Business review

First Bus

The overall performance of our business is predicated on running better quality mileage by using our enhanced data to align services to demand, implement smarter fares and stimulate demand, and drive efficiencies across our operations.

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

"First Bus is a more agile business today, and its outperformance in the second half of FY 2023 has given us increased confidence that we will deliver further revenue growth and a 10% operating margin in bus in the medium term.

Janette Bell
Managing Director, First Bus

Revenue
£902.5m
FY 2022: £789.9m

Adjusted operating margin
6.5%
FY 2022: 5.7%

Adjusted operating profit
£58.4m
FY 2022: £45.2m

Average number of employees
12,800
FY 2022: 13,500

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

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

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

25%
Revenue per mile increased by 25% in FY 2023, to £5.36 per mile.

Business review continued

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

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

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

Optimising our business and delivering increased margins

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

We have also continued to successfully develop our pricing and yield management strategy, focused on the implementation of shorter term products such as lower entry single and return fares and updated weekly and monthly discounts. Having been prohibited from doing so under the earlier pandemic funding regime, we implemented fare increases in October 2022 and have since made further interventions within the CPI cap permitted under current funding schemes. These increases have been designed to better match our new ticketing products to evolving travel trends, whilst at the same time recognising the potential impact of the cost of living crisis on discretionary passenger journeys by retaining low single fares.

We have a clear focus on delivering data-led, smart efficiency initiatives across our operations. We have delivered annualised cost savings of c.£20m since 2019 and we continue to identify and progress additional efficiency initiatives through the further modernisation of our business processes. In H2 2023 our driver recruitment, retention and training initiatives resulted in an easing of driver resource pressures and increased operational efficiencies. Higher than anticipated inflation impacted a number of our key input costs during the year, including pay, fuel and utility costs. The vast majority of our local wage agreements (a number of which are multi-year) were concluded in FY 2023, broadly in line with CPI. Our fuel hedge programme has allowed us to offset higher fuel costs; we currently have 85% of our FY 2024 exposure hedged at 46p per litre and FY 2025 is currently 55% hedged at 50p per litre. We also have an electricity hedge programme in place, with 69% of our consumption (based on current consumption forecasts) hedged for FY 2024 at £172/MWh and 60% for FY 2025 at £146/MWh.

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

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

> "We have a clear focus on delivering data led, smart efficiency initiatives across our operations.

Digital innovation

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

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

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

Adjacent Services

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

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

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

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

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

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

“First Bus remains at the forefront of the digital transformation of the bus industry

Business review continued

Fleet decarbonisation

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

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

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

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

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

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

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

Looking ahead

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

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

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

The electrification of our bus fleet and depots will create significant opportunities for the creation of adjacent revenue streams and sustainable value for all of our stakeholders.

First Rail

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

"In the medium to longer term, we anticipate further growth from our open access operations, as we look at ways to expand our customer offering, and from our additional rail services businesses

Steve Montgomery
Managing Director, First Rail

Revenue	Adjusted operating margin
£3,893.2m	**3.2%**
FY 2022: £3,801.2m	FY 2022: 2.3%

Adjusted operating profit	Average number of employees
£124.8m	**17,500**
FY 2022: £87.8m	FY 2022: 17,500

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

1 Represents the Group's share of the management fee income available for dividend distribution from the GWR, SWR, TPE and WCP (incorporating Avanti) contracts with DfT on a pre-IFRS 16 basis net of tax and minority interests as described in more detail on page 171. See also note 4 to the financial statements for a reconciliation to the segmental disclosures.

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

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

£124.8m

The First Rail division's adjusted operating profit increased to £124.8m (FY 2022: £87.8m)

Business review continued

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

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

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

Transition to longer-term National Rail Contracts

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

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

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

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

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

Innovation and adjacent rail opportunities

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

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

Mistral Data, our analytics business, was launched in 2021 and now has 14 software systems in operation built on native cloud technology, allowing them to be quickly deployed whilst also ensuring security and scalability. They include revenue and operational analysis and reporting tools that enable real-time

£19.6m

Lumo and Hull Trains delivered an adjusted operating profit of £19.6m compared to a loss of £(16.6)m in FY 2022

Read more about Lumo on page 16

integration and the sharing of complex data needed to operate services. This is enabling our teams to identify and resolve problems before they develop further, using live data pulled from several systems. The software also provides real-time information and messaging to our customers via website and mobile app channels on the formation and facilities available on each train, as well as any changes their train times in advance, allowing them to plan their journey with confidence. Also in FY 2023, a new Mistral safety application was successfully developed and deployed on the SWR network, to identify areas of potentially low rail-wheel adhesion, based on real-time wheel slip reported data.

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

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

Customer experience

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

Fleet upgrades

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

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

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

In 2019 five Hitachi Class 802 Paragon trains were introduced into passenger service at Hull Trains, following a £60m investment programme, resulting in a growth in revenue thanks to more seats and better reliability. A recent report has also shown that the new trains have reduced the Hull Trains fleet's CO_2 emissions by almost 60%.

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

60%

New trains have reduced Hull Trains fleet's CO_2 emissions by almost 60%.

Business review continued

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

Rail policy

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

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

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

Looking ahead

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

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