

Financial statements



Independent auditors' report to the members of FirstGroup plc

Report on the audit of the financial statements

Opinion

In our opinion:

- FirstGroup plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 25 March 2023 and of the group's profit and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2023 (the "Annual Report"), which comprise: the Consolidated balance sheet and the Company balance sheet as at 25 March 2023; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Company statement of changes in equity, and the Consolidated cash flow statement for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 6, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

The Group now operates in the UK only after the sale of their US divisions in the prior year. The Group consists of two main divisions, Rail and Bus. In the Rail division, all train operating companies have continued to be operating under contracts with the Department for Transport ("DfT") for FY23, with TransPennine Express (TPE), Great Western Railway (GWR) and South Western Railway (SWR) on National Rail Contracts and Avanti West Coast (AWC) under an Emergency Recovery Measures Agreement (ERMA), which has meant a fixed management fee was received to operate at agreed service levels, as well as a performance-based fee element. At the date of reporting TPE has ceased operating as no extension was granted to their existing NRC which expired on 28 May 2023. The structure of the contracts within the Rail division has reduced the revenue and cost risk compared to the previous franchise arrangements. Outside of the TOCs the Rail Division also consists of Hull Trains and East Coast Trains which continue to perform strongly and have experienced growth year on year. First Bus continued to receive government support in the way of Business Recovery Grants (BRG) in England, Bus Emergency Scheme (BES) in Wales and Bus Service Operators Grant (BSOG) in Scotland throughout the year which requires the business to operate a certain level of service and reimburses based on pre-covid revenue levels to compensate for slower return of passenger levels. In addition the introduction of the £2 bus fare cap in England has provided further government revenue support in the Bus division with the announcement in May that this will be extended until October 2024. The Bus division continues to expand its contractual business. There is one change to our key audit matters this year, as explained later in the report, in relation to the Valuation of the Transit Earn Out. The Group has continued to realise value from retained assets from the sale of Greyhound, including the sale of a number of properties that provided material profit on disposal. This year we have also specifically set out our consideration of the impact of climate change on the audit which is further explained below.

Overview

Audit scope

- The scope of our audit determines where we go and what we do, the best types of audit evidence to obtain, the right areas of operations to focus on and the resources needed to deliver this. As group auditors we are required to obtain sufficient audit evidence from the components of the group. We have determined there are five components for group reporting purposes
- Each Rail Train Operating Company (TOC) is a separate component, and the three largest TOCs are in scope for group reporting, being Great Western Railway (GWR), South Western Railway (SWR), and Avanti West Coast (AWC)
- UK Bus

Key audit matters

- Valuation of pension liabilities driven by salary increase, mortality, discount rate and inflation levels assumptions (group)
- Valuation of complex investments within the pension assets (group)
- Recoverability of the company's investments in subsidiary undertakings (parent)

Materiality

- Overall group materiality: £20,000,000 (2022: £9,750,000) based on 0.42% of revenue from continuing operations.
- Overall company materiality: £16,200,000 (2022: £27,128,000) based on 1% of total assets.
- Performance materiality: £15,000,000 (2022: £7,300,000) (group) and £12,150,000 (2022: £20,346,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Valuation of Transit Earn Out (group), which was a key audit matter last year, is no longer included because of a completed sale of the Transit business by EQT which has reduced the level of management judgment required to estimate the fair value of the contingent consideration receivable. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of FirstGroup plc continued

Key audit matter

Valuation of pension liabilities driven by salary increase, mortality, discount rate and inflation levels assumptions (group)

The group has gross defined benefit obligations in the UK and US totalling £6,156.5m at 25 March 2023 (2022: £8,046.5m), excluding agent arrangements. The valuation of pension plan liabilities requires estimation in determining appropriate assumptions such as salary increases, mortality rates, discount rates and inflation levels. Movement in these assumptions can have a material impact on the determination of the liability. Management uses external actuaries to assist in determining these assumptions, and this is considered to be the significant audit risk. In addition, there are restrictions under IAS19 and IFRIC 14 as to when a net pension surplus should be recognised, as well as balance sheet adjustments in respect of First Rail due to the Rail contracts. Refer note 37 and the Critical accounting judgements and key sources of estimation uncertainty section in note 2. Refer to the Audit Committee report on page 101 for a description of its assessment of this significant judgement.

How our audit addressed the key audit matter

We used our actuarial experts to assess whether the assumptions used in calculating the defined benefit liabilities for the UK, US and Canadian Schemes were reasonable and in line with accounting standards. We assessed whether mortality rate assumptions were appropriate for each plan and, where applicable, incorporated considerations of relevant national actuarial data. We also assessed whether the discount rate and inflation rates were consistent with our internally developed benchmarks and in line with market information. We examined the salary increase assumptions to consider whether they represent management's best estimate. In addition to our significant risk areas, we reviewed the trust deeds and statutory legislation relevant to each plan where applicable, and concur with management's view that the surplus in the Local Government Pension Schemes cannot be recognised in full on the balance sheet. We tested the IFRIC 14 adjustments in respect of these plans, agreed the value of the restrictions and found them to be reasonable, based on the specifics of each plan. We also assessed management's judgement with regard to the rail franchise adjustment and found no exceptions. We evaluated the calculations prepared by the external actuaries to assess the consistency of the assumptions used. Where there has been updated Funding Valuations, we have performed completeness checks and reviewed movements in the census data for each scheme by reference to the latest Funding Valuation performed. In addition we performed two-way testing of the listings of active members back to the scheme administrator records, or alternate procedures where appropriate. We have reviewed the controls report of the administrators where available and identified no exceptions relating to members' data. Based on procedures performed we consider that the assumptions used to value the pension obligation are within an acceptable range other than a trivial difference. We assessed the appropriateness of the related disclosures in note 37 of the group financial statements and consider them to be materially appropriate.

Key audit matter

Valuation of complex investments within the pension assets (group)

As set out in note 37, the group has gross defined benefit plan assets in the UK and US totalling £6,220.0m at 25 March 2023 (2022: £7,133.1m) from continuing operations (excluding agent arrangements). The pension schemes in which the Group participates hold unquoted plan assets in private equity, infrastructure and property funds. There is significant estimation uncertainty in determining the valuation of these investments which are based on inputs that are not directly observable. The funds where the valuation requires significant judgement across the group total £467m (2022: £531m). The funds are present in the FirstGroup UK Bus Pension Scheme. There is a potential range of reasonable outcomes to the valuations of these assets greater than our materiality for the financial statements as a whole.

How our audit addressed the key audit matter

We obtained pricing confirmations directly from investment managers and custodians as primary sources of evidence. We also performed additional procedures on investments that are more complex in nature to evaluate whether there is any contradictory evidence suggesting that the pricing confirmations do not reflect an appropriate valuation as at the balance sheet date. For investments considered more complex these procedures included one or more of the following: Obtained third party controls assurance reports and bridging letters on the valuations procedures and investment managers' operations for the current financial year; Reviewed the pricing of transactions taking place close to the balance sheet date; Performed look back testing of previous valuations provided by investment managers to audited financial statements of the underlying funds; Performed independent internet based searches for information suggesting any doubts in the investment managers' capability of pricing; and/or Reviewed investment contributions and distributions between the valuation date and the balance sheet date and obtained affirmations from investment managers that the price taken is the latest price available where the valuation date is different to the balance sheet date. Based on the procedures performed we have no findings to report.

Recoverability of the company's investments in subsidiary undertakings (parent)

As set out in note 5 to the Company financial statements, investments in subsidiaries are £740.7m (2022: £2,147.9m). Of this balance, £659.3m relates to the direct and indirect ownership of the Bus division. The investments are accounted for at cost less provision for impairment in the Company balance sheet at 25 March 2023. The carrying value of the investment in Bus is supported by the recoverable amount which has been calculated on a value in use basis. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of any impairment loss. Consideration is also given to whether there are indications that impairments previously booked should be reversed. Management have prepared a value in use model which shows headroom compared to the carrying value of the investment. This is considered a significant audit risk. Judgement is required in this area, particularly in assessing whether the carrying value of an asset can be supported by the recoverable value, being the higher of fair value less cost of disposal or the net present value of future cash flows which are estimated based on the continued use of the asset in the business. Refer to note 5 in the Plc company accounts and the Critical accounting judgements and key sources of estimation uncertainty section in note 1.

The recoverable value of the investment in First Bus subsidiaries was determined from the discounted future cash flows of the Bus division. We obtained management's value in use impairment assessment and ensured the calculations were mathematically accurate. We evaluated the inputs in the value in use calculation and challenged the key assumptions including:

- The operating margins forecast to be achieved, noting that the margins in the terminal year are consistent with those achieved in the industry pre-covid;
- Using our internal valuation experts to calculate an independent WACC rate range, with reference to comparable businesses;
- With the support of internal valuation experts assessing the long term growth rate applied. We evaluated the extent to which the considerations of climate change, such as capital expenditure on battery, electric and hydrogen fuel cell vehicle fleets had been reflected in the underlying cash flows. We recalculated management's own sensitivity analysis of key assumptions used in the value in use assessment and also performed our own independent sensitivity testing to include the application of reasonable alternative individual and combined risk scenarios in order to assess for any potential material impairment under such conditions. Based on our procedures we did not identify any matters indicating that management's model was inappropriate. We have assessed the disclosures provided and consider them to be appropriate. For non-Bus investments we have assessed the value of the US investment to the cash that is expected to be received in relation to the Earn Out which provides sufficient support.

Independent auditors' report to the members of FirstGroup plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Following the disposal of First Student, First Transit and Greyhound in the prior year, the Group is organised into two operating divisions, First Bus and First Rail. There are 123 reporting units within the consolidation, the majority of which are inactive although there is some trading activity in nine reporting units in addition to those included in Group reporting scope. We have defined a component as a business unit where legal entities have been grouped together based on the fact they have the same management, the same control environment and also considering the way the component reports to the group. We have determined there are four components required for Group reporting as follows: SWR, GWR, AWC and UK Bus.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management on climate change adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the Note 2 and Note 11.

In addition to enquiries with management, we also:

- Read the governance processes in place to assess climate risk
- Read additional reporting made by the entity on climate including its Environmental Performance Report 2023

We challenged the completeness of management's climate risk assessment by:

- Reading external reporting made by management including the Carbon Disclosure Project submissions
- Reading the entity's website /communications for details of climate related impacts

Management have made commitments to operate a fully zero emission Bus fleet by 2035. Management considers the impact of climate risk does give rise to a potential material financial statement impact.

The key areas of the financial statements where management evaluated that climate risk has a potential significant impact are disclosures relating to impairment assessment of goodwill and carrying value of investments in subsidiaries.

Using our knowledge of the business we evaluated management's risk assessment, its estimates as set out in note 2 of the financial statements and resulting disclosures where significant. We considered the following areas that could potentially be materially impacted by climate risk and consequently we focused our audit work in these areas:

- Valuation of goodwill
- Carrying value of investment in subsidiaries

To respond to the audit risks identified in these areas we tailored our audit approach to address these, in particular, we:

- Challenged management on how the impact of climate commitments made by the Group would impact the assumptions within the discounted cash flows prepared by management that are used in the Group's impairment analysis.
- Evaluated whether the impact of both physical and transition risks arising due to climate risk had been appropriately included in the recoverable value of the Group's assets.
- Challenged whether the impact of climate risk in the Directors' assessments and disclosures of going concern and viability were consistent with management's climate impact assessment.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the period ended 25 March 2023.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£20,000,000 (2022: £9,750,000).	£16,200,000 (2022: £27,128,000).
How we determined it	Based on 0.42% of revenue from continuing operations	1% of total assets
Rationale for benchmark applied	Revenue is considered to be the most appropriate benchmark for the financial year. In the engagement leader's judgement £20 million is an appropriate materiality for a group of the scale and size of FirstGroup plc.	The entity is a holding company of the rest of the Group and is not a trading entity. Therefore an asset based measure is considered appropriate.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £13,500,000 and £19,000,000. Certain components are audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £15,000,000 (2022: £7,300,000) for the group financial statements and £12,150,000 (2022: £20,346,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1,000,000 (group audit) (2022: £470,000) and £1,000,000 (company audit) (2022: £470,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of FirstGroup plc continued

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and agreeing management's going concern assessment to the business's board approved plan and ensuring that the base case scenario indicates that the business generates sufficient cash flows to meet its obligations within the going concern assessment period while complying with covenant arrangements;
- considering the extent to which the group's and company's future cash flows might be adversely affected by the long term impacts of COVID-19 and the impact of the cost of living crisis; reviewing management's cash flow forecasts, assessing the existing sources of finance and considering the overall impact on liquidity;
- ensuring the mathematical accuracy of management's models;
- evaluating management's severe but plausible scenario and ensuring this is appropriately modelled through the cash flows;
- considering the risk of breach of the covenant arrangements in place for external borrowings under the severe but plausible scenario;
- evaluating whether the cashflows in the going concern period include the costs associated with achieving the group's climate change goals such as capital expenditure on battery, electric and hydrogen fuel cell vehicle fleet;
- performing further sensitivity analysis on the severe but plausible scenario;
- considering the adequacy of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 25 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Annual report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent auditors' report to the members of FirstGroup plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and regulations and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries including those to increase revenue and management bias within accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquiries of management at the Group and divisional levels;
- Enquiries of the Group and Rail legal teams;
- Enquiries with component auditors;
- Review of internal audit reports in so far as they related to the financial statements;
- Identifying and testing journal entries, in particular certain journal entries posted with unusual account combinations which result in an impact to revenue; and
- Challenging estimates and judgements made by management in determining significant accounting estimates, in particular in relation to valuation of pensions liabilities, valuation of complex investments within the pension assets and recoverability of investments held by the parent.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 5 November 2020 to audit the financial statements for the year ended 27 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the periods ended 27 March 2021 to 25 March 2023.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Matthew Mullins (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
8 June 2023

Consolidated income statement

For the 52 weeks ended 25 March

Continuing Operations	Notes	2023 £m	2022 £m
Revenue	3,5	4,755.0	4,591.1
Operating costs	6	(4,601.1)	(4,468.3)
Operating profit	5,6	153.9	122.8
Investment income	8	12.3	1.1
Finance costs	8	(69.1)	(141.6)
Profit/(loss) before tax		97.1	(17.7)
Tax	9	(10.4)	11.9
Profit/(loss) from continuing operations		86.7	(5.8)
Profit from discontinued operations	21	8.6	647.8
Profit for the year		95.3	642.0
Attributable to:			
Equity holders of the parent		87.1	636.4
Non-controlling interests		8.2	5.6
		95.3	642.0
Earnings per share			
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share		10.6p	(1.1)p
Diluted earnings per share		10.3p	(1.1)p
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	10	11.8p	60.2p
Diluted earnings per share	10	11.4p	60.2p
Adjusted results (from continuing operations)¹			
Adjusted operating profit	4	161.0	106.7
Adjusted profit before tax		104.2	24.8
Adjusted EPS	10	10.6p	1.6p
Adjusted diluted EPS		10.3p	1.5p

1 Adjusted for certain items as set out in note 4.

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

Consolidated statement of comprehensive income

For the 52 weeks ended 25 March

	Notes	2023 £m	2022 £m
Profit for the year		95.3	642.0
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit pension schemes	37	(150.9)	122.3
Deferred tax on actuarial losses/(gains) on defined benefit pension schemes		37.2	(22.1)
		(113.7)	100.2
Items that may be reclassified subsequently to profit or loss			
Derivative hedging instrument movements	29	(6.3)	43.9
Deferred tax on derivative hedging instrument movements		(1.3)	(10.8)
Cumulative loss on hedging instruments reclassified to the income statement		10.9	–
Exchange differences on translation of foreign operations – continuing operations		0.9	(5.6)
Exchange differences on translation of foreign operations – discontinued operations		6.8	0.3
Non-controlling interests share of loan waived		–	35.4
Reclassification of foreign currency translation reserve on discontinued operations (see note 21)		–	(543.4)
		11.0	(480.2)
Other comprehensive loss for the year		(102.7)	(380.0)
Total comprehensive (loss)/income for the year		(7.4)	262.0
Attributable to:			
Equity holders of the parent		(15.6)	221.0
Non-controlling interests		8.2	41.0
		(7.4)	262.0
Total comprehensive (loss)/income for the year attributable to owners of FirstGroup plc arises from:			
Attributable to:			
Continuing operations		(22.6)	149.1
Discontinued operations		15.2	112.9
		(7.4)	262.0

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

Consolidated balance sheet

As at 25 March

	Notes	2023 £m	2022 £m
Non-current assets			
Goodwill	11	99.6	93.5
Other intangible assets	12	10.8	12.4
Property, plant and equipment	13	2,329.7	1,692.7
Contingent consideration receivable	17	–	106.1
Deferred tax assets	26	47.0	36.1
Retirement benefit assets	37	44.6	203.0
Derivative financial instruments	25	0.1	4.2
Financial assets	25	117.6	117.0
Investments	14	2.5	2.2
		2,651.9	2,267.2
Current assets			
Inventories	16	26.0	28.9
Trade and other receivables	17	848.3	682.3
Contingent consideration receivable	17	72.3	–
Current tax assets		–	3.1
Cash and cash equivalents	20	791.4	787.7
Derivative financial instruments	25	7.4	26.2
		1,745.4	1,528.2
Assets held for sale – continuing operations	18	8.3	–
Assets held for sale – discontinued operations	18,21	0.6	38.5
Total assets		4,406.2	3,833.9
Current liabilities			
Trade and other payables	19	1,314.4	1,245.1
Tax liabilities – Current tax liabilities		0.3	–
– Other tax and social security		41.4	38.3
Borrowings	22	554.7	677.0
Derivative financial instruments	25	2.6	–
Provisions	27	85.9	114.6
Current liabilities		1,999.3	2,075.0
Net current liabilities		(253.9)	(546.8)
Non-current liabilities			
Borrowings	22	1,512.3	736.8
Derivative financial instruments	25	1.9	–
Retirement benefit liabilities	37	16.7	16.3
Provisions	27	125.2	120.7
		1,656.1	873.8
Total liabilities		3,655.4	2,948.8
Net assets		750.8	885.1
Equity			
Share capital	28	37.5	37.5
Share premium		693.2	692.8
Hedging reserve	29	(0.7)	19.3
Other reserves	29	22.4	22.4
Own shares	29	(15.4)	(9.0)
Translation reserve	30	(16.3)	(24.0)
Retained earnings		19.5	137.6
Equity attributable to equity holders of the parent		740.2	876.6
Non-controlling interests		10.6	8.5
Total equity		750.8	885.1

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

Ryan Mangold

8 June 2023

Consolidated statement of changes in equity

For the 52 weeks ended 25 March

	Share capital (note 28) £m	Share premium £m	Hedging reserve (note 29) £m	Other reserves (note 29) £m	Own shares (note 29) £m	Translation reserve (note 30) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 28 March 2021	61.1	689.6	(3.4)	4.6	(9.0)	524.7	(89.6)	1,178.0	(23.9)	1,154.1
Profit for the year	–	–	–	–	–	–	636.4	636.4	5.6	642.0
Other comprehensive income/(loss) for the year	–	–	33.1	–	–	(548.7)	100.2	(415.4)	35.4	(380.0)
Total comprehensive income/(loss) for the year	–	–	33.1	–	–	(548.7)	736.6	221.0	41.0	262.0
Derivative hedging instrument movements transferred to balance sheet (net of tax)	–	–	(10.4)	–	–	–	–	(10.4)	–	(10.4)
Transactions with owners in their capacity as owners										
Shares issued	0.2	3.2	–	–	–	–	–	3.4	–	3.4
Shares bought back and cancelled	(23.8)	–	–	17.8	–	–	(500.0)	(506.0)	–	(506.0)
Disposal of non-controlling interest in First Transit	–	–	–	–	–	–	–	–	(0.7)	(0.7)
Dividends paid/other	–	–	–	–	–	–	2.0	2.0	(7.9)	(5.9)
Movement in EBT and treasury shares	–	–	–	–	–	–	(16.8)	(16.8)	–	(16.8)
Share-based payments	–	–	–	–	–	–	5.4	5.4	–	5.4
Balance at 26 March 2022	37.5	692.8	19.3	22.4	(9.0)	(24.0)	137.6	876.6	8.5	885.1
Balance at 27 March 2022	37.5	692.8	19.3	22.4	(9.0)	(24.0)	137.6	876.6	8.5	885.1
Profit for the year	–	–	–	–	–	–	87.1	87.1	8.2	95.3
Other comprehensive income/(loss) for the year	–	–	3.3	–	–	7.7	(113.7)	(102.7)	–	(102.7)
Total comprehensive income/(loss) for the year	–	–	3.3	–	–	7.7	(26.6)	(15.6)	8.2	(7.4)
Derivative hedging instrument movements transferred to balance sheet (net of tax)	–	–	(23.3)	–	–	–	–	(23.3)	–	(23.3)
Transactions with owners in their capacity as owners										
Shares issued	0.0	0.4	–	–	–	–	–	0.4	–	0.4
Shares bought back but not yet cancelled	–	–	–	–	–	–	(31.6)	(31.6)	–	(31.6)
Liability for shares not yet bought back	–	–	–	–	–	–	(43.9)	(43.9)	–	(43.9)
Dividends paid	–	–	–	–	–	–	(14.7)	(14.7)	(6.1)	(20.8)
Movement in EBT and treasury shares	–	–	–	–	(6.4)	–	(8.6)	(15.0)	–	(15.0)
Share-based payments	–	–	–	–	–	–	6.4	6.4	–	6.4
Deferred tax on share-based payments	–	–	–	–	–	–	0.9	0.9	–	0.9
Balance at 25 March 2023	37.5	693.2	(0.7)	22.4	(15.4)	(16.3)	19.5	740.2	10.6	750.8

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

Consolidated cash flow statement

For the 52 weeks ended 25 March

	Notes	2023 £m	2022 restated £m
Cash generated by operations	32	644.8	185.8
Tax paid		(1.0)	(21.4)
Interest paid		(70.0)	(176.6)
Net cash from operating activities	32	573.8	(12.2)
Investing activities			
Interest received		6.4	1.4
Proceeds from disposal of property, plant and equipment		147.8	23.1
Purchases of property, plant and equipment		(173.7)	(241.9)
Purchases of software		(4.2)	(9.7)
Proceeds from capital grant funding		144.2	77.6
Net proceeds from disposal of subsidiaries (net of cash disposed) ¹		2.0	2,320.0
Settlement of foreign exchange hedge		(12.5)	–
Acquisition of businesses	31	(30.6)	(11.3)
Net cash used in investing activities		79.4	2,159.2
Financing activities			
Shares purchased by Employee Benefit Trust		(15.3)	(23.5)
Treasury shares purchased via share buyback scheme and directly associated costs (2022: tender offer)		(31.6)	(506.0)
External dividends paid		(14.7)	–
Dividends paid to non-controlling shareholders		(6.1)	–
Shares issued		–	2.9
Repayment of CCFF		–	(298.2)
Repayment of bond issues		(15.7)	(674.4)
Repayment of senior unsecured loans		–	(200.0)
Repayment of bank facilities		–	(579.3)
Repayment of lease liabilities		(546.9)	(600.4)
Repayment of asset backed financial liabilities		(10.6)	(9.4)
Fees for finance facilities		–	(1.7)
Net cash flow used in financing activities		(640.9)	(2,890.0)
Net increase/(decrease) in cash and cash equivalents before foreign exchange movements		12.3	(743.0)
Cash and cash equivalents at beginning of year		700.2	1,443.4
Foreign exchange movements		(4.0)	(0.2)
Cash and cash equivalents at end of year		708.5	700.2

1 2023 amount of £2.0m comprises cash consideration received of £7.2m less cash and cash equivalent sold of £5.2m (2022: £2,320.0m comprises cash consideration of £2,478.7m less cash and cash equivalents sold of £158.7m per Note 21 (b) and (c).

Cash flows of discontinued operations are shown in note 21.

	Notes	2023 £m	2022 £m
Reconciliation to cash flow statement			
Cash and cash equivalents – Balance Sheet	20	791.4	787.7
Bank overdraft	22	(82.9)	(87.5)
Cash and cash equivalents at end of year per consolidated balance sheet		708.5	700.2

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

	Notes	2023 £m	2022 £m
Net increase/(decrease) in cash and cash equivalents in year		12.3	(743.0)
Decrease in debt excluding leases		15.7	1,751.9
Adjusted cash flow		28.0	1,008.9
Payment of lease liabilities		557.5	609.8
(Inception)/termination of leases		(1,231.8)	184.1
Foreign exchange movements		(4.0)	(3.8)
Other non-cash movements		0.2	207.8
Movement in net debt in year		(650.1)	2,006.8
Net debt at beginning of year		(619.0)	(2,625.8)
Net debt at end of year	33	(1,269.1)	(619.0)

Other non-cash movements consist of movements in supplier financing of £nil (2022: £159.2m), transfer of asset backed financial liabilities of £nil (2022: £61.0m) on sale of disposal First Student and First Transit, amortisation of debt issue fees of £(0.6)m (2022: £(12.4)m) and other non-cash movements of £0.8m (2022: £nil).

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

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

Notes to the consolidated financial statements

1 General information

FirstGroup plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 395 King Street, Aberdeen, Scotland, United Kingdom AB24 5RP. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 04-82.

These financial statements are presented in pounds Sterling. Foreign operations are included in accordance with the accounting policies set out in note 2.

2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006, in addition to complying with international accounting standards in conformity with requirements of the Companies Act 2006.

The consolidated financial statements of FirstGroup plc comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. These financial statements are also prepared in accordance with IFRSs as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRSs as issued by the IASB for the periods presented. There were no unendorsed standards effective for the period ended 25 March 2023 affecting these consolidated and separate financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and on a going concern basis as described in the going concern statement within the Strategic report on page 77.

As set out on page 77, the Group has undertaken detailed reviews of a range of severe but plausible financial and operational scenarios using financial outlook modelling. Based on their review of the financial forecasts and having regard to the risks and uncertainties to which the Group is exposed, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for at least a 12-month period from the date on which the financial statements were approved. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements for the 52 weeks ended 25 March 2023 include the results and financial position of the First Rail business for the year ended 31 March 2023 and the results and financial position of all the other businesses for the 52 weeks ended 25 March 2023. The financial statements for the 52 weeks ended 26 March 2022 include the results and financial position of the First Rail businesses for the year ended 31 March 2022 and the results and financial position of all the other businesses for the 52 weeks ended 26 March 2022.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Company has power over an investee entity, exposure to variable returns from its involvement with the entity and the ability to use its power over the entity to affect its returns.

Non-controlling interests in subsidiaries are identified separately from the Group's equity interest therein. The present ownership interests of non-controlling shareholders entitle their holders to a proportionate share of net assets upon liquidation, and may initially be measured at fair value, or at the non-controlling interests' proportionate share of their fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Restatements

During the year, management reassessed the classification of cash flows in relation to capital grants received from the Department for Transport (DfT) and Transport Scotland, which had previously been reported within net cash from operating activities. As these grants typically relate to the funding of capital investment by the Group, management concluded that these cash flows represented investing activities, rather than operating activities, and accordingly have classified them as such in the FY 2023 financial statements and restated the FY 2022 presentation. The consolidated cash flow statement and the net cash from operating activities note (note 32) have been updated to reclassify the capital grant funding. In the FY 2022 restatement, an inflow of £77.6m was reclassified from operating activities to investing activities.

2 Significant accounting policies continued

Business combinations

The acquisition of subsidiaries is accounted for using the acquisitions method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

Assets and disposal groups held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Goodwill and intangible assets

Goodwill arising on consolidation is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) which are tested for impairment annually, or more frequently where there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated to the goodwill of the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Computer software is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences, website development, costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the software.

The existing finite life intangible assets have a residual value of nil and are amortised on a straight-line basis over their useful economic lives as follows:

- Customer contracts – over the estimated life of the contract (nine to ten years)
- Franchise agreements – over the initial term of the franchise (two to ten years)
- Software – over the estimated life of the software (three to five years)

Revenue recognition

Under IFRS 15 revenue is recognised when control of a good or service transfers to the customer. The point at which goods and services are transferred to the customer is based on the fulfilment of performance obligations.

As the Group has the right to consideration corresponding directly with the value of performance completed to date, customer contract revenue is recognised consistent with the amount that the Group has a right to invoice. The Group is therefore exercising the practical expedient not to explain transaction prices allocated to unsatisfied performance obligations at the end of the reporting period.

Revenue principally comprises revenue from train passenger services, road passenger transport, and certain management and maintenance services in the UK. Where appropriate, amounts are shown net of rebates and sales taxes. An explanation of the types of revenue is set out below.

Note that revenues include contractual and direct fiscal support as a result of coronavirus, including post-pandemic recovery funding. This is covered in more detail further on in this note.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Passenger revenues

Passenger revenues primarily relate to ticket sales through First Bus and First Rail. Passenger revenue is recognised at both a point in time and over time. Ticket sales for journeys of less than one week's duration are recognised on the first date of travel. Ticket sales for season tickets, travel cards and open-return tickets are initially deferred then recognised over the period covered by the relevant ticket. Concessionary amounts are recognised in the period in which the service is provided.

Contract revenues

Contract revenues mainly relate to tenders in First Bus, and in the prior year to First Student school bus contracts and First Transit contracts in North America. Revenues are recognised as the services are provided over the length of the contract and based on a transaction price which is defined in the terms of the contract.

Charter/private hire

Charter and private hire predominantly related to charter work in First Student (generated before the sale of the division in the prior year) for both school districts with extracurricular activities and third parties with general transportation needs. Revenue was recognised over the period in which the charter/private hire was provided to the customer.

Rail contract subsidy receipts

Revenue in First Rail includes subsidy receipts from the Department for Transport (DfT) for Emergency Measures Agreements (EMA), Emergency Recovery Measures Agreements (ERMA), National Rail Contracts (NRC) and amounts receivable under these arrangements including certain funded operational projects. Revenue also includes amounts attributable to the Train Operating Companies (TOCs), predominantly based on models of route usage, by the Railway Settlement Plan in respect of passenger receipts. Revenue is recognised over time as the performance obligations are met as agreed between the individual TOCs and the DfT.

Other revenues

Other revenues mainly relate to non-rail subsidies, revenue arising from ancillary services to other rail and road passenger service providers for maintenance, refuelling and other associated services and to sundry third parties for the use of space at terminals and on-board vehicles for other business activities, e.g. retail outlets, taxi ranks, catering and advertising. Other revenues are recognised at both a point in time and over time.

Contractual and direct fiscal support

The principal direct fiscal support recognised during the year comprised £848.8m (2022: £1,635.6m) of EMA/ERMA/NRC funding in First Rail, and £76.3m (2022: £190.2m) of BRG, NSG+, BES, concessions and other funding (including the £2 fare cap in England) in First Bus. These are recognised within revenue in accordance with IFRS 15 when control of the good or service is transferred to the customer and the Group is entitled to the consideration.

In the legacy North America business (discontinued operations), there were £nil (2022: £10.7m) of CARES Act employee retention credits accounted for through operating costs. These amounts were recognised as an offset to the related costs when conditions were met and expenses were incurred.

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

First Bus

Funding schemes were in place across the vast majority of the operation (BRG-E in England, NSG+ in Scotland, and BES2.0 and BES3.0 in Wales). BRG-E was the extension to the BRG scheme that was in place in FY 2022 and ran from the start of the year providing operators with a fixed monthly payment to enable them to maintain a higher level of commercial mileage than the current passenger levels would allow. NSG+ also ran throughout FY 2023 replacing the less commercially orientated CSG-R scheme and provided operators across Scotland with a fixed payment per kilometre operated again to enable a higher level of commercial mileage to be maintained. Both BRG-E and NSG+ contain profitability clauses meaning that any profits over a certain threshold should be shared or returned to the relevant authority, up to the total value of the funding provided. BES2.0 was in place from the start of the year before being replaced by BES 3.0 and takes the form of a grant payable to operators to offset any losses incurred from running an agreed level of mileage. In England, the £2 fare cap, underpinned by UK Government support, was announced by the Department for Transport in December 2022.

First Rail

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

- EMA in respect of GWR up to 26 June 2022, whereupon GWR transitioned to a new, three-year NRC with an option for the DfT to extend by a further three years to June 2028
- ERMA in respect of WCP / Avanti up to 16 October 2022, where the existing arrangement was extended by a further six months by the DfT to March 2023. On 20 March 2023, the existing arrangement was again extended, to 15 October 2023

2 Significant accounting policies continued

- NRCs for SWR and TPE throughout the year. On 10 February 2023, the DfT exercised its option to continue SWR's NRC for a full two-year extension period, to run to 25 May 2025. On 11 May 2023, the DfT confirmed that it would not exercise its option to extend the existing arrangements for FirstGroup's TransPennine Express (TPE) National Rail Contract, which was due to expire on 28 May 2023. On that date the DfT appointed its Operator of Last Resort to take over delivery of passenger services on the TPE network.

Under the arrangements, our franchised TOCs are paid a fixed management fee to continue to operate the rail network at a service level agreed with the government. Net DfT funding including the management and performance fee is recognised as revenue in Rail contracts subsidy receipts, in line with the revenue recognition policy for contract subsidy receipts from the DfT.

Greyhound

Subsidy funding was made available under section 5311(f) of the terms of the US CARES Act and under the American Rescue Plan Act. These Acts allow Greyhound to claim for losses made from operating intercity bus services in the US after 20 January 2020. In the prior year and up to the date that the business was divested, the subsidy funding receivable was recognised as other revenue in the period in which the services were provided and the operational costs were incurred.

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

First Bus pandemic-related grants

First Bus has received coronavirus related grants which are government grants receivable in light of the pandemic. The amounts principally reflect grants receivable under the Bus Recovery Grant – Extension (BRG-E), the Bus Emergency Scheme (BES) for Wales and the Network Support Grant Plus (NSG+) with all grants being disclosed in revenue. Under the BRG-E, NSG+ and BES schemes, grant income may be claimed by operators of local bus services to close the shortfall of revenue earned by them during the period affected by coronavirus and the costs incurred by them in that period. The extent to which certain costs are eligible for inclusion in claiming bus support grant income and how certain costs should be determined for the purposes of the schemes remains subject to reconciliation processes. Income is recognised in the income statement in the same period in which the related shortfall of revenue over costs is incurred to the extent there is reasonable certainty that: (a) the Group will comply with the conditions attaching to the grant and (b) the grant will be received and retained by the Group, taking account of the potential adjustments to grant payments as a result of any reconciliation process.

Leasing

Lease identification

At inception of a contract, the Group shall assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right of use asset

At the commencement date, the right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the Group to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located.

The right of use asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or current contract terms for rail TOCs. In addition, the right of use asset is periodically reduced by impairment losses, if applicable, and adjusted for certain remeasurements of the lease liability.

Lease liability

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid by the Group under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option. Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease, are also included. The payments are discounted at the incremental borrowing rate since the rates implicit in the leases are not readily available.

The lease liability is measured by increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The carrying value is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to selected leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option and where it is not reasonably certain that the lease term will be extended. It also applies the low-value assets recognition exemption to leases of assets of low value based on the value of the asset when it is new, regardless of the age of the asset being leased. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

On the balance sheet, right of use assets have been included in property, plant and equipment and lease liabilities have been included in borrowings.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised within other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised within other comprehensive income.

In order to hedge its exposure to certain foreign exchange risks, the Group holds currency swaps and borrowings in foreign currencies (see note 25 for details of the Group's policies in respect of foreign exchange risks).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the closing exchange rates on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising from the average exchange rates used and the period end rate, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Non-GAAP measures and performance

In measuring the Group and divisional adjusted operating performance, additional financial measures derived from the reported results have been used by management in order to eliminate factors which distort year-on-year comparisons. The Group's adjusted performance is used to explain year-on-year changes when the effect of certain items is significant, including strategic items (including material M&A and group restructuring projects), costs of acquisitions including aborted acquisitions, and impairment of assets. Other items below £5.0m would not normally be considered as adjusting items unless part of a larger strategic project, but items which distort year-on-year comparisons that exceed this amount could potentially be classified as an adjusting item and are assessed on a case-by-case basis. Such potential adjusting other items may include: restructuring and reorganisation costs; property gains or losses; aged legal and self-insurance claims; movements on insurance discount rates; onerous contract provisions; pension settlement gains or losses; and other items which management has determined as not being relevant to an understanding of the Group's underlying business performance. Subsequent remeasurements of adjusting items are also recognised as an adjusting item in the future period in which the remeasurement occurs.

In addition, management assess divisional performance before other intangible asset amortisation charges, as these are typically a result of Group decisions and therefore the divisions have little or no control over these charges. Management considers that this overall basis supports year-on-year business performance comparisons, to underpin planning and decision-making on resource allocation. The Group does not consider the non-GAAP measures to be more important than, or superior to, IFRS measures. See note 4 for the reconciliation to non-GAAP measures and performance.

Retirement benefit costs

The Group operates or participates in a number of pension schemes, which include both defined benefit schemes and defined contribution schemes.

Payments to defined contribution plans are charged as an expense as they fall due. There is no further obligation to pay contributions into a defined contribution plan once the contributions specified in the plan rules have been paid.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial updates being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the consolidated statement of other comprehensive income.

All past service costs are recognised immediately in the consolidated income statement.

2 Significant accounting policies continued

Where changes to the benefits in payment on defined benefit pension schemes require a change in scheme rules or ratification by the Trustees, the change is recognised as a past service charge or credit in the income statement. Where changes in assumptions can be made without changing the Trustee agreement, these are recognised as a change in assumptions in other comprehensive income.

The retirement benefit position recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any residual asset resulting from this calculation is limited to refunds economically available to the Company, in the form of either a public sector payment or the present value of future service costs recognised via suspension of cash contributions.

Various TOCs in the First Rail business participate in the Railways Pension Scheme (RPS), which is an industry-wide defined benefit scheme. The Group is obligated to fund the relevant section of the scheme over the period for which the contract is held. The full liability is recognised on the balance sheet, which is then reduced by a 'contract adjustment' so that the net liability reflects the Group's obligations to fund the scheme over the contract term, subject to any changes in the schedule of contributions following a statutory valuation.

Certain Transit Management contracts have defined benefit pension arrangements that are fully indemnified by the authority to which the contract relates. The gross assets and liabilities are recognised along with an amount recoverable from the contracting authorities on the basis that there is limited risk of default and which is also limited to the period of the contract.

Retirement benefits are also covered in the Key sources of estimation uncertainty section of note 2 below.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and includes an estimate of the tax which could be payable as a result of differing interpretation of tax laws.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised and is based on the estimated tax consequences of items that are subject to differing interpretations of tax laws. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income or directly to equity, in which case the deferred tax is also dealt with within other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group follows IFRIC 23 Uncertainty over Income Tax Treatments. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a Group: and

- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Property, plant and equipment

Properties for provision of services or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Passenger carrying vehicles and other plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than freehold land, the land element of long leasehold properties or on assets in the course of construction, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	50 years straight-line
Passenger carrying vehicles	seven to 17 years straight-line
Other plant and equipment	three to 25 years straight-line

Assets specific to Train Operating Companies are depreciated over the lesser of their estimated useful lives or the rail contract term.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Capital grants

Capital grants relating to property, plant and equipment are held in other payables and released to the income statement over the expected useful lives of the assets concerned. Capital grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories of spare parts and consumables are stated at the lower of cost and net realisable value, after making appropriate allowances for obsolete and slow-moving items. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Where the purchase of inventory was the hedged item in a cash flow hedge relationship, the initial carrying amount of the recognised inventory is adjusted by the associated hedging gain or loss transferred from the hedging reserve (a basis adjustment). There are no material inventory allowances.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets can be measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income. The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

2 Significant accounting policies continued

Financial assets are classified into one of three primary categories:

Financial assets at amortised cost

Financial assets at amortised costs are non-derivative financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement within finance costs. Transaction costs arising on initial recognition are expensed in the income statement.

Fair value through other comprehensive income

The Group does not have any financial assets held at fair value through other comprehensive income.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Financial liabilities

Bank borrowings

Interest-bearing bank loans and overdrafts are measured on an amortised cost basis.

Bonds and loan notes

These are measured either on an amortised cost basis or at fair value, if designated.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity risks. Use of such financial instruments is governed by policies and delegated authorities approved by the Board. The Group does not hold or issue derivative financial instruments for trading purposes. The main derivative financial instruments used by the Group are interest rate swaps, fuel swaps, and cross currency interest rate swaps. Such instruments are initially recognised at fair value and subsequently remeasured to fair value at the reported balance sheet date. The fair values are calculated by reference to market exchange rates, interest rates and fuel prices at the period end, and supported by counterparty confirmations. Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are immediately recognised in the Group income statement. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the item being hedged. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge, the nature of the risks being hedged and the economic relationship between the item being hedged and the hedging instrument.

Fair value hedging: The fair value change on qualifying hedging instruments is recognised in profit or loss. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Cash flow hedging: The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial item such as inventory, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included as a basis adjustment in the initial measurement of the cost of that item. This transfer does not affect other comprehensive income, however the hedging gains and losses that will subsequently be transferred as basis adjustments are categorised as amounts that may be reclassified subsequently to profit or loss, as such a reclassification may occur in the event that the hedged transaction is no longer expected to occur. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Net investment hedging: Derivative financial instruments are classified as net investment hedges when they hedge the Group's net investment in an overseas operation. The effective element of any foreign exchange gain or loss from remeasuring the derivative instrument is recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Any ineffective element is recognised immediately in the Group income statement. Gains and losses accumulated in the foreign currency translation reserve are included in the Group income statement on the disposal or partial disposal of the foreign operation.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Self-insurance

The Group's policy is to self-insure high frequency, low value claims within the businesses. In addition there are typically a smaller number of major claims during a financial year for which cover is obtained through third-party insurance policies subject to an insurance deductible. Where the Group holds legacy self-insurance exposures related to disposed businesses, insurance and re-insurance policies have been purchased to de-risk this exposure. Provision is made under IAS 37 Provisions, Contingent Liabilities and Contingent Assets for the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date. The provision is discounted to appropriately reflect the timing of future cash claims settlements. Self-insurance is also covered in the key sources of estimation uncertainty section of note 2 below.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed over the vesting period, based on the Group's estimate of shares that will eventually vest and is adjusted for the effects of non-market-based vesting conditions.

Fair value is measured by use of a Black-Scholes or other appropriate valuation models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Adoption of new and revised standards

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

The following amended standards and interpretations were adopted by the Group during the year.

- Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual improvements to IFRS Standards 2018-2020

There has been no material change as a result of applying these amendments and no significant impact is expected from any of the future standards and amendments that are visible.

Key sources of estimation uncertainty and significant judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the critical estimates and judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

First Transit earnout valuation

On 26 October 2022, EQT Infrastructure announced its agreement to sell First Transit to Transdev North America, Inc. As part of the First Transit disposal to EQT Infrastructure, FirstGroup is entitled to an earnout consideration. The Group currently estimates the earnout consideration to be c.\$89m (£72.3m). While the earnout is considered to have crystallised following the sale, with proceeds anticipated in the first half of FY 2024, there remains a degree of estimation uncertainty regarding the amount to be received, depending on the finalisation of customary closing transaction adjustments.

2 Significant accounting policies continued

Impairment of assets in CGUs

The key sources of estimation uncertainty in relation to the potential risk of impairment of assets in CGUs relate to the cash flow forecasts including significant judgements in deciding what assumptions to make regarding the future financial performance of the CGU in a post-pandemic environment, the ongoing macroeconomic uncertainty, and the Group's future climate-related targets and ambitions. This is covered in more detail in note 11.

Defined benefit pension arrangements

Railway Pension Scheme

The Group sponsors six sections of the Railway Pension Scheme (RPS) in the current year, relating to its obligations for its contracted-TOCs, and a further section for Hull Trains, its Open Access operator. RPS is a defined benefit pension scheme which covers the whole of the UK rail industry. In contrast to the pension schemes operated by most businesses the RPS is a shared cost scheme which means that costs are formally shared 60% employer and 40% employee. The Group only recognises amounts in relation to its share of costs in the income statement. The RPS is partitioned into sections and, for the sections that relate to contracts, the Group is responsible for the funding of these sections only while it operates the relevant contract.

At the end of the contract term, responsibility for funding the relevant section of the scheme, and consequentially any deficit or surplus existing at that date, is passed to the next contractor. At each balance sheet date a contract adjustment is recognised against the IAS 19 net pension asset or liability to reflect that portion expected to pass to the next contractor.

The Directors view this arrangement as analogous to the circumstances described in paragraphs 92-94 of IAS 19 (Revised) with a third party taking on the obligation for future contributions. As there is no requirement to make contributions to fund the current deficit, it is assumed that all of the current deficit will be funded by another party and hence none of that deficit is attributable to the current contractor. In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in future, which is recognised as an adjustment to service cost in the income statement. Under circumstances where contributions are renegotiated, such as following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through other comprehensive income.

The Directors consider this judgement to be the most appropriate interpretation of IAS 19 to reflect the specific circumstances of the RPS where the contract commitment is only to pay contributions during the period in which we run the contract. An alternative approach would involve not limiting the measurement of the service cost through the recognition of an income statement contract adjustment but recognising all changes in the contract adjustment as a reimbursement right in Other Comprehensive Income (OCI).

For illustrative purposes, for the year ended 31 March 2023 the impact of this alternative approach would be an increase in costs of £102.9m (2022: £102.7m) in the income statement and a credit to OCI of £113.1m (2022: credit of £70.9m). In addition, the balance sheet would reflect a surplus of £35.2m (2022: surplus of £25.0m). Since the contract only refers to the contribution requirements during its term, and not any reimbursement rights, in the Directors' view contributions are shared with the next contractor and therefore the treatment of the arrangement as contribution-sharing is considered the most appropriate.

Actuarial assumptions

The UK schemes retirement benefit obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high-quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Management follows actuarial advice from a third party when determining these judgements. Another key estimate is the longevity of members. We take specialist advice on this from our actuarial advisers which aims to consider the likely experience taking into account each scheme's characteristics. Our approach is to review these assumptions for each scheme following completion of their funding valuations, and more frequently only if appropriate to do so. Given pay increases for employees in the Rail division are under negotiation, the gross figures for the contract Rail pensions disclosures may be under- or overstated, but there will be nil impact on the balance sheet as a result of the contract adjustment. Additionally, in terms of the value of the assets held by one of the Local Government Pension Scheme funds, around £200m is held co-mingled with a considerably larger pool of assets held for the interests of the local authority and a significant number of other admitted employers. This means that the value attributable to the Company's share of the overall fund requires a degree of estimation, allowing for returns and outgo. Management review the approach, taking consideration and advice from actuarial and other professional advisors.

The Pension Regulator (TPR) has been in discussions with the RPS (the Scheme) regarding the long-term funding strategy of the Scheme. Whilst TPR believes that the Scheme should be funded on a more prudent basis, it is not possible at this stage to determine the impact to ongoing contribution requirements.

The carrying amount of the Group's continuing retirement benefit arrangements at 31 March 2023 was an asset of £27.8m (2022: asset of £186.7m). Further details and sensitivities are set out in note 37.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Self-insurance

Provision is made for all known incidents for which there is self-insurance using management's best estimate of the likely settlement of these incidents. The estimated settlement is reviewed on a regular basis with independent actuarial advice and the amount provided (including the Incurred But Not Reported (IBNR) element) is adjusted as required. Given the diversity of claim types, their size, the range of possible outcomes and the time involved in settling these claims, a material change could be required to the carrying value of claims provisions in the next financial year. These factors also make it impractical to provide sensitivity analysis on one single measure and its potential impact on overall insurance provisions. The Group's total self-insurance provisions as at the balance sheet date were £129.9m (2022: £148.0m) as set out in note 27. Of this £79.1m relates to North America of which £73.3m is de-risked with insurance, leaving £5.8m where the actuarial range is £5.1m to £5.8m (2022: £9.6m and actuarial range £8.6m to £9.5m). A receivable matching the value of the de-risked provision of £73.3m is recorded within Other receivables to account for the recovery from the third-party insurer.

Determining the incremental borrowing rate used to measure lease liabilities

The Group is required to determine its incremental borrowing rate (IBR) to measure its lease liabilities. Judgement is required to determine the components of the IBR used for each lease, including risk-free rates, credit risk and any lease specific adjustments.

IBRs applied to new (or modified) leases are determined quarterly or at the time of a new franchise. They depend on the term, country and start and end date of the lease. They are estimated based on several factors which include the risk-free rate based on government bond rates, a country-specific adjustment and a credit risk adjustment based on the average credit spread of entities with similar ratings to the Group.

Climate change

In the preparation of the Group's consolidated financial statements, management has considered the potential impact of climate change, particularly in the context of the disclosures included in the Strategic Report (including the Task Force for Climate-related Disclosures), and the Group's own climate-related ambitions and targets. This includes an assessment of how the Group's accounting estimates and judgements are impacted by the Group's pathway to achieving its stated ambitions and targets, as well as by climate-related risks and opportunities for the Group.

Actions required to drive the Group's climate-related ambitions and targets, including their financial impacts, are factored into the longer-term business planning cycles of the Group. The following areas of estimation have been considered as part of these planning cycles, in addition those detailed in the 'Key sources of estimation uncertainty' section below. Management do not believe that these areas will have a material impact on financial reporting estimates and judgements in the next year. Owing to the inherent medium/longer-term uncertainty with regard to climate-related risks and opportunities, it is not currently possible to assess whether in the future, these areas of estimation and judgement may have a more material impact on carrying values of assets and liabilities. Management will continue to regularly assess climate-related risks in the context of the estimates and judgements made in the preparation of the Group's financial statements.

Going concern and viability

There may be a risk of increased future costs and capital investment requirements to ensure compliance with environmental regulatory requirements (for example carbon taxes/charges, or other emissions-related restrictions), and to achieve the Group's stated sustainability targets and ambitions. However, the Group believes that there is likely to be an increasing modal shift towards public transport, as awareness grows among customers of climate-related issues, and with governmental support for transport decarbonisation, which could create new opportunities for the Group.

Carrying value of non-current assets

Environmental regulatory requirements, in parallel with the Group's climate-related targets and ambitions, may further accelerate the transition to electrification of vehicle fleets. Transitional risks relating to the evolution of climate-related technologies may alter the expected obsolescence profile of existing vehicle fleets. These factors may impact the Group's estimates of the useful lives of existing assets, their residual values, and the risk of asset impairment. The Group monitors closely the accounting estimates in relation to its vehicle fleets to ensure they remain reasonable.

Provisions

Climate-related legislative and regulatory changes may, in future, require the Group to assess whether environmental provisions are necessary, for example the potential introduction of carbon taxes/charges. In parallel with the work towards achieving its climate-related ambitions and targets, the Group tracks such legislative changes to ensure the impact on the business is well understood and managed effectively.

Going concern

The Board carried out a review of the Group's financial projections for the 18 months to 30 September 2024 and on a going concern basis. In doing so, the Board considered whether any material uncertainties exist that cast doubt on the Group's and the Company's ability to continue as a going concern over the going concern period.

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

2 Significant accounting policies continued

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

Base case scenario

The Board considered the annual budget to 31 March 2024 and medium-term plan to be the base case scenario for the purpose of the going concern assessment for the FY 2023 year end. These projections were the subject of a series of executive management reviews and were used to update the base case scenario that was used for the purposes of the going concern assessment at the 2023 year end. The base case assumes a continuing recovery in passenger volumes and yields in FY 2024, but that passenger volumes remain below pre-pandemic levels in the going concern assessment period. The base case also reflects the expiry and non-renewal of the TransPennine Express rail contract in May 2023. The macro projections in the updated base case assume that the UK operates in a recovering coronavirus economy. The annual budget and medium-term plan also capture the expected financial impact of the actions required to support the Group's climate-related targets and ambitions.

Downside scenario

In addition, a downside case was also modelled which assumes a more protracted post-pandemic recovery profile. In First Bus the downside case assumes a reduction in passenger volumes driving a 25% reduction in Bus profitability. In First Rail, the downside case assumes TOC performance fee awards at 50% of expected levels; revenue reduction in Hull Trains and Lumo of 20%; and loss of one National Rail Contract at the end of its current term. The downside scenario also assumes a delay in receipt of final Greyhound property proceeds until after the going concern period; a lower realised value for the First Transit earnout; and a £10m impact of a significant climate-related event.

Mitigating actions

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

Going concern statement

Based on the review of the financial forecasts for the period to September 2024 and having regard to the risks and uncertainties to which the Group is exposed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the 12-month period from the date on which the financial statements were approved, including compliance with banking covenants under both the base case and downside scenarios. Accordingly, they continue to adopt a going concern basis of accounting in preparing the consolidated financial statements in this full year report.

3 Revenue

	2023 £m	2022 £m
Services rendered	3,483.0	2,537.0
First Rail contract subsidy receipts	893.0	1,662.1
Other revenues	379.0	392.0
Revenue from continuing operations	4,755.0	4,591.1
Discontinued operations	4.0	996.9
Revenue	4,759.0	5,588.0

Disaggregated revenue by operating segment is set out in note 5.

Other revenues principally represent post-pandemic funding mechanisms in First Bus and First Rail.

Notes to the consolidated financial statements continued

4 Reconciliation to non-GAAP measures and performance

In measuring the Group and divisional adjusted operating performance, additional financial measures derived from the reported results have been used by management in order to eliminate factors which distort year-on-year comparisons. The Group's adjusted performance is used to explain year-on-year changes when the effect of certain items is significant, including strategic items (including material M&A and group restructuring projects), costs of acquisitions including aborted acquisitions, and impairment of assets. Other items below £5.0m would not normally be considered as adjusting items unless part of a larger strategic project, but items which distort year-on-year comparisons that exceed this amount could potentially be classified as an adjusting item and are assessed on a case-by-case basis. Such potential adjusting other items may include: restructuring and reorganisation costs; property gains or losses; aged legal and self-insurance claims; movements on insurance discount rates; onerous contract provisions; pension settlement gains or losses; and other items which management has determined as not being relevant to an understanding of the Group's underlying business performance. Subsequent remeasurements of adjusting items are also recognised as an adjusting item in the future period in which the remeasurement occurs.

	2023 £m	2022 £m
Reconciliation of operating profit to adjusted operating profit on a continuing basis		
Operating profit on a continuing basis	153.9	122.8
Adjustments for:		
First Bus divisional restructuring costs	7.0	–
Strategic items	(1.4)	–
Greyhound Canada	1.5	1.7
Rail termination sums net of impairment reversal	–	(4.0)
Gain on disposal of properties	–	(13.8)
Total operating profit adjustments on a continuing basis	7.1	(16.1)
Adjusted operating profit on a continuing basis (note 5)	161.0	106.7

	2023 £m	2022 £m
Reconciliation of operating profit/(loss) to adjusted operating profit on a discontinued basis		
Operating profit from discontinued operations	31.3	683.3
Gain on sale of First Student and First Transit	–	(501.1)
Gain on sale of Greyhound	–	(109.0)
Operating profit from discontinued operations (excluding gain on sale of First Student, First Transit and Greyhound)	31.3	73.2
Adjustments for:		
Transit earnout charge	33.8	–
Gain on disposal of Greyhound properties	(71.4)	(6.5)
Strategy costs	(0.3)	–
Other intangible asset amortisation charges	–	0.4
Other costs associated with the disposal of First Student and First Transit	–	32.7
Other costs associated with the disposal of Greyhound	–	11.1
Greyhound insurance de-risking	–	19.3
Employment taxes relating to First Student and First Transit	–	6.6
Partial reversal of prior year impairments of Greyhound	–	(55.4)
Impairment of land and buildings	–	7.2
North America insurance provisions	–	31.5
Total operating profit adjustments from discontinued operations (excluding gain on sale of First Student, First Transit and Greyhound)	(37.9)	46.9
Adjusted operating (loss)/profit from discontinued operations	(6.6)	120.1

4 Reconciliation to non-GAAP measures and performance continued

	2023 £m	2022 £m
Reconciliation of profit/(loss) before tax to adjusted profit before tax and adjusted earnings		
Profit before tax (including discontinued operations)	128.7	654.1
Adjusting operating profit adjustments – continuing operations	7.1	(16.1)
Adjusting operating profit adjustments – discontinued operations excluding gain on sale	(37.9)	46.9
Gain on sale of First Student and First Transit	–	(501.1)
Gain on sale of Greyhound	–	(109.0)
Operating profit adjustments – total operations	(30.8)	(579.3)
Adjusting finance cost items – continuing operations	–	58.6
Adjusted profit before tax including discontinued operations	97.9	133.4
Adjusted tax charge	(20.7)	(20.4)
Non-controlling interests ¹	(5.1)	(5.6)
Adjusted earnings including discontinued operations	72.1	107.4

1 Statutory non-controlling interests in 2023 and 2022 principally reflect Avanti West Coast and South Western Railway.

	2023 £m	2022 £m
Reconciliation of tax charge to adjusted tax charge		
Tax charge (note 9)	33.4	12.1
Tax effect of adjusting items (note 10)	(12.7)	21.8
Adjustments attributable to changes in tax rates and laws	1.4	1.4
Write back of previously unrecognised deferred tax assets (note 9)	–	25.7
Write down of previously recognised deferred tax assets (note 9)	(1.4)	(40.6)
Adjusted tax charge (including discontinued)	20.7	20.4
Adjusted tax charge – continuing operations	20.4	2.7
Adjusted tax charge – discontinued operations	0.3	17.7

Adjusting items – 2023

The principal adjusting items in the year are as follows:

First Bus restructuring

As part of the restructuring of the First Bus division to exit loss-making markets and to align networks with post-pandemic demand, the Group completed the sale of its First Scotland East business in September 2022, realising a loss on disposal of £(3.7)m, and closed the Southampton depot resulting in closure costs and a release of prior impairment for a net credit of £2.3m. In line with this transition plan, the Group also incurred costs of £(5.6)m relating to surplus vehicle write-downs and other reorganisation charges in the division.

Strategic items

A final net credit of £1.4m was recognised, being costs incurred in relation to the Group's central functions as part of its ongoing cost efficiency initiatives following the exit from North America, offset by the release of accruals following the disposal of North America and the execution of the strategy.

Greyhound Canada

Net restructuring and closure costs of £(1.5)m relating to the continued winding down of Greyhound Canada operations were incurred during the year.

Adjusting items – discontinued operations

First Transit earnout

Following the announcement on 26 October 2022 of EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc., the Group now estimates its earnout consideration to be around \$88.5m (£72.3m) based on the information received on the sale by EQT. This gives rise to a non-cash, adjusting charge of £33.8m relative to the carrying value of the earnout of £106.1m as at 26 March 2022.

Gain on disposal of properties

A gain of £71.4m arose on the completion of the sale of the majority of the remaining Greyhound US properties in December 2022.

Adjusting items – 2022

The principal adjusting items in relation to the continuing business for 2022 were as follows:

Notes to the consolidated financial statements continued

4 Reconciliation to non-GAAP measures and performance continued

Gain on disposal of properties

An overall gain of £13.8m was realised in the prior year on the disposal of Greyhound Canadian properties.

Greyhound Canada closure

£1.7m in relation to Greyhound Canada restructuring and closure costs were incurred during the prior year.

First Rail termination sums net of impairment reversal

A £4.0m credit was recognised in the prior year, representing final adjustments of residual matters regarding the TPE and SWR termination sums.

The principal adjusting items in relation to the discontinued operations for 2022 were as follows:

Other intangible asset amortisation charges

The amortisation charge for the prior year was £0.4m.

Gain on sale of First Student and First Transit

As a result of the disposal of First Student and First Transit, a gain on sale of £501.1m was realised in the prior year.

Other costs associated with the disposal of First Student and First Transit

£32.7m of costs were incurred in the prior year associated with the disposal of First Student and First Transit that were not directly attributable to the sale and were therefore not included in the gain on disposal calculation.

Gain on sale and partial reversal of prior year impairments of Greyhound

As a result of the terms of the disposal of the Greyhound US business, there was a gain on disposal in the prior year of £109.0m and a credit of £55.4m representing the partial reversal of the prior years' impairment charges.

Other costs associated with the disposal of Greyhound

There was a charge of £11.1m in the prior year principally comprising legal and professional costs.

Employment taxes relating to First Student and First Transit

There was a charge of £6.6m during the prior year for a one-off charge for accelerated state and federal employment taxes.

North American insurance provisions and Greyhound insurance de-risking

There was a prior year charge of £31.5m for insurance costs due to deteriorations in respect of prior years' claims, and for the de-risking of legacy Greyhound insurance liabilities.

Gain on disposal of properties and impairment of land and buildings

An overall gain on disposal of Greyhound US properties of £6.5m was realised in the prior year. There was also an impairment charge of £7.2m for properties where market value was less than the book value.

The adjusting items in relation to finance cost adjustments – continuing operations for 2022 were as follows:

Total make-whole costs (bonds and facilities)

Costs of £50.0m in the prior year comprised a charge of £30.4m for the early repayment of the \$275m US Private Placement (USPP) and a charge of £19.6m for the early repayment of the £325m 2022 bond.

4 Reconciliation to non-GAAP measures and performance continued

Write-off of unamortised bridge, bond and facility costs

There was a charge of £8.6m in the prior year for unamortised fees for various facilities which were cancelled on completion of the sale of First Student and First Transit.

Other measures

First Bus EBITDA comprises:

	2023 £m	2022 £m
Pre-IFRS 16 EBITDA	105.0	87.6
IFRS 16 adjustments ¹	15.9	16.8
First Bus adjusted EBITDA per segmental results table above	120.9	104.4

First Rail EBITDA comprises:

Non-management fees-based TOCs pre-IFRS 16 EBITDA	32.5	(9.7)
Group's share of management fee income available for dividends (net of tax and minority interest)	38.7	45.5
Tax on management fee income	10.2	12.0
Minority interest at management fee TOCs	5.1	5.8
Other adjustments	–	3.0
IFRS 16 adjustments ¹	574.5	593.3
First Rail adjusted EBITDA per segmental results table above	661.0	649.9

Group items EBITDA comprises:

Pre-IFRS 16 EBITDA	(21.2)	(24.8)
IFRS 16 adjustments ¹	1.7	1.7
Group items adjusted EBITDA per segmental results table above	(19.5)	(23.1)

First Rail adjusted operating profit comprises:

Non-management fees based TOCs	31.5	(9.7)
Group's share of management fee income available for dividends (net of tax and minority interest)	38.7	45.5
Tax on management fee income	10.2	12.0
Minority interest at management fee TOCs	5.1	5.8
IFRS 16 adjustments/other ¹	39.3	34.2
First Rail adjusted operating profit per segmental results table above	124.8	87.8

Group adjusted attributable profit comprises:

First Bus operating profit	58.4	45.2
Attributable net income from First Rail management fee-based operations	38.7	45.5
First Rail adjusted operating profit from open access and additional services	31.5	(9.7)
Group central costs (operating profit basis)	(22.2)	(26.3)
Treasury interest ²	(14.1)	(20.7)
Tax ³	(10.2)	2.2
Group adjusted attributable profit	82.1	36.2

1 IFRS 16 adjustments to EBITDA principally reflect the add back of operating lease rental costs charged to the income statement before the adoption of IFRS 16. IFRS 16 adjustments to operating profit reflect operating lease rental costs less depreciation charges on Right of Use Assets.

2 Interest charge excluding notional interest and IFRS 16 lease interest.

3 Pro forma taxation at 19%.

Notes to the consolidated financial statements continued

5 Business segments and geographical information

For management purposes, the Group was organised into five operating divisions – First Bus, First Rail, First Student, First Transit and Greyhound. First Student and First Transit were categorised as Discontinued Operations at 27 March 2021 and the sale of these completed on 21 July 2021. Greyhound US and Mexico were categorised as Discontinued Operations at 25 September 2021 and the sale of this completed on 21 October 2021. The properties relating to the retained Greyhound US business were classified as held for sale and treated as discontinued up to their disposal in December 2022. Greyhound Canada was retained and was categorised as a Continuing Operation however, trading operations have ceased. The divisions are managed separately in line with the differing services that they provide and the geographical markets which they operate in. There is a clear distinction between each division and no judgement is required to identify each reportable segment.

The segment results for the 52 weeks ended 25 March 2023 are as follows:

	Continuing Operations					Discontinued Operations			Total £m
	First Bus £m	First Rail £m	Greyhound £m	Group items ¹ £m	Intra-group elimination £m	Continuing Operations £m	Greyhound £m	Group items ¹ £m	
Passenger revenue	660.0	2,713.8	-	-	-	3,373.8	-	-	3,373.8
Contract revenue	149.9	-	-	-	(40.7)	109.2	-	-	109.2
Rail contract subsidy receipts	-	893.0	-	-	-	893.0	-	-	893.0
Other revenues	92.6	286.4	-	-	-	379.0	4.0	-	383.0
Revenue	902.5	3,893.2	-	-	(40.7)	4,755.0	4.0	-	4,759.0
EBITDA²	120.9	661.0	-	(19.5)	-	762.4	(6.6)	-	755.8
Depreciation	(68.6)	(651.2)	-	(2.1)	-	(721.9)	-	-	(721.9)
Software amortisation	(1.7)	(6.3)	-	(0.6)	-	(8.6)	-	-	(8.6)
Capital grant amortisation	7.8	121.3	-	-	-	129.1	-	-	129.1
Segment results	58.4	124.8	-	(22.2)	-	161.0	(6.6)	-	154.4
Other adjustments (note 4)	(7.0)	-	(1.5)	1.4	-	(7.1)	71.7	(33.8)	30.8
Operating profit/(loss)³	51.4	124.8	(1.5)	(20.8)	-	153.9	65.1	(33.8)	185.2
Investment income	-	2.0	-	10.3	-	12.3	0.5	-	12.8
Finance costs	(2.5)	(49.4)	-	(17.2)	-	(69.1)	(0.2)	-	(69.3)
Profit before tax	48.9	77.4	(1.5)	(27.7)	-	97.1	65.4	(33.8)	128.7
Tax									(33.4)
Profit after tax									95.3

	Continuing Operations					Discontinued Operations				Total £m
	First Bus £m	First Rail £m	Greyhound £m	Group items ¹ £m	Continuing Operations £m	First Student £m	First Transit £m	Greyhound £m	Group items ¹ £m	
Capital additions	150.1	56.7	-	1.1	207.9	-	-	-	-	207.9

Capital additions comprises of intangible asset additions and acquisitions (note 12) and property plant and equipment acquisitions, additions and transfers from right of use assets (note 13).

5 Business segments and geographical information continued

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

1 Group items comprise central management and other items.

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

3 Although the segment results are used by management to measure performance, statutory operating profit by operating division is also disclosed for completeness.

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

The segment results for the 52 weeks ended 26 March 2022 are as follows:

	Continuing Operations					Discontinued Operations				Total £m
	First Bus £m	First Rail £m	Greyhound £m	Group items ¹ £m	Continuing Operations £m	First Student £m	First Transit £m	Greyhound £m	Group items ¹ £m	
Passenger revenue	570.0	1,886.4	-	-	2,456.4	-	-	150.4	-	2,606.8
Contract revenue	80.6	-	-	-	80.6	450.3	203.2	-	-	734.1
Charter/private hire	-	-	-	-	-	21.8	0.1	0.9	-	22.8
Rail contract subsidy receipts	-	1,662.1	-	-	1,662.1	-	-	-	-	1,662.1
Other revenues	139.3	252.7	-	-	392.0	7.4	96.4	66.4	-	562.2
Revenue	789.9	3,801.2	-	-	4,591.1	479.5	299.7	217.7	-	5,588.0
EBITDA²	104.4	649.9	-	(23.1)	731.2	88.2	15.6	27.1	-	862.1
Depreciation	(63.3)	(669.5)	-	(2.6)	(735.4)	-	-	(11.0)	-	(746.4)
Software amortisation	(1.6)	(2.1)	-	(0.6)	(4.3)	-	-	(0.4)	-	(4.7)
Capital grant amortisation	5.7	109.5	-	-	115.2	-	-	0.6	-	115.8
Segment results	45.2	87.8	-	(26.3)	106.7	88.2	15.6	16.3	-	226.8
Other intangible asset amortisation charges	-	-	-	-	-	-	-	(0.4)	-	(0.4)
Other adjustments (note 4)	-	4.0	12.1	-	16.1	(14.8)	(6.5)	28.7	556.2	579.7
Operating profit/(loss)³	45.2	91.8	12.1	(26.3)	122.8	73.4	9.1	44.6	556.2	806.1
Investment income	-	0.6	-	0.5	1.1	-	-	0.4	-	1.5
Finance costs	(2.8)	(37.6)	(1.1)	(100.1)	(141.6)	(7.5)	(0.7)	(3.7)	-	(153.5)
Profit before tax	42.4	54.8	11.0	(125.9)	(17.7)	65.9	8.4	41.3	556.2	654.1
Tax										(12.1)
Profit after tax										642.0

	Continuing Operations					Discontinued Operations				Total £m
	First Bus £m	First Rail £m	Greyhound £m	Group items ¹ £m	Continuing Operations £m	First Student £m	First Transit £m	Greyhound £m	Group items ¹ £m	
Capital additions	113.8	52.6	-	5.1	171.5	87.7	12.2	37.1	-	308.5

Capital additions comprises of intangible asset additions and acquisitions (note 12) and property plant and equipment acquisitions, additions and transfers from right of use assets (note 13).

Notes to the consolidated financial statements continued

5 Business segments and geographical information continued

Balance sheet ⁴	Total assets £m	Total liabilities £m	Net assets/ (liabilities) £m
Greyhound retained	170.7	(137.0)	33.7
First Bus	806.0	(179.6)	626.4
First Rail	1,659.9	(1,062.6)	597.3
	2,636.6	(1,379.2)	1,257.4
Group items	370.4	(124.6)	245.8
Borrowings and cash	787.7	(1,406.7)	(619.0)
Taxation	39.2	(38.3)	0.9
Total	3,833.9	(2,948.8)	885.1

1 Group items comprise central management and other items.

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

3 Although the segment results are used by management to measure performance, statutory operating profit by operating division is also disclosed for completeness.

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

Geographical information

The Group's operations are located predominantly in the United Kingdom, with the prior year also including United States of America and Canada until the point of disposal of those businesses. The following table provides an analysis of the Group's revenue by geographical market:

Revenue	2023 £m	2022 £m
United Kingdom	4,755.0	4,591.1
Total continuing operations	4,755.0	4,591.1
United States of America – discontinued operations	4.0	908.2
Canada – discontinued operations	–	88.7
Total discontinued operations	4.0	996.9
Total revenue	4,759.0	5,588.0

The following is an analysis of non-current assets excluding financial instruments, deferred tax and pensions, the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Non-current assets excluding financial instruments deferred tax and pensions		Additions to property, plant and equipment and intangible assets		Carrying amount of segment total assets	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
United Kingdom	2,557.6	2,021.7	207.9	171.5	4,278.8	3,613.2
United States of America – continuing operations	–	–	–	–	–	179.3
Canada – continuing operations	–	–	–	–	0.7	2.2
Unallocated corporate items	–	–	–	–	47.0	39.2
Total – continuing operations	2,557.6	2,021.7	207.9	171.5	4,326.5	3,833.9
United States of America – discontinued operations	2.6	2.2	–	128.6	79.7	–
Canada – discontinued operations	–	–	–	8.4	–	–
Unallocated corporate items	–	–	–	–	–	–
Total – discontinued operations	2.6	2.2	–	137.0	79.7	–
	2,560.2	2,023.9	207.9	308.5	4,406.2	3,833.9

6 Operating profit

Operating profit has been arrived at after charging/(crediting):

	2023 £m	2022 £m
Depreciation – owned assets	171.4	157.1
Depreciation – right of use assets	550.5	578.3
Operating commitments	516.2	483.3
Other intangible asset amortisation charges	8.6	4.3
Capital grant amortisation	(129.1)	(115.2)
Cost of inventories recognised as an expense	268.1	236.6
Employee costs (note 7)	1,517.9	1,469.4
Gain on disposal of property, plant and equipment	(0.7)	(13.8)
Rail termination sums net of impairment reversal (note 4)	–	(4.0)
Impairment charges	13.6	–
Reversal of impairment	(4.3)	–
Auditor's remuneration (see below)	3.4	4.7
Rail franchise payments	3.4	24.6
Foreign exchange	(0.4)	(1.0)
Other operating costs ¹	1,682.5	1,644.0
Operating costs – continuing operations	4,601.1	4,468.3
Operating (income)/costs – discontinued operations	(27.3)	313.6
Operating costs – continuing and discontinued operations	4,573.8	4,781.9

1 Other operating costs includes £32.6m (2022: £48.0m) received or receivable from Government bodies in respect of bus service operator grants and fuel duty rebates.

2 Discontinued operations' operating income in 2023 consists primarily of the Greyhound US property gains on disposal (£71.4m), partly offset by the First Transit earnout charge (£33.8m). See note 4 for more details.

Amounts payable to PricewaterhouseCoopers LLP and its associates by the Company and its subsidiary undertakings for continuing and discontinued operations in respect of audit and non-audit services are shown below:

	2023 £m	2022 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.2	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	3.0	3.4
Total audit fees	3.2	3.6
Audit-related assurance services	0.1	0.5
Other non-audit services	0.1	0.6
Total non-audit fees	0.2	1.1

Fees payable to PricewaterhouseCoopers LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Corporate Governance report on page 104. No services were provided pursuant to contingent fee arrangements.

Non-audit services principally reflect the review of the half yearly financial information and other regulatory reporting.

Notes to the consolidated financial statements continued

7 Employee costs

The average monthly number of employees including discontinued operations (including Executive Directors) was:

	2023 Number	2022 Number
Operational	26,708	49,162
Administration	3,275	4,161
	29,983	53,323
Less – discontinued operations	–	(22,513)
	29,983	30,810

The aggregate remuneration including discontinued operations (including Executive Directors) comprised:

	2023 £m	2022 £m
Wages and salaries	1,296.8	1,946.8
Employee retention credits ¹	–	(69.9)
Social security costs	137.1	186.6
Pension costs (note 37)	86.4	90.7
	1,520.3	2,154.2
Less – discontinued operations	(2.4)	(684.8)
	1,517.9	1,469.4

¹ £nil (2022: £61.1m) of these credits were in First Student, First Transit and Greyhound as part of the coronavirus temporary relief measures through the CARES Act in the US and the Canada Emergency Wage Subsidy (CEWS) in Canada. In addition, £nil (2022: £8.8m) relates to relief in First Bus from the Coronavirus Job Retention Scheme (CJRS).

Wages and salaries include a charge in respect of share-based payments of £6.4m (2022: £5.4m).

Disclosures on Directors' remuneration, share options, long-term incentive schemes and pension entitlements required by the Companies Act 2006 and those specified for audit by the Financial Conduct Authority (FCA) are contained in the tables/notes within the Annual report on remuneration on pages 118-133. Directors' emoluments in aggregate were £5.1m (2022: £5.1m).

8 Investment income and finance costs

	2023 £m	2022 £m
Investment income		
Bank interest receivable	(6.3)	(1.5)
Interest on pensions	(6.5)	–
Total investment income (including discontinued operations)	(12.8)	(1.5)
Finance costs		
Bonds	13.5	22.2
Bank borrowings	3.5	14.1
Total make-whole costs (bonds and facilities)	–	50.0
Write off of unamortised bridge, bond and facility costs	–	8.6
CCFF funding	–	0.7
Supplier financing	–	1.5
Senior unsecured loan notes	–	3.2
Finance charges payable in respect of lease liabilities	50.6	41.0
Finance charges payable in respect of asset backed financial liabilities	1.5	2.3
Interest on long-term provisions	0.2	4.9
Interest on pensions	–	2.6
Interest – other	–	2.4
Total finance costs (including discontinued operations)	69.3	153.5
Finance costs before adjustments	69.3	153.5
Investment income	(12.8)	(1.5)
Net finance cost before adjustments	56.5	152.0
<i>Split:</i>		
Adjusted net finance costs	56.5	93.4
Other adjustments (note 4)	–	58.6
	56.5	152.0

Finance costs are stated after charging fee expenses of £0.6m (2022: £4.2m). There was no interest capitalised into qualifying assets in either the 52 weeks ending 25 March 2023 or 26 March 2022.

Investment income of £0.5m (2022: £0.4m) and finance costs of £0.2m (2022: £11.9m) relate to discontinued operations (note 21).

Notes to the consolidated financial statements continued

9 Tax on profit/(loss) on ordinary activities

	2023 £m	2022 £m
Current tax	1.1	2.9
Adjustments with respect to prior years	1.7	1.2
Total current tax charge (including discontinued operations)	2.8	4.1
Origination and reversal of temporary differences	40.9	5.2
Adjustment in respect of prior years	(10.3)	(10.7)
Adjustments attributable to changes in tax rates and laws	(1.4)	(1.4)
Writing down of previously recognised deferred tax assets	1.4	40.6
Write back of previously unrecognised deferred tax assets	–	(25.7)
Total deferred tax charge (note 26)	30.6	8.0
Total tax charge (including discontinued operations)	33.4	12.1
Tax charge attributable to:		
Profit from continuing operations	10.4	(11.9)
Profit from discontinued operations	23.0	24.0

The adjustments with respect to prior years includes the release of tax provisions.

UK corporation tax is calculated at 19% (2022: 19%) of the estimated assessable profit for the year. Tax for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. From 1 April 2023 the corporation tax rate will increase to 25% and deferred tax has been provided at 25% on temporary differences at the balance sheet date.

As the Group's parent company is domiciled and listed in the UK, the Group uses the UK corporation tax rate to reconcile its effective tax rate. The tax charge for the year can be reconciled to the UK corporation tax rate as follows:

	2023 £m	2023 %	2022 £m	2022 %
Profit/(loss) from continuing operations before income tax expense	97.1	n/a	(17.7)	n/a
Profit from discontinued operations before income tax expense	31.6	n/a	671.8	n/a
Profit from total operations	128.7	100.0	654.1	100.0
Tax at the UK corporation tax rate of 19% (2022: 19%)	24.5	19.0	124.3	19.0
Non deductible expenditure	7.6	5.9	8.7	1.3
Non taxable income	–	–	(3.2)	(0.5)
Capital expenditure super deduction	(1.9)	(1.5)	(1.6)	(0.2)
Tax rates outside of the UK	6.7	5.2	(2.8)	(0.4)
Unrecognised losses	1.2	1.0	(0.9)	(0.1)
Non taxable income statement effects of the disposals of US businesses	–	–	(104.3)	(16.0)
Other adjustments in relation to prior years	(8.6)	(6.7)	(9.5)	(1.5)
Reversal of previously unrecognised deferred tax assets on Greyhound	–	–	(11.6)	(1.8)
Writing down of previously recognised deferred tax assets	1.4	1.1	40.6	6.2
Write back of previously unrecognised deferred tax assets	–	–	(25.7)	(3.9)
Increased deferred tax rates on current year temporary differences	3.9	3.1	(0.5)	(0.1)
Adjustments attributable to changes in tax rates and laws	(1.4)	(1.1)	(1.4)	(0.2)
Tax charge and effective tax rate for the year	33.4	26.0	12.1	1.8

Future years' tax charges would be impacted if the final liability for currently open years is different from the amount currently provided for. The future tax charge may also be affected by the levels and mix of profits in the countries in which we operate including differing foreign exchange rates that apply to those profits. Changes to the prevailing tax rates and tax rules in any of the countries in which we operate may also impact future tax charges. From 1 April 2023 the UK corporation tax rate will increase from 19% to 25%.

In addition to the amount charged/(credited) to the income statement, deferred tax relating to actuarial losses on defined benefit pension schemes £(37.2)m (2022: £(22.1)m) and cash flow hedges £1.3m (2022: £10.8m) have been charged/(credited) to comprehensive income together with a further £(7.8)m (2022: £(5.0)m) on cash flow hedges and £(0.9)m (2022: £nil) on share-based payments taken directly to equity. These amount to a total charge/(credit) of £(44.6)m (2022: £27.9m) recognised in other comprehensive income and equity.

10 Earnings per share (EPS)

EPS is calculated by dividing the profit attributable to equity shareholders of £87.1m (2022: profit £636.4m) by the weighted average number of ordinary shares of 739.5m (2022: 1,057.5m). The number of ordinary shares used for the basic and diluted calculations are shown in the table below.

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

	2023 Number m	2022 Number m
Weighted average number of shares used in basic calculation	739.5	1,057.5
Executive share options	24.0	35.6
Weighted average number of shares used in the diluted calculation	763.5	1,093.1

The adjusted EPS is intended to highlight the recurring operating results of the Group before amortisation charges and certain other adjustments as set out in note 4. A reconciliation is set out below:

	2023		2022	
	£m	EPS (pence)	£m	EPS (pence)
Basic profit/EPS	87.1	11.8	636.4	60.2
Amortisation charges (note 4)	–	–	0.4	–
Other adjustments (note 4)	(30.8)	(4.2)	(579.7)	(54.7)
Non-controlling interest on SWR	3.1	0.4	–	–
Adjusting finance costs (note 4)	–	–	58.6	5.5
Tax effect of above adjustments	12.7	1.7	(21.8)	(2.1)
Adjustments attributable to changes in tax rates and laws	(1.4)	(0.2)	(1.4)	(0.1)
Write down of previously recognised deferred tax assets	1.4	0.2	40.6	3.8
Write back of previously unrecognised deferred tax assets	–	–	(25.7)	(2.4)
Adjusted profit and EPS attributable to the ordinary equity holders of the Company	72.1	9.7	107.4	10.2
Adjusted (loss)/profit/EPS from discontinued operations	(6.6)	(0.9)	90.9	8.6
Adjusted profit/EPS from continuing operations	78.7	10.6	16.5	1.6
			2023	2022
			pence	pence
Diluted EPS			11.4	60.2
Adjusted diluted EPS			9.4	9.8

Notes to the consolidated financial statements continued

10 Earnings per share (EPS) continued

The adjusted EPS on a continuing basis is set out below:

	2023		2022	
	£m	EPS (pence)	£m	EPS (pence)
Basic profit/(loss)/EPS	78.5	10.6	(11.4)	(1.1)
Other adjustments (note 4)	7.1	1.0	(16.1)	(1.4)
NCI on SWR	3.1	0.4	–	–
Adjusting finance costs (note 4)	–	–	58.6	5.5
Tax effect of above adjustments	(10.0)	(1.4)	(7.1)	(0.7)
Adjustments attributable to changes in tax rates and laws	(1.4)	(0.2)	(1.4)	(0.1)
Write back of previously unrecognised deferred tax assets	1.4	0.2	(6.1)	(0.6)
Adjusted profit/(loss)/EPS from continuing operations	78.7	10.6	16.5	1.6
			2023 pence	2022 pence
Diluted EPS			10.3	(1.1)
Adjusted diluted EPS			10.3	1.5

11 Goodwill

	2023 £m
Cost	
At 27 March 2022	93.5
Additions ¹	6.1
At 25 March 2023	99.6
Accumulated impairment losses	
At 27 March 2022	–
At 25 March 2023	–
Carrying amount	
At 25 March 2023	99.6
At 26 March 2022	93.5

¹ Additions of £4.3m relate to goodwill on the acquisition of Ensign Bus Company Ltd and £1.8m relates to goodwill on the acquisition of Airporter Ltd.

Goodwill in the above table primarily relates to First Bus.

Impairment testing

At the year end, the carrying value of goodwill was reviewed for impairment in accordance with IAS 36 Impairment of Assets.

In carrying out this review, climate-related impacts were considered, in line with the TCFD disclosures. This work assessed FirstGroup's potential exposure to climate-related transition and physical risks, across different climate scenarios, over the short, medium and long term, and estimated cumulative Enterprise Value at Risk over the period FY 2024 to FY 2028.

Transition risks included potential impacts from increased carbon prices and route constraints due to new zero-emission zones, as well as technology costs from an accelerated shift to a zero-emission fleet and the impairment of carbon-intensive vehicles. Physical risks concentrated mainly on flooding as the most material impact. Key findings are outlined on pages 63-64 of this report and focus on direct risks to FirstGroup, recognising that under the current National Rail Contracts some of the wider risks and opportunities would be shared with/transferred to third parties.

For impairment calculations, the 2.5°C ('Stated Policy') scenario modelled by Marsh was used, which identified technology risks as 'medium impact' and flooding risks as 'low impact' over the next five years.

11 Goodwill continued

Full detailed impairment testing has been performed on a value in use basis on First Bus. The value of the Franchised TOC asset base is protected by the passthrough and termination arrangements of the respective EMA/ERMAs or NRCs, such that no impairment is expected to arise on these assets.

The Group prepares cash flow forecasts derived from the Board approved plan for 2023/24 to 2025/26 which takes account of both past performance and expectations for future developments. Cash flows beyond the plan period are extrapolated using estimated long-term growth rates which do not exceed the long-term average growth rate for the market. Cash flows are discounted using a pre-tax discount rate derived from a market participant's weighted average cost of capital, benchmarked to externally available data.

Impairment testing – First Bus

First Bus value in use has been assessed based on the projected cash flows for 2023/24 to 2025/26 from the Board-approved forecasts. These have been extrapolated to perpetuity cash flows and discounted to a net present value based on the following assumptions.

First Bus has £496m of positive headroom at 25 March 2023 (26 March 2022: £628m) based on a 10.0% discount rate (2022: 9.3%) and 11.2% terminal margin (2022: 10.6%), which reflects the impact of expected future passenger volumes and yields, as well as planned resizing of the network.

Break-even would arise at:

15.5% discount rate (with a 11.2% terminal margin),

4.9% terminal margin (applying the cap to just the final year/terminal value) using a 10.0% discount rate, or

6.4% terminal margin throughout the forecast period and terminal margin (applying the cap in all years at 6.4%, not just in the terminal years) using a 10.0% discount rate.

As the break-even points lie outside management's range of reasonable expectation, no impairment of First Bus is proposed.

Notes to the consolidated financial statements continued

12 Other intangible assets

	Greyhound brand and trade name £m	Software £m	Total £m
Cost			
Cost			
At 27 March 2021	68.4	60.1	128.5
Acquisitions (note 31)	–	0.2	0.2
Additions	–	9.7	9.7
Transfers to held for sale – discontinued operations	(57.7)	(39.4)	(97.1)
Disposals	(14.0)	(0.3)	(14.3)
Foreign exchange movements	3.3	1.7	5.0
At 26 March 2022	–	32.0	32.0
At 27 March 2022	–	32.0	32.0
Additions	–	4.2	4.2
Transfers from property, plant and equipment	–	3.6	3.6
At 25 March 2023	–	39.8	39.8
Accumulated amortisation and impairment			
At 27 March 2021	60.8	51.5	112.3
Charge for year	0.3	6.1	6.4
Impairment ¹	1.6	–	1.6
Impairment reversal ²	(3.4)	(0.8)	(4.2)
Transfers to held for sale – discontinued operations	(48.2)	(38.7)	(86.9)
Disposals	(14.0)	(0.3)	(14.3)
Foreign exchange movements	2.9	1.8	4.7
At 26 March 2022	–	19.6	19.6
At 27 March 2022	–	19.6	19.6
Charge for year	–	8.6	8.6
Transfers from property, plant and equipment	–	0.8	0.8
At 25 March 2023	–	29.0	29.0
Carrying amount			
At 25 March 2023	–	10.8	10.8
At 26 March 2022	–	12.4	12.4

1 Impairment relates to the closure of the Greyhound business in Canada.

2 The impairment reversal of £4.2m relates to Greyhound prior to disposal.

13 Property, plant and equipment

Owned assets

	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost				
At 28 March 2021	275.4	1,026.9	634.6	1,936.9
Additions	3.7	92.6	51.7	148.0
Transfers from right of use assets	–	50.8	–	50.8
Disposals	(5.4)	(42.2)	(6.8)	(54.4)
Reclassified as assets held for sale	(47.6)	(10.3)	–	(57.9)
Transfers	10.3	–	16.8	27.1
Transferred to held for sale – discontinued operations	(36.7)	(326.9)	(36.6)	(400.2)
Foreign exchange movements	3.9	8.2	3.1	15.2
At 26 March 2022	203.6	799.1	662.8	1,665.5
At 27 March 2022	203.6	799.1	662.8	1,665.5
Acquisitions ²	20.2	7.6	0.5	28.3
Additions	16.1	80.1	79.2	175.4
Disposals	(8.2)	(134.0)	(23.8)	(166.0)
Reclassified as assets held for sale	(18.4)	–	(2.7)	(21.1)
Transfers	(0.2)	0.7	(4.4)	(3.9)
At 25 March 2023	213.1	753.5	711.6	1,678.2
Accumulated depreciation and impairment				
At 28 March 2021	77.5	720.2	389.9	1,187.6
Charge for year	6.0	44.2	106.6	156.8
Transfers from right of use assets	–	6.3	–	6.3
Disposals	(2.5)	(42.5)	(4.0)	(49.0)
Impairment ¹	7.3	(34.8)	(2.6)	(30.1)
Reclassified as assets held for sale	(9.5)	(10.3)	–	(19.8)
Transfers	2.6	–	16.5	19.1
Transferred to held for sale – discontinued operations	(5.8)	(209.6)	(60.3)	(275.7)
Foreign exchange movements	1.3	10.7	1.9	13.9
At 26 March 2022	76.9	484.2	448.0	1,009.1
At 27 March 2022	76.9	484.2	448.0	1,009.1
Charge for year	3.6	48.3	119.5	171.4
Disposals	(2.4)	(104.1)	(22.9)	(129.4)
Impairment ¹	(4.3)	4.5	2.0	2.2
Reclassified as assets held for sale	(11.3)	–	(1.6)	(12.9)
Transfers	(2.0)	–	1.1	(0.9)
At 25 March 2023	60.5	432.9	546.1	1,039.5
Carrying amount				
At 25 March 2023	152.6	320.6	165.5	638.7
At 26 March 2022	126.7	314.9	214.8	656.4

1 The impairment reversal of £4.3m relates to Southampton properties, which were subsequently transferred to assets held for sale (2022: impairment reversal of £37.4m relating to Greyhound). The impairment charge of £6.5m primarily relates to the write down of passenger carrying vehicles as a result of fleet resizing (2022: £7.3m relating to retained Greyhound properties, which were subsequently transferred to assets held for sale).

2 Acquisitions of £28.3m relate to continuing operations (see note 31).

Notes to the consolidated financial statements continued

13 Property, plant and equipment continued

An amount of £0.8m (2022: £0.8m) in respect of assets under construction is included in the carrying amount of land and buildings, plant and equipment.

At 25 March 2023/31 March 2023 the Group had entered into contractual capital commitments amounting to £125.0m (2022: £32.2m), principally representing purchase of PCVs, electrical infrastructure and TOC commitments.

Right of use assets

	Rolling stock £m	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Cost					
At 28 March 2021	2,597.5	115.7	145.0	6.9	2,865.1
Additions	93.1	3.2	9.4	1.0	106.7
Transfer to owned assets	–	–	(50.8)	–	(50.8)
Disposals	(105.0)	(3.7)	(1.9)	–	(110.6)
Transferred to held for sale – discontinued operations	–	(62.2)	(42.2)	(0.4)	(104.8)
Foreign exchange movements	–	2.9	0.7	–	3.6
At 26 March 2022	2,585.6	55.9	60.2	7.5	2,709.2
At 27 March 2022	2,585.6	55.9	60.2	7.5	2,709.2
Additions	1,200.2	16.2	1.3	1.3	1,219.0
Disposals	(4.1)	(0.9)	(9.8)	(0.3)	(15.1)
Foreign exchange movements	–	0.2	–	–	0.2
At 25 March 2023	3,781.7	71.4	51.7	8.5	3,913.3
Accumulated depreciation and impairment					
At 28 March 2021	1,059.6	61.4	45.8	3.9	1,170.7
Transfer to owned assets ¹	–	–	(6.3)	–	(6.3)
Charge for period	553.2	10.9	17.0	1.6	582.7
Impairment ²	–	(10.4)	(3.4)	–	(13.8)
Disposals	(3.1)	(1.6)	(1.0)	–	(5.7)
Transferred to held for sale – discontinued operations	–	(39.9)	(17.3)	(0.4)	(57.6)
Foreign exchange movements	–	2.1	0.8	–	2.9
At 26 March 2022	1,609.7	22.5	35.6	5.1	1,672.9
At 27 March 2022	1,609.7	22.5	35.6	5.1	1,672.9
Charge for period	528.7	8.5	11.8	1.5	550.5
Lease impairment ²	7.1	–	–	–	7.1
Disposals	(0.8)	(0.3)	(7.1)	(0.2)	(8.4)
Foreign exchange movements	–	0.2	–	–	0.2
At 25 March 2023	2,144.7	30.9	40.3	6.4	2,222.3
Carrying amount					
At 25 March 2023	1,637.0	40.5	11.4	2.1	1,691.0
At 26 March 2022	975.9	33.4	24.6	2.4	1,036.3

¹ Transfers to owned assets represents lease buyouts.

² The impairment of £7.1m relates to GWR (2022: reversal of £13.8m relating to Greyhound).

The discounted lease liability relating to the right of use assets included above is shown in note 23.

13 Property, plant and equipment continued

Owned assets and right of use assets	Rolling stock £m	Land and buildings £m	Passenger carrying vehicle fleet £m	Other plant and equipment £m	Total £m
Carrying amount					
At 25 March 2023	1,637.0	193.1	332.0	167.6	2,329.7
At 26 March 2022	975.9	160.1	339.5	217.2	1,692.7

The maturity analysis of lease liabilities is presented in note 23.

Amounts recognised in income statement (including discontinued operations)	2023 £m	2022 £m
Depreciation expense on right of use assets	550.5	582.7
Interest expense on lease liabilities	50.6	41.0
Impairment charge	7.1	–
Expense relating to short-term leases	2.0	–
Expense relating to leases of low value assets	2.1	3.4
	612.3	627.1

14 Investments

	2023 £m	2022 £m
Other investments	2.5	2.2

Notes to the consolidated financial statements continued

15 Subsidiaries and non-controlling interests

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given below.

A full list of subsidiaries, joint ventures and associates is disclosed in note 40.

The non-controlling interests of the Group are First Trenitalia West Coast Limited (70% ownership and voting rights), First MTR South Western Trains Limited (70% ownership and voting rights) and Leicester CityBus Limited (94% ownership and voting rights). The registered addresses are disclosed in note 40. The non-controlling interest share of profit for the financial year is a profit of £2.5m which relates to First Trenitalia West Coast Limited and £5.7m which relates to MTR South Western Trains Limited.

UK and Ireland local bus and coach operators

Ensign Bus Company Limited
 First Aberdeen Limited¹
 First Beeline Buses Limited
 First Cymru Buses Limited
 First Eastern Counties Buses Limited
 First Essex Buses Limited
 First Glasgow (No. 1) Limited¹
 First Glasgow (No. 2) Limited¹
 First Hampshire and Dorset Limited
 First Manchester Limited
 First Midland Red Buses Limited
 First Potteries Limited
 First South West Limited
 First South Yorkshire Limited
 First West of England Limited
 First West Yorkshire Limited
 First York Limited
 Last Passive Limited²
 Leicester CityBus Limited (94%)
 Somerset Passenger Solutions Limited

Rail companies

First Greater Western Limited
 First TransPennine Express Limited
 Hull Trains Company Limited
 First Trenitalia West Coast Limited (70%)
 First MTR South Western Trains Limited (70%)
 East Coast Trains Limited

All subsidiary undertakings are wholly owned by FirstGroup plc at the end of the year except where percentage of ownership is shown above. All these companies above are incorporated in United Kingdom and registered in England and Wales except those:

1. Registered in Scotland.
2. Incorporated in the Republic of Ireland.

All shares held in subsidiary undertakings are ordinary shares, with the exception of Leicester CityBus Limited where the Group owns 100% of its redeemable cumulative preference shares, as well as 94% of its ordinary shares.

All of these subsidiary undertakings are owned via intermediate holding companies.

16 Inventories

	2023	2022
	£m	£m
Spare parts and consumables from continuing operations	26.0	28.9

In the opinion of the Directors there is no material difference between the balance sheet value of inventories and their replacement cost. There was no material write-down of inventories during the current or prior year.

17 Trade and other receivables

	2023 £m	2022 £m
Amounts due within one year (from discontinued operations)		
Contingent consideration receivable	72.3	–
Amounts due after more than one year (from discontinued operations)		
Contingent consideration receivable	–	106.1
	2023 £m	2022 ¹ restated £m
Amounts due within one year (from continuing operations)		
Trade receivables	386.1	295.2
Loss allowance	(49.0)	(15.2)
Trade receivables net	337.1	280.0
Other receivables	210.3	194.7
Amounts recoverable on contracts	22.5	22.5
Prepayments	90.8	69.4
Accrued income	187.6	115.7
	848.3	682.3
	2023 £m	2022 £m
Movement in accrued income:		
Balance as at 26 March 2022/27 March 2021	115.7	199.2
Additions	119.4	569.4
Accrued income invoiced during the year	(47.5)	(652.9)
Foreign exchange movements	–	–
Balance as at 25 March 2023/26 March 2022	187.6	115.7

1. The prior year comparatives for trade receivables, amounts recoverable on contracts and accrued income have been amended for a more accurate presentation of comparative data.

The loss allowance relates solely to credit loss allowances arising from contracts with customers.

Other receivables includes £67.1m (2022: £35.9m) of VAT receivables, £8.6m (2022: £4.3m) of receivables from government bodies for fuel duty rebates, and £73.3m (2022: £88.5m) of insurance recoveries.

Amounts recoverable on contracts relates to amounts due from governmental and similar bodies for agreed contractual changes.

Accrued income principally comprises amounts relating to contracts with customers billed each month. Any amount previously recognised as accrued income is reclassified to trade receivables at the point at which is it invoiced to the customer.

Credit risk

Credit risk is the risk that financial loss arises from failure by a customer or counterparty to meet its obligations under a contract.

Credit risk exists in relation to the Group's financial assets, which comprise trade receivables, amounts recoverable on contracts and accrued income of £596.2m (2022: £433.1m), cash and cash equivalents of £791.4m (2022: £787.7m) and derivative financial instruments of £7.5m (2022: £30.4m).

The Group's maximum exposure to credit risk for all financial assets at the balance sheet date was £1,395.1m (2022: £1,261.2m). The exposure is spread over a large number of unconnected counterparties and the maximum single concentration with any one counterparty was £286.0m (2022: £246.0m) at the balance sheet date.

The Group's credit risk is primarily attributable to its trade receivables, amounts recoverable on contracts and accrued income. The amounts presented in the balance sheet are net of credit loss allowances, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The credit loss allowance at the balance sheet date was £49.0m (2022: £15.2m).

Most trade receivables, amounts recoverable on contracts and accrued income are with public or quasi public bodies, principally the DfT, Network Rail and local authorities in the UK and school bus boards and city municipal authorities in North America. The Group does not consider any of these counterparties to be a significant risk. Each division within the Group has a policy governing credit risk management on receivables.

The counterparties for bank balances and derivative financial instruments are mainly represented by lending banks and large banks with a minimum of 'A' credit ratings assigned by international credit rating agencies. These counterparties are subject to approval by the Board. Group treasury policy limits the maximum deposit with any one counterparty to £150.0m and limits the maximum term to three months.

Notes to the consolidated financial statements continued

17 Trade and other receivables continued

Impairment of trade receivables amounts recoverable on contracts and accrued income

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for all trade receivables, amounts recoverable on contracts and accrued income at each reporting date.

Provision matrices are used to measure expected losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns, such as geographical region, service type, and customer type and rating. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables, amounts recoverable on contracts and accrued income are written off when there is no reasonable expectation of recovery.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The majority of the Group's customers are governmental or similar bodies and hence there is not considered to be any issues with the recoverability of these receivables. Further there has not been any significant issues with the recoverability of non-governmental receivables. In 2023, the credit loss allowance increased as a result of amounts transferred from liquidated damages.

The gross carrying amount of trade receivables, amounts recoverable on contracts and accrued income for which the loss allowance is measured at an amount equal to the lifetime expected credit losses under the simplified method, is analysed below:

	Carrying amount £m	Current £m	Days past due: 2023			
			Less than 30 days £m	30-90 days £m	90-180 days £m	Over 180 days £m
Expected credit loss rate	8.2%	0.7%	6.6%	42.7%	88.7%	60.2%
Gross carrying amount of trade receivables, amounts recoverable on contracts and accrued income	596.2	494.2	29.0	24.1	14.2	34.7
Loss allowance (from continuing operations)	49.0	3.3	1.9	10.3	12.6	20.9

	Carrying amount £m	Current £m	Days past due: 2022			
			Less than 30 days £m	30-90 days £m	90-180 days £m	Over 180 days £m
Expected credit loss rate	3.5%	–	14.3%	1.4%	3.0%	63.9%
Gross carrying amount of trade receivables, amounts recoverable on contracts and accrued income	433.4	328.2	37.0	22.1	32.8	13.3
Loss allowance (from continuing operations)	15.2	0.1	5.3	0.3	1.0	8.5

The table above is an aggregation of different provision matrices for each of the customer segment groupings, as outlined above. The expected loss rate for each ageing category is the weighted average loss rate across these groupings. The 'current' category consist primarily of receivables from groupings for which, based on historical losses and both the current and forecast economic conditions, the expected credit losses are negligible, resulting in the application of a close to 0% loss rate.

	2023 £m	2022 £m
Movement in the loss allowance for trade receivables		
At 26 March 2022/27 March 2021	15.2	7.3
Amounts written off during the year	(3.2)	(0.7)
Increase in allowance recognised in the income statement	1.2	9.0
Amounts recovered during the year	(8.2)	(0.4)
Amounts transferred from liquidated damages	44.0	–
At 25 March 2023/26 March 2022	49.0	15.2

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

18 Assets held for sale

	2023 £m	2022 £m
Assets held for sale	8.9	38.5

Assets held for sale relate primarily to properties in First Bus (2022: properties in Greyhound discontinuing business).

Movement in assets held for sale	£m	
At 26 March 2022		38.5
Net book value of additions		8.3
Net book value of disposals		(41.3)
Foreign exchange movements		3.4
At 25 March 2023		8.9

19 Trade and other payables

Amounts falling due within one year (from continuing operations)	2023 £m	2022 £m
Trade payables	338.8	253.3
Other payables	210.8	165.9
Accruals	621.6	703.2
Deferred income	125.5	109.8
Season ticket deferred income	17.7	12.9
	1,314.4	1,245.1

Movement in deferred income	2023 £m	2022 £m
Balance as at 26 March 2022/27 March 2021	109.8	112.8
Additions	131.5	296.6
Recognised as revenue during the period	(115.8)	(295.9)
Transferred to held for sale – discontinued operations	–	(3.7)
Balance as at 25 March 2023/26 March 2022	125.5	109.8

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Deferred income and season ticket deferred income principally comprises amounts relating to contracts with customers.

Other payables includes £15.2m (2022: £12.1m) for the purchase of property, plant and equipment where increased payment terms have been agreed with the supplier due to the nature of the payable. Other payables also include deferred capital grants from government or other public bodies of £116.1m (2022: £101.0m).

The average credit period taken for trade purchases is 36 days (2022: 30 days). The Group has controls in place to ensure that all payments are paid within the appropriate credit timeframe. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Notes to the consolidated financial statements continued

20 Cash and cash equivalents

	2023 £m	2022 £m
Cash and cash equivalents from continuing operations	791.4	787.7

The fair value of cash and cash equivalents approximates to the carrying value. Cash and cash equivalents includes ring-fenced cash of £369.6m (2022: £468.1m). Ring-fenced cash is cash held in the Group which has restrictions around its use or distribution. The most significant ring-fenced cash balances are held by the Group's First Rail subsidiaries. All non-distributable cash in franchised Rail subsidiaries is considered ring-fenced under the terms of either the National Rail Contract, Emergency Measures Agreement or Emergency Recovery Measures Agreement. Ring-fenced cash balances of £5.4m (2022: £27.8m) are held outside the First Rail subsidiaries. These other ring-fenced cash balances include three elements: (1) loss escrow funds of £nil (2022: £3.8m) maintained by various third-party administrators, the purpose of which is to provide a source of funds for use by the administrators for payment of the self-insurance liability for losses and loss adjustment expenses in accordance with agreements between the administrators and the Business, (2) balances of £1.3m (2022: £8.4m) within former First Transit subsidiaries which were retained by the Group following the sale of First Transit, where those subsidiaries act as a disbursement agent on the behalf of their customers and the cash is only allowed to be used to settle customer liabilities, and (3) funds of £4.1m (2022: £15.6m) withheld from the de-risking insurer as permitted under the de-risking agreement.

21 Discontinued operations

First Student and First Transit

The sale of First Student and First Transit was approved by a shareholder majority on 27 May 2021 and was reported as a discontinued operation in the financial statements for the 52 weeks ended 26 March 2022 for the period to the sale completion on 21 July 2021. Financial information relating to the discontinued operation for the period to the date of the disposal is set out below in (a).

Greyhound

The disposal of Greyhound Lines, Inc to a wholly owned subsidiary of FlixBus GmbH was announced and completed on 21 October 2021. Greyhound US was therefore reported as a discontinued operation for the period to the sale completion in the financial statements for the 52 weeks to 26 March 2022. The properties relating to the Greyhound US business were classified as held for sale at 26 March 2022, and in 2023 were treated as discontinued for the period to their disposal in December 2022.

(a) Financial performance and cash flow information

The financial performance and cash flow information presented are for the 52 weeks ending 25 March 2023, and the prior year information includes the results of First Student and First Transit to the period before disposal on 21 July 2021, and the results of Greyhound US to the period before disposal on 21 October 2021.

	2023 £m	2022 £m
Discontinued operations		
Revenue	4.0	996.9
Operating income/(costs)	27.3	(313.6)
Operating profit	31.3	683.3
Investment income	0.5	0.4
Finance costs	(0.2)	(11.9)
Profit before tax	31.6	671.8
Tax	(23.0)	(24.0)
Profit for the year after tax	8.6	647.8
Attributable to:		
Equity holders of the parent	8.6	647.8
Non-controlling interests	-	-
	8.6	647.8
	2023	2022
EPS	pence	pence
Basic EPS	1.2	61.3
Diluted EPS	1.1	61.3

21 Discontinued operations continued

	2023 £m	2022 £m
Cash flow		
Net cash (outflow)/inflow from operating activities	(139.7)	233.4
Net cash inflow/(outflow) from investing activities	126.9	(286.6)
Net cash outflow from financing activities	–	(20.3)
Net decrease in cash generated	(12.8)	(73.5)

Other comprehensive income/loss

	2023 £m	2022 £m
Actuarial gains on defined benefit pension schemes	0.2	12.1
Hedging instrument movements	(0.4)	2.7
Deferred tax on hedging instrument movements	–	(0.7)
Exchange differences on translation of discontinued operations	6.8	(5.6)
Total	6.6	8.5

(b) Details of the sale of First Student and First Transit

	2023 £m	2022 £m
Consideration received or receivable:		
Cash	–	2,377.3
Direct transaction costs/fees	–	(54.0)
Fair value of contingent consideration	–	101.8
Total net disposal consideration	–	2,425.1
Carrying amount of net assets sold	–	(2,374.6)
Gain on sale before tax and reclassification of foreign currency translation reserve	–	50.5
Reclassification of foreign currency translation reserve	–	450.6
Gain on sale of the division before tax	–	501.1
Tax on gain	–	–
Gain on sale of the divisions after tax	–	501.1

As part of the disposal of First Transit, FirstGroup were entitled to an earnout consideration of up to \$290m (c. £220m). The earnout was for a period of three years from 21 July 2021 and calculated as a percentage of the Realised Equity Value.

Notes to the consolidated financial statements continued

21 Discontinued operations continued

On 26 October 2022, EQT Infrastructure announced its agreement to sell First Transit to Transdev North America, Inc. As a result of this agreement, the Group estimates the earnout consideration to be around \$88.5m (£72.3m) at 25 March 2023. This gives rise to a non-cash adjusting charge of £(33.8)m relative to the carrying value of the earnout of £106.1m at 26 March 2022.

(c) Details of the sale of Greyhound

	2023 £m	2022 £m
Consideration received or receivable:		
Cash	–	101.4
Direct transaction costs/fees	–	(17.0)
Fair value of contingent consideration	–	23.3
Total net disposal consideration	–	107.7
Carrying amount of net assets sold	–	(91.5)
Gain on sale before tax and reclassification of foreign currency translation reserve	–	16.2
Reclassification of foreign currency translation reserve	–	92.8
Gain on sale of the division before tax	–	109.0
Tax on gain	–	–
Gain on sale of the division after tax	–	109.0

In December 2022, the Group completed the sale of the majority of its remaining Greyhound US properties for net proceeds of £122m, and therefore recognised an adjusting, discontinued gain of £71.4m in the year.

22 Borrowings

	2023 £m	2022 £m
On demand or within one year		
Lease liabilities (note 23) ^{2,3}	447.4	573.4
Asset backed financial liabilities (note 23) ³	17.3	9.0
Bank overdraft	82.9	87.5
Loan notes (note 24)	0.6	–
Bond 6.875% (repayable 2024) ¹	6.5	7.1
Total current liabilities	554.7	677.0
Within one to two years		
Lease liabilities (note 23) ^{2,3}	381.6	167.8
Asset backed financial liabilities (note 23) ³	5.9	15.7
Loan notes (note 24)	–	0.6
Bond 6.875% (repayable 2024)	184.2	–
	571.7	184.1
Within two to five years		
Lease liabilities (note 23) ^{2,3}	825.9	294.4
Asset backed financial liabilities (note 23) ³	12.1	10.5
Bond 6.875% (repayable 2024)	–	199.9
	838.0	504.8
Over five years		
Lease liabilities (note 23) ^{2,3}	93.7	47.6
Asset backed financial liabilities (note 23) ³	8.9	0.3
	102.6	47.9
Total non-current liabilities at amortised cost	1,512.3	736.8

1 Includes accrued interest only.

2 The right of use assets relating to lease liabilities are shown in note 13.

3 The maturity analysis of lease liabilities and asset backed financial liabilities is presented in note 23.

Fair value of bonds issued

	Par value £m	Interest payable	Month	2023 Fair value £m	2022 Fair value £m
Bond 6.875% (repayable 2024)	184.3	Annually	September	192.2	225.8

The fair value of the bond is inclusive of accrued interest. The fair value is calculated by discounting the future cash flow that will arise under the contracts.

Effective interest rates

The effective interest rates at the balance sheet dates were as follows:

	2023	Maturity	2022	Maturity
Bank overdraft	LIBOR + 1%	–	LIBOR + 1%	–
Syndicated loan facilities	LIBOR + 0.73%	August 2026	LIBOR + 0.97%	August 2025
Bond 2024	6.93%	September 2024	6.93%	September 2024
HP contracts and finance leases	Average fixed rate of 3.3%	Various	Average fixed rate of 3.1%	Various
Loan notes	LIBOR + 0.5%	March 2024	LIBOR + 0.5%	March 2024
			2023 £m	2022 £m
Pounds Sterling			2,066.9	1,413.0
Euro			–	0.1
Canadian Dollar			0.1	0.7
			2,067.0	1,413.8

Notes to the consolidated financial statements continued

22 Borrowings continued

Borrowing facilities

The Group had £300.0m (2022: £300.0m) of undrawn committed borrowing facilities as at year end. Total bank borrowing facilities at year end stood at £316.5m (2022: £316.1m) of which £300.0m (2022: £300.0m) was committed and £16.5m (2022: £16.1m) was uncommitted.

Capital management

The Group aims to maintain an investment grade credit rating and appropriate balance sheet liquidity headroom. The Group has a net debt to EBITDA ratio of 1.7 times as at March 2023 for the continuing Group (2022: 0.8 times).

Liquidity within the Group has remained strong. At year end there was £638.9m (2022: £532.1m) of committed headroom and free cash. The Group's Treasury policy requires a minimum of £250m of committed headroom at the year end and half year for the budget year, and £200m for year two of the three-year plan. The Group's net debt, excluding accrued bond interest, at 25 March 2023, was £1,269.1m (2022: £619.0m) as set out in the Financial review on page 32.

The Group's primary objectives of capital management is to ensure that the Group is able to continue as a going concern, to maintain an optimal capital structure and adequate liquidity headroom to deliver on shareholder and stakeholder expectations. The Group's capital structure consists of equity and net debt. The Group actively manages its capital structure and will adjust it when appropriate should economic conditions change. The Group's debt is monitored on the basis of a gearing ratio, being net debt divided by EBITDA, further details of which are provided in the Chief Financial Officer's review.

23 Lease liabilities and asset backed financial liabilities

The Group had the following lease liabilities and asset backed financial liabilities at the balance sheet dates, excluding liabilities relating to the discontinued operations:

	Lease liabilities		Asset backed financial liabilities	
	2023 £m	2022 £m	2023 £m	2022 £m
Maturity analysis				
Due in less than one year	503.1	593.0	17.9	9.3
Due in more than one year but not more than two years	421.5	179.4	6.3	16.6
Due in more than two years but not more than five years	878.8	304.4	13.7	11.9
Due in more than five years	105.0	59.8	10.9	0.5
	1,908.4	1,136.6	48.8	38.3
Less future financing charges	(159.8)	(53.4)	(4.6)	(2.8)
	1,748.6	1,083.2	44.2	35.5

Lease liabilities have a fair value of £1,748.6m and asset backed financial liabilities have a fair value of £43.3m (2022: lease liabilities £1,083.2m, asset backed financial liabilities £36.4m).

The total cash outflow for the lease liabilities and asset backed financial liabilities recorded on the balance sheet amounted to £546.9m and £10.6m respectively (2022: £600.4m and £9.4m).

The right of use assets related to the lease liabilities is presented in note 13.

24 Loan notes

The Group had the following loan notes issued as at the balance sheet dates relating to continuing operations:

	2023 £m	2022 £m
Due in less than one year	0.6	–
Due in more than one year but not more than two years	–	0.6
	0.6	0.6

The loan notes have an average effective borrowing rate of 2.6% (2022: 1.7%) and an average remaining term of one year (2022: two years) assuming that the holders do not request redemption.

25 Financial instruments

Non-derivative financial instruments

	2023 £m	2022 £m
Total non-derivatives		
Total non-current assets	117.6	117.0
Total assets	117.6	117.0

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

Derivative financial instruments

	2023 £m	2022 £m
Total derivatives		
Total non-current assets	0.1	4.2
Total current assets	7.4	26.2
Total assets from continuing operations	7.5	30.4
Total current liabilities	2.6	–
Total non-current liabilities	1.9	–
Total liabilities from continuing operations	4.5	–

Derivatives designated and effective as hedging instruments carried at fair value

Non-current assets		
Fuel derivatives (cash flow hedge)	–	4.0
Currency forwards (cash flow hedge)	0.1	0.2
	0.1	4.2
Current assets		
Fuel derivatives (cash flow hedge)	3.3	25.6
Currency forwards (cash flow hedge)	4.1	0.6
	7.4	26.2
Current liabilities		
Fuel derivatives (cash flow hedge)	2.6	–
	2.6	–
Non-current liabilities		
Currency forwards (cash flow hedge)	0.1	–
Fuel derivatives (cash flow hedge)	1.8	–
	1.9	–

The Group enters into derivative transactions under International Swaps and Derivatives Association Master Agreements that allow for the related amounts to be set-off in certain circumstances. The amounts set out as Fuel Derivatives and Currency forwards in the table above represent the derivative financial assets and liabilities of the Group that may be subject to the above arrangements and are presented on a gross basis. Derivative liabilities of £nil (2022: £nil) were subject to netting arrangements.

Total cash flow hedges are an asset of £3.0m (2022: £30.4m asset).

Notes to the consolidated financial statements continued

25 Financial instruments continued

The following (profits) were transferred from equity into inventory as basis adjustments during the year:

	2023 £m	2022 £m
Operating (profits)	(31.2)	(13.8)

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

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

¹ Includes lease liabilities and asset backed financial liabilities as set out in note 23.

The estimated fair value of cash and cash equivalents, financial assets and bank overdrafts are a reasonable approximation to the carrying value of these items.

	Fair value				2022
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Carrying value Total £m
Financial assets and derivatives					
Contingent consideration receivable	–	–	106.1	106.1	106.1
Trade and other receivables	–	433.4	–	433.4	433.4
Derivative financial instruments	–	30.4	–	30.4	30.4
Financial liabilities and derivatives					
Borrowings ¹	10.6	1,345.4	–	1,356.0	1,326.3
Trade and other payables	–	1,144.1	–	1,144.1	1,144.1

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

There were no transfers between Level 1 and Level 2 during the current or prior year. The announcement of EQT Infrastructure's agreement to sell First Transit to Transdev North America, Inc, means that the Group's valuation of the earnout now reflects an observable market value, and the contingent consideration receivable has therefore been reclassified from Level 3 to Level 2 at 25 March 2023.

The estimated fair value of cash and cash equivalents and bank overdrafts are a reasonable approximation to the carrying value of these items.

25 Financial instruments continued

Financial assets/(liabilities)	Fair values at 25 March 2023 £m	Fair values at 26 March 2022 £m	Fair value hierarchy	Valuation technique(s) and key inputs
Derivative contracts				
1) Fuel derivatives	(1.1)	29.6	Level 2	Discounted cash flow; future cash flows are estimated based on forward fuel prices and contract rates and then discounted at a rate that reflects the credit risk of the various counterparties.
2) Currency forwards	4.1	0.8	Level 2	Discounted cash flow; future cash flows are estimated based on forward foreign exchange rates and contract rates and then discounted at a rate that reflects the credit risk of the various counterparties.

The following table illustrates the carrying value of all financial assets and liabilities held by the Group on a continuing basis.

Classification of financial instruments	2023			
	Assets and liabilities at amortised costs £m	At fair value through profit and loss £m	At fair value through OCI £m	Total £m
Financial assets and derivatives				
Cash and cash equivalents	791.4	–	–	791.4
Trade and other receivables	596.2	–	–	596.2
Non-derivative financial instruments	117.6	–	–	117.6
Derivative financial instruments	–	–	7.5	7.5
	1,505.2	–	7.5	1,512.7
Financial liabilities and derivatives				
Interest bearing loans and borrowings ¹	2,067.0	–	–	2,067.0
Trade and other payables	1,198.3	–	–	1,198.3
Derivative financial instruments	–	–	4.5	4.5
	3,265.3	–	4.5	3,269.8

1 Includes lease liabilities and asset backed financial liabilities as set out in note 23.

Notes to the consolidated financial statements continued

25 Financial instruments continued

	2022			
Classification of financial instruments	Assets and liabilities at amortised costs £m	At fair value through profit and loss £m	At fair value through OCI £m	Total £m
Financial assets and derivatives				
Cash and cash equivalents	787.7	–	–	787.7
Trade and other receivables	433.4	–	–	433.4
Non-derivative financial instruments	117.0	–	–	117.0
Derivative financial instruments	–	–	30.4	30.4
	1,338.1	–	30.4	1,368.5
Financial liabilities and derivatives				
Interest bearing loans and borrowings	1,413.8	–	–	1,413.8
Trade and other payables	1,144.1	–	–	1,144.1
	2,557.9	–	–	2,557.9

	Cash flow hedges		
As at 25 March 2023	Commodity price risk	Electricity price risk	Foreign exchange price risk
Nominal amount of hedging	0.57m bbls	30,720 MWh	\$63.0m
< 1 year	0.39m bbls	17,568 MWh	\$40.8m
1 – 2 years	0.18m bbls	13,152 MWh	\$22.2m
2 – 5 years	–	–	–
> 5 years	–	–	–
Average hedged rate	\$95.11/bbl	£167/MWh	1.2628
Maturity	Apr23-Mar25	Apr23-Mar25	Apr23-Mar25
Carrying amount of hedging instruments			
Assets – Derivatives (£m)	3.3	–	4.2
Liabilities – Derivatives (£m)	(3.2)	(1.2)	(0.1)
(Liabilities – Borrowings (£m))	–	–	–
Carrying amount of hedged item			
Liabilities – Borrowings (£m)	–	–	–
Accumulated amount of fair value hedging adjustments included in carrying amount of hedged item			
Liabilities – Borrowings (£m)	–	–	–
Changes in fair value of hedged item used for calculating hedge effectiveness	(2.0)	1.2	7.1
Changes in fair value of hedging instrument used in calculating hedge effectiveness	2.0	(1.2)	(7.1)
Changes in fair value of hedging instrument accumulated in cash flow hedge reserve	(19.3)	(0.9)	0.6

No gains and losses on derivatives designated for hedge accounting have been charged through the consolidated income statement in either the current or prior year.

Financial risk management

The Group is exposed to financial risks including liquidity risk, credit risk and certain market-based risks principally being the effects of changes in foreign exchange rates, interest rates and fuel prices. The Group manages these risks within the context of a set of formal policies established by the Board. Certain risk management responsibilities are formally delegated by the Board, principally to a sub-committee of the Board and to the Chief Financial Officer and to the Treasury Committee. The Treasury Committee comprises the Chief Financial Officer and certain senior finance employees and is responsible for approving hedging transactions permitted under Board-approved policies, monitoring compliance against policy and recommending changes to existing policies.

25 Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting obligations associated with financial liabilities. The objective of the Group's liquidity risk management is to ensure sufficient committed liquidity resources exist. The Group has a diversified debt structure largely represented by medium term unsecured syndicated committed bank facilities, medium to long-term unsecured bond debt and finance leases. It is a policy requirement that debt obligations must be addressed well in advance of their due dates.

The Group's Treasury policy requires a minimum of £250m of committed headroom at the year end and half year for the budget year, and £200m for year two of the three-year plan. At year end, the total amount of these facilities stood at £300.0m (2022: £300.0m), and committed headroom was £300.0m (2022: £300.0m), in addition to free cash balances of £338.9m (2022: £232.1m). The next material contractual expiry of revolver bank facilities is in August 2026.

The average duration of net debt (excluding ring-fenced cash) at 25 March 2023 was 2.7 years (2022: 3.0 years).

The following tables detail, on a continuing basis, the Group's expected maturity of payables for its borrowings, derivative financial instruments and trade and other payables. The amounts shown in these tables are prepared on an undiscounted cash flow basis and include future interest payments in the years in which they fall due for payment.

	2023				
	< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Borrowings ¹	563.1	578.1	839.5	104.6	2,085.3
Fuel derivatives	(2.6)	(1.8)	-	-	(4.4)
FX forwards	-	(0.1)	-	-	(0.1)
Trade and other payables	1,198.3	-	-	-	1,198.3
	1,758.8	576.2	839.5	104.6	3,279.1
	2022				
	< 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Borrowings ¹	683.6	197.3	516.8	45.8	1,443.5
Trade and other payables	1,144.1	-	-	-	1,144.1
	1,827.7	197.3	516.8	45.8	2,587.6

¹ Includes lease liabilities and asset backed financial liabilities as set out in note 23.

No derivative financial instruments had collateral requirements or were due on demand in any of the years. Derivative financial instruments are net settled.

Currency risk

Currency risk is the risk of financial loss to foreign currency net assets, earnings and cash flows reported in pounds Sterling due to movements in exchange rates.

The Group's principal operations outside the UK were previously in the US and Canada, with the US having been the most significant and the principal currency risk related to movements in the US Dollar to pounds Sterling. Following the disposal of Student, Transit and Greyhound, this exposure has been significantly reduced, with the only balance of note being the US Dollar-denominated earnout asset relating to First Transit.

'Certain' and 'highly probable' foreign currency transaction exposures may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group is also exposed to currency risk relating to its UK fuel costs which are denominated in USD. This is hedged through entering a series of average rate forward contracts on a similar profile to our fuel hedging programme. Forward currency risk is designated in the cash flow hedges, however valuation movements arising from changes in currency-basis spreads are excluded from the relationships as costs of hedging. At the balance sheet date the value to be recorded in a separate component of equity was immaterial, and as such no separate reserve has been shown within the primary financial statements.

Notes to the consolidated financial statements continued

25 Financial instruments continued

IFRS 7 requires the Group to show the impact on profit after tax and hedging reserve on financial instruments from a movement in exchange rates. The following analysis details the Group's sensitivity to a 10% strengthening in pounds Sterling against the US Dollar. A 10% weakening in pounds Sterling against the US Dollar would have an equal but opposite effect to that shown below. The analysis has been prepared based on the change taking place at the beginning of the financial year and being held constant throughout the reporting period. A positive number indicates an increase in earnings or equity where pounds Sterling strengthens against the US Dollar.

	2023 £m	2022 £m
Impact on profit after tax	0.2	3.9
Impact on hedging reserve	(0.1)	(1.8)

Interest rate risk

The Group has variable rate debt and cash and therefore net income is exposed to the effects of changes to interest rates. The Group treasury policy objective is to maintain fixed interest rates at a minimum of 50% of on-balance sheet net debt over the medium term, so that volatility to EPS is substantially reduced year-on-year. The policy objective is primarily achieved through fixed rate debt. The main floating rate benchmark on variable rate debt is SONIA.

At 25 March 2023, 99% (2022: 99%) of gross debt (pre IFRS 16) was fixed. This fixed rate protection had an average duration of 1.8 years (2022: 2.4 years).

Interest rate risk within operating leases is hedged 100% by agreeing fixed rentals with the lessors prior to inception of the lease contracts.

The following sensitivity analysis details the Group's sensitivity to a 100 basis points (1%) increase in interest rates throughout the reporting period with all other variables held constant.

	2023 £m	2022 £m
Impact on profit after tax	5.7	4.1

Diesel fuel price risk

The Group purchases its fuel on a floating price basis and is therefore exposed to changes in diesel prices, primarily in relation to First Bus operations. The Group's policy objective is to maintain a significant degree of fixed price protection in the short term with lower levels of protection in the medium term, so that the businesses affected are protected from any sudden and significant increases and have time to prepare for potentially higher costs, whilst retaining some access for potentially lower costs over the medium term. To achieve this the Group operates a progressive hedging policy. The policy hedge target levels differ by division but are monitored monthly and appropriate actions taken to maintain satisfactory hedge levels. Gasoil derivatives are used to hedge UK exposure. Risk component hedging has been adopted under IFRS 9, meaning that the hedged price risk component of the purchased diesel matches that of the underlying derivative commodity. The hedged risk component is considered to be separately identifiable and reliably measurable. Gasoil is considered to be the core risk component of the fuel grade ultimately purchased and there is a very strong correlation between the movements in the prices of the derivative underlying and the purchased fuel. Variances in pricing of the derivative commodities and the purchased fuel are primarily driven by further refinement of the fuel or the associated transportation costs which were excluded from the hedge relationship. Currently First Bus diesel exposure is hedged 85% to March 2024 and 55% to March 2025.

25 Financial instruments continued

The Group has entered into swaps for periods from April 2023 to March 2025 with the majority of these swaps relating to the 53 weeks ending 30 March 2024. The swaps give rise to monthly cash flow exchanges with counterparties to offset the underlying settlement of floating price costs, except where they have a deferred start date. Gains or losses on fuel derivatives are recycled from equity into inventory on qualifying hedges to achieve fixed rate fuel costs within operating results.

The following analysis details the Group's sensitivity on profit after tax and equity if the price of diesel fuel had been \$10 per barrel higher during the 52 weeks ending 25 March 2023 and at the year end:

	2023 £m	2022 £m
Impact on profit after tax	(0.3)	(4.9)
Impact on hedging reserve	3.5	4.5

Electricity price risk

The Group purchases electricity on a floating price basis and is therefore exposed to changes in electricity prices, primarily in relation to First Bus and Group operations. The Group's policy objective is to maintain a significant degree of fixed price protection in the short term, so that the businesses affected have time to prepare for prices after the current hedge period expires. To achieve this the Group uses cash flow hedge financial instruments to achieve significant fixed price certainty

The Group did not have any hedges in place for the year to 25 March 2023. It has entered into swaps for periods from April 2023 to March 2025. The swaps give rise to monthly cashflow exchanges with counterparties to offset the underlying settlement of floating price costs, except where they have a deferred start date. Gains or losses on electricity derivatives will be recycled from equity to the income statement on qualifying hedges to achieve fixed rate electricity costs within operating results.

The following analysis details the Group's sensitivity on profit after tax and equity if the price of electricity had been £50 per MWh higher during the 52 weeks ending 25 March 2023 and at the year end:

	2023 £m	2022 £m
Impact on profit after tax	(1.0)	–
Impact on hedging reserve	1.2	–

26 Deferred tax

The major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the current and prior reporting periods are as follows:

	Accelerated tax depreciation £m	Retirement benefit schemes £m	Other temporary differences £m	Tax losses £m	Total £m
At 27 March 2021	10.7	(32.4)	(13.3)	–	(35.0)
Charge/(credit) to income statement	1.2	39.0	(39.7)	7.5	8.0
Charge to other comprehensive income and equity	–	22.1	5.8	–	27.9
Transferred to held for sale – discontinued operations	(16.6)	20.6	1.3	(43.0)	(37.7)
Foreign exchange and other movements	(1.4)	(0.7)	1.0	1.8	0.7
At 26 March 2022	(6.1)	48.6	(44.9)	(33.7)	(36.1)
Charge/(credit) to income statement	28.0	(2.8)	10.6	(5.2)	30.6
Credit to other comprehensive income and equity	–	(37.2)	(7.4)	–	(44.6)
Acquisitions and disposals of subsidiaries	4.7	–	0.3	–	5.0
Foreign exchange and other movements	(1.9)	–	–	–	(1.9)
At 25 March 2023	24.7	8.6	(41.4)	(38.9)	(47.0)

With respect to the total net deferred tax asset of £47.0m, UK net deferred tax assets of £46.1m have been recognised as the Group forecasts sufficient taxable profits in future periods and a deferred tax asset of £0.9m relating to the US is recognised because it is probable that book gains will arise on the remaining US property portfolio.

No deferred tax has been recognised on deductible temporary differences of £1.3m (2022: £105.1m) and tax losses of £460.8m (2022: £95.6m) as there are insufficient future profits forecast in North America and some UK entities may cease to trade before their tax losses can be utilised.

Notes to the consolidated financial statements continued

27 Provisions

	Insurance claims £m	Legal and other £m	Pensions £m	Total £m
At 26 March 2022	148.0	86.0	1.3	235.3
Charged to the income statement	11.6	20.4	(1.3)	30.7
Utilised in the year	(37.1)	(26.8)	–	(63.9)
Notional interest	0.2	–	–	0.2
Foreign exchange movements	7.2	1.6	–	8.8
At 25 March 2023	129.9	81.2	–	211.1
Current liabilities	45.5	40.4	–	85.9
Non-current liabilities	84.4	40.8	–	125.2
At 25 March 2023	129.9	81.2	–	211.1
Current liabilities	51.8	62.7	0.1	114.6
Non-current liabilities	96.2	23.3	1.2	120.7
At 26 March 2022	148.0	86.0	1.3	235.3

The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next four years although certain liabilities in respect of lifetime obligations of £1.3m (2022: £8.9m) can extend for more than 25 years. The utilisation of £37.1m (2022: £43.0m) represents payments made against the current liability of the preceding year as well as the settlement of certain large aged claims.

The insurance claims provisions, of which £78.6m (2022: £96.0m) relates to legacy Greyhound claims, includes £73.3m (2022: £88.5m) which is recoverable from insurance companies and a receivable is included within other receivables in note 17.

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

The pensions provision related to unfunded obligations that arose on the acquisition of certain First Bus companies.

28 Called up share capital

	Number of shares million	2023 £m
Allotted, called up and fully paid (ordinary shares of 5p each)		
Balance as at 27 March 2022	750.2	37.5
SAYE/BAYE exercises	0.4	–
Balance as at 25 March 2023 (ordinary shares of 5p each)	750.6	37.5

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

In December 2022, the Company announced a share buyback programme to purchase up to £75m of ordinary shares, and at 25 March 2023, the Company had repurchased 29,515,396 shares for an amount of £31.6m, including transaction costs of £0.3m. As at 25 March 2023, £75.5m has been deducted from retained earnings in respect of the shares already purchased and remaining commitment to purchase up to £75m of ordinary shares.

During the year 0.4m shares were issued to satisfy principally SAYE and BAYE exercises.

29 Reserves

The share premium account represents the premium on shares issued since 1999 and arose principally on the rights issue on the Ryder acquisition in 1999 and the share placings in 2007 and 2008. The reserve is non-distributable.

The hedging reserve includes £1.2m in relation to the cost of hedging and records the movement on designated hedging items.

The own shares reserve represents the cost of shares in FirstGroup plc purchased in the market and either held as treasury shares or held in trust to satisfy the exercise of share options.

Hedging reserve

The movements in the hedging reserve were as follows:

	2023 £m	2022 £m
Balance at 26 March 2022/27 March 2021	19.3	(3.4)
Transfer to hedging reserve through consolidated statement of comprehensive income		
Fuel derivatives	0.8	42.3
Currency forwards	(7.1)	1.6
	(6.3)	43.9
Tax on derivative hedging instrument movements through statement of comprehensive income	(1.3)	(10.8)
Transfer from hedging reserve to the balance sheet:		
Fuel derivatives	(27.7)	(14.6)
Currency forwards	(3.4)	0.7
	(31.1)	(13.9)
Tax on derivative hedging instrument movements to the balance sheet	7.8	3.5
	(11.6)	19.3
Cumulative loss on hedging instruments reclassified to the income statement	10.9	–
Balance at 25 March 2023/26 March 2022	(0.7)	19.3

Own shares

The number of own shares held by the Group at the end of the year was 42,774,044 (2022: 9,472,372) FirstGroup plc ordinary shares of 5p each. Of these, 13,068,899 (2022: 9,282,623) were held by the FirstGroup plc Employee Benefit Trust, 32,520 (2022: 32,520) by the FirstGroup plc Qualifying Employee Share Ownership Trust and 157,229 (2022: 157,229) were held as treasury shares, with a further 29,515,396 held as treasury shares as part of the share buyback programme which commenced on 19 December 2022. Both trusts and treasury shares have waived the rights to dividend income from the FirstGroup plc ordinary shares. The market value of the shares at 25 March 2023 was £43.3m (2022: £10.2m).

	Capital redemption reserve £m	Capital reserve £m	Total other reserves £m
Balance at 25 March 2023/26 March 2022	19.7	2.7	22.4

The capital redemption reserve represents the cumulative par value of all shares bought back and cancelled, less the associated transaction costs and stamp duty. The capital reserve arose on acquisitions made in 2000. Neither reserve is distributable.

30 Translation reserve

	2023 £m	2022 £m
At 26 March 2022/27 March 2021	(24.0)	524.7
Reclassification of foreign currency translation reserve on discontinued operations (see note 21)	–	(543.4)
Movement for the financial year	7.7	(5.3)
At 25 March 2023/26 March 2022	(16.3)	(24.0)

The translation reserve records exchange differences arising from the translation of the balance sheets of foreign currency denominated subsidiaries offset by movements on loans used to hedge the net investment in those foreign subsidiaries. Reclassification of foreign currency translation reserve on discontinued operations in 2022 relates to the sale of First Student and First Transit (£450.6m) and Greyhound (£92.8m).

Notes to the consolidated financial statements continued

31 Acquisition of businesses and subsidiary undertakings

	2023 £m	2022 £m
Provisional fair value of net assets acquired:		
Property, plant and equipment	28.3	1.4
Other intangible assets	–	0.2
Current assets	11.8	4.7
Other liabilities	(8.0)	(4.2)
	32.1	2.1
Goodwill	6.1	11.0
Satisfied by cash paid and payable	38.2	13.1

Acquisitions in 52 weeks to 25 March 2023

On 9 March 2023, the Group completed the acquisition of Ensign Bus Company Ltd, which has strong positions in business-to-business and regional commercial bus operations in Essex, as well as a vehicle refurbishment and re-sale operation.

The total consideration of £35.7m represents £34.7m paid during the period and £1.0m to be paid in future periods, and includes cash acquired of £6.6m included in current assets.

The business acquired during the year contributed £1.2m to Group revenue from continuing operations and £0.1m profit to Group operating profit from continuing operations from the date of acquisition.

If the acquisition of the business had been completed on the first day of the financial year, Group revenue from the acquisition for the year would have been £28.4m and Group operating profit would have been £3.0m.

On 26 October 2022, the Group completed the acquisition of Airporter Ltd, a provider of bus services and supplier of coaches, mini buses and private vehicles for hire.

The total consideration of £2.5m was fully paid in the year.

The business acquired during the year contributed £0.3m to Group revenue from continuing operations and £0.2m profit to Group operating profit from continuing operations from the date of acquisition.

If the acquisition of the business had been completed on the first day of the financial year, Group revenue from the acquisition for the year would have been £1.8m and Group operating profit would have been £1.0m.

Acquisitions in 52 weeks to 26 March 2022

On 1 June 2021 the Group completed the acquisition of Mid State School Bus Inc. a provider of school transportation services in Nebraska, United States of America. The total consideration of £2.9m represented £2.7m cash paid during the year and £0.2m deferred to be paid in future periods. The business was subsequently disposed of as part of the sale of First Transit on 21 July 2021 and therefore did not contribute to the Group's revenue from continuing operations or operating profit from continuing operations.

On 30 September 2021 the Group completed the acquisition of Somerset Passenger Solutions Ltd. a company which serves the passenger transport needs of the Hinkley Point C construction project in Somerset, England. Prior to the date of acquisition the company was operated as a joint venture between the Group and JJP Holdings (South West) Ltd. with both parties holding a 50% share.

The total consideration of £10.2m represented £8.6m cash paid during the year and £1.6m deferred to be paid in future periods.

The business acquired during 2022 contributed £14.6m to Group revenue from continuing operations and £1.4m profit to Group operating profit from continuing operations from the date of acquisition to 26 March 2022.

If the acquisition of the business acquired during the year had been completed on the first day of the financial year, Group revenue from continuing operations from the acquisition for the year would have been £30.9m and the Group operating profit from continuing operations from this acquisition would have been £3.2m.

32 Net cash from operating activities

	2023 £m	2022 restated £m
Operating profit from:		
Continuing operations	153.9	122.8
Discontinued operations	31.3	683.3
Total operations	185.2	806.1
Adjustments for:		
Depreciation charges	721.9	746.4
Capital grant amortisation	(129.1)	(115.8)
Software amortisation charges	8.6	4.7
Other intangible asset amortisation charges	–	0.4
Loss/(gain) on disposal of subsidiaries and businesses	3.7	(66.7)
Recycling of translation reserve	–	(543.4)
Impairment	13.6	–
Reversal of impairment	(4.3)	(48.1)
Share-based payments	6.4	5.4
Profit on disposal of property, plant and equipment	(71.7)	(22.1)
Operating cash flows before working capital and pensions	734.3	766.9
Decrease/(increase) in inventories	2.9	(6.4)
(Increase)/decrease in receivables	(159.4)	95.5
Increase/(decrease) in payables due within one year	53.8	(130.0)
Increase in financial assets	–	(117.0)
Decrease/(increase) in contingent consideration receivable	33.8	(106.1)
(Decrease)/increase in provisions due within one year	(31.8)	36.5
Decrease in provisions due over one year	(1.2)	(13.2)
Settlement of foreign exchange hedge	(1.2)	–
Local Government Pension Scheme refund	11.8	–
Defined benefit pension payments in excess of income statement charge	1.8	(340.4)
Cash generated by operations	644.8	185.8
Tax paid	(1.0)	(21.4)
Interest paid ¹	(70.0)	(176.6)
Net cash from operating activities²	573.8	(12.2)

1 Interest paid includes £50.6m relating to lease liabilities (2022: £41.0m).

2 Net cash from operating activities is stated after an inflow of £35.1m (2022: inflow of £9.1m) in relation to financial derivative settlements.

33 Analysis of changes in net debt

	At 26 March 2022 £m	Cash flow £m	Foreign exchange movements £m	Other £m	At 25 March 2023 £m
Components of financing activities:					
Bonds	(199.9)	15.7	–	–	(184.2)
Lease liabilities ¹	(1,083.2)	546.9	–	(1,212.3)	(1,748.6)
Asset backed financial liabilities	(35.5)	10.6	–	(19.3)	(44.2)
Other debt	(0.6)	–	–	–	(0.6)
Total components of financing activities	(1,319.2)	573.2	–	(1,231.6)	(1,977.6)
Cash	319.6	106.2	(4.0)	–	421.8
Bank overdrafts	(87.5)	4.9	–	(0.3)	(82.9)
Ring-fenced cash	468.1	(98.5)	–	–	369.6
Cash and cash equivalents	700.2	12.6	(4.0)	(0.3)	708.5
Net debt (including held for sale – discontinued operations)	(619.0)	585.8	(4.0)	(1,231.9)	(1,269.1)

1 Lease liabilities 'other' includes £1,212.3m net inception of new leases. This comprises £1,219.0m inception of new leases, being £1,200.2m of rolling stock leases, £1.3m of PCV leases and £17.5m of property and other leases, offset by £6.7m termination of leases. Termination of leases includes £3.3m in relation to rolling stock leases, £2.7m in relation to PCV leases and £0.7m relating to property and other leases.

Notes to the consolidated financial statements continued

33 Analysis of changes in net debt continued

	At 28 March 2021 £m	Cash flow £m	Foreign exchange movements £m	Other £m	At 26 March 2022 £m
Components of financing activities:					
Bank loans	(566.3)	579.3	(2.4)	(10.6)	–
Bonds	(873.1)	674.4	–	(1.2)	(199.9)
Senior unsecured loan notes	(198.8)	200.0	(0.6)	(0.6)	–
CCFF	(298.2)	298.2	–	–	–
Supplier financing ¹	(159.2)	–	–	159.2	–
Lease liabilities ²	(1,850.0)	600.4	(1.0)	167.4	(1,083.2)
Asset backed financial liabilities	(122.9)	9.4	0.3	77.7	(35.5)
Other debt	(0.7)	–	–	0.1	(0.6)
Total components of financing activities	(4,069.2)	2,361.7	(3.7)	392.0	(1,319.2)
Cash	834.3	(514.5)	(0.2)	–	319.6
Bank overdrafts	(53.8)	(33.7)	–	–	(87.5)
Ring-fenced cash	662.9	(194.8)	–	–	468.1
Cash and cash equivalents	1,443.4	(743.0)	(0.2)	–	700.2
Net debt (including held for sale – discontinued operations)	(2,625.8)	1,618.7	(3.9)	392.0	(619.0)

1 Supplier financing related wholly to First Student.

2 Lease liabilities 'other' includes £167.4m net inception of new leases. This comprises £116.9m inception of new leases, being £9.4m of PCV leases, £93.1m of rolling stock leases and £14.4m of property and other leases, offset by £284.3m termination of leases. Termination of leases includes £101.9m in relation to rolling stock leases, £31.8m in relating to PCV leases and £150.6m relating to property and other leases.

Accrued interest of £6.5m (2022: £7.1m) is excluded from the values above and derivative valuations are presented as the clean values.

34 Contingent liabilities

To support subsidiary undertakings in their normal course of business, FirstGroup plc and certain subsidiaries have indemnified certain banks and insurance companies who have issued performance bonds for £55.0m (2022: £69.4m) and letters of credit for £169.9m (2022: £219.7m). The performance bonds primarily relate to First Rail franchise operations of £51.8m and residual North American obligations of £3.2m. The letters of credit relate substantially to insurance arrangements in the UK and North America. The parent company has committed further support facilities of up to £98.5m to First Rail Train Operating Companies of which £73.6m remains undrawn. Following the sale of Greyhound, the majority of the surety bonds were cancelled, with a residual amount of £3.2m remaining as noted above. Letters of credit remain in place to provide collateral for legacy Greyhound insurance and pension obligations.

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

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

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

34 Contingent liabilities continued

The inquest relating to the death of seven passengers in the Croydon tram incident in November 2016 concluded in July 2021. The tram was operated by Tram Operations Limited ('TOL'), a subsidiary of the Group, under a contract with a Transport for London ('TfL') subsidiary. TOL provides the drivers and management to operate the tram services, whereas the infrastructure and trams are owned and maintained by a TfL subsidiary. The Office of Rail & Road ('ORR') announced in March 2022 that it had taken the decision to prosecute TfL, the driver of the tram and TOL for breaches of Health and Safety law. While TOL has indicated a guilty plea to the charge laid against it, the Company cannot yet accurately determine the quantum or timing of any financial penalties or related costs which may arise from these proceedings. TfL has also indicated a guilty plea. The driver has pleaded not guilty – his trial started in mid-May 2023.

First MTR South Western Trains Limited ('FSWT'), a subsidiary of the Company and the operator of the South Western railway contract, is a defendant to collective proceedings before the UK Competition Appeal Tribunal (the 'CAT') in respect of alleged breaches of UK competition law. Stagecoach South Western Trains Limited ('SSWT') (the former operator of the South Western network) is also a defendant to these proceedings. Separate sets of proceedings have been issued against London & South Eastern Railway Limited and related entities ('LSER') and, more recently, against Govia Thameslink Railway Limited and related entities ('GTR') in respect of the operation of other rail services. The three sets of proceedings are being heard together. The class representative ('CR') alleges that FSWT, SSWT, LSER and GTR breached their obligations under UK competition law by not making boundary fares sufficiently available for sale, and/or by failing to ensure that customers were aware of the existence of boundary fares and/or bought an appropriate fare in order to avoid being charged twice for part of a journey. A collective proceedings order ('CPO') was made by the CAT in January 2022 in respect of the FSWT/SSWT and LSER proceedings and, following an unsuccessful appeal by the defendants, the proceedings are continuing alongside the GTR proceedings in respect of which the CAT issued a judgment setting out its reasons for granting a CPO in March 2023. The Secretary of State for Transport served a written statement of intervention in all three proceedings in April 2023. A trial date has not yet been set. In March 2022, FSWT, the Company and the CR executed an undertaking under which the Company has agreed to pay to the CR any sum of damages and/or costs which FSWT fails to pay, and which FSWT is legally liable to pay to the CR in respect of the claims (pursuant to any judgment, order or award of a court or tribunal), including any sum in relation to any settlement of the claims. At present the Company cannot accurately determine the likelihood, quantum or timing of any damages and costs which may arise from these proceedings.

35 Operating commitments

	2023 £m	2022 £m
Minimum payments made under contractual terms recognised in the income statement for the year:		
Plant and machinery	6.9	3.8
Track and station access	492.7	475.3
Hire of rolling stock	1.0	1.9
Other assets	15.6	2.3
Discontinued operations	–	2.3
	516.2	485.6

At the balance sheet dates, the Group had outstanding commitments for future payments under non-cancellable operating contracts, which fall due as follows:

	2023 £m	2022 £m
Within one year	481.1	511.0
In the second to fifth years inclusive	1,135.8	420.9
After five years	0.5	0.3
	1,617.4	932.2

Included in the above commitments are contracts held by the First Rail businesses with Network Rail for access to the railway infrastructure, track, stations and depots of £1,573.9m (2022: £922.9m).

Notes to the consolidated financial statements continued

36 Share-based payments

Equity-settled share option plans

The Group recognised total expenses of £6.4m (2022: £5.4m) related to equity-settled share-based payment transactions.

(a) Save as you earn (SAYE)

The Group operates an HMRC approved savings-related share option scheme. No grants were made during the period. The scheme is based on eligible employees being granted options and their agreement to opening a sharesave account with a nominated savings carrier and to save weekly or monthly over a specified period. Sharesave accounts are held with Computershare. The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months.

	SAYE Dec 2018 Options Number
Outstanding at the beginning of the year	1,621,686
Exercised during the year	(1,019,311)
Lapsed during the year	(602,375)
Outstanding at the end of the year	–
Exercisable at the end of the year	Nil
Weighted average exercise price (pence)	70.0
Weighted average share price at date of exercise (pence)	123.2

(b) Deferred bonus shares (DBS)

DBS awards vest over a three-year period following the financial year that they relate to and are typically settled by equity.

	DBS 2012 Options Number	DBS 2013 Options Number	DBS 2014 Options Number	DBS 2015 Options Number
Outstanding at the beginning of the year	52,646	124,309	136,733	124,662
Exercised during the year	(22,109)	(18,215)	(28,695)	(16,475)
Lapsed during the year	(30,537)	–	–	–
Outstanding at the end of the year	–	106,094	108,038	108,187
Exercisable at the end of the year	Nil	106,094	108,038	108,187
Weighted average share price at date of exercise (pence)	110.6	107.5	114.6	118.6

	DBS 2016 Options Number	DBS 2017 Options Number	DBS 2018 Options Number	DBS 2019 Options Number	DBS 2020 Options Number	DBS 2021 Options Number
Outstanding at the beginning of the year	130,141	35,741	62,424	1,271,965	787,709	1,124,496
Granted during the year	–	–	–	–	–	–
Forfeited during the year	–	–	–	–	–	–
Lapsed during the year	(2,539)	(4,086)	(24,556)	(8,091)	(81,974)	(95,338)
Exercised during the year	(65,934)	(6,299)	(13,220)	(913,569)	(198,362)	(141,603)
Outstanding at the end of the year	61,668	25,356	24,648	350,305	507,373	887,555
Exercisable at the end of the year	61,668	25,356	24,648	350,305	265,320	98,748
Weighted average share price at date of exercise (pence)	114.8	118.6	118.5	118.9	113.1	111.0

36 Share-based payments continued

(c) Buy As You Earn (BAYE)

BAYE enables eligible employees to purchase shares from their gross income. The Company provides two matching shares for every three shares bought by employees, subject to a maximum Company contribution of shares to the value of £20 per employee per month. If the shares are held in trust for five years or more, no income tax and national insurance will be payable. The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award.

At 25 March 2023 there were 5,667 (2022: 4,570) participants in the BAYE scheme. Scheme participants have cumulatively purchased 32,563,932 (2022: 30,574,677) shares with the Company contributing 10,436,402 (2022: 9,843,232) matching shares on a cumulative basis.

(d) Long-Term Incentive Plan (LTIP)

LTIP awards have TSR, ROCE and EPS targets and vest over a three-year period following the financial year that they relate to and are settled by equity where an award exceeds a performance target.

	LTIP 2019 Options Number	LTIP 2020 Options Number	LTIP 2021 Options Number
Outstanding at the beginning of the year	3,304,805	5,839,948	3,293,642
Granted during the year	–	–	–
Forfeited during the year	–	–	–
Lapsed during the year	(380,058)	(703,235)	(704,944)
Exercised during the year	(2,412,111)	–	–
Outstanding at the end of the year	512,636	5,136,713	2,588,698
Exercisable at the end of the year	512,636	–	–
Weighted average share price at date of exercise (pence)	110.1	N/A	N/A

(e) Executive Share Plan (ESP)

ESP awards vest over a three-year period following the financial year that they relate to and are typically settled by equity.

	ESP 2015 Options Number	ESP 2016 Options Number	ESP 2017 Options Number	ESP 2018 Options Number	ESP 2019 Options Number	ESP 2020 Options Number	ESP 2021 Options Number
Outstanding at the beginning of the year	101,572	86,960	262,242	593,290	4,353,501	2,352,827	2,975,111
Granted during the year	–	–	–	–	–	–	–
Forfeited during the year	–	–	–	–	–	–	–
Lapsed during the year	(19,359)	(20,959)	(15,044)	(25,352)	(26,341)	(292,123)	(255,630)
Exercised during the year	–	(18,756)	(66,023)	(172,226)	(2,912,481)	(834,301)	(450,687)
Outstanding at the end of the year	82,213	47,245	181,175	395,712	1,414,679	1,226,403	2,268,794
Exercisable at the end of the year	82,213	47,245	181,175	395,712	1,414,679	554,499	515,776
Weighted average exercise price (pence)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Weighted average share price at date of exercise (pence)	N/A	121.8	117.4	116.9	123.1	104.8	110.1

(f) Conditional awards

In FY 2023 the equity share awards were granted as conditional awards rather than options. There is no impact on the economic values for either the Company or participants resulting from this change.

The conditional awards outstanding under each scheme are shown below:

	Deferred Bonus 2022 Number	ESP Awards 2022 Number	LTIP Awards 2022 Number
Outstanding at the beginning of the year	–	–	–
Granted during the year	2,121,738	263,045	8,839,303
Lapsed during the year	(19,589)	(6,432)	(162,629)
Outstanding at the end of the year	2,102,149	256,613	8,676,674

One award of 10,038 granted under the ESP 2022 Plan is permitted to vest. No other awards in the table above have vested.

Notes to the consolidated financial statements continued

36 Share-based payments continued

The fair values of the options granted during the last two years were measured using a Black-Scholes model except for the TSR element of the LTIPs which were measured using a Monte Carlo model. The inputs into the models were as follows:

	2023	2022
Weighted average share price at grant date (pence)		
– DBS	110.6	85.7
– LTIP	112.8	84.3
– ESP	99.9	93.4
Weighted average exercise price at grant date (pence)		
– DBS	–	–
– LTIP	–	–
– ESP	–	–
Expected volatility (%)		
– DBS	N/A	N/A
– LTIP	60	59
– ESP	N/A	N/A
Expected life (years)		
– DBS	3.0	3.0
– SAYE schemes	N/A	3.0
– LTIP	2.62	2.66
– ESP	3.0	3.0
Rate of interest (%)		
– DBS	N/A	N/A
– LTIP	–	–
– ESP	–	–
Expected dividend yield (%)		
– DBS	–	–
– LTIP	–	–
– ESP	–	–

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Allowances have been made for the SAYE schemes for the fact that, amongst a group of recipients some are expected to leave before an entitlement vests. The accounting charge is then adjusted over the vesting period to take account of actual forfeitures, so although the total charge is unaffected by the pre-vesting forfeiture assumption, the timing of the recognition of the expense will be sensitive to it. Fair values for the SAYE include a 10% per annum pre-vesting leaver assumption whereas the Executive, LTIP and deferred share plans exclude any allowance for pre-vesting forfeitures.

The Group used the inputs noted above to measure the fair value of the new conditional awards (FY 2022: share options).

	2023 pence	2022 pence
Weighted average fair value of options at grant date		
– DBS	105.4	85.7
– LTIP	84.9	71.8
– ESP	99.9	93.4

37 Retirement benefit schemes

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

First Bus and Group – including The First UK Bus Pension Scheme, The FirstGroup Pension Scheme and two Local Government Pension Schemes

North America – legacy schemes from operations which have now been sold

Rail – sponsoring six sections of the Railways Pension Scheme (RPS) relating to the Group's obligations for its TOCs, with an additional section for its Open Access Hull Trains business. Since the obligations to the TOC arrangements are considered to be limited to contributions during the period of the contract, these are fundamentally different to the obligations to the other pension arrangements. Details for these arrangements have therefore been shown separately.

Overall, the duration of the Company's obligations is approximately 16 years although the durations of the individual schemes tend to vary with the UK exposures tending to be of longer duration and the North American exposures tending to be of shorter duration.

All of the pension schemes are operated independently of the Group by the relevant pension scheme's manager or trustee, and the assets of each pension scheme are held separately from FirstGroup's assets. The managers or trustees (as appropriate) of the pension schemes are responsible for the investment policy, although the sponsor is consulted.

At their last valuations, the defined benefit schemes had funding levels between 74% and 114% (2022: 82% and 114%). The market value of the assets as at 25 March 2023 for all non-contract rail operation defined benefit schemes totalled £2,534m (2022: £3,343m).

(a) First Bus and Group (including open access rail operators)

Defined contribution plans (shown on a continuing basis)

Payments to defined contribution plans are charged as an expense as they fall due. There is no further obligation to pay contributions into a defined contribution plan once the contributions specified in the plan rules have been paid. The total expense recognised in the consolidated income statement of £28.1m (2022: £21.6m) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

The Group operates defined contribution plans for all Group and First Bus employees (with the exception of a small number of employees who remain active in a Local Government Pension Scheme) and First Rail employees who are not eligible to join a defined benefit arrangement. They receive a company match to their contributions, which varies by salary and/or service.

Defined benefit plans (shown on a continuing basis)

The Group has full responsibility for the retirement benefits for former and current employees of Group, First Bus and Hull Trains who are members of the schemes described in the following paragraphs, bearing all the risks and responsibilities of management and sponsorship of these schemes. These comprise five funded defined benefit plans across its First Bus and Group operations (including Hull Trains which, unlike the majority of First Rail operations, is operated under open access), covering approximately 35,500 former and current employees. With the exception of Hull Trains, all of these schemes are closed to new entrants.

Triennial valuations assess the cost of future service (where relevant) and the funding position. The employer and trustees are required to agree on assumptions for the valuations and to agree the contributions that result from these. Deficit recovery contributions may be required in addition to future service contributions. In agreeing contribution rates, reference must be made to the affordability of contributions by the employer.

Surplus after benefits have been paid/secured, can be repaid to the employer, in line with the rules of the schemes.

The First UK Bus Pension Scheme

This provides pension benefits to employees in First Bus. Historically it provided salary related benefits on a shared cost basis, but from April 2013, all new members have been enrolled in the defined contribution section. The scheme closed to defined benefit accrual on 5 April 2018.

A smaller FirstGroup Pension Scheme provides defined benefit pensions to Group employees in addition to certain First Bus employees. This scheme closed to defined benefit accrual on 5 April 2018.

The rules governing both these schemes grant the employer influence over the allocation of any residual surplus once the beneficiaries' rights have been secured. Accordingly, the net surplus/deficit is recognised in full for these schemes.

Local Government Pension Schemes

The Group participates in two Local Government Pension Schemes (LGPS), one in England and one in Scotland, which provide salary related benefits. These differ from trust-based schemes in that their benefits and governance are prescribed by specific legislation, and they are administered by local authorities. New members have not been admitted to the LGPS for several years, although benefit accrual continues for a small number of existing members.

Contribution rates are agreed for the three-year period until the next valuation. The balance sheet position in respect of the LGPS funds is restricted per the requirements of IFRIC14.

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

The Hull Trains Shared Cost Section of the Railways Pension Scheme

Hull Trains participates in its own Section of the Railways Pension Scheme. This scheme, which remains open to new entrants, provides salary-related benefits. Costs relating to accrual and to any deficit are shared with members.

The table below is set out to show the movements in the fair value of schemes' assets (Assets) along with the movements in the present value of Defined benefit obligations (DBO) (Liabilities) for the Bus and Group and Hull Trains Defined Benefit schemes:

	2023		2022	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
At beginning of period	2,930.1	2,571.7	2,732.4	2,792.8
Income statement				
Operating				
– Current service cost	–	8.5	–	8.3
– Past service gain including curtailments and settlements	–	–	–	–
Total operating	–	8.5	–	8.3
Interest income/cost	84.0	72.5	57.3	56.0
Total income statement	84.0	81.0	57.3	64.3
Amounts paid to/(from) scheme				
Employer contributions	(7.5)	–	245.5	–
Employee contributions	1.2	1.2	1.3	1.3
Benefits paid	(121.6)	(121.6)	(118.5)	(118.5)
Total	(127.9)	(120.4)	128.3	(117.2)
Expected closing position	2,886.2	2,532.3	2,918.0	2,739.9
Change in financial assumptions	–	(632.8)	–	(220.6)
Change in demographic assumptions	–	(43.6)	–	7.9
Employee share of changes	0.2	(1.6)	0.3	(0.7)
Return on assets in excess of discount rate	(719.5)	–	11.8	–
Experience	–	118.2	–	45.2
Total	(719.3)	(559.8)	12.1	(168.2)
At end of period	2,166.9	1,972.5	2,930.1	2,571.7
Surplus/(deficit) before adjustment		194.4		358.4
Impact of shared cost		(0.3)		1.4
Adjustment for irrecoverable surplus ¹		(156.7)		(162.3)
Surplus in schemes		37.4		197.5
The amount is presented in the consolidated balance sheet as follows:				
Non-current assets		44.6		203.0
Non-current liabilities		(7.2)		(5.5)
		37.4		197.5

¹ The irrecoverable surplus represents the amount of the surplus that the Group could not recover through reducing future Company contributions to LGPS, see below.

Adjustment for First Bus irrecoverable surplus

Movements in the adjustment for the First Bus irrecoverable surplus were as follows:

	2023 £m	2022 £m
At beginning of period	(162.3)	(108.7)
Interest on irrecoverable surplus	(4.7)	(2.2)
Actuarial gain/(loss) on irrecoverable surplus	10.3	(51.4)
At end of period	(156.7)	(162.3)

37 Retirement benefit schemes continued

Asset Allocation

	Quoted £m	Unquoted £m	Total £m
At March 2023			
Equity	145.9	164.4	310.3
Other return seeking assets	22.0	56.8	78.8
Real estate	–	21.9	21.9
Fixed income/liability driven	1,428.2	145.9	1,574.1
Other income generating	–	1.1	1.1
Annuities	–	129.6	129.6
Cash and cash equivalents	51.1	–	51.1
	1,647.2	519.7	2,166.9
At March 2022			
Equity	318.2	157.5	475.7
Other return seeking assets	–	78.9	78.9
Real estate	19.4	7.9	27.3
Fixed income/liability driven	1,664.5	(41.7)	1,622.8
Other income generating	197.8	255.2	453.0
Annuities	–	160.6	160.6
Cash and cash equivalents ¹	111.8	–	111.8
	2,311.7	618.4	2,930.1

(b) North America**Greyhound pension arrangements**

Following the sales of all of the businesses which the Group owned in North America, the Group retained certain responsibilities for the provision of retirement benefits for a number of legacy schemes. These arrangements are described in the following paragraphs.

The Group operates a single legacy defined benefit arrangement in the US (2022: one), while in Canada, there is one funded legacy plan (2022: three) and a small unfunded supplementary executive retirement plan. Following the merger of three legacy plans, the Company has given notice of its intention to terminate the Canadian plan.

All the North American plans are valued annually, to identify the funding positions in order to determine the statutory funding requirements.

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

The table below is set out to show the movements in the fair value of schemes' assets (Assets) along with the movements in the present value of Defined benefit obligations (DBO) (Liabilities) for the North American Defined benefit schemes:

	2023		2022	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
At beginning of period (including held for sale)	412.4	408.7	437.8	567.2
Income statement				
Operating				
– Current service cost	–	2.1	–	3.0
– Past service gain including curtailments and settlements	–	–	(81.1)	(109.7)
Total operating	–	2.1	(81.1)	(106.7)
Interest income/cost	16.5	16.2	11.9	13.6
Total income statement	16.5	18.3	(69.2)	(93.1)
Amounts paid to/(from) scheme				
Employer contributions	4.5	–	102.0	–
Employee contributions	–	–	–	–
Benefits paid	(46.9)	(46.9)	(61.9)	(61.9)
Total	(42.4)	(46.9)	40.1	(61.9)
Expected closing position	386.5	380.1	408.7	412.2
Change in financial assumptions	–	(27.2)	–	(34.5)
Change in demographic assumptions	–	–	–	1.1
Employee share of change in DBO	–	–	–	–
Return on assets in excess of discount rate	(33.9)	–	(16.4)	–
Experience	–	1.6	–	9.2
Total	(33.9)	(25.6)	(16.4)	(24.2)
Currency gain/loss	14.2	15.0	20.1	20.7
At end of period	366.8	369.5	412.4	408.7
Surplus/(deficit)				
Calculated as at 25 March		(2.7)		3.7
Opening irrecoverable surplus		(14.6)		
Change in irrecoverable surplus		7.0		(13.8)
Currency gain/(loss) on irrecoverable surplus		0.8		(0.8)
Presented in the consolidated balance sheet as Non-current liabilities		(9.5)		(10.9)

Asset Allocation

	Quoted £m	Unquoted £m	Total £m
At March 2023			
Fixed income/liability driven	336.2	(27.2)	309.0
Cash and cash equivalents	57.5	0.3	57.8
	393.7	(26.9)	366.8
At March 2022	Quoted £m	Unquoted £m	Total £m
Equity	17.4	–	17.4
Real estate	–	24.9	24.9
Fixed income/liability driven	206.5	115.2	321.7
Cash and cash equivalents	49.6	(1.3)	48.3
	273.5	138.8	412.3

37 Retirement benefit schemes continued

First Transit management contracts

The Group retained ten First Transit Management Contracts following the sale of First Transit in 2021. As at the balance sheet date, the Group's First Transit subsidiary companies sponsored a total of three single-employer pension arrangements (2022: five). The Group is indemnified against any pension liabilities by the relevant transit authorities, and pension costs are reimbursed as they fall due. The Group will not retain any pension liability upon expiry of the contract or if the contracts are reassigned.

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

	2023 £m	2022 £m
Assets	14.0	281.6
Liabilities	(21.8)	(322.1)
Deficits in schemes	(7.8)	(40.5)
Amounts recoverable from contracting authorities	7.8	40.5
Net deficits in schemes	–	–

(c) Rail contracts

The Railways Pension Scheme (RPS)

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

As at the balance sheet date, the Group sponsored six sections of the RPS, relating to its contracting obligations for its TOCs. The RPS is managed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

The RPS is a shared cost arrangement. All costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members.

For the TOC sections, under the contractual arrangements with the DfT, the employer's responsibility is to pay the contributions following triennial funding valuations while it operates the contracted services. These contributions are subject to change on consideration of future statutory valuations. At the end of the contract, any deficit or surplus in the scheme section passes to the subsequent train operating company with no compensating payments from or to the outgoing TOC.

The statutory funding valuations of the various Rail Pension Scheme sections in which the Group is involved (last finalised with an effective date of 31 December 2013) and the IAS 19 actuarial valuations are carried out for different purposes and may result in materially different results. The IAS 19 valuation is set out in the disclosures below.

The accounting treatment for the time-based risk-sharing feature of the Group's participation in the RPS is not explicitly considered by IAS 19 Employee Benefits (Revised). The contributions currently committed to being paid to each TOC section are lower than the share of the service cost (for current and future service) that would normally be calculated under IAS 19 (Revised) and the Group does not account for uncommitted contributions towards the sections' current or expected future deficits. Therefore, the Group does not need to reflect any deficit on its balance sheet. A TOC adjustment (asset) exists that exactly offsets any section deficit that would otherwise remain after reflecting the cost sharing with the members. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current contract and committed contributions. The TOC adjustment on the balance sheet date reflects the extent to which the Group is not currently committed to fund the deficit.

Movements in the TOC contract adjustment in a period arise from and are accounted for as follows:

Any service cost for the period for which the contribution schedule requires no contributions from the entity are reflected as an adjustment to the service cost in the income statement, which is considered to be in line with paragraphs 92-94 of IAS 19 (Revised).

Under circumstances where contributions are renegotiated, such as following a statutory valuation, any adjustment necessary to reflect an obligation to fund past service cost will be recognised in the income statement.

At the previous year end, we noted that The Pensions Regulator (TPR) had been in discussion with the RPS (the Scheme) regarding the assumptions used to determine the Scheme's funding requirements. Discussions are ongoing, and the possibility remains of changes to contributions that could impact all rail operators sponsoring this industry-wide scheme.

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

TPR and the DfT had requested that the RDG co-ordinate the Train Operators' involvement in an industry-wide review of Scheme's funding. The RDG, comprising participants from each of the large owning groups, has been seeking to develop a framework which meets TPR, DfT, RPS and RDG objectives. There has been continuing engagement between the key parties during the year, and efforts to develop a framework to take forward to a formal consultation are ongoing.

Management continues to believe that the protections contained within current contractual agreements with the DfT will allow the Scheme to continue with its current funding strategy in the short term. Nevertheless, TPR believes that a higher level of funding is required in the longer term, and the Group has been engaged with the industry-wide project to consider the funding of the Scheme.

Management continues to believe that an approach that meets TPRs key objectives while maintaining stability and fairness, and retaining protection against unacceptable risk, for both operators and scheme members, is achievable.

Management do not believe that the current EMAs and NRCs have impacted the position in relation to the Group's funding obligations towards the RPS sections and no allowance has therefore been made within the disclosures for these Agreements.

The disclosed information has been set out to illustrate the effect of this on the costs borne by FirstGroup. In particular, 40% of the costs, gains or losses and any deficit are attributed to the members. In addition, the total surplus or deficit is adjusted by way of a 'contract adjustment' which includes an assessment of the changes that will arise from contracted future contributions and which is the portion of the deficit or surplus projected to exist at the end of the contract which the Group will not be required to fund or benefit from.

	Assets £m	Liabilities £m	Adjustment for employee share of RPS deficits (40%) £m	Contract adjustment £m	Net £m
At 1 April 2022	3,790.6	(5,066.1)	510.2	765.3	-
Income statement					
Operating					
– Service cost	-	(236.7)	94.6	89.2	(52.9)
– Admin cost	-	(10.4)	4.2	-	(6.2)
Total operating	-	(247.1)	98.8	89.2	(59.1)
Financing	108.2	(138.1)	12.0	17.9	-
Total income statement	108.2	(385.2)	110.8	107.1	(59.1)
Amounts paid to/(from) scheme					
Employer contributions	59.1	-	(23.6)	23.6	59.1
Employee contributions	39.4	-	(15.8)	(23.6)	-
Benefits paid	(140.8)	140.8	-	-	-
Total	(42.3)	140.8	(39.4)	-	59.1
Expected closing position	3,856.6	(5,310.5)	581.6	872.3	-
Change in financial assumptions	-	1,840.2	(736.1)	(1,104.1)	-
Return on assets in excess of discount rate	(172.3)	-	68.9	103.4	-
Experience	-	(344.2)	137.7	206.5	-
Total	(172.3)	1,496.0	(529.5)	(794.2)	-
At 31 March 2023	3,684.3	(3,814.5)	52.1	78.1	-

37 Retirement benefit schemes continued

	Assets £m	Liabilities £m	Adjustment for employee share of RPS deficits (40%) £m	Contract adjustment £m	Net £m
At 1 April 2021	3,370.6	(5,318.6)	779.2	1,168.8	–
Income statement					
Operating					
– Service cost	–	(253.4)	101.4	100.8	(51.2)
– Admin cost	–	(11.1)	4.4	–	(6.7)
Total operating	–	(264.5)	105.8	100.8	(57.9)
Financing	69.4	(105.1)	14.3	21.5	–
Total income statement	69.4	(369.6)	120.1	122.3	(57.9)
Amounts paid to/(from) scheme					
Employer contributions	57.9	–	(23.1)	23.1	57.9
Employee contributions	37.9	–	(15.2)	(22.7)	–
Benefits paid	(129.5)	129.5	–	–	–
Total	(33.8)	129.5	(38.3)	0.4	57.9
Expected closing position					
Change in financial assumptions	3,406.2	(5,558.6)	861.0	1,291.4	–
Return on assets in excess of discount rate	–	510.0	(204.0)	(306.0)	–
Experience	384.4	–	(153.8)	(230.7)	–
–	–	(17.5)	7.0	10.5	–
Total	384.4	492.5	(350.8)	(526.1)	–
At 31 March 2022	3,790.6	(5,066.1)	510.2	765.3	–

During the year £10.4m (2022: £11.1m) of gross administrative expenses were incurred, included in benefits paid above.

Finance costs above include interest income of £64.9m (2022: £41.6m) and employee share of interest on assets of £43.3m (2022: £27.8m)

Income statement charges on liabilities above of £385.2m (2022: £369.6m) represent:

	2023 £m	2022 £m
Current service costs	148.2	158.6
Interest costs	82.9	63.1
Employee share of change in DBO (not attributable to contract adjustment)	154.1	147.9
	385.2	369.6

Notes to the consolidated financial statements continued

37 Retirement benefit schemes continued

Asset Allocation

	Quoted £m	Unquoted £m	Total £m
At 25 March 2023/31 March 2023			
Equity	–	2,069.3	2,069.3
Other return seeking assets	–	1,177.8	1,177.8
Real estate	–	426.5	426.5
Cash and cash equivalents	10.7	–	10.7
	10.7	3,673.6	3,684.3
At 26 March 2022/31 March 2022			
Equity	–	2,241.9	2,241.9
Other return seeking assets	–	1,089.7	1,089.7
Real estate	–	450.8	450.8
Cash and cash equivalents	8.2	–	8.2
	8.2	3,782.4	3,790.6

The Rail contracts' assets are invested in pooled funds created specifically for the Rail schemes. As such, these assets have been categorised as unquoted.

(d) Valuation assumptions

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

	First Bus 2023 %	First Rail 2023 %	North America 2023 %	First Bus 2022 %	First Rail 2022 %	North America 2022 %
Key assumptions used:						
Discount rate	4.67 – 4.69	4.80	4.66 – 4.92	2.91 – 2.97	2.83	3.72 – 4.19
Expected rate of salary increases	3.51	3.22	n/a	4.01	3.43	n/a
Inflation – CPI	2.51 – 2.56	2.72	2.0	2.89 – 3.01	2.93	2.0
Future pension increases	2.53 ²	2.72	n/a	2.68 ²	2.93	n/a
Post-retirement mortality (life expectancy in years) ¹						
Current pensioners at 65:	19.4	20.7	19.7 – 21.6	19.9	20.6	19.7 – 21.5
Future pensioners at 65 aged 45 now:	19.8	22.2	21.3 – 22.6	21.4	22.1	21.2 – 22.6

¹ Life expectancies reflect the largest underlying plans in each region.

² Weighted average for principal scheme.

The Group reviews its longevity assumptions for each scheme following completion of funding valuations. The assumptions adopted reflect recent scheme experience and views on future longevity which may include industry specific adjustment where appropriate. The Group obtains specialist actuarial advice before agreeing longevity assumptions.

(e) Sensitivity of retirement benefit obligations to changes in assumptions

The method used to derive the sensitivities is the same as that used to calculate the main disclosures. The exception is longevity where we have instead applied a general rule that one year's extra life expectancy adds c.3% to the defined benefit obligation (with resultant impacts on rail and irrecoverable surplus adjustments). This is consistent with the method applied to deriving last year's sensitivities.

A 1.0% movement in the discount rate would impact the balance sheet position by approximately £218m. A 0.5% movement in the inflation rate would impact the balance sheet position by approximately £67m. A one-year movement in life expectancy would impact the balance sheet position by approximately £52m.

Management considers that the figures provide a suitable indication of the potential impact of reasonably possible changes in the financial assumptions and one-year change in the mortality assumption. No allowance has been made for any consequent change in the value of assets held.

37 Retirement benefit schemes continued

(f) Consolidated statement of comprehensive income

Amounts presented in the consolidated statement of comprehensive income comprise:

	2023 £m	2022 £m
Actuarial gain on DBO	2,079.7	684.3
Actuarial (loss)/gain on assets	(925.7)	380.1
Actuarial (loss) on contract adjustments	(1,323.7)	(876.9)
Adjustment for irrecoverable surplus	18.8	(65.2)
Actuarial (losses)/gains on defined benefit schemes	(150.9)	122.3

(g) Cash contributions

The estimated amounts of employer contributions expected to be paid to the defined benefit schemes during the 53 weeks ending 30 March 2024 is £64m based on current contributions schedules in force (25 March 2023: £70m).

(h) Risks associated with defined benefit plans:

Generally the number of employees in defined benefit plans is reducing rapidly, as these plans are largely closed to new entrants, and in most cases to future accrual. Consequently, the number of defined contribution members is increasing.

The First Bus Pension Scheme and the FirstGroup Pension Scheme both closed to future accrual on 5 April 2018. This change will serve to limit the risks associated with defined benefit pension provision by the Group.

Despite remaining open to new entrants and future accrual, the risks posed by the RPS are limited, as under the contractual arrangements with DfT, the First Rail TOCs are not responsible for any residual deficit at the end of a contract. As such, there is only short-term cash flow risk within this business.

The key risks relating to the other defined benefit pension arrangements and the steps taken by the Group to mitigate them are as follows:

Risk	Description	Mitigation
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The assets held in the defined benefit arrangements are intended to meet the long-term funding objectives of those arrangements, and therefore results in some risk in the short term and has the potential for material adverse movements relative to the liabilities as valued for accounting purposes.	Asset liability modelling has been undertaken to ensure that any risks taken are expected to be rewarded and, in relation to the Company's largest pension exposures, further work is being undertaken to ensure that the investment strategy remains the most appropriate.
Inflation risk	A significant proportion of the UK benefit obligations are linked to inflation and higher inflation will lead to higher liabilities.	Investment strategy reviews have led to increased inflation hedging, mainly through swaps or holding Index Linked Gilts in the UK schemes.
Uncertainty over level of future contributions	Contributions to defined benefit schemes can be unpredictable and volatile as a result of changes in the funding level revealed at each valuation.	The Group engages with the trustees and plan managers to consider how contribution requirements can be made more stable. The level of volatility and the Group's ability to control contribution levels varies between arrangements.
Life expectancy	The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	Linking retirement age to State Pension Age (as in The First Bus Pension Scheme and LGPS) has mitigated this risk to some extent. An annuity buy-in has further mitigated this risk in one of the LGPS arrangements.
Legislative risk	Future legislative changes are uncertain. In the past these have led to increases in obligations, through introducing pension increases, vesting of deferred pensions, equalisation of certain benefits for men and women or reduced investment return through the ability to reclaim Advance Corporation Tax.	The Group receives professional advice on the impact of legislative changes.

Notes to the consolidated financial statements continued

38 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the Directors, which comprise the plc Board who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Annual report on remuneration on pages 118-133.

	2023 £m	2022 £m
Basic salaries ¹	1.7	1.6
Benefits in kind	–	–
Fees	0.8	0.9
Share-based payment	2.5	2.6
	5.0	5.1

¹ Basic salaries include cash emoluments in lieu of retirement benefits, bonuses and car allowances.

39 Events after the reporting period

- On 11 May 2023, the Department for Transport (DfT) confirmed that it would not exercise its option to extend the existing arrangements for FirstGroup's TransPennine Express (TPE) National Rail Contract, which was due to expire on 28 May 2023. On that date the DfT appointed its Operator of Last Resort to take over delivery of passenger services on the TPE network.
- The sale of the Bus division's depot at Empress Road, Southampton, which was disclosed as held for sale at 25 March 2023, completed on 3 April 2023 with proceeds in line with the held for sale valuation.
- First Transit earnout crystallised following completion of the sale of the First Transit business by EQT Infrastructure in March 2023, with estimated proceeds of c.\$89m anticipated in H1 FY 2024.
- In May 2023, the DfT announced a two-year funding settlement for bus 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.

40 Information about related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 25 March 2023 is disclosed below. Unless otherwise stated, the Group's shareholding represents ordinary shares held indirectly by FirstGroup plc, the entities are unlisted, and have one type of ordinary share capital, the year end is 25 March. The Group's interest in the voting share capital is 100% unless otherwise stated. No subsidiary undertakings have been excluded from the consolidation:

Subsidiaries – wholly owned and incorporated in the United Kingdom

A E & F R Brewer Limited,^{4,5} Heol Gwyrosydd, Penlan, Swansea, SA5 7BN

Airport Buses Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Airport Coaches Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Airporter Limited,^{3,7} 21 Arthur Street, Belfast, BT1 4GA

Butler Woodhouse Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Cawlett Limited,⁴ Enterprise House, Easton Road, Bristol, BS5 0DZ

CCB Holdings Limited (03128545),⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

CentreWest Limited (02844270),⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

CentreWest London Buses Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

CentreWest ESOP Trustee (UK) Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Chester City Transport Limited,⁵ Bus Depot, Wallshaw Street, Oldham, OL1 3TR

Crosville Limited,⁵ Bus Depot, Wallshaw Street, Oldham, OL1 3TR

Don Valley Buses Limited,⁵ Olive Grove, Sheffield, South Yorkshire, S2 3GA

East Coast Trains Limited,^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

East West Rail Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

ECOC (Holdings) Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Ensign Bus Company Limited,⁷ The Rifle Range, Juliette Close, Purfleet Industrial Park, Aveley, South Ockendon, Essex, RM15 4YF

Evolutionary Rail Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FB Canada Holdings Limited (SC356482),^{3,4} 395 King Street, Aberdeen, AB24 5RP

FG Canada Investments Limited (SC356484),^{3,4} 395 King Street, Aberdeen, AB24 5RP

FG Properties Limited,^{3,8} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FGI Canada Holdings Limited (SC356485),^{3,4} 395 King Street, Aberdeen, AB24 5RP

First Aberdeen Limited,^{3,7} 395 King Street, Aberdeen, AB24 5RP

First Beeline Buses Limited,^{3,7} Hoeford, Gosport Road, Fareham, Hampshire, PO16 0ST

First Bus Central Services Limited,^{3,8} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Bus Pension GP Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Caledonian Sleeper Limited,^{5,9} 395 King Street, Aberdeen, AB24 5RP

First Capital Connect Limited,^{3,5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Capital East Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

First Capital North Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First CentreWest Buses Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First City Line Ltd,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Coaches Limited,⁵ Enterprise House, Easton Road, Bristol, BS5 0DZ

First Customer Contact Limited,^{8,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Cymru Buses Limited,^{3,7} Heol Gwyrosydd, Penlan, Swansea, SA5 7BN

First Dublin Metro Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Eastern Counties Buses Limited,⁷ Davey House, 7b Castle Meadow, Norwich, Norfolk, NR1 3DE

First Essex Buses Limited,⁷ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

First European Holdings Limited (05113697),^{1,3,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Games Transport Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Glasgow Limited,^{1,5} 100 Cathcart Road, Glasgow, G42 7BH

First Glasgow (No.1) Limited,⁷ 100 Cathcart Road, Glasgow, G42 7BH

First Glasgow (No.2) Limited,^{3,7} 100 Cathcart Road, Glasgow, G42 7BH

First Great Western Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Great Western Trains Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Greater Western Limited,^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Hampshire & Dorset Limited,⁷ Hoeford, Gosport Road, Fareham, Hampshire, PO16 0ST

First Information Services Limited (SC288178),^{1,3,8} 395 King Street, Aberdeen, AB24 5RP

First International (Holdings) Limited (08743641),^{1,3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First International No.1 Limited (08746564),^{3,5} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Manchester Limited,^{3,7} Wallshaw Street, Oldham, OL1 3TR

Notes to the consolidated financial statements continued

40 Information about related undertakings continued

First Merging Pension Schemes

Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Metro Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Midland Red Buses Limited,^{3,7} Abbey Lane, Leicester, England, LE4 0DA

First North West Limited (02862042),^{3,4} Wallshaw Street, Oldham, OL1 3TR

First Northern Ireland Limited,^{3,7} 21 Arthur Street, Belfast, BT1 4GA

First Pioneer Bus Limited,^{3,5} Wallshaw Street, Oldham, OL1 3TR

First Potteries Limited,^{3,7} Abbey Lane, Leicester, England, LE4 0DA

First Provincial Buses Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Rail Holdings Limited,^{1,4,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Rail Procurement Limited,^{1,3,8,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Rail Support Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First ScotRail Limited,^{3,5,9} 395 King Street, Aberdeen, AB24 5RP

First ScotRail Railways Limited,^{5,9} 395 King Street, Aberdeen, AB24 5RP

First Shared Services Limited,⁵ 395 King Street, Aberdeen, AB24 5RP

First South West Limited,^{3,7} Union Street, Camborne, Cornwall, TR14 8HF

First South Yorkshire Limited,⁷ Olive Grove, Sheffield, South Yorkshire, S2 3GA

First Student UK Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Thameslink Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Trains Limited,^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First TransPennine Express Limited,^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

First Travel Solutions Limited,⁷ Unit 5 Petre Court, Petre Road Clayton Business Park, Clayton Le Moors, Accrington, BB5 5HY

First Wessex National Limited,⁵ Enterprise House, Easton Road, Bristol, BS5 0DZ

First West of England Limited,⁷ Enterprise House, Easton Road, Bristol, BS5 0DZ

First West Yorkshire Limited,⁷ Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL

First York Limited,^{3,7} Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL

FirstBus (North) Limited,^{1,3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstBus (South) Limited,^{1,3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstBus Group Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstBus Investments Limited (02205797),^{1,3,4} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstGroup American Investments (SC330038),^{3,4} 395 King Street, Aberdeen, AB24 5RP

FirstGroup Canadian Finance Limited (03486937),^{1,3,6} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstGroup Construction Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstGroup Holdings Limited,^{1,8} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstGroup Pension GP Limited,⁴ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstGroup (QUEST) Trustees Limited,^{1,5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

FirstGroup US Finance Limited (SC330060),^{1,3,6} 395 King Street, Aberdeen, AB24 5RP

FirstGroup US Holdings (SC330054),^{3,4} 395 King Street, Aberdeen, AB24 5RP

Fleetrisk Management Limited,⁵ Olive Grove, Sheffield, South Yorkshire, S2 3GA

G.E. Mair Hire Services Limited,⁵ 395 King Street, Aberdeen, AB24 5RP

G.A.G. Limited,^{1,4} Enterprise House, Easton Road, Bristol, BS5 0DZ

GB Railways Group Limited,^{1,3,4,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Great Western Trustees Limited,^{5,9} Milford House, 1 Milford Street, Swindon, SN1 1HL

Grenville Motors Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Greyhound Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

GRT Bus Group Limited (SC114203),^{1,3,4} 395 King Street, Aberdeen, AB24 5RP

Gurna Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Halesworth Transit Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Hampshire Books Limited,⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Hull Trains Company Limited,^{7,9} The Point, 8th Floor, 37 North Wharf Road, London, England, W2 1AF

Indexbegin Limited,⁵ Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL

KCB Limited,⁵ 100 Cathcart Road, Glasgow, G42 7BH

Kelvin Central Buses Limited,⁵ 100 Cathcart Road, Glasgow, G42 7BH

Kelvin Scottish Omnibuses Limited,⁵ 100 Cathcart Road, Glasgow, G42 7BH

Kirkpatrick of Deeside Limited,⁵ 395 King Street, Aberdeen, AB24 5RP

Lynton Bus and Coach Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Lynton Company Services Limited,⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Mainline Partnership Limited,^{1,4} Olive Grove, Sheffield, South Yorkshire, S2 3GA

40 Information about related undertakings continued

Midland Travellers Limited,⁵

Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL

Mistral Data Limited,^{8,9}

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

North Devon Limited,⁵

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Northampton Transport Limited,⁵

Bus Depot, Westway, Chelmsford, Essex, CM1 3AR

Project Coral Limited,⁴

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Quickstep Travel Ltd,⁵

Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL

Reiver Ventures Properties Limited,⁴

Carmuir House, 300 Stirling Road, Larbert, Stirlingshire, FK5 3NJ

Reiver Ventures Limited,⁵

Carmuir House, 300 Stirling Road, Larbert, Stirlingshire, FK5 3NJ

Reynard Buses Limited,⁵

Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL

Rider Holdings Limited (02272577),^{3,4}

Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL

Rider Travel Limited,⁵

Hunslet Park Depot, Donisthorpe Street, Leeds, West Yorkshire, LS10 1PL

Scott's Hospitality Limited,⁵

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Sheafline (S.U.T.) Limited,⁵

Olive Grove, Sheffield, South Yorkshire, S2 3GA

Sheffield & District Traction Company Limited,⁵

Olive Grove, Sheffield, South Yorkshire, S2 3GA

Sheffield United Transport Limited,⁵

Olive Grove, Sheffield, South Yorkshire, S2 3GA

Skillplace Training Limited,⁵

Heol Gwyrosydd, Penlan, Swansea, SA5 7BN

Smiths of Portland Limited,⁵

Enterprise House, Easton Road, Bristol, BS5 0DZ

SMT Omnibuses Limited,⁵

Carmuir House, 300 Stirling Road, Larbert, Stirlingshire, FK5 3NJ

Somerset Passenger Solutions Ltd,^{3,7}

J24 Hinkley Point C, Park and Ride, Huntworth Business Park, Bridgwater, TA6 6TS

Southampton CityBus Limited,^{3,4}

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Southampton City Transport Company Limited,⁴

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Strathclyde Buses Limited,⁵

100 Cathcart Road, Glasgow, G42 7BH

Streamline Buses (Bath) Limited,^{1,5}

Enterprise House, Easton Road, Bristol, BS5 0DZ

Taylor's Coaches Limited,⁵

Enterprise House, Easton Road, Bristol, BS5 0DZ

The FirstGroup Pension Scheme Trustee Limited,⁸

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

The First UK Bus Pension Scheme Trustee Limited,⁵

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Totaljourney Limited,^{1,5,9}

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Tram Operations Limited,^{7,9}

Tramlink Depot, Coomber Way, Croydon, CR0 4TQ

Transportation Claims Limited,⁸

Aquis House, 49-51 Blagrove Street, Reading, RG1 1PL

Truronian Limited,^{3,5}

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

West Dorset Coaches Limited,⁴

Enterprise House, Easton Road, Bristol, BS5 0DZ

Western National Holdings Limited,⁴

8th Floor, The Point, 37 North Wharf Road, London, W2 1AF

Subsidiaries – wholly owned and incorporated in the United States of America

Durham City Transit Company,⁷ 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

FirstGroup Management,⁵ Inc. 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

FirstGroup Services,⁵ Inc. 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

Laidlaw Transportation Holdings,⁵ Inc. 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

Transit Management of Dutchess County,⁷ Inc. 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

Transit Management of Racine,⁷ Inc. 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

Transit Management of St Joseph,⁷ Inc. 600 Vine Street, Suite 1400, Cincinnati, Ohio 45202

Notes to the consolidated financial statements continued

40 Information about related undertakings continued

<p>Subsidiaries – not wholly owned but incorporated in the United States of America</p> <p>Transportation Realty Income Partners LP (50%),⁷ 600 Vine Street Suite 1400, Cincinnati, Ohio 45202</p>	<p>Subsidiaries – wholly owned and incorporated in Canada</p> <p>GCT Holdings Ltd,⁴ Blake, Cassels & Graydon LLP, 3500, 855 – 2 Street SW, Calgary, Alberta, T2P 4J8</p> <p>GCT Investment Limited Partnership,⁴ Blake, Cassels & Graydon LLP, 3500, 855 – 2 Street SW, Calgary, Alberta, T2P 4J8</p> <p>Greyhound Canada Transportation ULC,⁷ Blake, Cassels & Graydon LLP, 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, British Columbia V7X 1L3</p>	<p>Subsidiaries not wholly owned but incorporated in the United Kingdom</p> <p>Careroute Limited (80%),⁵ 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF</p> <p>First/Keolis Holdings Limited (55%),^{1,3,5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF</p> <p>First/Keolis TransPennine Holdings Limited (55%),^{3,4,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF</p> <p>First/Keolis TransPennine Limited (55%),^{3,5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF</p> <p>First MTR South Western Trains Limited (70%),^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF</p> <p>First Trenitalia East Midlands Rail Limited (70%),^{5,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF</p> <p>First Trenitalia West Coast Rail Limited (70%),^{7,9} 8th Floor, The Point, 37 North Wharf Road, London, W2 1AF</p> <p>Leicester CityBus Benefits Limited (94%),⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR</p> <p>Leicester CityBus Limited (94%),^{2,3,7} Abbey Lane, Leicester, England, LE4 ODA</p> <p>LCB Engineering Limited (94%),⁵ Bus Depot, Westway, Chelmsford, Essex, CM1 3AR</p>
<p>Subsidiaries – wholly owned and incorporated in Ireland</p> <p>Aeroporto Limited,⁴ 25-28 North Wall Quay, Dublin</p> <p>Last Passive Limited,⁷ 25-28 North Wall Quay, Dublin</p>	<p>Subsidiary not wholly owned but incorporated in Canada</p> <p>GACCTO Limited (50%),⁵ 130 King Street West, #1600, Toronto, Ontario M5X 1J5</p>	<p>Subsidiary not wholly owned but incorporated in India</p> <p>Transit Operations Private Limited (99.95%),⁷ Lentin Chambers, 2nd Floor, Dalal Street, Fort Mumbai, 400023</p>
<p>Subsidiaries – wholly owned and incorporated in Panama</p> <p>First Transit de Panama, Inc.⁵ Morgan & Morgan, Costa del Este, MMG Tower, 23rd Floor, Panama City</p>		

1 Directly owned by FirstGroup plc.

2 All shares held in subsidiary undertakings are ordinary shares, with the exception of Leicester CityBus Limited where the Group owns 100% of its redeemable cumulative preference shares and 94% of its ordinary shares.

3 For the year ending 25 March 2023 these subsidiaries are exempt from audit of individual accounts under S479A of the UK Companies Act 2006.

4 Primary business is a holding company

5 Primary business is a dormant company

6 Primary business is an intragroup financing company

7 Primary business is the provision of transportation services

8 Primary business is an administrative or support services company

9 Rail companies with 31 March year end

Certain pension partnership structures (FirstBus Pension Limited Partnership and FirstGroup Pension Limited Partnership) were implemented during the 52 weeks ending 26 March 2022. These structures involved the creation of special purpose vehicles (SPVs) to hold cash to fund the Bus and Group pension schemes if required, based on a designated funding mechanism. The first accounting period end for these SPVs was 31 March 2023. The SPVs are consolidated into FirstGroup plc's consolidated accounts, and therefore under Partnership (Accounts) Regulations 2008, Regulation 7, the SPVs are exempt from the requirement to prepare individual entity annual accounts.

Group financial summary

Unaudited

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Consolidated income statement (includes discontinued operations)					
Group revenue	4,759.0	5,588.0	6,844.8	7,754.6	7,126.9
Operating profit before amortisation charges and other adjustments	154.4	226.8	220.4	256.8	314.8
Amortisation charges	–	(0.4)	(4.1)	(4.9)	(11.8)
Other adjustments	30.8	579.7	69.7	(404.6)	(293.2)
Operating profit/(loss)	185.2	806.1	285.8	(152.7)	9.8
Finance costs	(69.3)	(153.5)	(172.0)	(146.9)	(107.7)
Investment income	12.8	1.5	2.0	–	–
Profit/(loss) before tax	128.7	654.1	115.8	(299.6)	(97.9)
Tax	(33.4)	(12.1)	(24.7)	(25.0)	(10.1)
Profit/(loss) for the year	95.3	642.0	91.1	(324.6)	(108.0)
EBITDA	755.8	862.1	1,178.9	1,108.9	670.3
Per share measures					
	pence	pence	pence	pence	pence
Adjusted continuing EPS	10.6	1.6	(3.5)	6.8	13.3
Basic EPS	11.8	60.2	6.5	(27.0)	(5.5)
Dividend per share	3.8	1.1	–	–	–
Consolidated balance sheet					
	£m	£m	£m	£m	£m
Non-current assets	2,651.9	2,267.2	2,641.2	6,225.1	4,003.5
Net current (liabilities)/assets	(253.9)	(546.8)	(876.8)	(701.9)	10.7
Non-current liabilities	(1,530.9)	(753.1)	(2,817.7)	(3,927.5)	(1,958.9)
Held for sale – continuing operations	8.3	–	–	–	–
Held for sale – discontinued operations	0.6	38.5	2,342.9	–	–
Non-current provisions	(125.2)	(120.7)	(135.5)	(419.0)	(532.0)
Net assets	750.8	885.1	1,154.1	1,176.7	1,523.3
Share data					
Number of shares in issue	millions	millions	millions	millions	millions
At year end	750.6	750.2	1,221.8	1,219.5	1,213.9
Average (excluding treasury shares and shares in trusts)	739.5	1,057.5	1,203.6	1,210.9	1,205.9
Share price					
	pence	pence	pence	pence	pence
At year end	101	107	92	50	91
High	140	107	95	138	117
Low	94	73	31	28	79
Market capitalisation					
	£m	£m	£m	£m	£m
At year end	760	803	1,124	610	1,105
Continuing operations					
	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	4,755.0	4,591.1	4,318.8	4,039.6	3,506.1
Adjusted operating profit	161.0	106.7	112.2	81.3	91.7
Operating profit/(loss)	153.9	122.8	171.0	38.2	(94.8)
EBITDA	762.4	731.2	782.8	623.3	208.0
First Bus					
	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	902.5	789.9	698.9	835.9	876.1
Adjusted operating profit	58.4	45.2	36.6	46.1	65.1
Operating profit/(loss)	51.4	45.2	30.8	32.4	27.4
EBITDA	120.9	104.4	100.8	113.2	119.7
First Rail					
	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	3,893.2	3,801.2	3,619.9	3,203.7	2,666.7
Adjusted operating profit	124.8	87.8	108.1	70.4	68.8
Operating profit/(loss)	124.8	91.8	203.8	69.3	(77.1)
EBITDA	661.0	649.9	711.1	540.3	127.4

Company balance sheet

As at 25 March

	Note	2023 £m	2022 £m
Non-current assets			
Trade and other receivables	3	506.9	376.4
Derivative financial instruments	4	0.1	0.2
Investments	5	740.7	2,147.9
		1,247.7	2,524.5
Current assets			
Cash and cash equivalents		371.4	186.8
Trade and other receivables	3	2.7	0.9
Derivative financial instruments	4	4.1	0.6
		378.2	188.3
Total assets		1,625.9	2,712.8
Current liabilities			
Trade and other payables	7	313.3	1,518.4
Derivative financial instruments	4	0.1	–
		313.4	1,518.4
Net current assets/(liabilities)		64.8	(1,330.1)
Non-current liabilities			
Trade and other payables	7	184.2	199.9
		184.2	199.9
Total liabilities		497.6	1,718.3
Net assets		1,128.3	994.5
Equity			
Share capital	8	37.5	37.5
Share premium		693.2	692.8
Other reserves		117.2	167.3
Own shares	9	(15.4)	(9.0)
Retained earnings		295.8	105.9
Total equity		1,128.3	994.5

The Company reported a profit for the 52 weeks ending 25 March 2023 of £232.3m (2022: loss of £150.8m).

Ryan Mangold

8 June 2023

Company number SC157176

Company statement of changes in equity

For the 52 weeks ended 25 March

	Share capital £m	Share premium £m	Own shares £m	Hedging reserve £m	Merger reserve £m	Capital reserve £m	Capital Redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 28 March 2021	61.1	689.6	(9.0)	(10.0)	64.0	93.8	1.9	761.9	1,653.3
Loss for the year	-	-	-	-	-	-	-	(150.8)	(150.8)
Other comprehensive (loss)/income for the year	-	-	-	(0.2)	-	-	-	6.2	6.0
Total comprehensive loss for the year	-	-	-	(0.2)	-	-	-	(144.6)	(144.8)
Transactions with owners in their capacity as owners									
Shares issued	0.2	3.2	-	-	-	-	-	-	3.4
Shares bought back and cancelled	(23.8)	-	-	-	-	-	17.8	(500.0)	(506.0)
Movement in EBT and treasury shares	-	-	-	-	-	-	-	(16.8)	(16.8)
Share-based payments	-	-	-	-	-	-	-	5.4	5.4
Balance at 26 March 2022	37.5	692.8	(9.0)	(10.2)	64.0	93.8	19.7	105.9	994.5
Balance at 27 March 2022	37.5	692.8	(9.0)	(10.2)	64.0	93.8	19.7	105.9	994.5
Profit/(loss) for the year	-	-	-	-	-	-	-	232.3	232.3
Other comprehensive (loss)/income for the year	-	-	-	0.0	-	-	-	-	0.0
Total comprehensive gain/(loss) for the year	-	-	-	0.0	-	-	-	232.3	232.3
Transactions with owners in their capacity as owners									
Shares issued	-	0.4	-	-	-	-	-	-	0.4
Shares bought back but not yet cancelled	-	-	-	-	-	-	-	(31.6)	(31.6)
Liability for shares not yet bought back	-	-	-	-	-	-	-	(43.9)	(43.9)
Movement in EBT and treasury shares	-	-	(6.4)	-	-	-	-	(8.6)	(15.0)
Share-based payments	-	-	-	-	-	-	-	6.4	6.4
Dividends paid	-	-	-	-	-	-	-	(14.8)	(14.8)
Reclassification to retained earnings	-	-	-	-	(50.1)	-	-	50.1	-
Balance at 25 March 2023	37.5	693.2	(15.4)	(10.2)	13.9	93.8	19.7	295.8	1,128.3

Merger reserves relating to disposal of investments for qualifying consideration and those relating to the extent related investments are impaired are considered realised and transferred to retained earnings.

The non-distributable portion of retained earnings is £32.7m (2022 £35.0m).

Notes to the Company financial statements

1 Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments and on a going concern basis as described in the going concern statement within the Strategic report on pages 04-82.

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of a cash flow statement, certain related party transactions and the requirement to present a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of its financial statements.

The financial statements for the 52 weeks ending 25 March 2023 include the results and financial position of the Company for the 52 weeks ending 25 March 2023. The financial statements for the 52 weeks ending 26 March 2022 include the results and financial position of the Company for the 52 weeks ending 26 March 2022.

Where relevant, equivalent disclosures have been given in the consolidated financial statements. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments

Investments in subsidiaries and associates are shown at cost less provision for impairment. For investments in subsidiaries acquired for consideration in the form of shares, including the issue of shares qualifying for merger relief, cost is measured by reference to the fair value only of the shares issued.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Dividends receivable from the Company's subsidiaries are recognised only when they are approved by shareholders.

Key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Investment in subsidiaries

Estimation is required in relation to the recoverability of the investments and are sensitive to changes in cash flow forecasts supporting the recoverable amount. There is a significant risk that material adjustment to the carrying amounts of the investments and receivables could be required within the next financial year, including the reversal of prior year impairments. The carrying value of investments at 25 March 2023 is £740.7m (2022: £2,147.9m).

2 Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The Company reported a profit for the financial year ended 25 March 2023 of £232.3m (2022: loss of £150.8m).

Fees payable to the Company's auditors for the audit of the Company's annual financial statements are disclosed in note 6 of the Group accounts. The Company had no employees in the current or preceding financial year.

3 Trade and other receivables

	2023 £m	2022 £m
Amounts due within one year		
Prepayments	2.7	0.9
	2.7	0.9

3 Trade and other receivables continued

	2023 £m	2022 £m
Amounts due after more than one year		
Amounts due from subsidiary undertakings	472.9	345.8
Loss allowance	(0.9)	(0.7)
Net amounts due from subsidiary undertakings	472.0	345.1
Deferred tax asset (note 6)	34.9	31.3
	506.9	376.4

4 Derivative financial instruments

	2023 £m	2022 £m
Total derivatives		
Total assets – due after more than one year	0.1	0.2
Total assets – due within one year	4.1	0.6
Total assets	4.2	0.8
Total creditors – amounts falling due within one year	0.1	–
Total creditors	0.1	–
Derivatives designated and effective as hedging instruments carried at fair value		
Non-current assets		
Cross currency swaps (net investment hedge)	–	–
Total assets	–	–
Current liabilities		
Currency forwards (net investment hedge)	0.1	–
Total liabilities	0.1	–
Derivatives classified as held for trading		
Non-current assets		
Currency forwards (cash flow hedge)	0.1	0.2
Current assets		
Currency forwards (net investment hedge)	–	–
Currency forwards (cash flow hedge)	4.1	0.6
	4.1	0.6
Total assets	4.2	0.8
Current liabilities		
Fuel derivatives (cash flow hedge)	–	–
	–	–
Non-current liabilities		
Fuel derivatives (cash flow hedge)	–	–
	–	–
Total liabilities	–	–

Full details of the Group's financial risk management objectives and procedures can be found in note 25 of the Group accounts. As the holding company for the Group, the Company faces similar risks over foreign currency and interest rate movements.

Notes to the Company financial statements continued

5 Investments in subsidiary undertakings

	Unlisted subsidiary undertakings £m
Cost	
At 26 March 2022	2,717.8
Additions	6.4
Write-off of investment	(42.0)
Return of investment	(1,497.8)
At 25 March 2023	1,184.4
Provision for impairment	
At 26 March 2022	569.9
Impairment	6.4
Return of investment	(132.6)
At 25 March 2023	443.7
Carrying amount	
At 25 March 2023	740.7
At 26 March 2022	2,147.9

The carrying value of the investment in subsidiary undertakings is reviewed for impairment on an annual basis. The recoverable amount is the higher of fair value less cost of disposal or the net present value of future cash flows which are estimated based on the continued use of the asset in the business. The investments of £740.7m principally relate to an investment in the Group's former North American divisions and holding companies of £78.9m and the First Bus business of £659.3m.

The First Bus value in use requires the determination of appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow forecasts, the long term growth rate to be applied and the discount rate used to discount the estimated cash flows to present value.

The return of investment during the year relates to the distribution of net assets from subsidiary companies.

There was no reversal of impairment during the year.

The additions in the year relate to IFRS 2 share-based charges, which have subsequently been fully written down.

The investments in First Bus would break even using a discount rate of 12.3% or a reduction of terminal margin to 9.0%.

A full list of subsidiaries and investments can be found in note 40 to the Group accounts.

6 Deferred tax

The deferred tax asset/liability recognised by the Company and the movements thereon during the current and prior reporting periods are as follows:

	Other temporary differences £m
At 26 March 2022	(31.3)
(Credit)/charge to income statement	(3.8)
(Credit)/charge to reserves	0.2
At 25 March 2023	(34.9)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 £m	2022 £m
Deferred tax (asset)/liability due after more than one year	(34.9)	(31.3)

7 Creditors

	2023 £m	2022 £m
Amounts falling due within one year		
Bank overdraft	82.9	87.5
£200m Sterling bond – 6.875% 2024	6.5	7.1
Amounts due to subsidiary undertakings	170.0	1,415.6
Accruals and deferred income	53.9	8.2
	313.3	1,518.4
Amounts falling due after more than one year		
£200m Sterling bond – 6.875% 2024	184.2	199.9
	184.2	199.9

Borrowing facilities

The maturity profile of the Company's undrawn committed borrowing facilities is as follows:

	2023 £m	2022 £m
Facilities maturing:		
Due in more than two years	300.0	300.0

Details of the Company's borrowing facilities are given in note 22 to the Group accounts.

8 Called up share capital

	Number of shares million	2023 £m
Allotted, called up and fully paid (ordinary shares of 5p each)		
Balance as at 27 March 2022	750.2	37.5
SAYE/BAYE exercises	0.4	–
Balance as at 25 March 2023 (ordinary shares of 5p each)	750.6	37.5

In December 2022, the Company announced a share buyback programme to purchase up to £75m of ordinary shares, and at 25 March 2023, the Company had repurchased 29,515,396 shares for an amount of £31.6m, including transaction costs of £0.3m. As at 25 March 2023, £75.5m has been deducted from retained earnings in respect of the shares already purchased and remaining commitment to purchase up to £75m of ordinary shares.

The number of ordinary shares of 5p in issue, excluding treasury shares held in trust for employees, at the end of the period was 737.3m (2022: 740.7m). At the end of the period 42.8m shares (2022: 9.5m shares) were being held as treasury shares and own shares held in trust for employees.

9 Own shares

	Own shares £m
At 27 March 2022	(9.0)
Movement in EBT, QUEST and treasury shares during the year	(6.4)
At 25 March 2023	(15.4)

The number of own shares held by the Group at the end of the year was 42,774,044 (2022: 9,472,372) FirstGroup plc ordinary shares of 5p each. Of these, 13,068,899 (2022: 9,282,623) were held by the FirstGroup plc Employee Benefit Trust, 32,520 (2022: 32,520) by the FirstGroup plc Qualifying Employee Share Ownership Trust and 157,229 (2022: 157,229) were held as treasury shares, with a further 29,515,396 held as treasury shares as part of the share buyback programme which commenced on 19 December 2022. Both trusts and treasury shares have waived the rights to dividend income from the FirstGroup plc ordinary shares. The market value of the shares at 25 March 2023 was £43.3m (2022: £10.2m).

Notes to the Company financial statements continued

10 Contingent liabilities

To support subsidiary undertakings in their normal course of business, FirstGroup plc and certain subsidiaries have indemnified certain banks and insurance companies who have issued performance bonds for £55.0m (2022: £69.4m) and letters of credit for £169.9m (2022: £219.7m). The performance bonds primarily relate to First Rail franchise operations of £51.8m and residual North American obligations of £3.2m. The letters of credit relate substantially to insurance arrangements in the UK and North America. The parent company has committed further support facilities of up to £98.5m to First Rail Train Operating Companies of which £73.6m remains undrawn. Following the sale of Greyhound, the majority of the surety bonds were cancelled, with a residual amount of £3.2m remaining as noted above. Letters of credit remain in place to provide collateral for legacy Greyhound insurance and pension obligations.

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

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

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

The inquest relating to the death of seven passengers in the Croydon tram incident in November 2016 concluded in July 2021. The tram was operated by Tram Operations Limited ('TOL'), a subsidiary of the Group, under a contract with a Transport for London ('TfL') subsidiary. TOL provides the drivers and management to operate the tram services, whereas the infrastructure and trams are owned and maintained by a TfL subsidiary. The Office of Rail & Road ('ORR') announced in March 2022 that it had taken the decision to prosecute TfL, the driver of the tram and TOL for breaches of Health and Safety law. While TOL has indicated a guilty plea to the charge laid against it, the Company cannot yet accurately determine the quantum or timing of any financial penalties or related costs which may arise from these proceedings. TfL has also indicated a guilty plea. The driver has pleaded not guilty – his trial started in mid-May 2023.

First MTR South Western Trains Limited ('FSWT'), a subsidiary of the Company and the operator of the South Western railway contract, is a defendant to collective proceedings before the UK Competition Appeal Tribunal (the 'CAT') in respect of alleged breaches of UK competition law. Stagecoach South Western Trains Limited ('SSWT') (the former operator of the South Western network) is also a defendant to these proceedings. Separate sets of proceedings have been issued against London & South Eastern Railway Limited and related entities ('LSER') and, more recently, against Govia Thameslink Railway Limited and related entities ('GTR') in respect of the operation of other rail services. The three sets of proceedings are being heard together. The class representative ('CR') alleges that FSWT, SSWT, LSER and GTR breached their obligations under UK competition law by not making boundary fares sufficiently available for sale, and/or by failing to ensure that customers were aware of the existence of boundary fares and/or bought an appropriate fare in order to avoid being charged twice for part of a journey. A collective proceedings order ('CPO') was made by the CAT in January 2022 in respect of the FSWT/SSWT and LSER proceedings and, following an unsuccessful appeal by the defendants, the proceedings are continuing alongside the GTR proceedings in respect of which the CAT issued a judgment setting out its reasons for granting a CPO in March 2023. The Secretary of State for Transport served a written statement of intervention in all three proceedings in April 2023. A trial date has not yet been set. In March 2022, FSWT, the Company and the CR executed an undertaking under which the Company has agreed to pay to the CR any sum of damages and/or costs which FSWT fails to pay, and which FSWT is legally liable to pay to the CR in respect of the claims (pursuant to any judgment, order or award of a court or tribunal), including any sum in relation to any settlement of the claims. At present the Company cannot accurately determine the likelihood, quantum or timing of any damages and costs which may arise from these proceedings.