useful life of assets, and the utilisation of variable leases where appropriate all contributing to more efficient use of capital. In 2023 actual capital expenditure was lower than expected – without sacrificing growth – largely through these measures.

Evolve outcomes

The main objectives of the Evolve strategy remain key business priorities. In each, further progress has been made:

- **Safest:** FWI per Million Miles was 0.011 in School Bus (FY 22: 0.001) with the deterioration caused by six major injuries in 2023. Transit & Shuttle achieved a FWI of 0.003 (FY 22: 0.001), as a result of one major injury in 2023.
- **Most satisfied customers:** Average CSAT score of 4.2/5.0 in School Bus (+0.2 from 2022) driven by improved scores across communication, responsiveness, and partnerships. Transit 2023 average CSAT was 3.8/5 and NPS 22%,.
- **Employer of choice:** eNPS of +10 in School Bus (+1 on FY 22), and +8 in Transit & Shuttle (-2 on FY 22). Transit & Shuttle staffing levels increased by 14% and the number of School Bus drivers improved 12% in 2023, helping delivery, retention and morale. The eNPS reduction in Transit & Shuttle is associated with the restructure of that division.
- **Most reliable:** The new management teams are having a positive impact on reliability. OTP (On-time performance was 92.4% in School Bus (FY 22: 89.9%) with a very successful school year start-up despite the significant operational challenges. Shuttle OTP was 97.4% (FY 22: 97.6%) with H2 OTP at 98.8%.
- **Environmental leader:** Shuttle operates Princeton University campus' 100% electric fleet, launched during the year, which will save up to 500 metric tons of CO_2 emissions per year. School Bus has been awarded a total of $56m through the EPA Clean School Bus Program. The awards will provide 143 fully funded electric school buses to 16 school district customers.

Focus on efficiencies

In **School Bus** our digital operating platform was rolled-out across a further 34 sites during 2023 for a year-end total of 144 sites. This platform allows the business to control schedule compliance (which is a key driver of labour productivity) and creates a direct link between scheduled activity, payroll, and billings. In addition, we began rolling out the Maximo maintenance management platform across 10 School Bus sites and 2 Transit sites in 2023, with the remaining sites planned to be deployed in 2024. The Maximo maintenance management platform will enhance the effectiveness of our fleet maintenance capabilities through improved asset management and utilisation. In **Transit & Shuttle**, the combination of the two businesses to improve efficiencies continues to deliver cost benefits. In addition, the operations continue to eliminate loss-making business either by improving contract terms or exiting at routine option dates.

UK & Germany

In the **UK Bus** sector, Mobico is the market leader in the West Midlands – the largest UK urban bus market outside London. **UK Coach** is the largest operator of scheduled coach services in the UK, and also serves the fragmented, corporate shuttle, private hire and accessible transport markets.

In **Germany**, Mobico is the second-largest rail operator in North Rhine-Westphalia and one of the top five operators in Germany.

UK

m	**FY 2023**	FY 2022	Change %
Revenue	**£610.1**	£528.3	15.5%
Adjusted Operating Profit	**£23.5**	£25.6	(8.2)%
Statutory Operating Profit	**£1.3**	£18.1	(92.8)%
Adjusted Operating Margin	**3.9%**	4.8%	(0.9)%

Germany

m	FY 2023	(Restated) FY 2022[1]	Change %
Revenue	**£259.8**	£268.5	(3.2)%
Adjusted Operating Profit	**£0.2**	£17.6	(98.9)%
Statutory Operating (Loss)	**£(100.1)**	£(7.8)	(1,183.3)%
Revenue	**€298.8**	€315.0	(5.1)%
Adjusted Operating Profit	**€0.2**	€20.7	(99.0)%
Statutory Operating (Loss)	**€(115.2)**	€(9.1)	(1,165.9)%
Adjusted Operating Margin	**0.1%**	6.6%	(6.5)%

[1] 2022 restated in respect of a correction to the German Rail onerous contract provision. Please see note 1 to the Financial Statements.

Results

Good constant currency growth with **Divisional** revenues up 8.4% on a constant currency basis (9.2% on a reported basis) but a decline in Adjusted Operating Profit of £19.5m (45.1%). In **UK Bus**, revenues were down 1.7% vs 2022. In **UK Coach**, revenues were up 30.5% vs 2022. In **Germany**, revenues were down 3.2% vs 2022 (5.1% at constant currency), although this mainly reflects lower "pass-through" costs in our contracts.

Highlights

In July 2023, the **UK Bus and Coach** businesses were combined into a 'one-UK' structure to drive efficiencies and best practice across the division. In September 2023, Alex Jensen was appointed as the new Divisional CEO, together with a new CFO. As with the North American division, new leadership was deemed necessary to bring sharper commercial focus to the business. The immediate focus has been in three areas: (i) driving performance through tighter operational control, optimising networks and driving volumes and yields; (ii) transforming the business models to improve the risk and reward balance and rebase costs; and (iii) building organisational capability and discipline, including around capital and cost allocation.

Although both UK businesses have delivered good passenger and revenue results, they share a common challenge in their respective cost bases which have risen sharply since 2019 on a unit-cost basis relative to unit-revenues (i.e. when looked at on a per passenger or per mile basis). Work is underway, at pace, to determine the optimum cost structure.

UK Coach

- Strong growth in UK Coach core scheduled coach revenue resulting from good passenger recovery (+25.4%) and yields (+3.7%) vs 2022; including an estimated £15m profit benefit from rail strikes.
- National Express's UK scheduled coach network growth in 2023 has significantly outpaced our main competitors, with 6.4m seats added over the year.
- 15% of first-time users on a rail strike day have since used National Express again

UK Bus

- UK Bus was significantly impacted by the drivers' strike in Q1 and associated wage settlements which added £23.3m of incremental cost. The cost of the strike itself (from lost revenue net of saved variable costs) was £2.4m.
- Significant funding from West Midlands Combined Authority to protect the bus network of £47.0m (FY 2022: £50.7m). While this funding is important, it is not sufficient to cover the cost increases or deliver an attractive return, and the team is working to reset this in January 2025 when the current funding deal ends.
- 12.5% fare increase implemented from July 2023, lagging but assisting in mitigating cost increases (the pay award was effective 1 January 2023)
- Customer complaints reduced by 28% year on year reflecting an increased focus on lost mileage, punctuality, driver recruitment & retention and customer response
- Reduced the driver vacancy gap from 11% to 6%.

German Rail

- Lifetime profitability of contracts adversely impacted by industry-wide disruption in the train driver market,

lower labour productivity, volatility in energy costs and energy cost recovery indices, and persistent levels of inflation.
- Increased onerous contract provision for RRX Lots 2&3 to £118.3m (FY 22 restated: £46.9m)
- Active discussions with PTA to renegotiate contracts and minimize disruption to passengers.

UK Coach

UK Coach delivered strong passenger growth of 25% in 2023 from a network that grew by 29%. Yields increased by 3.7%, and occupancy was marginally down at 69.7% as airports built back up.

National Express coaches provided significant support to customers during the repeated rail strikes through the year, which generated an estimated 615,000 additional passengers, and £17m revenue. Excluding strike impacts in 2022 and 2023, estimated underlying passenger growth in 2023 was 24%.

Overall, the growth in active online customers registered with National Express was circa 43%. This includes new customers who switched to our service, due to the disruption caused by continued rail strikes in 2023 and who we have subsequently retained.

In October, a review of the loss-making **NXTS** business resulted in a decision to close two depots (Gillingham and Sydenham) which have been impacted by a reduction in daily commuter traffic as a result of the working-from-home trend. The rest of the **NXTS** business has a significant dependence on the UK private hire and charter market which has been slow to recover post Covid. All potential options are being considered, including further rationalisation and rightsizing.

UK Bus

In FY 23 commercial passenger numbers were up 8.2% and exited the year at 98% of 2019 levels on a smaller network (at the end of 2023, the network was operating at 89% of 2019 mileage levels.)

The drivers' strike in Q1 2023 resulted in a wage settlement of 16.2%, backdated to 1 January 2023 with the total cost of driver pay awards being £23.3m. The net cost of the strike itself, including lost revenue and other business interruption costs, but after savings, was £2.4m. While this is unwelcome, settlements that are above inflation are unsustainable and we have taken the action necessary to maintain the business on a sustainable and strong footing. In response to the pay increase, National Express increased ticket prices in July 2023 by circa 12.5%, with the average day ticket increasing from £4.00 to £4.50.

During the year, we continued to receive government funding support to deliver customer growth and to maintain those parts of the bus network that are not commercially viable (£47.0m of funding was received in FY 23, compared with £50.7m in FY 22). This contribution reduces to £38.7m in FY 24, after which time the current agreement ends. The reduction mainly reflects the end of specific support received for the fare freeze in FY 23 (£3m) and a £5m reduction in support received under the Bus Recovery Grant. Discussions are underway to secure further funding, and alternative network cuts (removal of non-profitable routes) have already been identified which would act to bridge any remaining funding gap.

Contract wins, renewals and mobilisations

Late in the year, the UK Coach business successfully retained its Luton Airport contract after a competitive process, extending a very effective and collaborative partnership exemplified by the response to the major fire at the airport parking facilities in October 2023. This new contract (five-year plus two-year extension option) continues a successful partnership that has run since 2013 serving circa 1.5 million passengers per year.

Our Ireland operations, operating as Dublin Express, continue to grow and expand. In January 2024, we successfully retained the contract in a competitive tender process to operate Airport to City services from the premium departure slots until 2027. We see further growth in this buoyant market both in terms of ongoing airport growth and expansion of Dublin Express's reach, starting with launch of an additional service to southern Dublin in H1 2024. Overall passenger numbers grew from 1.2m in FY 22 to 1.7m in FY 23 (+48%). This growth was driven by ongoing recovery in Dublin Airport air passenger numbers, further embedding of the Dublin Express brand in the Irish market and a focus on partnerships, such as our exclusive ticket sales arrangement with national rail operator, Irish Rail. To meet this demand, we increased our overall seat capacity between Dublin and Dublin Airport by 94% over the course of the year.

In parallel, we launched the Dublin to Belfast route on 18 July 2023. Comprising 16 round trips per day, this route has already gained a significant foothold in the market and was profitable after just three months. We have now carried 150k passengers and believe that this will grow to over 0.5m passengers per annum over the next two years.

We continue to build our reputation for quality and reliability, enjoying an NPS on Belfast routes of over 70 (and

over 40 on high frequency Airport-Dublin routes), demonstrating the quality of service being delivered hand in hand with the significant growth over the period.

Focus on efficiency

Through the year, the UK Coach operated network has grown - with operated mileage in 2023 at 61.3m miles, 29% higher than in 2022 with seat utilisation at 70%, 6% above 2019 levels (64%). This growth has been added quickly but in an efficient and sustainable manner, without sacrificing punctuality or customer satisfaction. Absolute growth in the National Express network has significantly exceeded that of our two largest competitors combined.

During 2023, UK Bus placed a strong focus on driver recruitment and retention, investment in new more reliable fleet, and proactively working with local authorities to limit highway disruption. The launch of 'Project Clockwork' is designed to deliver a significant improvement in bus punctuality and further improvement in lost mileage by the end of 2024.

Disciplined capital allocation

During the year, the business undertook a commercial review of a project to bring 100 Hydrogen Fuel Cell ZEVs into UK Bus operations, as part of the ZEBRA (Zero Emission Bus Regional Areas) Government funding scheme. The review drew on insight gained in running a fleet of 20 buses in Birmingham in partnership with Birmingham City Council. Given what we learnt from this small trial, we made the decision to move away from the hydrogen element of the ZEBRA scheme. We are in discussions with TfWM and DfT about next steps. Hydrogen may become viable for longer distance Coach operations in the future, and that will be further evaluated as the technology evolves.

Germany

In Germany we face pressure on profitability of our contracts mainly as a result of three key structural issues: firstly, costs associated with industry-wide disruption in the train driver market and lower productivity; secondly, lower expectations for net energy cost recovery relating to volatility in energy costs and associated energy cost recovery indices (including the impact of the revised indices from the German Federal Statistical Office); and finally, persistent levels of inflation.

Driver scarcity

Driver scarcity in Germany is an industry-wide issue caused by an increasingly competitive market for driver recruitment. Supply of drivers has traditionally been dominated by Deutsche Bahn's own workforce planning (and where state-backed retirement benefits are very attractive to the older members of the workforce). It is estimated that 40% of drivers will retire by 2027. In context, a typical driver training program requires 12-18 months to complete. This scarcity has recently been compounded by three key structural issues:

(i) Continuing pressure on labour productivity by the unions who are seeking a reduction in productive working hours of 8% (to 35 hours a week). As a result, the driver establishment in North RhineWestphalia (NRW) for all train operating companies (TOCs) has increased significantly and it is expected that there will be a recruiting requirement of nearly 1,000 new drivers in the region.

(ii) In late Summer and Q4 of 2023, we saw higher than anticipated resignations as drivers left to join agencies (where they could be re-employed on significantly higher pay). This has been a significant and rapid change for the industry. When we mobilised the RRX Lot 1 emergency award in February 2022 only 20 agency drivers were employed representing 5% of our driver workforce. By January 2024, in contrast we were running with an agency driver quota of 12%.

(iii) Significant network upgrade work with almost 1,000 construction projects planned for the NRW region. Major projects include RRX expansion and the remodelling of the Cologne junction and affects around 30 per cent of daily journeys in NRW, this results in longer journeys and a higher driver requirement.

As a result of the issues outlined above, at the end of FY 23 we had an overall driver gap of circa 9%, (after the utilisation of 41 agency drivers). While a driver gap of 5-10% can be managed in the short term (with higher penalties and overtime costs), this level of gap is not sustainable over the medium term, and management have put in place an action plan to address:

- Agreed mileage reductions with our PTAs to minimize disruption to passengers and associated penalties (although with a reduction in subsidy) over the next 12 months
- Increased the number of our own driver training courses from 39 in 2022 to 70 in 2023 and a similar number planned in 2024, in order that we recover the driver shortage by 2025/26
- Amended our workforce plans to take account of lower productivity

Energy subsidy

Energy subsidies are received to compensate operators for volatility in energy prices, and are calculated by reference to specific indices published by the German Federal Statistical Office, DeStatis. The way that indices

relevant to our RME and RRX 2&3 contracts are compiled is not transparent.

However, historically the way in which these indices had behaved was relatively predictable: tending to increase as wholesale prices increased (and decrease as market prices fell) but in a less pronounced way. For example, energy prices for short-dated energy purchases peaked in August 2022 at over 500% of August 2021, the energy compensation index only increased 250%. During 2023 the index started to behave in a different way from this previous experience giving us a greater exposure.

As a result, we have revised our forecasts for long-term cost recovery under the contracts.

Revised Indices
In addition to the issues described above, in early March 2024 DeStatis republished values for the index used in our contracts, replacing previous data for the 38 months from January 2021 to February 2024. This revision required us to re-evaluate our forecasts for how the energy subsidy index will behave relative to our assumptions about the cost of energy.

Financial impact

Although we are involved in constructive ongoing dialogue with our PTAs to rebalance contracts for the structural issues that are outside of our control, the impact on our German operations prior to mitigation is as follows:

- Adjusted Operating Profit on our RME and RRX Lot-1 contracts reduced by £17m (compared to prior year) in 2023 to £0.2m. Of this change, approximately £10m is due to the IFRS15 contract asset, principally reflecting lower expectations of future profitability, with the balance of £6m representing the in-year impact of lower net energy costs, lower subsidy and the costs associated with driver shortages
- We expect that the RME and RRX Lot-1 contracts will generate future profits (through Adjusted Operating Profit) of approximately £20m over the remaining contract lives, but with a loss of approximately £5m in FY 24 as the driver issues are resolved, and we transition to operating RRX Lot-1 on a permanent basis (compared to an emergency award basis between February 2022 and December 2023)
- As a result of the issues described above, the onerous contract provision in respect of our RRX Lots2/3 contracts (which recognises all of the expected losses on that contract over its contract life) increases to £118.3m (FY 22 (restated): £46.9m), with an expected cash outflow of approximately £30m in FY 24, and an average cash outflow of £10m p.a. for the remainder of the contract lives.

Evolve outcomes

- **Safest**: UK FWI per Million Miles of 0.001 (FY 22: 0.002) reflecting the launch of an enhanced suite of 'Golden Safety Rules', expert coaching, and continued deployment of driver simulator in UK Bus. Germany had an FWI of 0.047 (FY 22: 0.000) as a result of a fatality of a track worker which is still under investigation.
- **Most satisfied customers**:
  - **UK Bus**: Passenger volume growth of 8.2%. Punctuality & reliability complaints, the biggest satisfaction driver for our customers, reduced by 48% year on year.
  - **Coach**: Passenger volume growth of 25%. Customer satisfaction for National Express (Coach) remains strong with an NPS of 36.8, flat on 2022, despite the impact of a significant number of rail strikes resulting in much busier services and increased traffic congestion.
  - **German rail:** Passenger volume growth of 13% stimulated by subsided fares in the form of the €49 ticket.
- **Employer of choice: U**K eNPS of -28, although disappointing, represents a significant improvement on prior year (+10 on FY 22), which was impacted by industrial relations issues and management change**.** In our drive to become Employer of Choice, we launched our National Express Inclusion Playbook for managers and colleagues, which is a toolkit for managers and their teams to navigate and nurture an inclusive culture.
- **Most reliable:**
  - OTP (On Time Performance) of 80.8% (FY 22: 85.6%) in **UK Bus**, and 86.9% (FY 22: 88.9%) in **UK Coach**: A key controllable driver of reliability for our customers is lost mileage (defined as the difference between our scheduled mileage and operated mileage, reflecting services which have not been delivered) across both our Bus and Coach operations. In a period of rail strikes, growing demand for our services and the impact of increased traffic and roadworks, this metric has improved by circa 35% in both businesses. Despite this OTP has declined as a result of increased congestion and driver shortages.

- OTP of 60.9% (FY 22: 64.3%) in **German Rail**: with the fall due to significant network infrastructure upgrades and route diversions, compounded by the scarcity of drivers. As discussed above, we are working with the PTAs to minimize the impact of disruption to customers.

- **Environmental leader:** Our **UK Bus** business now has 159 electric buses in operation (79 as at December 2022) meaning that 10.1% of our operated network that is fully electric, with further ZEVs already on order that will take that proportion significantly higher. In Coventry we are leading the UK's first 'All Electric Bus City' project, which is on schedule to be completed by 2025.

Appendix – KPIs

ALSA Long Haul (as reported)	FY 2023	FY 2022	FY 2019	vs FY 2022 %	Vs FY 2019%
PAX total Long Haul (000's)	14,574	11,429	14,480	27.5%	0.6%
PAX (9 main corridors) (000's)	9,905	7,695	9,334	28.7%	6.1%
Yield (9 main corridors)	21.38	20.05	19.40	6.6%	10.2%
Occupancy (9 main corridors)	61%	55%	51%	6%pts	10%pts

ALSA Urban	FY 2023	FY 2022	FY 2019	vs FY 2022 %	Vs FY 2019%
PAX (000s)	97,674	79,884	69,954	22.3%	39.6%

ALSA Regional Risk & Venture	FY 2023	FY 2022	FY 2019	vs FY 2022 %	Vs FY 2019%
PAX (000s)	45,098	35,061	30,936	28.6%	45.8%

UK Bus	FY 2023	FY 2022	FY 2019	vs FY 2022 %	Vs FY 2019%
Commercial and Concessionary PAX (000's)	212,241	198,049	241,765	7.2%	(12.2)%
Commercial PAX (000's)	182,037	168,239	197,657	8.2%	(7.9)%

UK Coach Core (as reported)	FY 2023	FY 2022	FY 2019	vs FY 2022 %	Vs FY 2019%
PAX (000's)	19,212	15,316	20,779	25.4%	(7.5)%
Yield	13.54	13.06	11.40	3.7%	18.8%
Occupancy	70%	72%	64%	-2%pts	6%pts

NA - Transit	FY 2023	FY 2022	FY 2019	vs FY 2022 %	Vs FY 2019%
Revenue from remaining 2019 Contracts	171,137	150,087	203,751	14.0%	(16.0)%
Total Transit revenue $'000s	239,133	205,506	312,977	16.4%	(23.6)%

NA – Shuttle	FY 2023	FY 2022	FY 2019	vs FY 2022 %	Vs FY 2019%
PAX (000's)	8,899	6,458	5,610	37.8%	58.6%
Service Level (avg no. of vehicles through year)	957	925	908	3.5%	5.5%

Group Chief Financial Officer's review

Summary Income Statement

	Year ended 31 December					
	Adjusted result[1] 2023 £m	**Adjusting items[1] 2023 £m**	**Statutory Total 2023 £m**	Adjusted result[1] 2022 £m	(Restated) Adjusting items[1&2] 2022 £m	(Restated) Statutory Total 2022[2] £m
Revenue	**3,150.9**	**-**	**3,150.9**	2,807.5	-	2,807.5
Operating costs	**(2,982.3)**	**(190.0)**	**(3,172.3)**	(2,610.2)	(370.8)	(2,981.0)
Operating profit/(loss)	**168.6**	**(190.0)**	**(21.4)**	197.3	(370.8)	(173.5)
Share of results from associates	**(0.5)**	**-**	**(0.5)**	(0.4)	-	(0.4)
Net finance costs	**(75.2)**	**(1.2)**	**(76.4)**	(51.0)	(0.4)	(51.4)
Profit/(loss) before tax	**92.9**	**(191.2)**	**(98.3)**	145.9	(371.2)	(225.3)
Tax	**(42.5)**	**(21.9)**	**(64.4)**	(30.3)	24.4	(5.9)
Profit/(loss) for the year	**50.4**	**(213.1)**	**(162.7)**	115.6	(346.8)	(231.2)

1: To supplement IFRS reporting, we also present our results on an adjusted basis to show the performance of the business before adjusting items. These are detailed in the Notes to the Financial Statements and principally comprise for the 12 months to 31 December 2023; intangible amortisation for acquired businesses, re-measurement of historic onerous contract provisions and impairments, re-measurement of the WeDriveU Put Liability, repayment of UK CJRS grant income ('furlough') and Group wide restructuring and other costs. In addition to performance measures directly observable in the Group financial statements (IFRS measures), alternative financial measures are presented that are used internally by management as key measures to assess performance. Further explanation in relation to these measures can be found inj the Alternative Performance Measures appendix.

2: Restated for a correction to the German Rail onerous contract provision; please refer to the Notes to the Financial Statements section for more information

The Group has seen strong passenger growth and demand for its services in the period resulting in Group revenue increasing by 12.2% to £3,150.9m (FY 22: £2,807.5m), with topline revenue growth across all operating segments, driven by overall passenger growth of 9.9%.

The table below illustrates the levels of passenger and revenue growth during the year in the key parts of the business that are exposed to passenger volume-related revenues[1]

	2023 vs 2022 passenger growth %	**2023 vs 2022 revenue growth %**
UK Bus commercial	8%	14%
ALSA urban bus	22%	7%
UK scheduled coach	25%	30%
ALSA long haul	28%	37%

[1] We have not included the RME contract in German Rail in the table above as revenues are covered by subsidies relating to the €49 ticket.

In addition to strong passenger growth, we also delivered good route recovery in North American School Bus and prices increases in a number of areas, including:

- The 40% of School Bus contracts that were up for renewal in this bid season had price increases of 13%, effective September 2023 (beginning of School Year 23/24);
- Price increases in UK Bus of 12.5% were implemented from 1 July 2023;
- Effective yield management in our UK and Spanish long-haul coach businesses increased average yields by 3.7% and 7.5% respectively.

These gains offset a £105.4m year on year reduction in Covid-related grants.

Covid-related grants	Revenue Support £m	Cost Support £m	Total £m
ALSA	11.5	-	11.5
North America	-	4.2	4.2
UK	1.9	8.7	10.6
German Rail	-	-	-
Total – Year ended 31 December 2023	**13.4**	**12.9**	**26.3**
Total – Year ended 31 December 2022	56.7	75.0	131.7

However, we also saw significant inflation and increased driver related costs which were not able to be fully offset in the year. Notwithstading good progress on Accelerate 1.0, which delivered £15m cost savings during the year, Group Adjusted Operating Profit fell to £168.6m (FY 22: £197.3m), a reduction of £28.7m. We expect the impact of run-rate benefits from our cost saving initiatives; the full year impact of pricing increases implemented during FY 23; further price increases to be implemented in FY 24; and further route recovery in North America School Bus to benefit FY 24.

After £190.0m (FY 22 restated: £370.8m) of adjusting items (described in further detail below) the statutory operating loss was £21.4m (FY 22 restated: £173.5m loss).

Net Finance Costs increased by £25.0m to £76.4m (FY 22 restated: £51.4m) due to both the refinancing of the £400m bond, which carried a 2.5% interest rate, with a €500m bond at a 4.875% interest rate; and the impact of higher interest rates on the Group's floating rate debt.

Adjusted Profit Before Tax was £92.9m (FY 22: £145.9m) and Statutory Loss Before Tax was £98.3m (FY 22 restated: £225.3m loss).

The Adjusted effective tax rate of 45.7% (FY 22: 20.8%) resulted in an Adjusted tax charge of £42.5m (FY 22: £30.3m). The effective tax rate has been impacted by an interest disallowance in the UK due to the Corporate Interest Restriction Rules (restricting interest deductions to 30% of EBITDA) and higher interest rates.

The statutory tax charge was £64.4m (FY 22 restated: £5.9m), with an Adjusting tax charge of £21.9m (FY 22 restated: £24.4m credit). The adjustment relates to: (i) the write-off of UK and North America deferred tax assets on tax losses which are either restricted in their use or have expired of £27.2m; (ii) a further £51.3m write-off of deferred tax assets on tax losses in Germany; (iii) a £46.2m credit relating to tax on adjusting items; and (iv) a tax credit of £10.4m on intangible assets.

The Statutory Loss after tax was £162.7m (FY 22 restated: £231.2m loss).

Adjusting items

Adjusting operating items were £190.0m (FY 22 restated: £370.8m), of which £71.0m (FY 22: £49.3m) resulted in cash outflows in the period.

Adjusting items debit/(credit)	**Income Statement 2023 £m**	(Restated) Income Statement 2022[1] £m	**Cash 2023 £m**	Cash 2022[1] £m
Goodwill impairment of ALSA	**-**	260.6	**-**	-
Intangible amortisation for acquired businesses	**35.3**	37.2	**-**	-
Re-measurements of onerous contracts and impairments resulting from the Covid-19 pandemic	**2.1**	7.6	**7.1**	17.0
Re-measurement of the Rhine-Ruhr onerous contract provision	**99.2**	24.3	**27.9**	9.6
Re-measurement of onerous contract provisions and impairments in respect of North America driver shortages	**12.0**	31.4	**9.8**	11.7
Final re-measurement of WeDriveU put liability	**2.4**	-	**-**	
Repayment of UK Coronavirus Job Retention Scheme grant ('Furlough')	**8.9**	-	**-**	
Restructuring and other costs	**30.1**	9.7	**26.2**	11.0
Adjusting operating items	**190.0**	370.8	**71.0**	49.3
Unwinding of discount of the Rhine-Ruhr onerous contract provision (c)	1.2	0.4		
Total Adjusting items before tax	**191.2**	371.2		
Tax charge/(credit)	21.9	(24.4)		
Total Adjusting items after tax	**213.1**	346.8		

Restated for a correction to the German Rail onerous contract provision; please refer to the Notes to the Financial Statements section for more information.

Following the impairment of goodwill in ALSA in 2022, no further goodwill impairment has been recorded.

Consistent with previous periods, the Group classifies £35.3m (FY 22: £37.2m) amortisation for acquired intangibles as a Adjusting item.

Re-measurements of onerous contracts which arose following the Covid-19 pandemic of £2.1m (FY 22: £7.6m) relates only to re-measurements in respect of contracts previously classified as onerous, and where we are still operating the contract. No new contracts became onerous in 2023. The cash outflow of £7.1m was higher than the income statement charge as it relates to the utilisation of onerous contract provisions recognised in previous years. We do not expect further Adjusting items in respect of new onerous contracts (with any remeasurements only in respect of those contracts previously recorded as onerous).

The Rhine-Ruhr (RRX) onerous contract (which relates to lots 2&3), and which runs to 2033, has been re-measured based on the latest forecasts of losses anticipated under the contract, resulting in a £99.2m charge to the income statement. The industry-wide disruption in the train driver market, lower labour productivity, volatility in energy costs and energy cost recovery indices, and persistent levels of inflation are key contributing factors to a significant increase to the RRX onerous contract provision as at 31 December 2023 compared to prior year.

The Group undertook a detailed review of the associated critical accounting judgements made relating to the contracts (and the associated key sources of estimation uncertainty identified) in relation to its German Rail business. The review also considered the calculation of the onerous contract provision as at 31 December 2022 and 31 December 2021 considering information that was or should have been available at those times following which the Group has determined that the German onerous contract provision was under-stated at each of those dates as set out in the notes to the Financial Statements. As a result the income statement charge for the year ended 31 December 2022 within adjusting items was restated to £24.3m (previously reported: £9.3m).

The provision at 31 December 2023 is £118.3m for the remainder of the contract term until 2033, following utilisation during the year of £27.9m and £1.2m unwinding of discount.

In US School Bus, an additional £12.0m charge was recorded in respect of onerous contracts and associated impairments which continued to be impacted by the post-covid market wide issues of driver shortages. This charge relates only to contracts which were previously considered to be onerous; no further such contracts have become onerous in 2023.

The WeDriveU put liability charge of £2.4m represents the final true-up payment in respect of the final 20% tranche of shares purchased and the Group now owns 100% of that business, with no further adjustments required.

Repayment of the UK Coronavirus Job Retention Scheme grant of £8.9m reflects the commitment made to voluntarily repay furlough funding at the time a dividend was paid to shareholders. This was subsequently paid in early 2024.

Restructuring and other costs of £30.1m includes the impact of Group wide strategic initiatives and restructuring, which includes one-off costs relating our cost saving programmes, and costs relating to preparation for the previously announced sale of US School Bus.

The Adjusting tax charge of £21.9m (FY 22 restated: credit £24.4m) is made up of a tax credit on amortisation of acquired intangible assets £10.4m (FY 22: £9.1m), a tax credit on Adjusting costs of £46.2m (FY 22 restated: £19.4m) and a deferred tax charge associated with de-recognition of tax losses of £78.5m (FY 22 restated: £4.1m).

Segmental performance

	Year ended 31 December					
	Adjusted Operating Profit/(Loss) 2023 £m	**Adjusting items 2023 £m**	**Segment result 2023 £m**	Adjusted Operating Profit/(Loss) 2022 £m	(Restated) Adjusting items 2022[1] £m	(Restated) Segment result 2022[1] £m
ALSA	136.8	(15.8)	121.0	103.9	(274.1)	(170.2)
North America	27.1	(34.2)	(7.1)	68.4	(55.7)	12.7
UK	23.5	(22.2)	1.3	25.6	(7.5)	18.1
German Rail	0.2	(100.3)	(100.1)	17.6	(25.4)	(7.8)
Central functions	(19.0)	(17.5)	(36.5)	(18.2)	(8.1)	(26.3)
Operating profit/(loss)	168.6	(190.0)	(21.4)	197.3	(370.8)	(173.5)

[1] Restated for a correction to the German Rail onerous contract provision

ALSA Adjusted Operating Profit has increased by £32.9m to £136.8m driven by robust passenger growth and improved yields compared with FY 22. The Regional and Urban business has also seen continuing growth boosted by increased mobility and network increases. The Statutory Profit has increased by £291.2m to £121.0m, due to the impairment of goodwill in FY 22.

North America Adjusted Operating Profit has decreased by £41.3m to £27.1m, with revenue growth of 6% as services rebuild, partly offsetting a £51.7m reduction in Covid-related cost support. While the business has faced higher operating costs due to driver shortages during the year, there has been significant progress in School Bus, with driver recruitment and retention resulting in route reinstatement at near to its contractual maximum, and with price increases for expiring contracts at 13%.

Revenue growth in Transit and Shuttle has been driven by new contract wins in the year, offsetting some of the volume decrease that we have seen in some of our large corporate shuttle contracts.

The statutory operating loss of £7.1m for the North America division as a whole is £19.8m down on prior year despite a £21.5m reduction in Adjusting items (as a result of a lower charge associated with the re-measurement of onerous contracts as the driver-gap and number of onerous contracts has reduced) because of the reduction in Adjusted Operating Profit noted above.

In the UK, Adjusted Operating Profit reduced by £2.1m to £23.5m. UK Bus revenues were helped by commercial passenger numbers increasing by 8% versus 2022 and a 12.5% price increase in July 2023. These helped to mitigate the impact of the drivers' strike in the first quarter of 2023 and the associated 16% wage settlement which was effective from 1 January 2023. During the year we continued to receive grants and subsidies to operate services. UK Coach revenues were supported by strong passenger growth of 25%. Passenger revenues were boosted by rail strikes through the year which generated an estimated 600,000 additional passengers. UK Coach operating profit was impacted by the continued disappointing performance in NXTS, the private hire and contracts business. Two loss making depots (Gillingham and Sydenham) were identified for closure in the year. The increase in Adjusting items of £14.7m reflects the commitment to repay the UK Coronavirus Job Retention Scheme grant and also restructuring costs.

German Rail Adjusted Operating Profit is down £17.4m to £0.2m. Of this reduction, approximately £10m is due to the IFRS15 contract asset adjustments associated with the RME contract. This movement includes approximately £8m of adjustments to reflect the impact of lower future profit expectations over the remaining contract life. The balance of the reduction in profitability (approximately £6m) was a result of higher penalties (and lower subsidies) caused by driver shortages, and the in-year impact of lower recovery of energy costs due to index ineffectiveness and rebasing on RME and RRX1.

RRX Lots 2 and 3 contributed £nil to Adjusted Operating Profit as they are covered by the onerous contract provision noted above. The segment result was impacted by a £99.2m charge relating to the increase in the

onerous contract provison reflecting the latest view of profitabiliity of the RRX Lots 2 and 3 contract over the remaining contract life to 2033.

Cash management

Funds flow	**2023**	2022
	£m	£m
Adjusted Operating Profit	**168.6**	197.3
Depreciation and other non-cash items	**217.4**	220.8
Adjusted EBITDA*	**386.0**	418.1
Net maintenance capital expenditure**	**(135.7)**	(184.5)
Working capital movement	**9.1**	(1.1)
Pension contributions above normal charge	**(7.5)**	(7.4)
Operating cash flow	**251.9**	225.1
Net interest paid	**(61.0)**	(47.0)
Tax paid	**(27.2)**	(17.6)
Free cash flow	**163.7**	160.5
Growth capital expenditure**	**(17.9)**	(93.1)
Acquisitions and disposals (net of cash acquired/disposed)	**(59.6)**	(29.5)
Adjusting items	**(71.0)**	(49.3)
Payment on hybrid instrument	**(21.3)**	(21.3)
Dividend	**(41.1)**	-
Other, including foreign exchange	**53.4**	(105.4)
Net funds flow	**6.2**	(138.1)
Net Debt	**(1,201.7)**	(1,207.9)

* Adjusted EBITDA is defined in the Alternative Performance Measures appendix.

** Net maintenance capital expenditure and growth capital expenditure are defined in the Alternative Performance Measures appendix.

The Group generated Adjusted EBITDA of £386.0m in the period (FY 22: £418.1m).

Net maintenance capital expenditure of £135.7m is principally related to asset purchases in North America and ALSA and is £48.8m less than FY 22 as the Group accelerated capital expenditure in FY 22 to secure production slots, resulting in a lower cash outflow in FY 23. Working capital was well controlled with an inflow of £9.1m including the collection of amounts from public bodies in the UK and Morocco and the adjustment to the RME IFRS15 contract asset discussed above (the reduction in the asset which forms part of working capital offsets the non-cash charge associated with the reduction included in Adjusted EBITDA, hence is cash-neutral within FY 23).

Consistent with previous periods, the Group makes use of non-recourse factoring arrangements.
These take two forms:

a. typical factoring of receivables existing at the balance sheet date (principally utilised for School Bus in North America and ALSA), for which there was £74.9m (FY 22: £62.5m) drawn down at year end and which is recognised as a reduction in receivables and recorded within operating cash flow; and

b. advance payments for factoring of divisional subsidies, for which £83.8m (FY 22: £50.2m) was drawn down at the end of the year, of this, £66.4m (FY 22: £50.2m) is in Germany where the cash flow profile of the RME contract is such that it creates a working capital requirement over the first half of the 15 year contract, and we factor certain of the subsidies due in order to ensure that the contract has a cash neutral impact on the Group; £17.4m (FY 22: £nil) was also factored in ALSA in relation to urban bus consortium arrangements. The amounts drawn down on these arrangements are classified as borrowings.

Net interest paid increased by £14.0m to £61.0m reflecting the increase in central bank base rates during the year on the floating component of our debt and the refinancing of the £400m bond, at 2.5% interest rate, with a €500m bond at a 4.875% interest rate.

Tax paid increased by £9.6m to £27.2m due to higher taxable profits in ALSA, as well as a temporary rule introduced by the Spanish tax authorities, limiting the amount of tax losses which can be utilised during the current year (with the restriction only impacting current year).

Free cash inflow was £163.7m (FY 22: £160.5m), representing strong conversion of 97% (FY 22: 81%).

Growth capital expenditure of £17.9m in the period (FY 22: £93.1m) primarily relates to assets purchased for new business in North America and ALSA partially offset by a funding receipt from the local authority of £11.9m relating to the new Casablanca fleet. The decrease from 2022 is due to significant payments for the new fleet in Casablanca and Rabat that were made in the prior year.

Acquisition costs of £59.6m (FY 22: £29.5m) relate mainly to the £46.1m purchase of the final 20% share in WeDriveU, which is now a 100% subsidiary; a £6.1m deposit related to the Canarybus acquisition in ALSA; as well as several smaller acquisitions in ALSA and earn-out considerations being paid for previous acquisitions.

A cash outflow of £71.0m was recorded in respect of Adjusting items as explained above. £21.3m of coupon payments on the hybrid instrument were made in the period and £41.1m in respect of the 2022 full year and 2023 interim dividend was paid to shareholders. Other inflows of £53.4m principally reflect the movement in exchange rates and settlement of foreign exchange derivatives as a result of our hedging strategy which seeks to protect covenant gearing from foreign exchange rate volatility.

Net funds inflow for the period of £6.2m (FY 22: £138.1m outflow) resulted in Net Debt of £1,201.7m (FY 22: £1,207.9m).

Please see the Supporting Reconciliations appendix for a reconciliation to the statutory cash flow statement.

Dividend

On 12 October, the Board announced the suspension of the 2023 final dividend when it became clear that covenant gearing would not decrease in the year and in the light of the weaker than expected macro-economic environment and trading performance. It is not expected that an interim dividend for FY 24 will be paid.

The Board will continue to monitor business performance and prospects and the associated pace of reduction in covenant gearing and will reinstate the dividend when it considers that sufficient progress is being made, targeting a 2x coverage ratio (EPS to DPS) once reinstated.

Treasury management

The Group maintains a disciplined approach to its financing and is committed to an investment grade credit rating. Our Moody's and Fitch ratings are Baa2/negative and BBB/stable respectively.

The Group has two key bank covenant tests; being a <3.5x test for gearing and a >3.5x test for interest cover. At 31 December 2023, covenant gearing was 3.0x (FY 22: 2.8x) and interest cover was 5.2x (FY 22: 8.6x). The increase in the covenant gearing ratio is attributable to the reduction in Adjusted EBITDA, with covenant net debt broadly consistent with FY 22.

At 31 December 2023, the Group had utilised £1.4bn of debt capital and committed facilities. At 31 December 2023, the Group's RCFs were undrawn and the Group had available a total of £0.9bn (FY 22: £0.8bn) in cash and undrawn committed facilities. The table below sets out the composition of these facilities:

Funding facilities	Facility £m	Utilised at 31 December 2023 £m	Headroom at 31 December 2023 £m	Maturity year
Core RCFs	600	-	600	2028
2028 bond	232	232	-	2028
2031 bond	428	428	-	2031
Private placement	405	405	-	2027-2032
Divisional bank loans	164	164	-	Various
Leases	181	181	-	Various
Funding facilities excluding cash	2,010	1,410	600	
Net cash and cash equivalents		(294)	294	
Total		**1,116**	**894**	

The Group completed two significant refinancing activities successfully during the year, which has improved the debt maturity and liquidity profile.

In July 2023, the Group completed the refinancing of its Core RCF facility, with the signing of a new £600m, 5 year committed revolving credit facility, with options to extend for two further years.
In September 2023, the Group issued a new €500m bond, maturing in 2031 and with a fixed interest coupon of 4.875%. This refinanced the maturing £400m bond which was repaid in November 2023.
The result of these two activities is an extension to our average debt maturity to 5.4 years, up from 3.7 years at FY 22.

To ensure sufficient liquidity, the Board requires the Group to maintain a minimum of £300m in cash and undrawn committed facilities at all times. This does not include factoring facilities which allow the without-recourse sale of receivables. These arrangements provide the Group with more economic alternatives to early payment discounts for the management of working capital and, as a result, are not included in (or required for) liquidity forecasts.

At 31 December 2023, the Group had foreign currency debt and swaps held as net investment hedges. These help mitigate volatility in the foreign currency translation of our overseas net assets. The Group also hedges its exposure to interest rate movements to maintain an appropriate balance between fixed and floating interest rates on borrowings. At 31 December 2023, the proportion of Group debt at floating rates was 21% (31 December 2022: 19%).

Return on capital employed
ROCE is a key performance measure for the Group, guiding how we deploy capital resources and as such is a key component of executive incentives. ROCE for the year was 7.0% (FY 22 restated: 7.6%), as result of the lower EBIT in the year.

Group tax policy
We adopt a prudent approach to our tax affairs, aligned to business transactions and economic activity. We have a constructive and good working relationship with the tax authorities in the countries in which we operate and there are no outstanding tax audits in any of our main three markets of the UK, Spain and North America. The Group's tax strategy is published on the Group website in accordance with UK tax law.

Pensions
The Group's principal defined benefit pension scheme is in the UK. The combined deficit under IAS 19 on 31 December 2023 was £32.6m (FY 22: £42.1m), with the IAS 19 deficit for the Group main's scheme, West Midlands Bus being £30.0m (FY 22: £39.7m).

The agreed deficit repayments on the West Midlands Bus plan are £7.5m, £7.7m and £7.8m per annum for the three years from 1 April 2023.

Fuel costs
Fuel cost represents approximately 9% of revenue (FY 22: 8%). At 31 December 2023 the Group is fully hedged for 2024 at an average price of 51.6p per litre; around 50% hedged for 2025 at an average price of 51.1p; and around 17% hedged for 2026 at an average price of 47.8p. This compares to an average hedged price in 2022 and 2023 of 37.5p and 48.5p respectively. This increase in hedged rates will add approximately £5m to gross fuel costs by FY24 compared with FY 23.

Going concern
The Financial Statements have been prepared on a going concern basis as the Directors are satisfied that the Group has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of the financial statements. Details of the Board's assessment of the Group's 'base **case', 'reasonable worse case', and 'reverse stress tests' are detailed in of the Notes to the Financial Statements.**

Risks and uncertainties
The Board considers the following are the principal risks and uncertainties facing the business:

- **Unprecedented external factors** threatening the resilience of the business: The resilience of the business can be challenged from major incidents such as a future pandemic, a financial crisis or extreme weather. If the Group is not able to identify and prepare appropriately, it might lead to significant financial, operational and reputational damages.
- **Adverse economic conditions affecting our speed of recovery**: Declining economic conditions and very high inflation rates can impact demand for travel.
- **Adverse political and policy environment affecting funding**: Political and geopolitical events such as trade tensions and regional conflicts can bring change. Those changes may impact government policy and funding for transport, which may impact the Group's operations.
- **Regulatory landscape and ability to comply:** Changes in current regulations and newly introduced regulations can impact the cost structure and operational procedures in our business as we strive to remain compliant.
- **Climate changes (physical):** We see increased frequency and intensity of extreme weather events such as hurricanes, floods and heatwaves that can lead to extensive damage to infrastructure, loss of lives, and disruptions to communities. The Group can lose key locations or suffer severe asset damages, or

operations can be interrupted and cause revenue loss even if the Group's assets are undamaged.

- **Climate changes (transitional):** The transition to zero emissions mass mobility is driven by regulatory changes, market demands, and Group's commitment to reducing its carbon footprint. The successful and sustainable transition poses a number of challenges due to significant changes required to infrastructure and changes to the risk profile associated with owning and operating the assets.
- **Implications of new technology in our business model (ZEV transformation)**: Transition to ZEV means introducing new technology that involves changes impacting across the business model including financing, contracting, maintaining and operating of the assets.
- **Competition and market dynamics in a digital world**: The evolving digital landscape in the transportation sector brings a number of challenges and opportunities including: i) shifting consumer preferences towards digitalisation; ii) alternative revenue structures which may disrupt traditional fare structures; iii) structural transformation which could cause unforeseen disruptions or affect productivity.
- **Shortages of drivers and frontline employees**: A tightening labour market leads to a combination of higher turnover and lower numbers of new recruits. A material shortage of drivers, engineering and maintenance employees impacts our ability to effectively deliver services and impact profitability, operations and reputation.
- **Industrial action**: Industrial action can impact the delivery of service, revenues and damage our brand and reputation, along with employee engagement and morale.
- **Cyber attack**: Major IT failure could disrupt operations and lead to loss of revenue. Data compromise involving a loss of customer information could result in reputational damage and significant remedial costs.
- **Safety incidents, litigation and claims**: Major safety-related incident could impact the Group both financially and reputationally. Higher than planned claims or cash settlements could adversely affect profit and cash outflow. Non-compliance with regulations can create legal and financial risk. A security incident (e.g. terrorism) would have a direct impact through asset damage, disruption to operations and revenue loss.
- **Credit/financing**: A material increase in interest rates would increase the Group's cost of borrowing, albeit around 80% of our debt is now at fixed rates following refinancing in FY23. Constrained equity and/or debt markets increase the costs of capital and debt financing. Regulation of debt providers and macro political and economic events can impact access to and/or cost of capital.
- **Attraction and retention of talent and succession planning**: Risk of not being able to attract or retain talented individuals with key skills needed to deliver the Evolve strategy.

James Stamp
Group Chief Financial Officer
21 April 2024

Appendix: Alternative performance measures

In the reporting of financial information, the Group has adopted various Alternative Performance Measures ("APMs"). APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the Adjusted performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance. The key APMs that the Group focuses on are as follows:

Measure	Closest IFRS measure	Definition and reconciliation	Purpose
Adjusted EBITDA	Operating profit[1]	Adjusted Earnings Before Interest and Tax plus Depreciation and Amortisation. It is calculated by taking Adjusted Operating Profit and adding back depreciation, fixed asset grant amortisation, and share-based payments.	Adjusted EBITDA is used as a key measure to understand profit and cash generation before the impact of investments (such as capital expenditure and working capital). It is also used to derive the Group's gearing ratio.
Gearing	No direct equivalent	The ratio of Covenant Net Debt to Adjusted EBITDA over the last 12 months, after making the following amendments to Adjusted EBITDA: including any pre-acquisition Adjusted EBITDA generated in that 12-month period by businesses acquired by the Group during that period; the reversal of IFRS 16 accounting; the exclusion of the profit or loss from associates; the exclusion of the profit or loss attributable to minority interest; and the add back of interest costs arising from the unwind of the discount on provisions.	The gearing ratio is considered a key measure of balance sheet strength and financial stability by which the Group and interested stakeholders assesses its financial position.
Free cash flow	Net cash generated from operating activities	The cash flow equivalent of Adjusted Profit After Tax. A reconciliation of Adjusted Operating Profit and net cash flow from operating activities to free cash flow is set out in the supporting	Free cash flow allows us and external parties to evaluate the cash generated by the Group's operations and is also a key performance measure for the Executive Directors' annual bonus structure and management remuneration.

		tables below.	
Net maintenance capital expenditure	No direct equivalent	Comprises the purchase of property, plant and equipment and intangible assets, other than growth capital expenditure, less proceeds from their disposal. It excludes capital expenditure arising from discontinued operations. It includes the capitalisation of leases initiated in the year in respect of existing business. A reconciliation of capital expenditure in the statutory cash flow statement to net maintenance capital expenditure (as presented in the Group Chief Financial Officer's Report) is set out in the supporting tables below.	Net maintenance capital expenditure is a measure by which the Group and interested stakeholders assesses the level of investment in new/existing capital assets to maintain the Group's profit.
Growth capital expenditure	No direct equivalent	Growth capital expenditure represents the cash investment in new or nascent parts of the business, including new contracts and concessions, which drive enhanced profit growth. It includes the capitalisation of leases initiated in the year in respect of new business.	Growth capital expenditure is a measure by which the Group and interested stakeholders assesses the level of capital investment in new capital assets to drive profit growth.
Net Debt	Borrowings less cash and related hedges	Cash and cash equivalents (cash overnight deposits, other short-term deposits) and other debt receivables, offset by borrowings (loan notes, bank loans and finance lease obligations) and other debt payable (excluding accrued interest).	Net Debt is the measure by which the Group and interested stakeholders assesses its level of overall indebtedness.
Covenant Net Debt	Borrowings less cash and related hedges	Net Debt adjusted for certain items agreed with the Group's lenders which have been excluded for the purposes of calculating Net Debt for covenant assessment. The adjustments principally comprise the exclusion of IFRS 16 liabilities, the exclusion of amounts owing under arrangements to factor advance subsidy payments, the add back of trapped cash, and an adjustment to retranslate any borrowing denominated in foreign currency to the average foreign currency exchange rates over the preceding 12 months.	Covenant Net Debt is the measure that is applicable in the covenant gearing test.
Adjusted earnings	Profit after tax	Adjusted earnings is Profit attributable to equity shareholders for the period, excluding Adjusting items (as described below) and can be found on the face of the Group Income Statement in the first column.	Adjusted earnings is a key measure used in the calculation of Adjusted earnings per share.
Adjusted earnings per share	Basic earnings per share	Adjusted earnings divided by the weighted average number of shares in issue, excluding those held in the Employee Benefit Trust which are treated as cancelled. A reconciliation of statutory profit to Adjusted profit for the purpose of this calculation is provided within the notes to the financial statements.	Adjusted earnings per share is widely used by external stakeholders, particularly in the investment community.
Adjusted Operating Profit	Operating profit[1]	Statutory operating profit excluding Adjusting items (as described below), and can be found on the face of the Group Income Statement in the first column.	Adjusted Operating Profit is a key performance measure for the Executive Directors' annual bonus structure and management remuneration. It also allows for ongoing trends and performance of the Group to be measured by the Directors, management and interested stakeholders.
Adjusting Items	No direct equivalent	Adjusting items are items that are considered significant in nature and value, not in the normal course of business, or are consistent with items that were treated as Adjusting items in prior periods.	Treatment as an Adjusting item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group.
Adjusted Operating Margin	Operating profit[1] ***divided by revenue***	Adjusted Operating Profit/(Loss) divided by revenue.	Adjusted Operating Margin is a measure used to assess and compare profitability. It also allows for ongoing trends and performance of the Group to be measured by the Directors, management and interested stakeholders.
Adjusted Profit Before Tax	Profit before tax	Statutory profit before tax excluding Adjusting Items can be found on the face of the Group Income Statement in the first column.	Adjusted Profit before tax allows a view of the profit before tax after taking account of the Adjusting items.
Return on capital employed (ROCE)	Operating profit[1] and net assets	Adjusted Operating Profit divided by average capital employed. Capital employed is net assets excluding Net Debt and derivative financial instruments, and for the purposes of this calculation is translated using average exchange rates. The calculation of ROCE is set out in the reconciliation tables below.	ROCE gives an indication of the Group's capital efficiency and is a key performance measure for the Executive Directors` remuneration.

[1] *Operating profit is presented on the Group income statement. It is not defined per IFRS, however is a generally accepted profit measure.*

Appendix: Supporting reconciliations

Reconciliation of net cash flow from operating activities to free cash flow	**2023 £m**	2022 £m
Net cash flow from operating activities	**230.0**	221.1
Remove: Cash (receipts)/payments in respect of IFRIC 12 asset purchases treated as working capital for statutory cash flow*	**(12.0)**	59.7
Remove: Cash expenditure in respect of adjusting items	**71.0**	49.3
Add: Net maintenance capital expenditure	**(135.7)**	(184.5)
Add: Other non-cash movements	**(2.7)**	(0.8)
Profit on disposal of fixed assets	**13.1**	15.7
Free cash flow	**163.7**	160.5

*During the year the Group received cash in respect of a capital grant receivable for assets (principally vehicles) acquired in previous years to fulfil a contract in Morocco that is accounted for under the IFRIC12 financial asset model and for which the statutory cash flow for these purchases and grants receivable are accordingly presented as a movement in working capital, with the assets being recorded as contract assets on the balance sheet rather than in property, plant and equipment or intangible assets. In order to be consistent with the treatment of asset purchases on other contracts, these asset purchases are reclassified to capital expenditure for the purposes of the "funds flow" presented in the CFO report. The grant receipt has been included as growth capital expenditure, consistent with the original asset purchases for new business and consistent with previous years.

Reconciliation of capital expenditure in statutory cash flow to funds flow	**2023 £m**	2022 £m
Purchase of property, plant and equipment	**(128.2)**	(169.0)

Proceeds from disposal of property, plant and equipment	**33.8**	9.3
Payments to acquire intangible assets	**(12.9)**	(10.7)
Proceeds from disposal of intangible assets	**4.9**	5.2
Net capital expenditure in statutory cash flow statement	**(102.4)**	(165.2)
Add: Profit on disposal of fixed assets	**(13.1)**	(15.7)
Add: capitalisation of leases initiated in the year, less disposals	**(50.1)**	(37.0)
Add: re ceipts/(payments) in respect of IFRIC12 asset purchases*	**12.0**	(59.7)
Net capital expenditure in the funds flow (presented in the Group Chief Financial Officer's Report)	**(153.6)**	(277.6)
Split as:		
*Net maintenance capital expenditure***	***(135.7)***	*(184.5)*
*Growth capital expenditure***	***(17.9)***	*(93.1)*

*See explanation above
**These terms are defined in the glossary of APMs

Reconciliation of ROCE	2023 £m	2022[1] £m
Statutory operating loss	**(21.4)**	(173.5)
Add back: adjusting items	**190.0**	370.8
Return – Adjusted Group Operating Profit	**168.6**	197.3
Average net assets	**1,220.0**	1,424.9
Remove: Average net debt	**1,204.8**	1,138.8
Remove: Average derivatives, excluding derivatives reported within Net Debt	**0.7**	(16.8)
Foreign exchange adjustment	**(11.7)**	37.6
Average capital employed	**2,413.8**	2,584.5
Return on capital employed	**7.0%**	7.6%

[1]Restated for a correction to the German Rail onerous contract provision, see the Notes to the Financial Statements for further information

Financial Statements
Group Income Statement
For the year ended 31 December 2023

	Note	**Adjusted result 2023 £m**	**Adjusting items (note 4) 2023 £m**	**Total 2023 £m**	Adjusted result 2022 £m	(Restated) Adjusting items (note 4) 2022[1] £m	(Restated) Total 2022[1] £m
Revenue	3	**3,150.9**	**–**	**3,150.9**	2,807.5	–	2,807.5
Operating costs		**(2,982.3)**	**(190.0)**	**(3,172.3)**	(2,610.2)	(370.8)	(2,981.0)
Group operating profit/(loss)		**168.6**	**(190.0)**	**(21.4)**	197.3	(370.8)	(173.5)
Share of results from associates and joint ventures		**(0.5)**	**–**	**(0.5)**	(0.4)	–	(0.4)
Finance income	5	**4.0**	**–**	**4.0**	2.2	–	2.2
Finance costs	5	**(79.2)**	**(1.2)**	**(80.4)**	(53.2)	(0.4)	(53.6)
Profit/(loss) before tax		**92.9**	**(191.2)**	**(98.3)**	145.9	(371.2)	(225.3)
Tax (charge)/credit	6	**(42.5)**	**(21.9)**	**(64.4)**	(30.3)	24.4	(5.9)
Profit/(loss) for the year		**50.4**	**(213.1)**	**(162.7)**	115.6	(346.8)	(231.2)
Profit/(loss) attributable to equity shareholders		**49.1**	**(212.9)**	**(163.8)**	113.4	(345.7)	(232.3)
Profit/(loss) attributable to non-controlling interests		**1.3**	**(0.2)**	**1.1**	2.2	(1.1)	1.1
		50.4	**(213.1)**	**(162.7)**	115.6	(346.8)	(231.2)
Earnings per share:	8						
– basic earnings per share				**(30.2)p**			(41.4)p
– diluted earnings per share				**(30.2)p**			(41.4)p

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

Details relating to adjusting items are provided in note 4.

Financial Statements
Group Statement of Comprehensive Income
For the year ended 31 December 2023

	2023 £m	(Restated) 2022[1] £m
Loss for the year	**(162.7)**	(231.2)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains on defined benefit pension plans	**2.6**	53.0
Deferred tax charge on actuarial movements	**(0.8)**	(12.7)
(Losses)/gains on financial assets at fair value through Other Comprehensive Income	**(1.4)**	1.7
	0.4	42.0
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on retranslation of foreign operations	**(74.3)**	146.3
Exchange differences on retranslation of non-controlling interests	**(0.9)**	3.1
Gains/(losses) on net investment hedges	**30.1**	(57.6)
(Losses)/gains on cash flow hedges	**(14.4)**	78.6
Cost of hedging	**0.6**	(0.7)
Hedging gains reclassified to Income Statement	**(26.9)**	(77.7)
Deferred tax (charge)/credit on foreign exchange differences	**(0.8)**	1.3
Deferred tax credit on cash flow hedges	**3.6**	5.2
	(83.0)	98.5
Other comprehensive (expense)/income for the year	**(82.6)**	140.5
Total comprehensive expense for the year	**(245.3)**	(90.7)
Total comprehensive (expense)/income attributable to:		
Equity shareholders	**(245.5)**	(94.9)
Non-controlling interests	**0.2**	4.2
	(245.3)	(90.7)

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

Financial Statements
Group Balance Sheet
At 31 December 2023

	Note	**2023** **£m**	(Restated) 2022[1] £m	(Restated) 2021[1] £m
Non-current assets				
Intangible assets		**1,551.8**	1,620.9	1,778.5
Property, plant and equipment		**1,164.5**	1,175.3	1,129.6
Non-current financial assets		**15.3**	26.9	32.6
Investments accounted for using the equity method		**11.1**	13.9	13.7
Trade and other receivables		**153.8**	173.5	147.1
Finance lease receivable		**6.5**	9.7	12.7
Deferred tax assets		**164.4**	193.6	162.2
Defined benefit pension assets	12	**0.2**	0.4	3.8
Total non-current assets		**3,067.6**	3,214.2	3,280.2
Current assets				
Inventories		**33.7**	32.4	28.8
Trade and other receivables		**573.1**	560.7	428.3
Finance lease receivable		**2.7**	4.3	4.1
Derivative financial instruments		**11.1**	37.7	31.0
Current tax assets		**12.4**	2.3	3.3
Cash and cash equivalents	11	**356.3**	291.8	508.4
		989.3	929.2	1,003.9
Assets classified as held for sale	10	**18.2**	18.6	18.6
Total current assets		**1,007.5**	947.8	1,022.5
Total assets		**4,075.1**	4,162.0	4,302.7
Non-current liabilities				
Borrowings		**(1,290.6)**	(886.3)	(1,294.3)
Derivative financial instruments		**(15.3)**	(22.4)	(11.1)
Deferred tax liability		**(47.1)**	(26.9)	(14.5)
Other non-current liabilities		**(115.2)**	(121.2)	(123.8)
Defined benefit pension liabilities	12	**(32.8)**	(42.5)	(99.2)
Provisions		**(146.4)**	(79.3)	(76.8)
Total non-current liabilities		**(1,647.4)**	(1,178.6)	(1,619.7)
Current liabilities				
Trade and other payables		**(960.6)**	(874.5)	(787.7)
Borrowings		**(271.2)**	(602.0)	(302.3)
Derivative financial instruments		**(31.6)**	(41.9)	(24.5)
Current tax liabilities		**–**	(4.2)	(3.0)
Provisions		**(98.3)**	(87.0)	(89.6)
Total current liabilities		**(1,361.7)**	(1,609.6)	(1,207.1)
Total liabilities		**(3,009.1)**	(2,788.2)	(2,826.8)
Net assets		**1,066.0**	1,373.8	1,475.9
Shareholders' equity				
Share capital		**30.7**	30.7	30.7
Share premium		**533.6**	533.6	533.6
Own shares		**(3.6)**	(3.9)	(4.5)
Hybrid reserve		**513.0**	513.0	513.0
Other reserves		**397.6**	481.1	384.0
Retained earnings		**(435.5)**	(223.7)	(22.0)
Total shareholders' equity		**1,035.8**	1,330.8	1,434.8
Non-controlling interests in equity		**30.2**	43.0	41.1
Total equity		**1,066.0**	1,373.8	1,475.9

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

I Garat
Group Chief Executive Officer

J Stamp
Group Chief Financial Officer

21 April 2024

Financial Statements
Group Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital £m	Share premium account £m	Own shares £m	Hybrid reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2023 (Restated)[1]	**30.7**	**533.6**	**(3.9)**	**513.0**	**481.1**	**(223.7)**	**1,330.8**	**43.0**	**1,373.8**
(Loss)/profit for the year	–	–	–	–	–	(163.8)	(163.8)	1.1	(162.7)
Other comprehensive (expense)/income for the year	–	–	–	–	(83.5)	1.8	(81.7)	(0.9)	(82.6)
Total comprehensive (expense)/income	–	–	–	–	(83.5)	(162.0)	(245.5)	0.2	(245.3)
Own shares released to satisfy employee share schemes	–	–	0.3	–	–	(0.3)	–	–	–
Share-based payments	–	–	–	–	–	1.6	1.6	–	1.6
Deferred tax on share-based payments	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Accrued payments on hybrid instrument	–	–	–	21.3	–	(21.3)	–	–	–
Payments on hybrid instrument	–	–	–	(21.3)	–	–	(21.3)	–	(21.3)
Deferred tax on hybrid bond payments	–	–	–	–	–	5.3	5.3	–	5.3
Dividends paid to shareholders of Company	–	–	–	–	–	(41.1)	(41.1)	–	(41.1)
Recognition of liabilities with non-controlling liabilities	–	–	–	–	–	(8.6)	(8.6)	–	(8.6)
Purchase of subsidiary shares from non-controlling interest	–	–	–	–	–	15.0	15.0	(15.0)	–
Non-controlling interest arising from business combinations	–	–	–	–	–	–	–	0.9	0.9
Disposal of subsidiary shares from non-controlling interest				–	–	(0.2)	(0.2)	0.6	0.4
Contributions from non-controlling interests	–	–	–	–	–	–	–	0.5	0.5
At 31 December 2023	**30.7**	**533.6**	**(3.6)**	**513.0**	**397.6**	**(435.5)**	**1,035.8**	**30.2**	**1,066.0**

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

Financial Statements
Group Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital £m	Share premium account £m	Own shares £m	Hybrid reserve £m	(Restated) Other reserves[1] £m	(Restated) Retained earnings[1] £m	(Restated) Total[1] £m	Non-controlling interests £m	(Restated) Total equity[1] £m
At 1 January 2022 (Restated)[1]	30.7	533.6	(4.5)	513.0	384.0	(22.0)	1,434.8	41.1	1,475.9
(Loss)/profit for the year	–	–	–	–	–	(232.3)	(232.3)	1.1	(231.2)
Other comprehensive income for the year	–	–	–	–	97.1	40.3	137.4	3.1	140.5
Total comprehensive income/ (expense)	–	–	–	–	97.1	(192.0)	(94.9)	4.2	(90.7)
Shares purchased	–	–	(0.3)	–	–	–	(0.3)	–	(0.3)
Own shares released to satisfy employee share schemes	–	–	0.9	–	–	(0.7)	0.2	–	0.2
Share-based payments	–	–	–	–	–	1.2	1.2	–	1.2
Deferred tax on share-based payments	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Accrued payments on hybrid instrument	–	–	–	21.3	–	(21.3)	–	–	–
Payments on hybrid instrument	–	–	–	(21.3)	–	–	(21.3)	–	(21.3)
Deferred tax on hybrid bond payments	–	–	–	–	–	5.3	5.3	–	5.3
Purchase of subsidiary shares from non-controlling interest	–	–	–	–	–	5.8	5.8	(5.8)	–
Disposal of subsidiary shares from non-controlling interest	–	–	–	–	–	0.4	0.4	0.3	0.7
Other movements with non-controlling interests	–	–	–	–	–	–	–	3.2	3.2
At 31 December 2022	30.7	533.6	(3.9)	513.0	481.1	(223.7)	1,330.8	43.0	1,373.8

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

Financial Statements
Group Statement of Cash Flows
For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Cash generated from operations	13	**315.7**	284.9
Tax paid		**(27.3)**	(17.6)
Interest paid		**(62.9)**	(48.6)
Interest received		**4.5**	2.5
Net cash flow from operating activities		**230.0**	221.2
Cash flows from investing activities			
Payments to acquire businesses, net of cash acquired	10	**(9.4)**	(4.8)
Deferred consideration for businesses acquired	10	**(3.6)**	(3.7)
Purchase of property, plant and equipment		**(128.2)**	(169.0)
Proceeds from disposal of property, plant and equipment		**33.8**	9.3
Payments to acquire intangible assets		**(12.9)**	(10.7)
Proceeds from disposal of intangible assets		**4.9**	5.2
Payments to settle net investment hedge derivative contracts		**(5.0)**	(10.5)
Receipts on settlement of net investment hedge derivative contracts		**15.8**	3.1
Receipts relating to associates and investments		**1.5**	0.7
Net cash flow from investing activities		**(103.1)**	(180.4)
Cash flows from financing activities			
Dividends paid to holders of hybrid instrument		**(21.3)**	(21.3)
Principal lease payments		**(57.4)**	(85.9)
Increase in borrowings		**668.9**	128.8
Repayment of borrowings		**(576.6)**	(169.5)
Transaction costs relating to new borrowings		**(4.1)**	–
Payments to settle foreign exchange forward contracts		**(30.3)**	(61.7)
Receipts on settlement of foreign exchange forward contracts		**44.6**	22.3
Purchase of own shares		**–**	(0.3)
Acquisition of non-controlling interests[1]		**(46.1)**	(19.1)
Contributions from non-controlling interest		**0.5**	3.2
Disposals of non-controlling interests		**0.4**	0.6
Dividends paid to shareholders of the Company	7	**(41.1)**	–
Net cash flow from financing activities		**(62.5)**	(202.9)
Increase/(decrease) in net cash and cash equivalents		**64.4**	(162.1)
Opening net cash and cash equivalents		**233.1**	376.2
Increase/(decrease) in net cash and cash equivalents		**64.4**	(162.1)
Foreign exchange		**(3.8)**	19.0
Closing net cash and cash equivalents	11	**293.7**	233.1

[1] Amounts in 2023 include £46.1m (2022: £19.1m) paid on exercise of 20% (2022: 10%) of the WeDriveU put liability

Financial Statements
Notes to the Consolidated Accounts
For the year ended 31 December 2023

1 Basis of preparation
These results are based on the Group Financial Statements, which have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Financial Reporting Standards (IFRS).

These results are presented in pounds Sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m) except where otherwise indicated.

Going concern

The financial statements have been prepared on a going concern basis. In adopting this basis, the Directors have considered the Group's business activities, principal risks and uncertainties, exposure to macroeconomic conditions, financial position, covenant compliance, liquidity and borrowing facilities.

The Group continues to maintain a strong liquidity position, with £0.9bn in cash and undrawn committed facilities available to it as of 31 December 2023 and total committed facilities of £2.0bn at this date. There is no expiry of these facilities within the going concern outlook period. During July 2023 the Group re-financed its revolving credit facility, increasing the size to £600m (from £527m). The new facility is committed for five years (to July 2028), with two annual extension options to July 2030. Covenants and other key terms are consistent with those of the Group's former RCF. The Group has also recently refinanced its £400m sterling bond (which was due to mature in November 2023), replacing it with an eight year, €500m euro-denominated bond in September 2023. The Group has positive relationships and regular dialogue with its lenders. Certain of the Group's borrowings are subject to covenant tests on gearing and interest cover on a bi-annual basis. A gearing covenant whereby net debt must be no more than 3.5x adjusted EBITDA and an interest covenant whereby adjusted EBITDA must be at least 3.5x interest expense apply to the Group. Each input is subject to certain adjustments from reported to covenant measure as defined in the facility agreements, principally for presentation on a pre-IFRS 16 basis.

The Group has continued to recover in 2023, growing revenue but falling behind its expected profit recovery trend due to higher driver recruitment costs in North America, higher driver pay settlements in UK Bus coupled with lower than expected passenger recovery and slower recovery of the UK Transport Solutions business (NXTS). Additionally, higher costs associated with driver shortages (resulting in more expensive agency labour) and energy costs in Germany have been incurred in the latter part of 2023, adversely impacting both underlying profit and cash utilisation. Furthermore, following significant inflationary pressure on the cost base and a review of unit costs, it has become increasingly clear that the cost base has reached levels that are not consistent with the Group's margin and return ambitions. As a result, cost reduction programmes were launched in 2023, with £15m of savings already delivered in 2023, which will annualise into 2024; in addition we have launched a new productivity improvement and cost reduction programme, where we are targeting at least £20m of annualised savings.

We acknowledge that the Group has remained loss-making on a statutory basis in 2023, however this is not considered representative of the trading prospects of the Group since i) the statutory result was significantly impacted by the £99.2m onerous contract remeasurement in German Rail, brought about as a result of non-recurring, industry-wide factors; and ii) adjusting items also related to restructuring costs which will enable achievement of significant cost savings in future, improving both adjusted and statutory profitability.

Despite the prevailing macroeconomic uncertainty, we are confident in the Group's prospects as a value-for-money provider of essential public services, and therefore consider the business highly resilient to cost-of-living pressures. The outlook for 2024 is encouraging and the Directors remain confident in the longer-term outlook for the Group. This growth ambition is strengthened by government policy which is highly supportive of public transport as part of the solution to climate change.

The base case projections, which cover the period to June 2025, assume a steady continuation of passenger demand increases across the Group, in line with the trends seen across 2023 and the exit rate into 2024, as well as an improvement in adjusted operating margin in the UK and North America following significant cost reduction and pricing actions undertaken in 2023 and similar actions ongoing into 2024.The key points of note regarding the base case are as follows:

- In the UK, the Bus business will focus on improving adjusted profitability, benefitting from price increases (some of which were already implemented in 2023) and operational cost efficiencies to combat increases in the cost base. The Coach business will continue to grow patronage and yields, targeting new areas (such as festivals and events) whilst also controlling the cost base through further efficiencies. There is assumed to be some benefit from ongoing rail strikes in 2024, but to a much lesser extent than in 2023. Additionally there is a

strong focus on the turnaround of the NXTS private hire business in 2024, for which work is already underway with positive early results. The current funding package for UK Bus is expected not to extend past December 2024; the base case includes a number of initiatives to replace this shortfall through further cost efficiencies and commercial revenue growth.

- In ALSA, revenue and profit in Long Haul is expected to reduce marginally in 2024 as we lap the benefit of the 'Young Summer' government initiative seen in 2023 and see increased competition from High Speed Rail as new corridors are launched across Spain. Elsewhere in the business, we will see increases in demand for Regional, Urban and Discretionary services as well as ongoing growth in recently expanded areas such as Portugal and Healthcare transport. We remain protected from significant inflation by CPI-linked indexation clauses in most of our contracted revenue streams.
- The North American School Bus business has substantially recovered the cumulative impact of wage inflation, achieving a 13% pricing uplift on contracts up for renewal in 2023 (creating a significant tailwind into 2024), with further rate increases anticipated, in the remainder of the portfolio which has yet to be addressed. Significant progress on route recovery has been made throughout 2023, with around 97% of contractual maximum route numbers currently being operated and an expectation that the remaining 3% of routes will be recovered in 2024.
- The North American Shuttle and Transit business will continue to be impacted by weakness in the Technology sector but will deliver expansion into new sectors, with many such contracts already secured in 2023. There will be a continued focus on growth, with active bidding on a large pipeline of opportunities in strategic target markets. Rate increases and operational turnarounds have been secured across a number of key locations, providing a pathway to improved profitability in 2024.
- In Germany, expectations are that 2024 will continue to suffer from industry-wide driver scarcity and lower levels of energy subsidy than previously anticipated. A reduced level of adjusted operating profit and additional cash flows reflecting unwind of the onerous contract provision are therefore expected in 2024.
- 2024 will benefit from cost reduction programmes that were launched in 2023, with £15m of savings already delivered in 2023, which will annualise into 2024; in addition we have launched a new productivity improvement and cost reduction programme, where we are targeting at least £20m of annualised savings.
- There is no Covid-related funding assumed in the base case plan from 2024 onwards. The Group continues to partner with governments and local authorities in order to encourage the shift to public transport.
- Given the uncertainty on timing of disposal, the base case assumes that the North America School Bus business remains part of the Group throughout the going concern assessment period. A disposal of this business would be highly favourable to covenant gearing and liquidity headroom.

The reasonable worst case ("RWC") is fully aligned with the Viability Assessment and forms the first 18 months of that assessment (to June 2025). In summary, the downside risks modelled are all correlated with the Group's principal risks. These downsides modelled include, but are not limited to:

1. Reduced passenger demand as a result of lower disposable incomes adversely affecting revenues by up to 3% in those lines of business without passenger revenue protection, fewer new contract wins and increased competition from other operators and modes of transport whereby 50% of growth opportunities are assumed to be lost and a material worsening of the bid season outcome in School Bus.
2. Higher inflation on the cost base, both for labour (with a 50% worsening of wage increases in most divisions) and general costs (increased by up to 2.5% above base case levels), with none of this being able to be passed on to customers.
3. Price rises from customers are lower than anticipated.
4. A material delay in realising cost savings in the new productivity improvement and cost reduction programme.

Against this severe but plausible downside scenario, we apply cost saving mitigations which would be within our control and which could be reasonably enacted without material short term damage to the business. The quantum and nature of these mitigations is broadly consistent with those assumed in prior years' assessments and include but are not limited to:

1. Reduced discretionary spending, with up to £15m per annum of cost savings across Travel & Accommodation, Advertising & Marketing, Training & Development and Legal & Professional fees which is more than achievable as demonstrated during the Covid pandemic.
2. The removal of any planned annual discretionary bonuses.
3. A reduction in the pace of replacement of fleet leading to in year savings.

Additionally, we assume cash flow mitigations, primarily in the form of deferral of capital expenditure, consistent with prior assessments.

The Directors have reviewed the base case and RWC projections and in both scenarios the Group has a strong liquidity position over the going concern assessment period and would be able to comply with the covenant tests, albeit under RWC, reliant on the cost saving mitigations discussed above.

In addition to the base case and RWC scenarios, the Directors have reviewed reverse stress tests, in which the Group has assessed the set of circumstances that would be necessary for the Group to either breach the limits of its borrowing facilities or breach any of the covenant tests.

In applying a reverse stress test to liquidity the Directors have concluded that the set of circumstances required to exhaust it are considered remote. As ever, covenants that include adjusted EBITDA as a component are more sensitive to reverse stress testing; the Directors have therefore conducted in-depth stress testing on all covenant tests at June 2024, December 2024 and June 2025. In doing so, the Directors have considered all cost mitigations that would be within their control if faced with another short-term material adjusted EBITDA reduction and no lender support to amend or waive adjusted EBITDA-related covenants. Taking this into account the Directors concluded that the probability was remote that circumstances arise that cause covenants to be breached. Reverse stress tests have been performed against a reduction in revenue, incremental inflation that cannot be recovered, and an inability to achieve planned cost savings and in all instances, the likelihood of circumstances occurring that would result in a breach of covenants was considered remote.

In any case, should there be a more severe set of circumstances than those assumed in the reasonable worst case, a number of further mitigating actions are available to the Group, including: deeper and broader cost cutting measures, sale and leaseback of vehicles, disposal of properties, delays or reductions to capital expenditure and disposal of investments or other assets. The Group could also seek to raise further equity or seek further amendments or waivers of covenants, as was demonstrated during the Covid pandemic.

In conclusion, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements for the year ended 31 December 2023.

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

The following amendments have been applied for the first time with effect from 1 January 2023:

- *International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)*

  The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include:

  - A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
  - Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group’s potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the 2022 tax filings, country-by-country reporting and financial statements for the constituent entities in the Group.

Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply, and the Pillar Two effective tax rate is below 15%. The profits in these countries are not significant however and so the Group anticipates that the exposure to Pillar Two income taxes in those jurisdictions to be insignificant.

In addition, the following amendments have been applied for the first time with effect from 1 January 2023:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

These amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Prior year restatement
The industry-wide disruption in the train driver market, lower labour productivity, volatility in energy costs and

energy cost recovery indices, and persistent levels of inflation are key contributing factors to the significant increase to the German rail onerous contract provision as at 31 December 2023 compared to prior year. The Group undertook a detailed review of the associated critical accounting judgements made relating to the contracts (and the associated key sources of estimation uncertainty identified) in relation to its German Rail business. The review also considered the calculation of the onerous contract provision as at 31 December 2022 and 31 December 2021 considering information that was or should have been available at those times following which the Group has determined that the German onerous contract provision was under-stated at each of those dates as set out below:

- 31 December 2021 (restated): £29.7m, represents an increase of £8.6m of the previously reported balance primarily as a result of corrections to the model in relation to the allocation of central costs and depreciation of centrally held assets in the German rail business.

- 31 December 2022 (restated): £46.9m, represents an increase of £25m to the previously reported balance as a result of the matters described above, corrections to the model for assumptions made about revenue compensation for government sponsored ticket initiatives, and a change in the discount rate to reflect the use of the risk-free rate (a company specific borrowing rate was incorrectly applied in determining the 2022 provision).

Additionally, the implementation of the annual unwind of the discount to finance costs based on the restated provision values and the updated discount rate has also been reflected within the restated amounts. The deferred tax assets have also been restated to reflect the tax effect of the adjustments made to the onerous contract provision summarised above.

As a result, adjusting items in respect of the German onerous contract provisions have also changed with the charges for the year ended 31 December 2022 increasing by £24.6m (previously reported for the 2022 year: £9.3m). Retained earnings for the year ended 31 December 2021 have also decreased by £5.8m.

This has been corrected by restating the earliest comparative period within this report, with the Financial Statement line items impacted as follows:

Group Income Statement

	Reported			Restated		
	Adjusted result 2022 £m	Adjusting items (note 4) 2022 £m	Total 2022 £m	Adjusted result 2022 £m	Adjusting items (note 4) 2022 £m	Total 2022 £m
Operating costs	(2,610.2)	(355.8)	(2,966.0)	(2,610.2)	(370.8)	(2,981.0)
Group operating profit/(loss)	197.3	(355.8)	(158.5)	197.3	(370.8)	(173.5)
Finance costs	(53.2)	–	(53.2)	(53.2)	(0.4)	(53.6)
Profit/(loss) before tax	145.9	(355.8)	(209.9)	145.9	(371.2)	(225.3)
Tax (charge)/credit	(30.3)	19.5	(10.8)	(30.3)	24.4	(5.9)
Profit/(loss) for the year	115.6	(336.3)	(220.7)	115.6	(346.8)	(231.2)
Basic EPS			(39.7)p			(41.4)p
Diluted EPS			(39.7)p			(41.4)p

Group Statement of Comprehensive Income

	Reported 2022 £m	Adjustment 2022 £m	Restated 2022 £m
Loss for the year	(220.7)	(10.5)	(231.2)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on retranslation of foreign operations	146.9	(0.6)	146.3
Other comprehensive income for the year	141.1	(0.6)	140.5
Total comprehensive expense for the year	(79.6)	(11.1)	(90.7)
Total comprehensive (expense)/income attributable to:			
Equity shareholders	(83.8)	(11.1)	(94.9)
Non-controlling interests	4.2	–	4.2
	(79.6)	(11.1)	(90.7)

Group Balance Sheet

	Reported 31 Dec 2022 £m	Adjustment £m	Restated 31 Dec 2022 £m	Reported 31 Dec 2021 £m	Adjustment £m	Restated 31 Dec 2021 £m
Deferred tax assets	185.5	8.1	193.6	159.4	2.8	162.2
Total non-current assets	3,206.1	8.1	3,214.2	3,277.4	2.8	3,280.2
Total assets	4,153.9	8.1	4,162.0	4,299.9	2.8	4,302.7
Provisions	(65.7)	(13.6)	(79.3)	(68.8)	(8.0)	(76.8)
Total non-current liabilities	(1,165.0)	(13.6)	(1,178.6)	(1,611.7)	(8.0)	(1,619.7)
Provisions	(75.6)	(11.4)	(87.0)	(89.0)	(0.6)	(89.6)
Total current liabilities	(1,598.2)	(11.4)	(1,609.6)	(1,206.5)	(0.6)	(1,207.1)
Total liabilities	(2,763.2)	(25.0)	(2,788.2)	(2,818.2)	(8.6)	(2,826.8)
Net assets	1,390.7	(16.9)	1,373.8	1,481.7	(5.8)	1,475.9
Other reserves (translation reserve)	481.7	(0.6)	481.1	384.0	–	384.0
Retained earnings	(207.4)	(16.3)	(223.7)	(16.2)	(5.8)	(22.0)
Total shareholders' equity	1,347.7	(16.9)	1,330.8	1,440.6	(5.8)	1,434.8
Total equity	1,390.7	(16.9)	1,373.8	1,481.7	(5.8)	1,475.9

Group Statement of Changes in Equity

	Reported[1]				Restated			
	Other reserves £m	Retained earnings £m	Total £m	Total equity £m	Other reserves £m	Retained earnings £m	Total £m	Total equity £m
At 1 January 2021	373.2	38.4	1,470.0	1,510.2	373.2	38.4	1,470.0	1,510.2
Loss for the year	–	(80.8)	(80.8)	(77.1)	–	(86.6)	(86.6)	(82.9)

Other comprehensive income for the year	10.8	39.2	50.0	48.7	10.8	39.2	50.0	48.7
Total comprehensive income/(expense)	10.8	(41.6)	(30.8)	(28.4)	10.8	(47.4)	(36.6)	(34.2)
At 31 December 2021	384.0	(16.2)	1,440.6	1,481.7	384.0	(22.0)	1,434.8	1,475.9

[1]As reported in the Group's 2022 Annual Report and Accounts

	Reported				Restated			
	Other reserves £m	Retained earnings £m	Total £m	Total equity £m	Other reserves £m	Retained earnings £m	Total £m	Total equity £m
At 1 January 2022	384.0	(16.2)	1,440.6	1,481.7	384.0	(22.0)	1,434.8	1,475.9
Loss for the year	–	(221.8)	(221.8)	(220.7)	–	(232.3)	(232.3)	(231.2)
Other comprehensive income for the year	97.7	40.3	138.0	141.1	97.1	40.3	137.4	140.5
Total comprehensive income/(expense)	97.7	(181.5)	(83.8)	(79.6)	97.1	(192.0)	(94.9)	(90.7)
At 31 December 2022	481.7	(207.4)	1,347.7	1,390.7	481.1	(223.7)	1,330.8	1,373.8

As there was no impact on cash and cash equivalents, the statement of cash flows has not been re-presented.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of Financial Statements requires the Group to make estimates and judgements that affect the application of the Group's accounting policies and reported amounts.

Critical accounting judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Management considered, throughout the year, the financial reporting impact associated with our identified principal risks, which include the effects of climate change and inflation.

(i) Critical accounting judgements

Recognition of deferred tax assets

The recognition of deferred tax assets in North America and the UK requires management's assessment of the probability of the recovery of these losses based on future financial projections. Management's view is that these losses will be recovered in the future as prior losses have been caused by a one-off event that was the pandemic from which our recovery has been slower than anticipated - due to positive revenue growth not being sufficient to offset inflationary headwinds. Management expect Group profitability will continue to improve through actions taken on a combination of pricing, and cost management and restructuring.

New management in North America and the UK has also given the Group confidence in our financial forecasts and the recovery of these deferred tax assets. We will continue to assess the recognition of these deferred tax assets at each reporting date.

We have provided further detail relating to these critical accounting judgments below:

i) North America
At the 31 December 2023 the Group has a $136.1m (2022: $152.6m) deferred tax asset in relation to past losses in North America; being $107.8m in relation to federal losses and $28.3m for state losses. This is calculated as 21% federal tax and 6.7% state tax, being the substantially enacted rate set by US Federal governments at the balance sheet date, multiplied by gross US cumulative historic losses of $513.3m (2022: $536.7m) and $423.9m (2022: $593.6m) respectively. The majority of these losses may be carried forward indefinitely under US tax rules. At 31 December 2023, there are also other deferred tax assets, including surplus restricted interest costs and general business tax credits, offset by deferred tax liabilities which gives an overall total net deferred tax asset of $102.2m (2022: $104.4m) at 31 December 2023.

In assessing the probability of recovery of these losses, and the overall deferred tax asset, management have

looked at the last three years' financial performance as well as future financial projections. While the North America business as a whole has made additional tax losses in the last three years, management believe these were attributable to a one-off, non-recurring, event that was the global Covid pandemic, from which our recovery from has been slower than anticipated.

As a result of near full route recovery and successful price increases, acting to mitigate the impact of inflation, we are expecting a return to taxable profits in North America in the year ended 31 December 2025 and beyond. In addition, new leadership in North America is making an immediate difference and has given management additional confidence in the financial forecasts of the North American business. We have also capitalised intragroup debt into our North American business which reduces future interest costs in the North American group and thus increases future taxable profits. As such, our financial projections based upon our strategic plans indicate that the deferred tax asset will be recovered by 2030 and therefore the net deferred tax asset has been recognised on the basis of future taxable profits, in line with IAS 12. Given the inherently subjective nature of future profits forecasts, we have also performed a sensitivity analysis which shows that, even if our North American profits fall by 20% from our financial projections, the deferred tax assets will still be utilised in full by 2031. During the period, management have considered the recoverability of the deferred tax asset in relation to state tax losses and it was assessed that $10m would expire before utilisation and therefore these amounts have been written off.

ii) UK

At the 31 December 2023 the Group has a £85.5m (2022: £88.8m) deferred tax asset in relation to past losses in the UK business. This is calculated as 25%, being the substantially enacted tax rate set by the UK government from April 2023, multiplied by UK cumulative historic losses of £342m (2022: £356m). These losses are post-2017 tax losses (which can be used against any future UK profits) and may be carried forward indefinitely under UK tax rules. The group also has £83.6m of gross pre-April 2017 tax losses, which are restricted in their use to specific profits in the entity in which they arose.

In assessing the probability of recovery of the post-2017 losses, in line with IAS 12 management have looked at the last three years' financial performance as well as future financial projections, in line with IAS 12. While the UK business has made additional tax losses in the last three years, management believe these were attributable to a one-off, non-recurring, event that was the global Covid pandemic, which our recovery from this has been slower than anticipated. In 2023, we adopted a new transfer pricing policy that will generate additional income into the UK and a new leadership team in the UK is making an immediate difference and has given management additional confidence in the financial forecasts of the UK business. We are expecting a return to taxable profits in the year ended 31 December 2025 and onwards.

As such, it is reasonable to rely upon future projections when assessing the probability of recovery of these losses. Based upon future financial projections, we estimate post-2017 tax losses in the UK business will be utilised by 2035. Given the inherently subjective nature of profit forecasts we have considered sensitivities in the forecast. In particular, potential changes to the business model in respect of the UK Bus business. The impact of this shows that the losses will still be utilised by 2037.

In relation to the pre-2017 losses, management assessed that as a result of a change to the forecasted future taxable profits during the period that it was not probable that these losses will be utilised and therefore, we have written-off £21.0m in the period.

Adjusting items

The Group presents results on a statutory and adjusted basis. The alternative performance measure (APM) 'adjusted profit' represents a change in terminology from the prior period which separately disclosed certain items to show an 'underlying' profit measure. The change in terminology has been adopted to reduce any judgement and interpretation of the meaning 'underlying' profit by users of the Financial Statements. As this is a terminology change only, there has been no change to how the Group determines items to be adjusting, and there has been no change to previously reported comparatives. Any previously 'separately disclosed items', continue to meet the definition of 'adjusting items' following the change in terminology in the current year.

The Directors believe that the profit and earnings per share measures before adjusting items provide additional useful information to shareholders on the performance of the Group. These measures are consistent with how business performance is measured internally by the Board and the Group Executive Committee. In addition, the lender covenant calculations follow the accounting recognition for adjusting items and therefore the accounting judgment can also have an impact on covenant headroom.

The classification of adjusting items requires significant management judgement after considering the nature, cause of occurrence and the scale of the impact of that item on reported performance. Note 4 provides further details on current year adjusting items.

(ii) Key sources of estimation uncertainty
Management have considered the following are key sources of estimation uncertainty during the year.

ALSA and North America goodwill impairment
Determining whether assets are impaired requires an estimation of the value in use of the cash-generating units and requires the entity to estimate the future cash flows expected to arise, the growth rate to extrapolate cash flows into perpetuity and a suitable discount rate in order to calculate present value. Cash flow projections involve the use of estimates, notably revenue levels, operating margins and the proportion of operating profit converted to cash in each year. Despite an increased level of headroom in the current year and an impairment of goodwill in ALSA in the prior year, Management still consider impairment to be a key source of estimation uncertainty with respect to both our ALSA and North America divisions due to the level of estimation uncertainty involved. The key assumptions used and their sensitivities are included in note 9.

Insurance and other claims
The claims provision arises from estimated exposures at the year end for auto and general liability, workers' compensation and environmental claims, the majority of which will be utilised in the next five years. The estimation of the claims provision is based on an assessment of the expected settlement of known claims together with an estimate of settlements 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 Group makes assumptions concerning these judgemental matters with the assistance of advice from independent qualified actuaries. At 31 December 2023 the claims provision was £78.1m (2022: £77.4m).

In certain limited cases, additional disclosure regarding these claims may seriously prejudice the Group's position and consequently this disclosure is not provided. Given the differing types of claims, their size, the range of possible outcomes and the time involved in settling these claims, there is a reasonably possible chance that a material adjustment would be required to the carrying value of the claims provision in the next financial year. These different factors also make it impracticable to provide sensitivity analysis on one single measure and its potential impact on the overall claims provision.

RRX rail contracts
The Group operates the Rhine-Ruhr Lots 1, 2&3 under rail contacts in Germany, where the Group receives subsidy revenue for operating the contract. These contracts are gross cost contracts with no exposure to passenger revenue risk.

Lots 2&3

On the rail contracts for Lots 2 & 3 ('RRX 2&3'), following mobilisation in 2019 significant cost increases versus the original bid model (which contained bid errors) were identified, in respect of energy consumption and personnel costs, leading to the contract being identified as onerous in 2021. When the contract became onerous, related assets on the Balance Sheet were impaired, and a provision was booked for the anticipated losses expected to be incurred while operating the contract over the remaining term to 2033. The provision is re-measured each period end based on the latest estimate of losses expected to be incurred operating the services under the contract.

The level of uncertainty in the estimate of overall loss over the contract life has increased during the year, primarily due to the continuing volatility in energy prices (and, more importantly, a decoupling in the year of the behaviour of specific indices used in the recovery of costs relative to energy prices as set out in further detail below), industry-wide driver shortages in Germany (which exacerbate the issues caused by the bid errors), and persisting levels of cost inflation.

The provision totals £118.3m at 31 December 2023 (2022 restated: £46.9m), but in reaching this estimate significant estimation uncertainties has been identified in respect of future energy costs, the level of energy compensation to be received from the Public Transport Authority ("PTA") and the impact and duration of labour shortages. The key assumptions and estimates adopted have been based on third party information where available, including the forecasts for energy prices, the compensation for which is based on recent energy index data published by the German Federal Statistical Agency, updated regression models which are used to forecast the behaviour of the indices relative to energy cost assumptions. The revised assumptions about driver availability are based on our internal manpower planning models and published industry wage inflation data (noting that our assumption is that the wage inflation index will track our cost inflation assumptions).

In respect of energy compensation on the RRX 2&3 contract, the assumption is based on how certain published indices respond to changes in wholesale prices. The energy index relevant to RRX 2&3 is published monthly by DeStatis, the German Federal Statistics Agency, and is referred to as Index 625. During 2023, the way that Index 625 has behaved has decoupled from our previous expectations (which are derived from regression analysis against wholesale electricity costs), resulting in lower expectations for future energy recovery.
Negotiations are underway with the PTA to move to a different (and more representative) index, and the year-end

provision assumes based on recent discussions that the change in index will be made albeit with a conservative view of how that change might be implemented.

In respect of labour shortages, the driver costs have also been impacted by a significant investment in driver training and recruiting costs, and industry-wide driver shortages meaning that agency drivers have had to be employed, thereby increasing the total cost of employment. Changes to the terms and conditions of drivers, which have reduced the number of hours drivers are able to work, as a result of increased union activity in the sector has also meant that more drivers are required than previously forecast to be able to run the lines. The industry standard is for it to take 12-18 months to train a driver, therefore the current shortages are anticipated to persist in the short term and then be alleviated as more drivers enter the industry. We anticipate that the situation regarding labour shortages, and its adverse impact on contract profitability will improve substantially throughout 2024, but will not be fully resolved until the end of 2025.

The re-measurement of the provision has been included in adjusting items consistent with previous years and the Group policy on adjusted profit.

Lot 1

The RRX1 franchise commenced on 10 December 2023, succeeding the Emergency Award contract that had been in operation from 1 February 2022 to 9 December 2023. This contract does not suffer from the bid-errors that are described above for RRX 2&3, and its energy recovery is based on an alternative energy index. However, it is still exposed to the driver shortage issues that are impacting the industry.

As at 31 December 2023, the RRX1 contract is not assessed as onerous. The contract is, however, subject to material adverse cost pressures in 2024 and 2025 (predominantly linked to the driver shortage affecting the industry) and the resulting reduced mileage and penalties that are triggered under the contract. On the assumption that the driver shortage issues are resolved in the timeframe expected by management (i.e substantially resolved by the end of 2025), the RRX1 contract is expected to be profitable over the remainder of its life.

RME rail contract

The Group operates the Rhine-Münster Express (RME) rail contract to 2030, where the Group receives both passenger revenue and subsidy revenue for operating the contract. Passenger revenue is recognised when passengers travel, and the subsidy revenue is recognised over the life of the contract, by using the input method to measure progress against the performance obligation. The amount of subsidy revenue recognised in each period is a proportion of the total subsidy revenue to be earned over the term of the contract, and is based on a percentage of completion, applying net costs (passenger revenue less costs) incurred as a proportion of total expected net costs, which is what the subsidy is intended to compensate for.

At each balance sheet date, the Group reforecasts the contract out-turn and performs a re-assessment of the subsidy revenue to be recognised by reference to the stage of completion. This reassessment during the current year resulted in a decrease in the IFRS 15 contract asset recognised on the balance sheet under the contract to £48.6m at 31 December 2023 (2022: £53.8m).

The recognition of this contract asset is sensitive to estimates relating to the future profitability of the rail contract, particularly relating to the estimate of future passenger revenues over the remainder of the contract and, to a lesser extent, the level of energy compensation and manpower cost inflation, including the number of drivers required to run the contracts.

Pensions

The determination of the defined benefit obligation of the UK defined benefit pension scheme depends on the selection of certain assumptions which include the discount rate, inflation rate and mortality rates. At 31 December 2023 the UK defined benefit pension liability was £30.0m (2022: £39.7m). The key areas of estimation uncertainty are in respect of the discount rate, rate of inflation, assumptions on post-retirement pension increases, and mortality rate. While the Board believes that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may significantly change the pension obligation. The Group makes assumptions with the assistance of advice from independent qualified actuaries.

Consideration of climate change

In preparing the Financial Statements we have considered the impact of climate change. There has not been a material impact on the financial reporting judgements and estimates arising from our considerations, consistent with the findings of the climate change risk assessments and scenario analysis performed by the Group, the details of which will be disclosed in the TCFD section of the Group's 2023 Annual Report (refer to note 14 for publication

details). We have specifically considered the impact of climate change in our goodwill impairment assessment (see note 9).

2 Exchange rates

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

	2023 Closing rate	**2023 Average rate**	2022 Closing rate	2022 Average rate
US Dollar	**1.27**	**1.24**	1.21	1.24
Canadian Dollar	**1.69**	**1.68**	1.64	1.61
Euro	**1.15**	**1.15**	1.13	1.17
Morocco Dirham	**12.57**	**12.60**	12.64	12.53

If the results for the year to 31 December 2022 had been retranslated at the average exchange rates for the year to 31 December 2023, North America would have achieved adjusted operating profit of £67.9m on revenue of £1,040.1m, compared with adjusted operating profit of £68.4m on revenue of £1,048.2m as reported, ALSA would have achieved adjusted operating profit of £105.9m on revenue of £982.0m, compared with adjusted operating profit of £103.9m on revenue of £962.5m as reported, and German Rail would have achieved adjusted operating profit of £18.0m on revenue of £273.9m, compared with adjusted operating profit of £17.6m on revenue of £268.5m as reported.

3 Revenue and segmental analysis

The Group's reportable segments have been determined based on reports issued to and reviewed by the Group Executive Committee, and are organised in accordance with the geographical regions in which they operate and the nature of services that they provide. Management considers the Group Executive Committee to be the chief decision-making body for deciding how to allocate resources and for assessing operating performance.

Segmental performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements. Group financing activities and income taxes are managed on a Group basis and are not allocated to reportable segments.

The principal services from which each reportable segment derives its revenues are as follows:

- UK – bus and coach operations
- German Rail – rail operations
- ALSA (predominantly Spain and Morocco) – bus and coach operations
- North America (USA and Canada) – school bus, transit and shuttle operations

(a) Revenue

Revenue is disaggregated by reportable segment, class and type of service as follows:

	2023					
Analysis by class and reportable segment:	**Contract revenues £m**	**Passenger revenues £m**	**Grants and subsidies £m**	**Private hire £m**	**Other revenues £m**	**Total £m**
UK	**36.6**	**479.0**	**40.8**	**23.3**	**30.4**	**610.1**
German Rail	**–**	**43.3**	**216.0**	**–**	**0.5**	**259.8**
ALSA	**233.7**	**607.8**	**188.8**	**68.0**	**67.1**	**1,165.4**
North America	**1,050.3**	**–**	**–**	**60.0**	**5.3**	**1,115.6**
Total revenue	**1,320.6**	**1,130.1**	**445.6**	**151.3**	**103.3**	**3,150.9**
Analysis by major service type:						
Passenger transport	**1,320.6**	**1,130.1**	**445.6**	**151.3**	**19.1**	**3,066.7**
Other products and services	**–**	**–**	**–**	**–**	**84.2**	**84.2**
Total revenue	**1,320.6**	**1,130.1**	**445.6**	**151.3**	**103.3**	**3,150.9**

There have been no material amounts of revenue recognised in the year that relate to performance obligations satisfied or partially satisfied in previous years, except for Covid funding as described below. Revenue received where the performance obligation will be fulfilled in the future is classified as deferred income or contract liabilities.

There are no material inter-segment sales between reportable segments.

Covid funding included in revenue

Included within revenue above is the following covid related funding as follows:

	2023	2022
	£m	£m
UK (a)	**1.9**	19.6
German Rail (b)	**–**	15.1
ALSA (c)	**11.5**	22.0
Total Covid funding in revenue	**13.4**	56.7

a) During the year the UK received a final payment under the Covid Bus Services Support Grant (CBSSG) relating to an earlier period. In the prior year is £19.6m of grant income recognised in the UK in response to Covid-19, principally from the Bus Recovery Grant (BRG). Replacing the Covid Bus Services Support Grant (CBSSG) from 1 September 2021, the BRG intended to compensate UK bus operators for continuing bus services during the Covid-19 recovery period, and whereby funding has been previously allocated to the operators according to revenue and mileage operated.

b) The prior year included £15.1m of additional subsidies in Germany in respect of the Federal Framework Regulation on Aid to Public Transport, an arrangement for additional subsidies to be claimed by public transport operators in Germany to compensate for the loss of passenger revenue due to Covid-19.

c) In ALSA £11.5m (2022: £22.0m) of funding was recognised from Public Transport Authorities to compensate for revenue shortfalls due to the Covid-19.

Other UK funding

In 2022, the West Midlands Combined Authority (WMCA), supported by our UK Bus business (UK Bus) and other regional operators, applied for and was awarded a grant by the Department for Transport (DfT) under the UK Government's Bus Improvement Plan (BSIP). A pre-application condition for the BSIP grant set by the DfT was the existence of an Enhanced Partnership Plan (EPP) and an Enhanced Partnership Scheme (EPS) between WMCA and regional bus operators. This was in place for the West Midlands prior to the commencement of the BSIP. The BSIP was available to WMCA and regional bus operators in return for delivering certain improvements in bus services in the West Midlands.

In the prior year, a total amount of £12.0m was recognised which represented the pro-rata element of the total three year (April 2022 – March 2025) grant funding available in respect of the BSIP that the UK delivered on in 2022, which totalled £48.0m. This included £4.0m of income recorded in revenue, representing the portion of the grant income designed to compensate the business for freezing passenger fares, and a further £8.0m recorded to reduce expenditure to reflect the elements of the BSIP programme compensating the business for the costs incurred in maintaining the bus network during that period.

During the year to 31 December 2023, UK Bus renegotiated the terms of the BSIP grant with the WMCA resulting in additional funding and releasing the business from its commitment to freeze passenger fares for the remainder of the grant period. The grant income relating to freezing fares was applicable up to 30 June 2023 and amounted to £3.2m. No more funding is expected under this element of the BSIP.

For the portion of the funding available for maintaining the bus network, the updated agreement confirmed the income to be received until 31 December 2024. During the year the income has been recognised on a straight-line basis pro-rata based on the total funding available to the business to the end of 2024. This has resulted in further grant income of £12.2m recorded to reduce expenditure to reflect the elements of the BSIP programme compensating the business for the costs incurred in maintaining the bus network during that period.

In addition, there is now a further £33.0m of BSIP funding relating to the period 1 January 2023 to 31 December 2024 of which £16.5m has been recognised on a pro-rata basis against the costs incurred in maintaining network services.

A total amount of £31.9m (2022: £12.0m) of BSIP funding has been recognised in the period to 31 December 2023

BSIP funding

	2023	2022
	£m	£m
Included in revenue	**3.2**	4.0

Included within operating costs	**28.7**	8.0
Total BSIP funding	**31.9**	12.0

Prior year revenue is disaggregated by reportable segment, class and type of service as follows:

	2022					
Analysis by class and reportable segment:	Contract revenues £m	Passenger revenues £m	Grants and subsidies £m	Private hire £m	Other revenues £m	Total £m
UK	41.6	388.4	65.0	15.8	17.5	528.3
German Rail	–	38.3	228.4	–	1.8	268.5
ALSA	175.9	510.1	176.6	51.3	48.6	962.5
North America	988.5	–	–	54.1	5.6	1,048.2
Total revenue	1,206.0	936.8	470.0	121.2	73.5	2,807.5
Analysis by major service type:						
Passenger transport	1,206.0	936.8	470.0	121.2	13.1	2,747.1
Other products and services	–	–	–	–	60.4	60.4
Total revenue	1,206.0	936.8	470.0	121.2	73.5	2,807.5

(b) Operating profit/(loss)
Operating profit/(loss) is analysed by reportable segment as follows:

	Adjusted profit/(loss) 2023 £m	**Adjusting items 2023 £m**	**Segment result 2023 £m**	Adjusted profit/(loss) 2022 £m	(Restated) Adjusted items 2022[1] £m	(Restated) Segment result 2022[1] £m
UK	**23.5**	**(22.2)**	**1.3**	25.6	(7.5)	18.1
German Rail	**0.2**	**(100.3)**	**(100.1)**	17.6	(25.4)	(7.8)
ALSA	**136.8**	**(15.8)**	**121.0**	103.9	(274.1)	(170.2)
North America	**27.1**	**(34.2)**	**(7.1)**	68.4	(55.7)	12.7
Central functions	**(19.0)**	**(17.5)**	**(36.5)**	(18.2)	(8.1)	(26.3)
Operating profit/(loss)	**168.6**	**(190.0)**	**(21.4)**	197.3	(370.8)	(173.5)
Share of results from associates and joint ventures	**(0.5)**	**–**	**(0.5)**	(0.4)	–	(0.4)
Net finance costs	**(75.2)**	**(1.2)**	**(76.4)**	(51.0)	(0.4)	(51.4)
Profit/(loss) before tax	**92.9**	**(191.2)**	**(98.3)**	145.9	(371.2)	(225.3)
Tax charge			**(64.4)**			(5.9)
Loss for the year			**(162.7)**			(231.2)

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

Further information on adjusting items is provided in note 4.

4 Adjusting items
The Group reports adjusted measures because the Directors believe they provide both management and stakeholders with useful additional information about the financial performance of the Group's businesses.

Total adjusting items before tax for the year ended 31 December is a net charge of £191.2m (2022 restated: £371.2m). The items excluded from the adjusted result are:

	2023 £m	(Restated) 2022[1] £m
Goodwill impairment of ALSA	**–**	260.6
Intangible amortisation for acquired businesses (a)	**35.3**	37.2
	35.3	297.8

Re-measurements of onerous contracts and impairments resulting from the Covid-19 pandemic (b)	**2.1**	7.6
Re-measurement of the Rhine-Ruhr onerous contract provision (c)	**99.2**	24.3
Onerous contract provision charges and impairments in respect of North America driver shortages (d)	**12.0**	31.4
Final re-measurement of the WeDriveU put liability (e)	**2.4**	–
Repayment of UK Coronavirus Job Retention Scheme grant ('Furlough') (f)	**8.9**	–
Restructuring and other costs (g)	**30.1**	9.7
	154.7	73.0
Total adjusting items in operating costs	**190.0**	370.8
Unwinding of discount of the Rhine-Ruhr onerous contract provision (c)	**1.2**	0.4
Total adjusting items before tax	**191.2**	371.2
Tax charge/(credit) on adjusting items (h)	**21.9**	(24.4)
Total adjusting items after tax	**213.1**	346.8

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

(a) Intangible amortisation for acquired businesses

Consistent with previous periods, the Group classifies the non-cash amortisation for acquired intangibles as an adjusting item by virtue of its size and nature. Its exclusion enables comparison and monitoring of divisional performance by the Group Executive Committee regardless of whether through acquisition or organic growth. Equally, it improves comparability of the Group's results with those of peer companies.

(b) Re-measurement of onerous contracts and impairments resulting directly from the Covid-19 pandemic

As a result of the Covid-19 pandemic, a number of onerous contract provisions and impairments were recorded in previous years. For the contracts which the Group was still operating during the year, or there remains a commitment at the period end, the onerous contract provision has been re-measured, resulting in a net cost of £2.1m. On these contracts, £7.3m provision has been utilised during the year, with a remaining provision of £6.5m at the period end, of which £2.6m is expected to be utilised within 12 months. No new onerous contracts were identified in the year.

(c) Rhine-Ruhr Express onerous contract provision

The Rhine-Ruhr (RRX) onerous contract (which relates to lots 2&3), and which runs to 2033, has been re-measured based on the latest forecasts of losses anticipated under the contract, resulting in a £99.2m charge to the income statement. The industry-wide disruption in the train driver market, lower labour productivity, volatility in energy costs and energy cost recovery indices, and persistent levels of inflation are key contributing factors to a significant increase to the RRX onerous contract provision as at 31 December 2023 compared to prior year.

The Group undertook a detailed review of the associated critical accounting judgements made relating to the contracts (and the associated key sources of estimation uncertainty identified) in relation to its German Rail business. The review also considered the calculation of the onerous contract provision as at 31 December 2022 and 31 December 2021 considering information that was or should have been available at those times following which the Group has determined that the German onerous contract provision was under-stated at each of those dates as set out in note 1. As a result the income statement charge for the year ended 31 December 2022 within adjusting items was restated to £24.3m (previously reported: £9.3m).

The provision at 31 December 2023 is £118.3m for the remainder of the contract term until 2033, following utilisation during the year of £27.9m and £1.2m unwinding of discount.

(d) Onerous contract provision charges and impairments in respect of North America driver shortages

During the period, the impact of driver shortages in North America on some of the contracts previously assessed as onerous has been more significant than anticipated as it has resulted in further increases in wages (to retain and recruit) and a slower increase in service levels than expected on those specific contracts. This has led to both an increase in provision of £12.0m to cover these additional losses, and an increase in the utilisation of the provision during the period for losses incurred. This has been partially offset by a provision release of £2.6m on a number of previously onerous contracts which have become profitable where the Group has successfully negotiated price increases for the 2023/24 school year and onwards. The remaining onerous contract provision of £4.6m relates to one customer contract which ends in June 2026. No new onerous contracts were identified in the year. A right-of-use asset for a lease dedicated to an onerous contract was impaired following lease renewal during the year with a resulting charge of £0.6m.

In addition, intangible assets have been reassessed for indicators of impairment, or reversal of impairment. This has resulted in a net impairment of customer contracts of £2.0m, reflecting the net reduced profitability on those contracts.

(e) Final re-measurement of the WeDriveU put liability

In conjunction with the acquisition of WeDriveU, Inc. during 2019 the Group issued put options to the seller for the remaining shares. The options had three tranches for the remaining 40% of the business (10%, 10%, 20%). The

first two tranches were exercised in 2020, and 2021, with settlement in 2021 and 2022 respectively. At 31 December 2022 the final option to sell the remaining 20% shares had been exercised by the non-controlling interest.

During the year the put liability for the remaining 20% shareholding in WeDriveU was re-measured following the final negotiations with the seller. This re-measurement led to an additional charge of £2.4m. The liability was cash settled in July for £46.1m.

Gains and losses on re-measurement of the put liability have been recorded as adjusting items in previous years (2020: £33.9m gain, 2021: £11.5m expense, 2022: £nil), therefore the final re-measurement has also been presented as adjusting for consistency. As the liability has been extinguished, there will be no further gains or losses on its re-measurement in future years.

(f) Repayment of Coronavirus Job Retention Scheme grant (CJRS) ('Furlough')

At the end of 2021 the Group announced an intention to voluntarily repay amounts of CJRS ('furlough') amounts received for that period following the re-instatement of the dividend to shareholders. During 2023 a dividend was paid, and a provision has been recognised for the commitment to HMRC for the CJRS repayment of £8.9m. The original receipt of CJRS was not recorded as an adjusting item and was included in adjusted profit consistent with the staff costs which it was designed to compensate. The repayment, however, has been disclosed as an adjusting item as this is a one-off cost which is historic in nature (occurring more than two years after initial receipt), a significant amount, and unlike the original receipt, there are no corresponding staff costs in the period to be offset against.

(g) Restructuring and other costs

These costs relate to Group-wide strategic initiatives and restructuring, which includes costs relating cost saving programmes, and costs relating to our previously announced sale of US School Bus. These are one-off, short-term initiatives expected to last 1-2 years. They are material in nature and are not considered to be part of the day-to-day operational costs of the Group and therefore have been treated as adjusting items. These amount to £30.1m in the year ending 31 December 2023 compared to £9.7m in the year ending 31 December 2022.

(h) Adjusting tax charge

The tax charge on adjusting items of £21.9m (2022 restated: £24.4m credit) comprises of £10.4m credit (2022: £9.1m credit) on amortisation of intangible assets, £46.2m tax credit (2022 restated: £19.4m credit) on tax deductible expenditure on adjusting costs and £78.5m charge (2022: £4.1m charge) on derecognition of previously recognised deferred tax assets, which is considered adjusting as it is material in size and non-recurring in nature. See note 6 for further details.

5 Net finance costs

	2023 £m	(Restated) 2022[1] £m
Bond and bank interest payable	**52.1**	35.5
Lease interest payable	**8.5**	9.4
Other interest payable	**11.1**	3.0
Unwind of discounting – claims provision	**5.7**	3.4
Net interest cost on defined benefit pension obligations	**1.8**	1.9
Finance costs before adjusting items	**79.2**	53.2
Adjusting items:		
Unwind of discounting – onerous contract provisions	**1.2**	0.4
Total finance costs after adjusting items	**80.4**	53.6
Lease interest income	**(0.5)**	(0.5)
Other financial income	**(3.5)**	(1.7)
Total finance income	**(4.0)**	(2.2)
Net finance costs after adjusting items	**76.4**	51.4
Of which, from financial instruments:		
Financial assets measured at amortised cost	**(3.6)**	(1.6)
Financial liabilities measured at amortised cost	**59.7**	44.4
Derivatives	**10.3**	1.9
Loan fee amortisation	**1.4**	1.1

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

6 Taxation

(a) Analysis of taxation charge in the year

	2023 £m	(Restated) 2022[1] £m
Current taxation:		
UK corporation tax	**–**	1.2
Overseas taxation	**11.2**	19.3
Current income tax charge	**11.2**	20.5
Adjustments with respect to prior years – UK and overseas	**1.5**	(1.0)
Total current income tax charge	**12.7**	19.5
Deferred taxation:		
Origination and reversal of temporary differences	**(26.5)**	(11.9)
De-recognition of previously recognised deferred tax assets	**78.5**	–
Adjustments with respect to prior years – UK and overseas	**(0.3)**	(1.7)
Deferred tax charge/(credit)	**51.7**	(13.6)
Total tax charge for the Group	**64.4**	5.9
The tax charge for the Group comprises:		
Tax charge on profit before adjusting items	**42.5**	30.3
Tax charge/(credit) on adjusting items	**21.9**	(24.4)
Total tax charge for the Group	**64.4**	5.9

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

The tax charge on adjusting items of £21.9m (2022 restated: £24.4m credit) comprises of £10.4m credit (2022: £9.1m credit) on amortisation of intangible assets, £46.2m tax credit (2022 restated: £19.4m credit) on tax deductible expenditure on adjusting costs and £78.5m charge (2022: £4.1m charge) on derecognition of previously recognised deferred tax assets.
The tax relief relating to intangible amortisation is determined by reference to the tax rates in the jurisdiction to which the intangible amortisation relates. The effective tax rate relating to intangible amortisation is significantly higher than the UK tax rate of 23.5% due to the weighting of intangibles in jurisdictions with higher tax rates than the UK, specifically the US (26%) and Spain (25%).

(b) Tax on items recognised in Other Comprehensive Income or Equity

	2023 £m	2022 £m
Deferred taxation:		
Deferred tax charge on actuarial gains	**0.8**	12.7
Deferred tax (credit)/charge on cash flow hedges	**(3.6)**	(5.2)
Deferred tax credit on foreign exchange differences	**0.8**	(1.3)
Deferred tax credit on accrued hybrid instrument payments	**(5.3)**	(5.3)
Deferred tax charge/(credit) on share-based payments	**0.2**	0.4
Total tax (credit)/charge for the Group	**(7.1)**	1.3

7 Dividends paid and proposed

An interim dividend of 1.7 pence per share was declared and paid during the year (2022: £nil). No final ordinary dividend (2022: 5.0 pence per share) has been proposed. Total dividends paid during the year were £41.1m (2022: £nil) relating to the 2023 interim dividend, and the 2022 final dividend.

8 Earnings per share

	2023	(Restated) 2022[1]
Basic earnings per share	**(30.2)p**	(41.4)p
Adjusted basic earnings per share	**4.5p**	15.0p
Diluted earnings per share	**(30.2)p**	(41.4)p
Adjusted diluted earnings per share	**4.5p**	15.0p

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

Basic EPS is calculated by dividing the earnings attributable to equity shareholders after adjusting for accrued payments on the hybrid instrument, a loss of £185.1m (2022 restated: £253.6m loss), by the weighted average number of ordinary shares in issue during the year, excluding those held by the Group's Employee Benefit Trust which are treated as cancelled. Earnings attributable to equity shareholders is inclusive of amounts accruing to the holders of the hybrid instrument and are calculated as follows:

	2023 £m	(Restated) 2022[1] £m
Loss attributable to equity shareholders	**(163.8)**	(232.3)
Accrued payments on hybrid instrument	**(21.3)**	(21.3)
Earnings attributable to equity shareholders	**(185.1)**	(253.6)

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

For diluted EPS, the weighted average number of ordinary shares in issue during the year is adjusted to include the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The reconciliation of basic and diluted weighted average number of ordinary shares is as follows:

	2023	2022
Basic weighted average shares	**612,919,243**	612,772,081
Adjustment for dilutive potential ordinary shares[1]	**898,828**	339,199
Diluted weighted average shares	**613,818,071**	613,111,280

[1] Potential ordinary shares have the effect of being anti-dilutive in 2023 and 2022, and have been excluded from the calculation of diluted earnings per share

The adjusted basic and adjusted diluted earnings per share have been calculated in addition to the basic and diluted earnings per share required by IAS 33 since, in the opinion of the Directors, they reflect a key measure of performance of the business' operations.

The reconciliation of the earnings and earnings per share to their adjusted equivalent is as follows:

		2023			(Restated) 2022[1]	
	£m	Basic EPS P	Diluted EPS P	£m	Basic EPS P	Diluted EPS p
Earnings attributable to equity shareholders	**(185.1)**	**(30.2)**	**(30.2)**	(253.6)	(41.4)	(41.4)
Adjusting items	**191.2**	**31.2**	**31.2**	371.2	60.6	60.6
Adjusting items tax	**21.9**	**3.5**	**3.5**	(24.4)	(4.0)	(4.0)
Adjusting items non-controlling interests	**(0.2)**	**–**	**–**	(1.1)	(0.2)	(0.2)
Adjusted earnings attributable to equity shareholders[2]	**27.8**	**4.5**	**4.5**	92.1	15.0	15.0
Amounts accruing to the holders of the hybrid instrument	**21.3**			21.3		
Adjusted profit attributable to equity shareholders	**49.1**			113.4		

[1] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information
[2] After deducting amounts accruing to the holders of the hybrid instrument

9 Goodwill and impairment

Goodwill has been allocated to individual cash-generating units for annual impairment testing on the basis of the Group's business operations. The carrying value by cash-generating unit is as follows:

	2023 £m	2022 £m
UK	**52.4**	52.4
North America	**708.0**	743.2
ALSA	**550.3**	560.6
	1,310.7	1,356.2

The calculation of value in use for each group of cash-generating units is most sensitive to the assumptions over discount rates and the growth rate used to extrapolate cash flows into perpetuity beyond the five-year period of the management plan.

The key assumptions used for the cash-generating units are as follows:

	Pre-tax discount rate applied to cash flow projections		Growth rate used to extrapolate cash flows into perpetuity	
	2023	2022	**2023**	2022
UK	**10.8%**	11.2%	**2.7%**	2.7%
North America	**10.0%**	10.3%	**3.7%**	3.4%
ALSA	**13.4%**	13.9%	**3.2%**	3.0%

Discount rates have reduced for all divisions, and have been impacted by an increase in the proportion of debt to equity of the comparator companies used in the calculation of the weighted average cost of capital (WACC).

The key estimates applied in the impairment review are the forecast level of revenue, operating margins and the proportion of operating profit converted to cash in each year. Forecast revenue and operating margins are based on past performance and management's expectations for the future. A growth rate for each division has been consistently applied in the impairment review for all cash-generating units based on respective long-term country-specific GDP growth rates. The cash flows are discounted using pre-tax rates that are calculated from country-specific WACC, principally derived from external sources. Capital expenditure is projected over the first five years using a detailed forecast of the capital requirements of the Group for new and replacement vehicles and other assets. In the extrapolation of cash flows into perpetuity (the "terminal value"), capital expenditure is assumed to be a 1:1 ratio to depreciation. In line with the requirements of IAS 36, only the cost reductions associated with restructuring programmes already significantly progressed are included within the cash flow projections. The benefits, and cost to achieve relating to our newer productivity and cost improvement programmes have been excluded from the cash flows used in the value in use calculation on the basis that, at the time of assessment, these programmes were still in their early planning phase and were not yet sufficiently advanced. Inclusion of the cost reduction benefits from these programmes would increase the available headroom for all divisions; as the plans become more advanced we expect these savings to be incorporated in future assessments.

The value in use of the ALSA division exceeds its carrying amount by £134.9m (2022: there was a shortfall of £260.6m in the value in use compared to the carrying value, resulting in a non-cash impairment charge). The increase in headroom is primarily due to an improvement in the cash flow forecast and reduction in the discount rate.

The value in use of the North America division exceeds its carrying amount by £315.4m (2022: £225.9m). The increase is primarily result of the reduction in the discount rate and increase in the long-term growth rate.

The assumptions behind the cash flow projections also take account of the climate change risk assessment exercise carried out during the year, from which the pertinent conclusions are as follows:

- Whilst the global temperature rise above pre-industrial levels increases the likelihood of extreme weather events, the geographical diversity of the Group means that the risk to the Group as a whole is unlikely to be material. We have, nonetheless, factored in an assumption of financial impact from extreme weather disruption.
- The Group's planning assumption is that input costs will not rise significantly above inflation on the basis that, for electric vehicles for example, supply will increase to match demand, and technological advances will also help decrease manufacture costs. Furthermore the Group assumes, based on its detailed modelling of electric versus diesel buses in the UK, that the total cost of ownership of zero emission vehicles will be no worse than their diesel equivalents. This assessment is inclusive of the cost of new electric vehicle infrastructure and assumes no government funding. The Group expects to utilise hydrogen vehicles in the transition to zero emission fleet in long haul coach services and, whilst hydrogen vehicle technology is not currently as well developed as electric, the Group assumes that total cost of ownership for these vehicles will also be no worse than at parity with their diesel equivalents, albeit may require some level of government subsidies on the capital cost and/or the hydrogen fuel.
- The Group already has ambitious targets for the transition to zero emission fleets. These targets are expected to result in the Group having a zero emission fleet before any potential ban on diesel vehicles is imposed by governments. The Group has assessed as very low the risk of the current fleet having a net book value higher than their residual value at the Group's targeted transition dates and has therefore concluded that no changes to the useful economic lives of the Group's current fleet are required.
- The opportunity from modal shift from private cars to public transport is potentially significantly more material than that assumed in the Group's long-term cash flow projections as central governments, transport authorities and city councils introduce measures to tackle congestion, pollution and emissions.

The table below and over the page, summarises the reasonably possible changes in key assumptions which most impact the value in use of the ALSA and North America cash-generating units.

ALSA	Sensitivity	Impact on value in use £m	
		2023	2022
Pre-tax discount rate[1]	Increase of 1.5 percentage points	**(119.0)**	(93.7)
	Decrease of 1.5 percentage points	**159.7**	123.8
Perpetual Growth rate	Increase of 1.0 percentage points	**70.9**	54.8
	Decrease of 1.0 percentage points	**(58.3)**	(45.6)
Adjusted Operating Profit Margin throughout the assessment period	Increase of 1.0 percentage points	**115.8**	96.3
	Decrease of 1.0 percentage points	**(115.8)**	(96.3)
Free cash flow in the terminal value	Increase by 10%	**59.4**	49.2
	Decrease by 10%	**(59.4)**	(49.2)

North America	Sensitivity	Impact on value in use £m	
		2023	2022
Pre-tax discount rate[1]	Increase of 1.5 percentage points	**(304.8)**	(286.3)
	Decrease of 1.5 percentage points	**494.7**	446.3
Perpetual Growth rate	Increase of 1.0 percentage points	**242.4**	216.1
	Decrease of 1.0 percentage points	**(176.6)**	(161.4)
Adjusted Operating Profit Margin throughout the assessment period	Increase of 1.0 percentage points	**202.2**	174.5
	Decrease of 1.0 percentage points	**(202.2)**	(174.5)
Free cash flow in the terminal value	Increase by 10%	**122.7**	119.6
	Decrease by 10%	**(122.7)**	(119.6)
Reduction in driver related cost savings[2]	Reduction of 50%	**(72.7)**	Not applicable
Reduction in price rises for school year 24/25 onwards[3]	Price rises are capped at the level of driver wage inflation only	**(435.9)**	Not applicable

[1] Sensitivities are applied to post-tax discount rates used to derive the pre-tax discount rates.
[2] In response to the elevated level of driver training costs seen in FY23 (which are not assumed to repeat in future), a sensitivity has been added to highlight the impact of an ongoing elevated level of cost in this area. No prior year sensitivity analysis is presented since this was not considered to be a key judgement as at 31 December 2022.
[3] The five year plan assumes that in the medium term, School Bus rate increases slightly ahead of the level of wage inflation will be achieved, to recoup historic wage investment. This sensitivity illustrates the impact of only being able to secure inflationary increases for school year 2024/25 and beyond. No prior year sensitivity analysis is presented since this was not considered to be a key judgement as at 31 December 2022.

Sensitivity analysis has been conducted to assess the change required in each of the critical inputs, in order to reduce the value in use to equal the carrying value.

Change in percentage points required to reduce headroom to nil	North America		ALSA	
	2023	2022	**2023**	2022
Increase in pre-tax discount rate	**1.6%**	1.1%	**1.7%**	Not applicable
Reduction in long term growth rate	**1.6%**	1.2%	**1.7%**	Not applicable
Reduction in adjusted operating profit margin	**1.6%**	1.3%	**1.1%**	Not applicable
Additional cash flow sensitivities				
Reduction in free cash flow generation in the terminal value year (£m)	**(30.3)**	(23.8)	**(23.9)**	Not applicable

No prior year sensitivity analysis is presented for ALSA on the basis that last year, an impairment was recorded.

The Directors have concluded that there is no risk of impairment for the UK given the significant level of available headroom, and have not provided sensitivity disclosure required by IAS 36.

The Directors consider the assumptions used to be consistent with the historical performance of each cash-generating unit and to be realistically achievable in light of economic and industry measures and forecasts.

10 Business combinations, disposals and assets held for sale

(a) Acquisitions – ALSA
During the period, the ALSA division acquired control of:

- Tranvias De Sevilla, a regional transport provider in Andalusia, Spain
- Estebanez, a regional transport provider in Castilla & Leon, Spain
- RC Travel, a Spanish travel agency
- Ibercruises, a Portuguese travel agency

It also increased its shareholding in both Alsa Buses Extremadura (previously named ALSA-Mirat) and Aragonesa during the year, resulting in control being obtained. Both were previously recognised as an associate and accounted for using the equity method.

The provisional fair values, along with final fair value adjustments in respect of the acquisition of Vitalia acquired during 2022, are presented in aggregate below:

	£m
Intangibles	4.3
Property, plant and equipment	2.4
Inventory	0.1
Trade and other receivables	2.1
Cash and cash equivalents	2.6
Borrowings	(0.4)
Trade and other payables	(2.8)
Deferred tax liability	(1.1)
Net assets acquired	**7.2**
Non-controlling interest	(0.9)
Fair value of investments previously accounted for using equity method	(0.3)
Goodwill	0.7
Total consideration	**6.7**
Represented by:	
Cash consideration	**5.9**
Deferred consideration	**0.8**
	6.7

As permitted by IFRS 3 Business Combinations, the fair value of acquired identifiable assets and liabilities have been presented on a provisional basis. The fair value adjustments will be finalised within 12 months of the acquisition date, principally in relation to the valuation of intangible assets and provisions acquired.

Trade and other receivables had a fair value and a gross contracted value of £2.1m. The best estimate at acquisition date of the contractual cash flows not to be collected was £nil.

Goodwill of £3.8m arising from the acquisition consists of certain intangibles that cannot be separately identified and measured due to their nature. This includes control over the acquired business and increased scale in our operations in ALSA, along with growth benefits of the regional business in areas not previously operated. None of the goodwill recognised is expected to be deductible for income tax purposes.

During the year the fair value adjustments relating to the intangibles acquired in 2022 as part of the Vitalia acquisition were finalised. This resulted in an increase in the fair value of separately identifiable intangibles acquired, a corresponding increase in deferred tax liability, and a reduction in goodwill of £3.1m.

The acquired businesses contributed £4.8m of revenue and £0.5m statutory operating profit to the Group's result for the period between acquisition and the balance sheet date. Had the acquisition been completed on the first day of the financial year, the Group's revenue would have been £3,156.4m and the Group's statutory operating loss would have been £21.1m.

(b) Acquisitions – further information
Deferred consideration of £3.1m was paid in the period relating to acquisitions in ALSA in earlier years. Total cash outflow in the period from acquisitions in the ALSA division was £9.4m, comprising consideration for current year acquisitions of £5.9m, less cash acquired in the businesses of £2.6m, and £6.1m towards a future acquisition. Control of the future acquisition was not obtained at the balance sheet date and therefore the results have not been consolidated in the Group's Financial Statements.

In North America deferred consideration of £0.5m was paid in the period relating to acquisitions in earlier years.

Transaction costs were insignificant in the period to 31 December 2023 (2022: £0.1m).

During the year to 31 December 2023, the movement in the Group's carrying value of goodwill principally related to

the net impact of the Tranvias De Sevilla acquisition and the fair value adjustment to Vitalia.

The Group measures deferred contingent consideration at fair value through profit and loss and by reference to significant unobservable inputs, i.e. classified as Level 3 in the fair value hierarchy. The significant unobservable inputs used to determine the fair value of the contingent purchase consideration are typically forecast earnings or estimating the likelihood that contracts will be renewed over a fixed period. The fair value movement in deferred contingent consideration in the year is as follows:

	2023 **£m**	2022 £m
Fair value:		
At 1 January	**11.7**	**13.4**
Additions in the year	**0.8**	**1.6**
Payments during the year	**(3.6)**	**(3.7)**
Fair value movement in the year	**–**	**(0.4)**
Foreign exchange	**(0.2)**	**0.8**
At 31 December	**8.7**	**11.7**

The fair value of deferred contingent consideration is not highly sensitive to changes to significant unobservable inputs and therefore sensitivities to the valuation have not been disclosed.

(c) Disposals
The group disposed of several subsidiaries during the year, no cash was received for the disposals of these companies, nor a gain or loss recognised in the Income Statement.

(d) Assets held for sale
In ALSA, a building with a carrying value of £18.2m (2022: £18.6m) has met the held for sale IFRS 5 criteria and been recognised within current assets.

11 Cash and cash equivalents

	2023 **£m**	2022 £m
Cash at bank and in hand	**186.1**	171.7
Overnight deposits	**0.2**	6.6
Other short-term deposits	**170.0**	113.5
Cash and cash equivalents	**356.3**	291.8

Included within cash and cash equivalents are certain amounts which are subject to contractual or regulatory restrictions or withholding tax levied on repatriation of cash. These amounts held are not readily available for other purposes within the Group, and if repatriated would result in £2.6m of withholding tax (2022: £0.6m).

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the agreed short-term floating deposit rate. The fair value of cash and cash equivalents is equal to the carrying value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents and bank overdrafts in notional cash pooling arrangements are presented net. Bank overdrafts form an integral part of the Group's cash management strategy as they arise from the Group's cash pooling arrangement with its bank. Net cash and cash equivalents comprise as follows:

	2023 **£m**	2022 £m
Cash and cash equivalents	**356.3**	291.8
Bank overdrafts	**(62.6)**	(58.7)
Net cash and cash equivalents	**293.7**	233.1

12 Pensions and other post-employment benefits

The UK division (UK) operates defined benefit pension schemes.

The Company has in the past operated a defined benefit scheme. On 23 September 2021, a full buy-out of the defined benefit section was completed, following which Rothesay Life has become fully and directly responsible for

the pension obligations. On completion of the buy-out, the defined benefit assets (comprising the Rothesay Life insurance policy) and matching defined benefit liabilities were derecognised from the Group's Balance Sheet. The buy-out transaction also triggered the return of surplus assets to the Company totalling £7.5m, with the remaining assets retained in the scheme to cover final expenses in completing its wind-up.

The Group also provides certain additional unfunded post-employment benefits to employees in North America and maintains a small defined benefit scheme for National Express Services Limited. These post-employment benefits have been combined into the 'Other' category.

In 2020, the UK division agreed a new six-year annual deficit plan with the trustees of the West Midlands Integrated Transport Authority Pension Fund, which continues until March 2026 with an average contribution of £7.6m per annum. The plan remains open to accrual for existing members only.

The assets of the defined benefit schemes are held separately from those of the Group and contributions to the schemes are determined by independent professionally qualified actuaries.

The Group expects to contribute £10.1m into its defined benefit pension plans in 2024.

The UK, the Company and North America also operate or contribute into a number of defined contribution schemes.

The total pension cost charged to adjusted operating profit in the year for the Group was £9.2m (2022: £9.7m), of which £7.5m (2022: £6.2m) relates to the defined contribution schemes.

The defined benefit pension (liability)/asset included in the Balance Sheet is as follows:

	2023 £m	2022 £m
Company	**–**	–
Other	**0.2**	0.4
Pension assets	**0.2**	0.4
UK	**(30.0)**	(39.7)
Other	**(2.8)**	(2.8)
Pension liabilities	**(32.8)**	(42.5)
Total	**(32.6)**	(42.1)

The most recent triennial valuations are then updated by independent professionally qualified actuaries for financial reporting purposes, in accordance with IAS 19 The assumptions for the UK scheme are listed below:

	UK 2023	UK 2022
Rate of increase in salaries	**2.5%**	2.5%
Rate of increase of pensions in payment	**2.5%**	2.5%
Discount rate	**4.5%**	4.8%
Inflation assumption (RPI)	**3.1%**	3.1%
Inflation assumption (CPI)	**2.5%**	2.5%
Post-retirement mortality in years:		
Current pensioners at 65 – male	**18.5**	19.5
Future pensioners at 65 – male	**19.5**	20.9
Current pensioners at 65 – female	**21.5**	23.0
Future pensioners at 65 – female	**23.9**	24.5

The Directors regard the assumptions around pensions in payment, discount rate, inflation and mortality to be the key assumptions in the IAS 19 valuation.

The following table provides an approximate sensitivity analysis of a reasonably possible change to these assumptions:

(Increase)/decrease in the defined benefit obligation	**UK 2023 £m**	UK 2022 £m
Effect of a 0.5% increase in pensions in payment	**(13.7)**	(17.1)
Effect of a 0.5% decrease in the discount rate	**(21.8)**	(24.2)

Effect of a 0.5% increase in inflation	**(15.1)**	(19.0)
Effect of a 1-year increase in mortality rates	**(13.4)**	(12.6)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. Aside from the matching insurance contracts held in the UK scheme, no allowance has been made for any change in assets that might arise under any of the scenarios set out above.

13 Cash flow statement
(a) Reconciliation of Group loss before tax to cash generated from operations

	2023 £m	(Restated) 2022[2] £m
Loss before tax	**(98.3)**	(225.3)
Net finance costs	**76.4**	51.4
Share of results from associates and joint ventures	**0.5**	0.4
Depreciation of property, plant and equipment	**199.3**	203.5
Intangible asset amortisation	**53.8**	55.5
Amortisation of fixed asset grants	**(2.0)**	(2.1)
Gain on disposal of property, plant and equipment	**(12.7)**	(10.5)
Gain on disposal of intangible assets	**(0.4)**	(5.1)
Share-based payments	**1.6**	1.2
Increase in inventories	**(2.4)**	(1.5)
Decrease/(increase) in receivables	**0.8**	(118.5)
Increase in payables	**27.8**	52.5
Receipts on settlement of fuel forward contracts	**–**	26.2
Decrease in provisions	**(4.0)**	(23.9)
Decrease in pensions	**(8.4)**	(3.2)
Adjusted operating items[1]	**154.7**	333.6
Cash flows relating to adjusting items	**(71.0)**	(49.3)
Cash generated from operations	**315.7**	284.9

[1] Excludes amortisation from acquired intangibles which is included within 'intangible asset amortisation'
[2] Restated for a correction to the German Rail onerous contract provision, see note 1 for further information

b) Analysis of changes in net debt
Net debt is an alternative performance measure which is not defined or specified under the requirements of International Financial Reporting Standards.

	At 1 January 2023 £m	Cash flow £m	Acquisitions and disposals £m	Exchange differences £m	Other movements £m	At 31 December 2023 £m
Components of financing activities:						
Bank and other loans[1]	**(194.7)**	**(53.4)**	**(0.4)**	**6.1**	**(1.5)**	**(243.9)**
Bonds	**(621.4)**	**(28.5)**	**–**	**1.1**	**(10.4)**	**(659.2)**
Fair value of interest rate derivatives	**(26.0)**	**–**	**–**	**–**	**9.6**	**(16.4)**
Fair value of foreign exchange forward contracts	**11.9**	**(14.3)**	**–**	**1.2**	**–**	**(1.2)**
Cross currency swaps	**(6.0)**	**(6.3)**	**–**	**10.1**	**–**	**(2.2)**
Net lease liabilities[2]	**(183.7)**	**57.4**	**–**	**4.6**	**(50.2)**	**(171.9)**
Private placements	**(411.9)**	**–**	**–**	**7.4**	**(0.2)**	**(404.7)**
Total components of financing activities	**(1,431.8)**	**(45.1)**	**(0.4)**	**30.5**	**(52.7)**	**(1,499.5)**
Cash	**171.7**	**16.0**	**2.0**	**(3.6)**	**–**	**186.1**
Overnight deposits	**6.6**	**(6.9)**	**0.6**	**(0.1)**	**–**	**0.2**
Other short-term deposits	**113.5**	**56.6**	**–**	**(0.1)**	**–**	**170.0**
Bank overdrafts	**(58.7)**	**(3.9)**	**–**	**–**	**–**	**(62.6)**
Net cash and cash equivalents	**233.1**	**61.8**	**2.6**	**(3.8)**	**–**	**293.7**
Other debt receivables	**2.7**	**0.3**	**–**	**(0.1)**	**–**	**2.9**
Remove: fair value of foreign exchange forward contracts	**(11.9)**	**14.3**	**–**	**(1.2)**	**–**	**1.2**
Net debt[3]	**(1,207.9)**	**31.3**	**2.2**	**25.4**	**(52.7)**	**(1,201.7)**

[1] Net of arrangement fees totalling £3.3m (2022: £1.1m) on bank and other loans
[2] Net lease liabilities is inclusive of finance lease receivables which are reported separately from borrowings on the face of the Group's Balance Sheet
[3] Excludes accrued interest on long-term borrowings

Short-term deposits relate to term deposits repayable within three months.

Borrowings include non-current interest-bearing borrowings of £1,290.6m (2022: £886.3m).

Other non-cash movements include lease additions and disposals of £50.2m (2022: £36.9m), and £2.3m amortisation of loan and bond arrangement fees (2022: £1.1m). A £9.9m increase in the fair value of the hedging derivatives is offset by opposite movements in the fair value of the related hedged borrowings, with £0.3m of ineffectiveness.

Prior year analysis of changes in net debt

	At 1 January 2022 £m	Cash flow £m	Acquisitions and disposals £m	Exchange differences £m	Other movements £m	At 31 December 2022 £m
Components of financing activities:						
Bank and other loans[1]	(189.6)	10.7	(1.0)	(14.3)	(0.5)	(194.7)
Bonds	(640.9)	–	–	–	19.5	(621.4)
Fair value of interest rate derivatives	(6.3)	–	–	–	(19.7)	(26.0)
Fair value of foreign exchange forward contracts	(9.9)	39.4	–	(17.6)	–	11.9
Cross currency swaps	2.6	28.4	–	(37.0)	–	(6.0)
Net lease liabilities[2]	(218.9)	85.9	(0.7)	(13.1)	(36.9)	(183.7)
Private placements	(393.9)	–	–	(17.7)	(0.3)	(411.9)
Total components of financing activities	(1,456.9)	164.4	(1.7)	(99.7)	(37.9)	(1,431.8)
Cash	268.1	(115.4)	0.4	18.6	–	171.7
Overnight deposits	0.4	6.0	–	0.2	–	6.6
Other short-term deposits	239.9	(126.6)	–	0.2	–	113.5
Bank overdrafts	(132.2)	73.5	–	–	–	(58.7)
Net cash and cash equivalents	376.2	(162.5)	0.4	19.0	–	233.1
Other debt receivables	1.0	1.6	–	0.1	–	2.7
Remove: fair value of foreign exchange forward contracts	9.9	(39.4)	–	17.6	–	(11.9)
Net debt[3]	(1,069.8)	(35.9)	(1.3)	(63.0)	(37.9)	(1,207.9)

[1] Net of arrangement fees totalling £1.1m (2021: £2.4m) on bank and other loans
[2] Net lease liabilities is inclusive of finance lease receivables which are reported separately from borrowings on the face of the Group's Balance Sheet
[3] Excludes accrued interest on long-term borrowings

(c) Reconciliation of net cash flow to movement in net debt

	2023 £m	2022 £m
Increase/(decrease) in net cash and cash equivalents in the year	**64.4**	(162.1)
Cash inflow from movement in other debt receivables	**0.3**	1.6
Cash (outflow)/inflow from movement in debt and leases liabilities	**(31.2)**	123.3
Change in net debt resulting from cash flows	**33.5**	(37.2)
Change in net debt resulting from non-cash movements	**(27.3)**	(100.9)
Movement in net debt in the year	**6.2**	(138.1)
Opening net debt	**(1,207.9)**	(1,069.8)
Net debt	**(1,201.7)**	(1,207.9)

14 Financial information

The financial information set out above does not constitute the Group's Financial Statements for the years ended 31 December 2023 or 2022, but is derived from those Financial Statements. Statutory Financial Statements for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the

Company's annual general meeting. The auditors have reported on those Financial Statements; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The Annual Report will be posted to shareholders on 30 April 2024 and will also be available from the Company Secretary at National Express House, Birmingham Coach Station, Mill Lane, Digbeth, Birmingham, B5 6DD. Copies are also available via www.mobicogroup.com.

15 Post balance sheet events

Put liabilities to Non-controlling interests
The Group has a subsidiary in Morocco with a non-controlling interest. In January 2024 an arbitrator ruled on a long-standing dispute between the Group and the non-controlling interest which resulted in the triggering of a put option for the non-controlling interest to sell their shares to us. As the arbitration was ongoing at year end, the Directors consider this to be a post balance sheet adjusting event. A put liability of £8.6m has therefore been recognised as at 31 December 2023 for the estimated value to purchase the shares from the non-controlling interest.

Acquisition of Canary Bus
On 1 March 2024 the Group acquired 100% share capital in Canary Bus. Prior to the year end a deposit for £6.1m was paid. Following receiving permission from the Spanish Competition Commission, the Group proceeded with the acquisition, and obtained control of the Canary Bus.

Potential disposal of North America School Bus business
During the year the Group announced that it would start a process for the potential dispoal of the North America School Bus business. The Directors have considered whether this would meet the criteria for disclosing as held for sale at the 31 December 2023 and at the date of these accounts. At the date of issue of these Financial Statements the Directors believe that the sale plan is not progressed sufficiently for the Held for Sale criteria to have been met.

Publication of restated and rebased versions of indices 625 & 626 relating to German Rail
A number of statistical indices are used in the German transport sector to determine the level of cost recovery from the public transport authority. In particular, two indices, Indices 625 & 626, are used by the Group (and others operating in the German transport sector) to calculate and agree the recovery of energy costs from relevant passenger transit authorities.
Subsequent to the year end, Destatis, the German Federal Statistical Office, published restated and rebased versions of Indices 625 & 626 and withdrew the previous versions of those indices. Those previous versions had originally been used by the Group in calculating the performance of the German Rail business for the year. Whilst the Group intends to discuss in due course with the public transport authority how the impact of the revised indices should be addressed within the context of that relationship and the underlying contracts, the full effect of the revised indices was reflected in the calculation of the performance of each of the contracts within German Rail. The effect of this in totality was a reduction in expected total cost recovery over the term of the contracts (to 2032) of £12.3m, with an impact on 2023 adjusted operating profit of £3.1m (of which £2.7m related to subsidy recovery recognised in 2022).